Crypto for Beginners

Use, trade and stay safe, the Pakistani way



FREE DIGITAL EDUCATION

FREE EDITION

Crypto for Beginners

Use, trade and stay safe, the Pakistani way

By Mr How

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Read this first

Crypto can be a useful tool. Freelancers use stablecoins to receive payments. Families use them to move money across borders. Some people hold Bitcoin for the long term. Others trade actively, and a few do it well. But crypto is also where many young Pakistanis have lost their savings: to scams, to leverage, to "signal groups" and to apps that were never real exchanges.

This book is the operating manual I wish every beginner read before their first deposit. It explains what crypto is, what the law in Pakistan says as of November 2026, how to set up safely, how P2P works without getting burned, every major type of trading in plain language, and the risk management rules that separate people who survive from people who blow up their accounts.

If you have not read Book 4, *Road to Blockchain*, you can still follow this book, but reading it first will make everything clearer.

Important

This book is education, not financial, legal or tax advice. Crypto prices are extremely volatile. Never invest money you cannot afford to lose, never borrow to buy crypto, and never trust anyone who promises fixed profits.

Chapter 1. What crypto is (and isn't)

A cryptocurrency is a digital asset that lives on a blockchain, a shared ledger maintained by many computers. Ownership is controlled by cryptographic keys rather than by a bank account. Transactions can move across the world, at any hour, without a bank in the middle.

The main families

- **Bitcoin (BTC):** the first cryptocurrency, with a fixed maximum supply of 21 million. Often described as "digital gold".
- **Ethereum (ETH) and other smart contract platforms:** blockchains that run programs, on which tokens, apps and DeFi are built.
- **Stablecoins (such as USDT and USDC):** tokens designed to track the US dollar. In Pakistan, these are the most widely used crypto assets for practical purposes.
- **Other tokens ("altcoins"):** thousands of tokens with very different purposes and quality, from serious projects to pure

speculation and outright scams.

What crypto is not

- **Not legal tender in Pakistan.** Shops and people are not required to accept it, and the rupee remains the official currency.
- **Not a savings account.** There is no deposit insurance. If an exchange fails or you lose your keys, your money may be gone.
- **Not anonymous.** Most blockchains are public. Exchanges verify identity and share data with authorities when required.
- **Not a guaranteed investment.** Bitcoin itself has fallen by more than 70% several times. Most small tokens eventually lose almost all their value.

Why the price moves so much

Crypto prices are set by supply and demand on global markets that never close. There are no earnings reports to anchor value the way company shares have. News, regulation, large holders, leverage and social media hype can move prices by 10% in a day, and smaller tokens by 50% or more. Volatility is not a bug you can avoid; it is the nature of the asset class, and your plan must assume it.

Exercise

Look up the price chart of Bitcoin over the last five years and the chart of any small token that was popular on social media two years ago. Write one sentence about what you notice. This single exercise prevents a lot of bad decisions.

Chapter 2. The rules in Pakistan

Pakistan's crypto rules changed more between 2025 and 2026 than in the entire decade before. Here is where things stand as of 13 November 2026. Laws change quickly, so always check the latest updates from official sources and the Crypto Rules page on themrhow.com.

The timeline

Date	What happened
April 2018	The State Bank told banks and payment companies not to deal in virtual currencies.
July 2025	The Pakistan Virtual Assets Regulatory Authority (PVARA) was created by ordinance.
August 2025	NCCIA declared 46 betting, forex and binary trading apps illegal, including Binomo, Quotex, Pocket Option, IQ Option, Deriv, Olymp Trade and OctaFX.
December 2025	PVARA granted No Objection Certificates (NOCs) to Binance and HTX.
March 2026	Parliament passed the Virtual Assets Act, 2026, making PVARA a permanent regulator. Operating without a licence became an offence.
April 2026	The State Bank replaced the 2018 ban; banks may open accounts for PVARA-licensed firms but cannot hold or trade crypto themselves.
June 2026	No new crypto tax rate in the budget; an FBR official said gains are already taxable as capital gains.
July 2026	In a bail decision, the Lahore High Court said P2P trades by themselves do not prove fraud. This was not a final judgment.
August 2026	PVARA opened licensing with eleven licence categories.

