It’s hard to fathom something so complicated rising to popularity as fast as bitcoin.

With the price of the cryptocurrency soaring—and mainstream interest surging—Yahoo Finance recently invited readers to send us their top questions regarding bitcoin and other cryptocurrencies. We condensed questions from nearly 3,500 respondents into the list below, and enlisted a team of Yahoo Finance reporters to answer them, including Daniel Roberts, who’s been covering bitcoin since 2012, and Jared Blikre, our authority on trading. Ethan Wolff-Mann and Julia LaRoche contributed as well. Here’s the first of three articles on everything you want to know about bitcoin:

1. **What the “h” is it?** In the most general sense, bitcoin is software that forms a decentralized, peer-to-peer payment system with no central authority like the Federal Reserve or U.S. Treasury. It’s fair to call it a digital currency or cryptocurrency, but at the moment, most investors aren’t really using it as currency to pay for things. Instead, they’re using it as a speculative investment to buy in the hope of turning a profit. Maybe a big profit. (And maybe a big loss).

2. **What backs or supports it?** Bitcoin runs on something called blockchain, which is a software system often described as an immutable digital “ledger.” It resides on thousands of computers, all over the world, maintained by a mix of ordinary people and more sophisticated computer experts, known collectively as miners. Yahoo Finance’s Jared Blikre dabbles as a bitcoin miner, running mining software in the background on his laptop. Here’s how much bitcoin he has generated so far: 0.000000071589. At the current rate, it would take him about 1,200 years to mine one complete bitcoin. That gives you a sense of how complex it is to mine bitcoin, and how much processing power it takes: These computerized mining rigs throw off so much energy that they can heat your home.

All bitcoin transactions are permanently recorded by miners, who upload bundles of transactions, or “blocks,” to the chain, maintained on all those computers. Blockchain as a technology has become popular among banks and other big financial institutions, who want to use it to settle payments on their back-end systems. But they’re mostly interested in blockchain without bitcoin.

3. **Who’s running the show?** Bitcoin is decentralized, which means there isn’t one arbiter, central party or institution in charge. Blocks of transactions are validated on the blockchain network through computing “consensus,” which is a feature of the software. Bitcoin was created by someone in 2009 using the pseudonym Satoshi Nakamoto, but it isn’t known who that was, and that person or group doesn’t have control over bitcoin today.

4. **What is there to value?** The price of bitcoin fluctuates based on buying and selling, just like a stock, but there’s a ton of debate over what the price represents. In theory, the value of bitcoin should reflect investors’ faith in bitcoin as a technology. But in reality, investors mostly see bitcoin as a commodity because of its finite supply. Under Satoshi’s blueprint, the total supply of bitcoin will eventually be capped at 21 million coins. At the moment, 16.7 million bitcoins have been created. A fractional amount of new coins gets created every time a miner uploads a block to the blockchain, which is a reward for mining.

5. **Is this a scam?** It’s not a scam, in the sense of somebody marketing a bogus product. Bitcoin is a
legitimate technology. The question is how useful and valuable it will become.

6. Is there actually a physical coin called bitcoin? No. You can’t touch a bitcoin because it’s essentially software. You may have seen images of gold coins with a “₿” on them. Those are souvenirs that can’t be converted into actual bitcoin. But they’re better for illustrating news stories than the streams of numbers and letters that resemble the actual blockchain.

7. Is it tangible like gold? Bitcoin has one big similarity to gold, in that some investors consider it a good store of value for financial wealth. You can take possession of your bitcoins — as some people do with gold — by downloading the string of digital codes that represents your holdings onto a gizmo that looks like a flash drive. But you can’t run your fingers through your bitcoin the way you might with a pile of gold doubloons, and bitcoin certainly isn’t pleasingly shiny.

8. Is value completely determined by the free market? For the most part, yes. There’s a known and limited supply of bitcoin, so when demand goes up, so does the price. Technical innovation also contributes to bitcoin’s value. It was a novelty when first created in 2009, and the market has determined (for now) that it’s an invention that’s worth something.

9. How can something that does not exist in the material world have a monetary value? Bitcoin does actually exist in the material world, the same way an operating system for your phone or computer exists in the material world. Remember, it’s essentially software, and it’s very clear that certain types of software have value because of what they allow us to do.

10. If it’s virtual, can’t people make duplicates? Yes, but that’s not a problem. All bitcoin transactions are stored on that public ledger, the blockchain. You can copy the blockchain, but it’s just a record. So you wouldn’t be changing the distribution of bitcoin. To process new transactions in bitcoin, miners with powerful computers solve complex problems that add the transactions in a block to the blockchain. This is called “proof of work” and is one of the core features of most cryptocurrencies. Multiple miners verify the work, which prevents fraud.

11. Is this a legal tender? Not officially yet in the United States. “Legal tender” means the laws of a state or nation require any creditor to accept the currency toward payment of a debt. In the United States, for instance, merchants must accept the U.S. dollar, which makes it legal tender. The U.S. government allows transactions in bitcoin, but doesn’t require every nail salon, car dealership or restaurant to accept it. They do have to accept dollars. Meanwhile, Japan and Australia, among other countries, have officially recognized bitcoin as legal currency.

