Cryptocurrency Tokens Cheat Sheet

1. What are Cryptocurrency Tokens?

Cryptocurrency tokens are digital assets that represent value on a blockchain. They are created and hosted on existing blockchain platforms such as Ethereum, Binance Smart Chain, and others. Unlike cryptocurrencies like Bitcoin or Litecoin, tokens do not have their own standalone blockchain but leverage the security and infrastructure of the underlying blockchain.

2. Types of Cryptocurrency Tokens:

a. **Utility Tokens:** These tokens are used to access a particular service or platform. They grant holders access to specific features, products, or services within a decentralized ecosystem.

b. **Security Tokens:** These tokens are subject to securities regulations and represent ownership in a company, project, or asset. They may offer dividends, profit-sharing, or voting rights to token holders.

c. **Stablecoins:** Stablecoins are tokens pegged to a stable asset, like fiat currency (USD, EUR) or commodities (gold, silver), aiming to reduce price volatility commonly seen in other cryptocurrencies.

d. **Non-Fungible Tokens (NFTs):** NFTs are unique tokens representing ownership of digital or physical assets, such as art, music, collectibles, or virtual real estate.

3. Token Standards:

a. **ERC-20:** The most common token standard on Ethereum, enabling fungible tokens with a set of functions for seamless integration with other platforms and wallets.

b. **BEP-20:** Similar to ERC-20 but used on the Binance Smart Chain, providing compatibility with Binance DEX and BEP-2/BEP-5 tokens.

c. **ERC-721:** A standard for NFTs on Ethereum, allowing each token to be distinct and unique, appealing to digital collectibles and art.

d. **ERC-1155:** Supports both fungible and non-fungible tokens, more efficient for gaming and other use cases where multiple tokens are managed together.

4. Token Wallets:

a. **Hardware Wallets:** Physical devices for secure offline storage of tokens, reducing the risk of hacks and unauthorized access.

b. **Software Wallets:** Applications (desktop, mobile, or web-based) that allow users to manage their tokens conveniently. Can be further categorized as hot wallets (connected to the internet) and cold wallets (offline).

5. Token ICOs and IDOs:

a. **Initial Coin Offerings (ICOs):** Traditional fundraising method where new tokens are sold to investors to raise capital for a project's development.

b. **Initial DEX Offerings (IDOs):** Similar to ICOs, but tokens are launched and sold directly on decentralized exchanges (DEXs) rather than through a centralized platform.

6. Token Security and Risks:

a. **Phishing Scams:** Be cautious of phishing attempts, always verify the website's URL and avoid clicking on suspicious links.

b. **Smart Contract Audits:** Tokens built on smart contracts should be audited by reputable firms to ensure security and eliminate vulnerabilities.

c. **Wallet Security:** Use strong passwords, enable two-factor authentication (2FA), and keep your private keys offline or in a secure hardware wallet.

d. **Regulatory Compliance:** Understand the legal and tax implications of owning and trading different types of tokens in your country.

Remember, the cryptocurrency space is constantly evolving, and it's essential to stay informed about new developments and potential risks associated with tokens. Always do thorough research and exercise caution when investing or interacting with tokens.