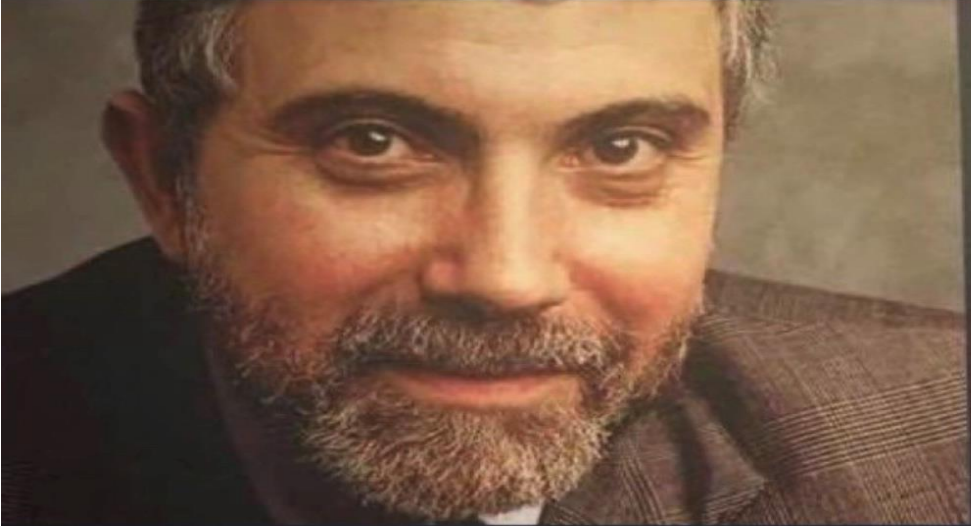


Digital Assets – Broad Introduction

Georgia House of Representatives
Banks & Banking Committee

March 9, 2022

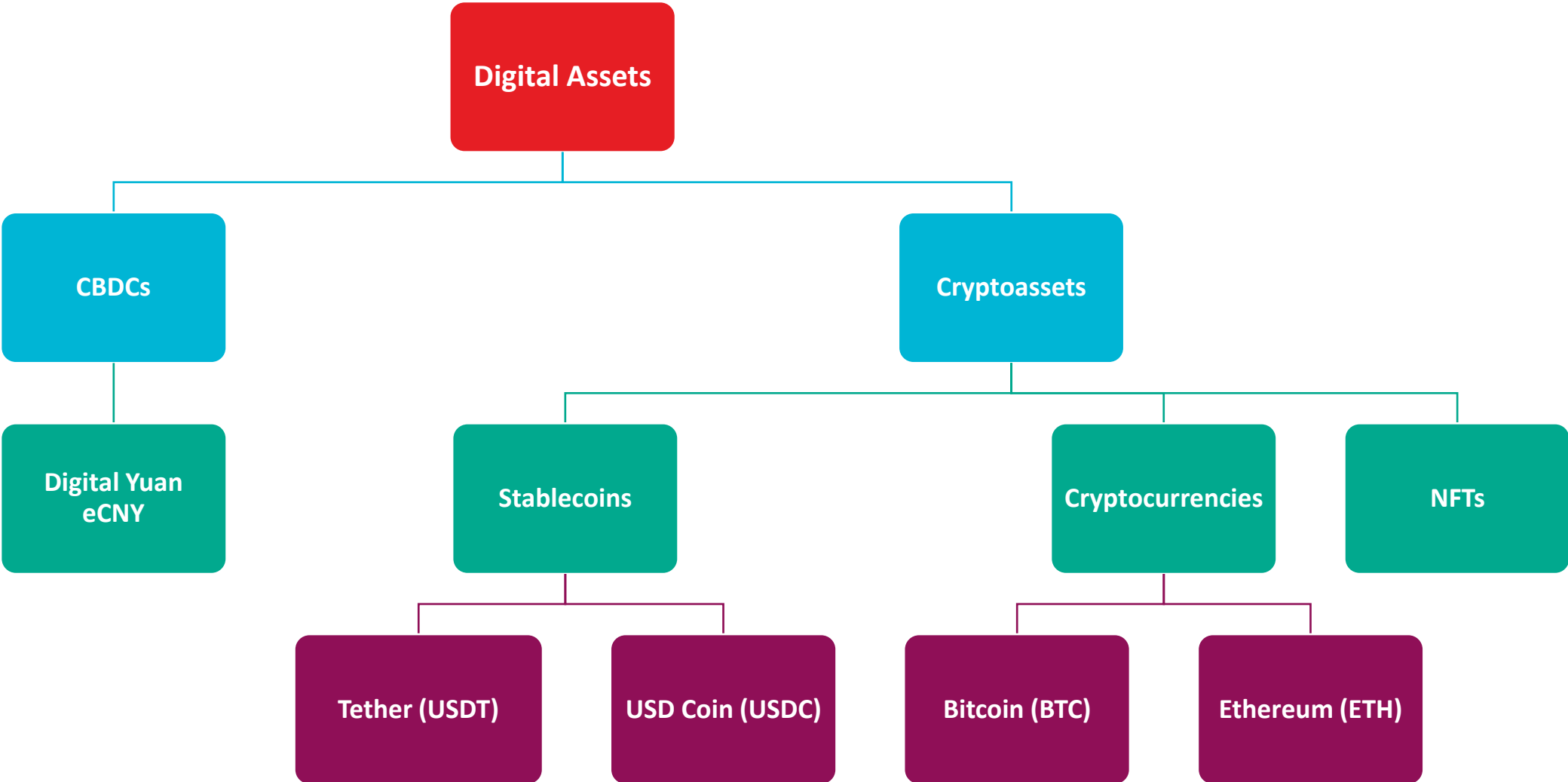


"By 2005 or so, it will become clear that the Internet's impact on the economy has been no greater than the fax machine's."

