Cryptocurrency

A simple guide to understanding crypto and staying safe



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You may hear about cryptocurrency from family, friends, church, work colleagues, the news or read about it on Facebook and WhatsApp.

Some use cryptocurrencies to pay for items, while others use it to avoid transaction fees, for anonymity, and to invest in hoping its value will go up.

Using, buying, selling and transacting in cryptocurrency has risks.

This booklet explains what cryptocurrency is, what can go wrong and how to stay safe.

Three important things to know

- Cryptocurrency values can change quickly.
- Payments are usually difficult to reverse.
- Never share your private key or recovery phrase.

What is cryptocurrency?

Cryptocurrency, often called crypto, is a digital asset. That means it is something online that people can send, receive, buy, or sell.

How cryptocurrency work

You can purchase cryptocurrency through an online exchange, a mobile app, or a website.

A simple way to picture how cryptocurrency works:

Example

Imagine Rachel wants to send Alissa some cryptocurrency.

Rachel opens her wallet app, enters Alissa's wallet address and sends five units of cryptocurrency.

The network checks that Rachel has enough cryptocurrency and has not already spent it. Once the transaction is confirmed, it is added to the blockchain. Alissa's wallet then shows the new balance.

No physical coins move. The digital ledger is updated to show that the five units now belong to Alissa.

How a cryptocurrency transaction works

A simple example

1 Rachel sends



Rachel sends crypto from her wallet.

2 Network checks



The network checks the transaction.

3 Ledger updates



The blockchain record is updated.

4 Alissa receives



Alissa's wallet shows the payment.

Wallets, addresses and recovery phrases

A crypto wallet is not like a purse with coins inside. It is more like a digital keyring that holds the keys you need to move, buy and sell your crypto.

Some wallets are apps on your phone. Some are websites run by exchanges. Some are small devices.

Word	Simple meaning
Wallet	An app, website, or device that lets you use crypto.
Wallet address	Like an account number. People use it to send crypto to you.
Private key	A secret code that proves you control the cryptocurrency and lets you approve transactions. Never share your key.
Recovery phrase or seed phrase	A list of secret words used to restore your wallet. Treat it like the keys to your house.
Exchange	A business or website where people buy, sell, or hold crypto.

Example

Imagine Alissa has five cryptocurrency coins. The coins are not actually stored inside the wallet app on her phone. They remain recorded on the blockchain, which is the shared public digital ledger.

Alissa's crypto wallet holds the digital keys she needs to access and use them.

Her public wallet address is like an account number. She can safely give it to Rachel so Rachel can send her the cryptocurrency.

Her private key is like the secret key to a safe. Alissa uses it to prove the cryptocurrency belongs to her and to approve payment to others.

This means a crypto wallet is more like a digital keyring than a physical wallet. If Alissa loses her private key, she may lose access to her cryptocurrency. If she gives her private key to someone else, then that person could access and transfer her cryptocurrency without her permission.

Remember: You can share your public wallet address, but never share your private key, password or recovery phrase.

When you set up a wallet

When you set up some wallets, you are given a recovery phrase usually 12 or 24 words.

This phrase can restore access to your wallet if your device is lost or damaged.

Protect your phrase as anyone who has access to the words may be able to take your cryptocurrency.

Types of Crypto Wallets

- Software Wallets also known as Hot Wallets: are apps on your phone or computer. They are convenient for daily transactions but are connected to the internet, making them vulnerable to malware.

- Hardware Wallets or Cold Wallets: are physical hardware type devices that usually keep your private keys, reducing some of the online risks. The device and recovery phrase must still be kept secure.

Common types of crypto

People use the word crypto and cryptocurrency to describe many different digital assets. Here are a few common types.

Type	Simple explanation	Extra care needed
Bitcoin, Ethereum, BNB and similar coins	Digital coins that people buy, sell, or send, and can use to pay for goods and services.	The price can move a lot.
Stablecoins	Crypto designed to stay close to the value of another currency, such as the US dollar.	Stable does not always mean risk-free.
Tokens	Digital assets created for a project, business or online service, or platform.	Some projects fail. Some are scams.
NFTs	Digital tokens linked to something unique, often art, media, or a collectible.	The value can drop and buyers may disappear.
DeFi products	Online financial services that use crypto and blockchain technology that lets people lend, borrow, or trade crypto.	These can be complex and high risk.