November 2026	No full PVARA licence had been publicly announced.

NOC is not a licence

An NOC allows a company to incorporate in Pakistan and apply for a licence. It is a first step. PVARA has said an NOC does not by itself permit operating as a licensed provider. So if any app tells you it is "PVARA licensed", ask for its licence number and check it on PVARA's official website. As of November 2026, you will not find one.

What this means for you

- Binary options and the apps on NCCIA's list are illegal. Do not use them, with or without a VPN.
- Crypto companies serving Pakistan must move towards PVARA licensing. Prefer platforms that are engaging with the regulator, and keep watching for official licence announcements.
- Crypto gains are treated as taxable. Keep records of every purchase and sale.
- P2P trading is not clearly banned for individuals, but bank accounts can be frozen during investigations, especially if you receive money from third parties. Chapter 5 explains how to reduce this risk.

Chapter 3. Setting up safely

Most losses in crypto do not happen because of bad trades. They happen because of bad setup: a weak password, a phishing link, a fake app, a shared code. Spend one careful evening on this chapter and you will avoid the most common disasters.

Step 1: Choose a platform carefully

- Use large, established platforms with a long track record, transparent policies and engagement with regulators.
- Check the platform's current status on PVARA's website and the checker on themrhow.com.
- Avoid platforms promoted mainly through WhatsApp groups, "account managers" or influencers promising profits.
- Download the app only from the official app store, and check the developer name carefully.

Step 2: A dedicated email

Create a separate email account used only for crypto, with a long unique password and two-factor authentication. If your everyday email is hacked, your crypto accounts stay safe.

Step 3: Lock down your account

☐ Long, unique password stored in a password manager

☐ Two-factor authentication with an authenticator app, not only SMS

☐ Anti-phishing code turned on, if the platform offers it, so real emails show your secret word

☐ Withdrawal address whitelist turned on, so funds can only go to addresses you approved

☐ Login and withdrawal alerts turned on

☐ Backup codes written down and stored offline

Step 4: Identity verification

Legitimate platforms will ask you to verify your identity (KYC). Do this only inside the official app. Never send CNIC photos to "support agents" on WhatsApp or Telegram.

Step 5: Start tiny

Your first deposit should be an amount you would not mind losing while you learn: a few hundred or a few thousand rupees. Practise depositing, buying, sending a small amount

between two of your own wallets, and withdrawing. Make your mistakes when they are cheap.

The three commandments, again

Never share your seed phrase or codes. Never sign what you do not understand. Never send crypto to anyone who promises to double it.

Chapter 4. How Pakistanis actually use crypto

Social media makes it look as if everyone uses crypto to get rich. In reality, most practical use in Pakistan falls into a few categories, each with its own benefits and risks.

Freelancers receiving payments

Some international clients pay freelancers in stablecoins because it is fast and cheap. The freelancer then holds the stablecoins or converts them to rupees. Benefits: speed, low fees, access to clients who prefer crypto. Risks: exchange or P2P risk when converting, tax record-keeping, and scams disguised as clients. Many freelancers still find official banking channels simpler for regular income; compare both honestly.

Holding value in dollar terms

When the rupee loses value, some people hold part of their savings in dollar stablecoins. This protects against rupee depreciation, but adds other risks: stablecoin issuer risk,

platform risk and the risk of losing access. It is not the same as holding dollars in a bank.

Long-term holding

Some people buy Bitcoin or other major assets and hold them for years, often by buying small fixed amounts regularly. This is simpler than trading but still involves large price swings.

Trading

A minority trade actively, trying to profit from price moves. Studies of retail trading in many markets consistently find that most active traders underperform or lose money, especially with leverage. Chapters 7 and 8 explain why, and how to protect yourself if you choose to trade.

Learning and careers

For many young people, the best use of crypto is understanding it well enough to work in the industry: in support, content, compliance, development or research, as Book 4 describes.

