

**Bitcoin** is the first permissionless, peer-to-peer payment network with a programmable native currency. Bitcoin (BTC) is the native asset of the bitcoin blockchain and is also the world's first digital currency without a central bank or administrator. Bitcoin currently stands at a market cap of \$319B.

At Bitcoin Market Journal, our analysts use this "scorecard" to evaluate the risk level of blockchain-based crypto investments. By rigorously asking the same questions across several different categories, the blockchain investor can spot potential warning flags, and make better long-term investments. For each question in the list, assign a score from 1 (lower potential) to 5 (higher potential). The score for each question is averaged at the end of each section, and the score for each section is averaged at the end.

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>TEAM RISK</b>				
<b>Anonymity</b> <i>Anonymous teams are less accountable.</i>	Completely anonymous	Completely transparent	Satoshi Nakamoto, the creator behind bitcoin, is an alias. The anonymity of the leader(s) has been the subject of countless speculations in the crypto community. There are many polarizing opinions regarding the accountability of the leaders of bitcoin as well.	<b>4</b>
<b>Industry/technical experience</b> <i>Experienced teams are less risky than beginners.</i>	Newbies	All-star "supergroup"	Most of the names attached to bitcoin continue to stay out of the limelight. There is little to nothing known about the developers or bitcoin's maintenance teams. Names attached to the company barely have any social presence or track record. While they certainly have technical experience, their anonymity makes it difficult to verify.	<b>3</b>
<b>Information asymmetry</b> <i>Does the team have information you don't, that could allow unfair trades?</i>	Definitely	Definitely not	Bitcoin's blockchain does allow for transactions to be traced back to the users. The transparency of the blockchain makes it unlikely that the team has information that could lead to an unfair trading advantage.	<b>3</b>
<b>Integrity</b> <i>Are there red flags, yellow flags, or potential conflicts of interest?</i>	Questionable	Highest standards	While the community has grown to accept some of the drawbacks of using bitcoin, none of those seem to stem from a conflict of interest. Some of these concerns include the lack of escrow protection, and bitcoin still not being widely accepted as a virtual currency.	<b>2</b>
<b>Looking out for #1</b> <i>Are the leaders relentless self-promoters on Twitter?</i>	Blowhards	Humble leaders	Bitcoin is the first-ever decentralized cryptocurrency. Their status as the pioneers of their field never required bitcoin's leaders to self-promote on Twitter or any social platform.	<b>1</b>
<b>TEAM RISK SCORE</b> Average the five scores above				<b>2.6</b>

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>FINANCIAL RISK</b>				
<b>Capitalization</b> <i>Do they have enough operating cash on hand, and is it liquid (e.g., stablecoins)?</i>	Probably	Probably not	Bitcoin is completely open-source and community-driven. There is no centralized organization behind the project, however there are dozens of blockchain entities who provide resources for bitcoin development. These include crypto exchanges, bitcoin miners, and large blockchain-focused companies.	<b>2</b>
<b>Diversification</b> <i>Are their holdings well-diversified, or are all the eggs in one basket?</i>	Well diversified	Eggs in one basket	Because donations and grants are made directly to the developers and development companies it is safe to say that bitcoin's "holdings" are well diversified across entities and asset types.	<b>1</b>
<b>Promise of returns</b> <i>Do they promise investors, either implicitly or explicitly, that number go up?</i>	Yes	No	Members of the bitcoin development team are very careful about promising any kinds of returns - neither implicitly, nor explicitly.	<b>1</b>
<b>Risk warnings</b> <i>Does the company warn regularly about risks?</i>	Frequently	Never	Bitcoin has suffered regulatory issues in multiple regions, on multiple occasions. Despite the obvious regulatory risks around the currency, there are not frequent warnings to users, as the project is decentralized.	<b>4</b>
<b>Investor warnings</b> <i>Have other credible investors raised warning flags?</i>	Frequently	Never	Due to the volatility in bitcoin's prices, many large investors have expressed concerns over the years in its long-term staying power. Offsetting this has been a core of other large investors who have promoted bitcoin as a solid investment.	<b>3</b>
<b>FINANCIAL RISK SCORE</b> Average the five scores above				<b>2.2</b>