12. What is the collateral behind bitcoin? Nothing! The bitcoin blockchain records the entire transaction history of all bitcoin, which is validated through proof of work. That’s not collateral, however. There’s no other tangible asset backing bitcoin, the way a car serves as collateral for a car loan or a building serves as collateral for a commercial property loan.

13. Who keeps track of each bitcoin? All of the miners who maintain the system.

14. How do you buy and sell it? There are a number of easy-to-use exchanges now where you can buy bitcoin using money transferred from a bank account, and in some cases by charging a credit card. The most popular mainstream option is Coinbase, which now has more than 13 million customers. Kraken is another one. Here’s our full explainer on how to buy bitcoin.

15. What are you actually buying? You’re buying a digital “key,” which is a string of numbers and letters that gives you a unique claim on the blockchain supporting bitcoin. You can transfer this asset to others for whatever the market price of bitcoin is, minus transaction fees.

16. Can they be purchased in a regular brokerage account? Traditional brokerages such as Vanguard, Fidelity and Schwab don’t yet offer the ability to purchase bitcoin directly. But there are securities linked to the value of bitcoin, such Bitcoin Investment Trust (GBTC), which you can buy through a traditional brokerage. That doesn’t make them a safer investment than bitcoin. Most, in fact, are highly volatile, just like the coin, and they don’t necessarily track the price of bitcoin perfectly.

17. How much money do you need to get started? Not much. Coinbase lets you purchase as little as $1 of bitcoin, ethereum or litecoin, for instance.

18. Can bitcoin be purchased in fractions? Yes. One bitcoin is divisible down to 8 decimal points, or 0.00000001 bitcoin. That’s the equivalent of one one-hundred-millionth of a coin. That unit is known as a satoshi, in honor of the pseudonymous founder of bitcoin. If one bitcoin is worth $15,000, the value of a satoshi would be .015 cents.

19. Can it be traced back to you? Yes. Anyone who buys or sells bitcoin on an exchange such as Coinbase must provide their personal information to that exchange. If law-enforcement agencies or the IRS need to know something about you, the exchange will have to provide the info under the same laws that govern banks or brokerages. But your personal info does not become part of the blockchain and is not visible to miners maintaining the blockchain.

If you trade bitcoin privately with someone else in a peer-to-peer transaction, that person may know something about you, but nobody else would see the
transaction. And if you’re a shady character aiming to launder bitcoin, there’s a way, called “bitcoin mixing.” Multiple bitcoin owners send their bitcoins to a service known as a mixer, which pools bitcoin from multiple sources, mixes them up, and redistributes them to the original owners in the amount they contributed (minus a fee, needless to say). This is risky and assumes the mixer doesn’t run off with your coin.

20. Where is my money going when I buy a crypto? When you buy bitcoin or any other cryptocurrency, somebody is selling it to you — so most of the money goes to the seller. Exchanges also charge fees for conducting transactions, which can get very high. Bitcoin miners also earn transaction fees for their role in maintaining the network. Those tend to be tiny.

21. Are bitcoins real money? And can I cash them in whenever I want? Bitcoin has value that can be converted into ordinary currency, or used to make purchases from sellers that accept bitcoin. So in that sense, it’s real money, and it will remain real money as long as there’s a market with people willing to buy it. To “cash in” bitcoin, you need to sell it to somebody, in exchange for dollars or some other currency. Exchanges that handle such transactions have experienced frequent outages that prevent some people from accessing their accounts or executing a trade for a period of time, especially when there are large movements in the price of bitcoin. So don’t assume you’ll be able to sell any time you want.

22. What is the value based on, besides scarcity? What buyers and sellers think bitcoin is worth. In other words, a lot of psychology.

23. How are they stolen? The bitcoin blockchain itself is very secure, but bitcoins can be stolen from an account if thieves are able to log into your account and send the bitcoin to another account they control.

Once bitcoin is transferred, it can’t be recovered. Thieves typically break into other people’s accounts by stealing logon and password info. That makes it extremely important to use all possible measures to safeguard a bitcoin account, including two-factor authentication with a mobile phone. You also have a “private key,” which is a third layer of security that you might need at some point, if there are questions about who’s logging into your account. This key is typically a string of keyboard characters that should be stored where it can’t be lost or stolen or accessed through the internet.

24. How does bitcoin generate revenue? Miners earn money—paid in bitcoin—for creating bitcoin, which helps cover the cost of time and computer power that the process requires. They also earn small transaction fees from bitcoin users. Bitcoin itself doesn’t generate revenue. It’s best thought of as a commodity, similar to gold, that has a market price but doesn’t generate economic activity, the way a business does. When the value goes up, bitcoin can create profits. But when the value goes down, it can also create losses.

25. Is there value in this currency outside of black market transactions and ransoms? Yes. Since bitcoin transfers can’t be traced, bitcoin is often used to purchase drugs or stolen gods or finance other types of criminal activity. But it also has legitimate uses, and can be used as a form of payment with anybody who accepts it. Some investors consider bitcoin to be a store of value—an asset that has a long shelf life and whose value generally goes up over time. While that may be the trend of the last several years, however, we still can’t be sure bitcoin will hold its value long-term.

Watch for the second of three articles about Bitcoin coming in March.