Chapter 5. P2P without getting burned

Peer-to-peer (P2P) trading means buying or selling crypto directly with another person, usually through a platform's P2P marketplace that holds the crypto in escrow during the trade. In Pakistan, P2P has been a major way to move between rupees and stablecoins. It is also where many beginners get their bank accounts frozen or lose money to fraud.

How a P2P trade works

1. A seller lists stablecoins at a price in rupees. The platform locks the seller's crypto in escrow.
2. The buyer places an order and pays the seller in rupees through the agreed method, such as a bank transfer.
3. The seller checks that the money has arrived in their own account, then releases the crypto from escrow to the buyer.
4. If there is a problem, either side can open a dispute with the platform.

Rules when buying

- Trade with merchants who have a long history, many completed trades and high completion rates.
- Pay only from a bank account in your own name, matching your verified identity.
- Never write crypto-related words in the payment reference unless the platform instructs you to.
- Keep the conversation inside the platform's chat. Never move to WhatsApp.

Rules when selling

- Never release crypto based on a screenshot. Open your own bank app and confirm the money has arrived and is not pending.
- Check that the sender's name matches the buyer's verified name. Refuse third-party payments, even if they "explain" it.
- Be very careful with large first trades from new users.
- If something feels off, cancel or open a dispute rather than release.

Why bank accounts get frozen

If someone receives stolen money, for example from a scam victim, and uses it to buy crypto from you, the victim's complaint can lead investigators to your account, because the

stolen money passed through it. Your account may be frozen while this is investigated, even though you did nothing wrong. The July 2026 Lahore High Court bail decision recognised that P2P trades alone do not prove fraud, but an investigation can still be stressful and slow. Keep records of every trade: order IDs, chat logs, names and amounts. These records are your proof of innocence.

> **A safer P2P routine**
>
> One dedicated bank account for P2P, trades only with established merchants, matching names only, no screenshot releases, records saved after every trade, and limits on how much you move in a day.

Chapter 6. Reading the market

Before you buy anything, learn to read the basic numbers. They will protect you from many bad decisions.

Key numbers for any coin

- **Price:** the cost of one unit. On its own, almost meaningless. A token at Rs 1 is not "cheap" if there are trillions of them.
- **Market capitalisation:** price multiplied by circulating supply. This tells you the total value the market places on the asset.
- **Fully diluted value:** price multiplied by maximum supply, including tokens not yet released. A big gap between market cap and fully diluted value means many tokens will be unlocked in future, which can push the price down.
- **Volume:** how much is traded in a period. Very low volume means it may be hard to sell without moving the price.
- **Supply schedule:** how and when new tokens are created or unlocked for teams and investors.

> **The "cheap coin" trap**
> "This coin is only Rs 0.50, it could go to Rs 50!" For that to happen, its market cap would need to rise a hundred times. Always ask what market cap a price target implies, and whether that is realistic compared with established assets.

Candlestick charts, briefly

Most charts show candles. Each candle covers a time period, such as one hour or one day, and shows four prices: open, high, low and close. A green (or hollow) candle closed higher than it opened; a red one closed lower. The thin lines, called wicks, show the highest and lowest prices in that period.

Trends, support and resistance

Traders look for trends (a series of higher highs and higher lows, or the reverse) and for price levels where buying or selling has repeatedly appeared, called support and resistance. These tools describe the past; they do not predict the future with certainty. Anyone who claims a chart pattern "guarantees" a move is selling you a story.

News and narratives

Crypto markets react strongly to regulation, interest rates, exchange failures, hacks and large investor activity. Learn to separate news from rumours. A post saying "huge announcement coming" with no source is not news.

Chapter 7. Types of trading, explained simply

"Trading" covers very different activities with very different risks. Understanding the differences is essential, because many beginners walk into the riskiest types without knowing it.

Spot buying and holding

You buy an asset with money you have, and you own it. If the price falls 50%, you have lost half its value, but you still own it, and you cannot lose more than you put in. This is the simplest and least dangerous form of crypto exposure.