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>REGULATORY RISK</b>				
<b>Smells like security</b> <i>Are investors buying the token, hoping the price will go up?</i>	Probably	Probably not	While there is plenty of bull market speculation in bitcoin, most investors don't see it as a security, as there is no bitcoin "company."	2
<b>Jurisdiction</b> <i>Is the company headquartered in a country without clear crypto regulation (like the U.S.)?</i>	Unclear regulation (U.S., U.K., Eurozone)	Clear regulation (Bermuda, Singapore, etc.)	There is no centralized organization running bitcoin: it is completely open-source and decentralized. However, many of the groups who provide development resources for bitcoin are located in the United States.	3
<b>Leadership</b> <i>Does the company lead a specific niche of crypto (stablecoins, lending, etc.)?</i>	Category leader	Under the radar	Bitcoin brands itself as "open-source P2P money." The entire USP lies in being an alternative currency that involves no middleman: a system where all transactions are verified through bitcoin's blockchain. As the first, largest, and most well-known cryptocurrency, bitcoin doesn't lead a single niche, but rather leads the entire cryptocurrency ecosystem.	5
<b>REGULATORY RISK SCORE</b> Average the three scores above				3.33

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>SMART CONTRACT RISK</b>				
<b>Auditing</b> <i>Have their smart contracts been publicly audited by a reputable firm?</i>	Never	Regularly	Despite being one of the oldest cryptocurrencies on the planet, bitcoin only supports very basic smart contracts. This is due to it being intentionally created as Turing incomplete, leaving it incapable of logical loops and conditionals. We were unable to find any data indicating these basic bitcoin smart contracts have been audited.	5
<b>Bug reporting</b> <i>Is there a public forum for reporting bugs or issues, and is it easy to find?</i>	No	Yes	Bitcoin's <a href="#">bug reporting forum</a> is easy to find. They have split their bug reporting system into two parts: one for security-related issues and one for all other bugs.	1
<b>Stress Tests</b> <i>Has the company held up during one or more market downturns, hacks, or other crises?</i>	No	Yes	As the first blockchain and cryptocurrency, and still the largest by a wide margin, bitcoin has held up well through market downturns, hacks, and other notable crises.	1
<b>SMART CONTRACT RISK SCORE</b> Average the three scores above				2.33

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>TRACTION RISK</b>				
<b>Daily active users</b> <i>How many active users does the project have? (More users = more accountability)</i>	Not available	>1000 DAU	At the time of this writing, bitcoin is averaging about 800K daily active users, the most of any cryptocurrency.	1
<b>Social accountability</b> <i>How many followers do they have on social media (Twitter and/or Reddit)?</i>	<1000	1 million+	Bitcoin has 5.6 million followers on Twitter and 4.6 million members on the bitcoin subreddit.	1
<b>Crypto exchanges</b> <i>Is the project listed on major crypto exchanges (Binance, Coinbase, etc.)?</i>	None	All	Bitcoin is available on all major exchanges like Binance, Crypto.com, Coinbase, Gemini, Kraken, OKCoin, etc.	1
<b>TRACTION RISK SCORE</b> Average the three scores above				1.0

	Higher risk (5)	Lower risk (1)	Analysis	Score (1-5)
<b>BEHAVIORAL RISK</b>				
<b>Greed index</b> <i>To what degree are users investing in this asset out of greed? Be honest.</i>	Completely	Not at all	There is a large and noisy group of bitcoin holders, known as maximalists, who invest in bitcoin as a form of trustless money which they believe to be superior to traditional fiat currencies issued by central banks. Of course, during bull markets there are also those who are likely speculating out of greed.	3
<b>BEHAVIORAL RISK SCORE</b>				3.0

<b>OVERALL SCORE</b> Average the six section scores above				2.41
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The Blockchain Risk Scorecard is even better when paired with our [Blockchain Investor Scorecard](#). Since risk and reward go hand in hand, these two tools provide our crypto investing community even more confidence.