You do not need to understand every technical word to stay safe.

Slow down, ask questions, and check who is behind the offer.

Common scams and warning signs

A crypto scam is a dishonest scheme that tricks people, organisations or businesses into losing money, cryptocurrency or digital assets.

Most scams try to make you act quickly. They may use pressure, trust, fear, romance, religion, community links, or screenshots of fake profits to deceive you.

Types of Cryptocurrency Scams

Common scams to watch out for

1 Fake investment platform



A website or app shows fake profits and asks you to invest more money.

2 Community or recruitment scheme



You are told to join and recruit family or friends. Early payouts may come from new members.

3 Romance or friendship scam



Someone you meet online builds trust, then pressures you to invest in crypto.

4 Fake celebrity or official



Scammers use fake videos, photos or endorsements to make an investment look real.

5 Fake wallet or account support



A scammer pretends to help and asks for your password, code or recovery phrase.

6 Money recovery scam



After you lose money, another scammer offers to recover it for a fee.

7 Using your account to transfer money

Someone asks to use your bank account or crypto wallet to move money for them.



Warning signs

- Guaranteed profits
- Pressure to act quickly
- Requests for crypto payment only
- Requests for passwords or recovery phrases
- Extra fees to withdraw money

Stop. Check. Talk to someone before you send money.



If you think you have been scammed

1. Stop sending money. Do not pay any fee, tax or recovery charge.
2. Contact your bank, exchange or payment provider immediately.
3. Change your passwords and security codes.
4. Save the evidence, including messages, receipts, wallet addresses and screenshots.
5. Report the scam to the appropriate Vanuatu authorities.
6. Tell someone you trust.
7. Ignore anyone promising to recover the money for an upfront fee.

Anyone can be tricked by a convincing scam. Do not keep it secret, warn others.

When something goes wrong

When something goes wrong it may be very difficult or impossible to recover your money, cryptocurrency or digital asset. This can happen if an exchange closes, you send cryptocurrency to the wrong person, lose your wallet password, you have been scammed or someone gains access to your wallet.

Although the public blockchain may show where your cryptocurrency assets were sent, it may not reveal who controls the wallet it was sent to.

Cryptocurrency rules in Vanuatu

In Vanuatu the *Virtual Asset Service Providers (VASP) Act* sets rules for businesses providing cryptocurrency and other virtual assets. However, losses from virtual assets cryptocurrency investments are not protected by a statutory compensation scheme in Vanuatu.

Why cryptocurrency matters to Vanuatu

- Cryptocurrency creates both opportunities and risks.
- Cryptocurrency can make some payments faster and cheaper.
- Criminals and State sponsored actors may also use it to carry out scams, money laundering, and ransomware.
- Cryptocurrency can make it harder for authorities to track illegal money moving into and out of Vanuatu.

REMEMBER



No legitimate crypto investment can guarantee returns.



Never share your recovery phrase, private key, password or security code.



Stop. Check. Talk to someone before you send money.



Protect yourself.
Protect your community.
WHEN IN DOUBT, ASK SOMEONE YOU TRUST.



Stay informed. Stay safe.
Together, we can stop scams.

Where to get help and report a scam

- **Vanuatu Police Force:** File a complaint in person at your nearest police station or via the VPF Contact Us page https://police.gov.vu/contact-us for the phone number of your nearest station.

- **CERT Vanuatu:** Complaints can be reported via the CERT Vanuatu website https://cert.gov.vu/ and by selecting Report Incident or selecting Contact Us which gives you the option to email them directly.

- **Vanuatu Financial Services Commission:** When scammers claim they hold a Vanuatu license or approval to conduct digital asset financial services contact the VFSC office in your area or report it via info@vfc.vu

This booklet provides general information only. It does not provide financial, investment or legal advice. Cryptocurrency laws, services and risks can change, so make sure you verify information before you decide on a course of action.