Dollar-cost averaging (DCA)

You invest a fixed amount at regular intervals, for example Rs 2,000 every month, regardless of price. This removes the stress of trying to time the market and smooths out your average buying price over time. It does not guarantee profit, but it is a disciplined approach that suits beginners.

Swing trading

You hold positions for days or weeks, trying to profit from medium-term moves. This needs a clear plan, chart reading and strict risk rules.

Day trading and scalping

You open and close positions within a day, or even within minutes. Fees, stress and fast mistakes make this very hard to do profitably. Most beginners who try day trading lose money.

Futures and leverage

Futures let you bet on price moves with **leverage**, controlling a large position with a small deposit called margin. With 10x leverage, a 10% move in your favour doubles your margin. But a 10% move against you can wipe out your margin entirely, and the platform will close your position automatically. This is called **liquidation**.

Leverage	Approximate move against you that can liquidate you
2x	About 50%
5x	About 20%
10x	About 10%
20x	About 5%
50x	About 2%
100x	About 1%

The exact numbers depend on fees and the platform's rules, but the lesson is clear: crypto often moves 5% in a day, so high leverage turns normal volatility into near-certain liquidation. Most of the "I lost everything in one night" stories come from leverage.

Copy trading, bots and signals

Copy trading lets you automatically copy another trader's positions; bots trade according to programmed rules; signal groups tell you when to buy and sell. All of them shift decisions to someone or something else, but the risk stays with you. Past performance shown on a leaderboard can be selective, and many "signal" sellers earn mainly from subscriptions.

Binary options are not trading

As Book 2 explains, binary options are fixed-odds bets on whether a price goes up or down within seconds or minutes, with a built-in house edge. They are gambling, and the major binary apps were declared illegal by NCCIA in August 2025.

Chapter 8. Basic risk management

Professional traders think about risk before reward. Beginners do the opposite. These rules are the difference between a learning experience and a disaster.

Rule 1: Only risk money you can afford to lose

Never use money meant for rent, fees, family needs or emergencies. Never borrow to invest in crypto. Build an emergency fund in safe savings first.

Rule 2: Size every position

Many experienced traders risk only 1% to 2% of their trading capital on a single trade. If your trading account is Rs 100,000, a 1% risk means you plan to lose no more than Rs 1,000 if the trade goes wrong. You set a stop-loss level that limits the loss to that amount. This way, even ten wrong trades in a row do not destroy your account.

Rule 3: Decide your exit before you enter

Before every trade, write down: why you are entering, where you will take profit, and where you will accept you were wrong (your stop-loss). If you cannot answer these, do not trade.

Rule 4: Avoid or strictly limit leverage

Beginners should not use leverage at all. If you ever do, keep it low and use it only with a fixed stop-loss and a small position size.

Rule 5: Diversify, but not into junk

Spreading money across many tiny tokens is not diversification; it is buying many lottery tickets. A simple approach many long-term holders use is to keep most crypto exposure in the largest, most established assets, and hold some savings outside crypto entirely.

Rule 6: Control your emotions

- **FOMO** (fear of missing out) makes you buy after a big pump.
- **Panic** makes you sell after a crash.
- **Revenge trading** makes you take bigger risks to win back losses.

Write your rules on paper and follow them, especially when you feel strong emotions.

Rule 7: Keep a journal

Record every trade: date, asset, reason, entry, exit, result and how you felt. After 20 trades, review your journal. Patterns in your mistakes are your best teacher.

A simple risk plan for beginners

No leverage. Monthly DCA into one or two major assets with a small, fixed amount. No more than a small share of your savings in crypto. Records of everything for tax. One hour a week of learning instead of hours of watching charts.

Chapter 9. Research before you buy

"Do your own research" is said often and done rarely. Here is what it actually means for a token or project.

The research checklist

☐ **Purpose:** what problem does it solve, and does it need a token to do it?

☐ **Team:** are the people public and experienced? Have they built anything before?

☐ **Token supply:** how many tokens exist, who holds them, and when do team and investor tokens unlock?

☐ **Usage:** are real people using the product, or is all the activity speculation?

