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How Do Cryptocurrency Wallets Work?

Original:

<https://www.btcc.com/en-US/academy/research-analysis/how-do-cryptocurrency-wallets-work>

Bitcoin is the most popular digital currency, so there are dozens of wallets dedicated to this currency. However, with the rise of altcoins, most modern wallets will allow you to store multiple currencies. The development of bitcoin wallet is a long process, which requires a lot of efforts and the dedication of experts. You need a strategic plan and a coherent roadmap to create a scalable and reliable bitcoin wallet application and enter the [cryptocurrency](#) field to gain a competitive advantage. Before entering how to develop cryptocurrency wallet, let's discuss its working process.

How Cryptocurrency Wallets Work

A considerable number of people are confused about the technology behind cryptocurrency wallets, even though they use them every day. Unlike traditional wallets, digital wallets do not store money. This comes down to the fact that digital money is not stored anywhere. They do not exist in physical form, nor do they have a location in the bank just like traditional money.

Encryption Keys

Virtual currency exists in the form of transaction records, which are registered on the blockchain. Since you want to start investing in cryptocurrency, you must know that in order to trade cryptocurrency, you need public and private encryption keys. These keys are extremely important in providing security for your virtual currency.

The public key gives you an address (a long combination of numbers) and is visible to all members of the peer-to-peer network. This is a number used by other members to identify you. If you want to accept a transfer from another user, you must provide this number.

The private key is something you must always keep secret. The combination of two keys is required to be the signature of the attached information of your exchange. If you lose your private key, you will also lose your money and you will not be able to get them back! In order to unlock the transaction, the private key and public key must match each other. It is important to remember that there is no actual coin exchange - the balance of the wallet either increases or decreases.

Cryptocurrency Wallets Are Not Anonymous

Cryptocurrency wallets are often misunderstood as completely anonymous, but with current technology, there is a way to track your true identity. Your account and key don't need any details of you. The address will be your pseudonym. But advanced technology can track your IP address.



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How to Secure Cryptocurrency Wallet From Hackers?

If you're using a hardware wallet, just make sure you don't reveal recovery phrases to anyone, remember your password and protect your device. For the software wallet, the security of the application is very strong, which meets the security requirements of modern mobile banking. The private key is not stored in the application, so it is impossible to obtain it by hacking the mobile phone. The database is backed up regularly. The "managed wallet" solution is used for transactional wallets. There is a KYC identification in the application, which is required by our more sensitive functions.