☐ **Security:** has the code been audited by reputable firms? Has it been hacked before?

☐ **Liquidity:** is it listed on major exchanges with meaningful volume?

☐ **Community:** is the discussion about the product, or only about the price?

☐ **Red flags:** guaranteed returns, anonymous teams with no track record, huge influencer pushes, pressure to buy before a "launch".

Where to look

Start with the project's official documentation and website (typed by you, not clicked from an ad), reputable data sites for supply and volume, block explorers to see real on-chain activity, and serious news sources. Treat paid promotions and social media hype as marketing, not research.

Chapter 10. Mr How's free learning path

All of my crypto education is free on YouTube and the platforms listed on themrhow.com. If you want to learn in a sensible order, follow this path:

1. **Safety first:** scam awareness and account security, the subjects of Book 2.
2. **Foundations:** how blockchains, wallets and stablecoins work, the subjects of Book 4.
3. **Rules:** Pakistan's crypto regulations and the Crypto Rules page on themrhow.com.
4. **Practical setup:** creating a secure account, small deposits and withdrawals, and P2P safety.
5. **Market basics:** reading prices, market caps, supply and charts.
6. **Strategies:** DCA and long-term holding first; trading only after you have a written risk plan.
7. **Careers:** turning knowledge into skills the industry pays for.

I do not sell paid crypto courses, signals, VIP groups or account management. Anyone offering these in my name is a scammer.

Chapter 11. Scams that target crypto beginners

Book 2 covers scams in depth. Here is a quick reference for the ones that target crypto beginners most.

Scam	How it works	Defence
Fake exchange or app	Shows fake profits; withdrawals need "fees"	Official app store only; verify licence status
Signal or VIP group	Paid tips, fake profit screenshots	Never pay for "guaranteed" signals
Account manager	"Give me your funds or login, I'll trade for you"	Never share access or send funds to individuals
Relationship scam	Online friend introduces a "special platform"	Never invest on a platform suggested by a stranger
Fake support	Replies to complaints, asks for seed phrase	Support never asks for keys or codes
Giveaway	"Send 1, get 2 back"	Always a scam
Wallet drainer	Fake airdrop asks you to connect and sign	Don't sign on sites from ads or DMs
Pump-and-dump token	Hype, then insiders sell	Avoid tokens sold on "100x" promises
P2P fake proof	Edited payment screenshot	Check your own bank app before releasing

Chapter 12. Stablecoins in depth

For most Pakistanis who use crypto practically, stablecoins matter more than Bitcoin. They deserve their own chapter.

How fiat-backed stablecoins work

A company issues tokens and promises that each one can be redeemed for one US dollar. To back that promise, it holds reserves, typically cash, bank deposits and short-term government bonds. When large customers deposit dollars, new tokens are created (minted). When they redeem, tokens are destroyed (burned). Ordinary users usually buy and sell stablecoins on exchanges rather than dealing with the issuer directly.

Why the price usually stays near $1

If a stablecoin trades below $1 on exchanges, large traders who can redeem with the issuer buy it cheaply and redeem it for a full dollar, pushing the price back up. If it trades above $1, they mint new tokens and sell them. This arbitrage keeps the

price close to the peg, as long as people trust that redemption works.

The risks you carry

- **Issuer risk:** are the reserves real, sufficient and safe? Read the issuer's reserve reports and how they are checked.
- **Regulatory risk:** regulators in major countries can restrict or reshape stablecoins.
- **Freeze risk:** many issuers can freeze tokens at specific addresses, for example in response to law enforcement.
- **Network risk:** the same stablecoin exists on several networks. Sending on the wrong network can lose funds.
- **Platform risk:** if you hold stablecoins on an exchange, you also carry that exchange's risk.

Practical tips

☐ Always double-check the network before sending stablecoins

☐ Send a small test amount before large transfers

☐ Do not keep all your savings in a single stablecoin or a single platform

☐ Be very sceptical of "stablecoin savings" offering high fixed yields

Chapter 13. Taxes and record-keeping

As of mid-2026, Pakistan had no special crypto tax rate, but an FBR official said that crypto gains are already taxable as capital gains, and mining income as business income. Tax rules can change and depend on your full situation, so treat this chapter as a guide to good habits, not tax advice.

What to record for every transaction

Field	Example
Date and time	14 Nov 2026, 9:40 pm
Type	Buy, sell, P2P, transfer, fee
Asset and amount	0.002 BTC
Price in rupees	Rs [price] per unit
Total value in rupees	Rs [total]
Fees	Rs [fee]
Platform and order ID	[platform], order #123456
Counterparty (for P2P)	Verified name of buyer or seller

Simple habits

- Download your transaction history from each platform at the end of every month and save it in a safe folder.
- Keep P2P chat logs and bank statements together with your trade records.
- When your activity becomes significant, consult a qualified tax adviser before filing.

Good records also protect you if a bank or investigator asks where money came from.

Chapter 14. Three beginner journeys

These stories are built from common patterns I have seen over six years of teaching. Read them as mirrors.

Usman: the leverage lesson

Usman, 22, opened an exchange account after watching profit screenshots on TikTok. In his first month he made Rs 8,000 on spot trades and felt like a genius. A video showed someone turning $100 into $5,000 with 50x leverage. Usman tried it with Rs 40,000, most of his savings. A 3% move against him wiped it out in under an hour. He tried to win it back with borrowed money and lost again. What would have saved him: no leverage, a written risk plan, and the knowledge in Chapter 7's table.

Maryam: the slow and steady path

Maryam, a freelance designer in Karachi, read about crypto for two months before buying anything. She set up her account with 2FA, a withdrawal whitelist and a dedicated email. She decided to put Rs 3,000 a month into Bitcoin, alongside her

normal savings, and never to trade. Some months the value fell sharply and she felt nervous, but she followed her plan. Two years later, her small monthly purchases were worth more than she had put in, though she knows that is not guaranteed and that prices can fall again. Just as importantly, she never lost a rupee to a scam.

Ahmed: the P2P freeze

Ahmed sold USDT on P2P to earn a small spread. He accepted payments from names that did not match buyers' profiles because "everyone does". One payment turned out to be from a scam victim. His bank account was frozen during the investigation, and he spent weeks proving he was an innocent seller, using his saved order records and chat logs. He now follows every rule in Chapter 5, and he keeps a separate account for P2P.

Your beginner checklist

☐ I understand crypto is volatile and can lose most of its value

☐ I know the current rules in Pakistan and that no platform holds a full PVARA licence yet

☐ I never use binary options or apps on NCCIA's illegal list

☐ I use a dedicated email, a password manager and authenticator-app 2FA

☐ I turned on anti-phishing codes and withdrawal whitelists where available

☐ My seed phrases are on paper, offline, never photographed, never shared

☐ I only use money I can afford to lose and never borrow to invest

☐ I do not use leverage as a beginner

☐ I follow the P2P safety routine and keep records of every trade

☐ I keep records of every purchase and sale for tax

☐ I research before buying and ignore "guaranteed profit" promises

Little dictionary

- **DCA:** dollar-cost averaging, investing a fixed amount at regular intervals.
- **Escrow:** funds held by a platform until both sides complete a trade.
- **KYC:** know your customer, identity verification by a platform.
- **Leverage:** borrowing to control a larger position than your deposit.
- **Liquidation:** forced closing of a leveraged position when losses reach the margin.
- **Market cap:** price multiplied by circulating supply.
- **NOC:** No Objection Certificate, a first step towards a PVARA licence.
- **P2P:** peer-to-peer trading directly between users.
- **Stop-loss:** a preset price at which you exit a losing trade.

A message from Mr How

I have watched crypto create opportunities for some Pakistanis and destroy savings for many others. The difference was almost never luck. It was knowledge, discipline and safety.

Take your time. Learn before you deposit. Protect your keys like your house keys. And remember: anyone who promises you fixed profit, in crypto or anywhere else, is not your friend.

Stay safe and keep learning. Mr How