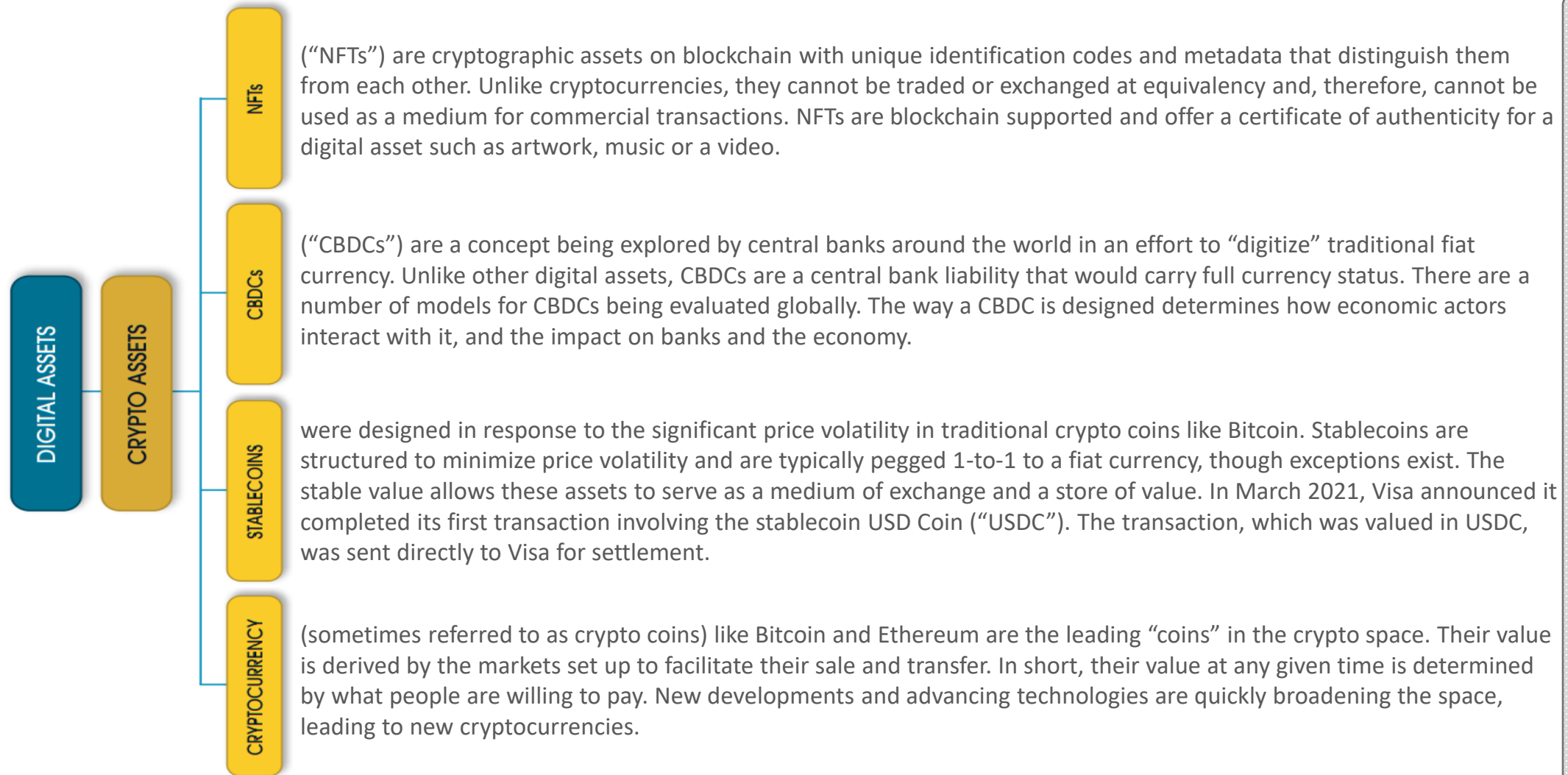
Nobel Prize-winning economist
Paul Krugman

1998





Defining what it is



Powered by Blockchain Technology

Source: American Bankers Association | Understanding Cryptocurrency Study | July 15, 2021 | <https://www.aba.com/news-research/research-analysis/understanding-cryptocurrency#>

Market insights: reaching mass acceptance

With any disruptive market environment, there is plenty of irrational behavior to observe. However, we believe there are industry re-shaping behaviors and events underway from which we can learn, test, and develop next-generation banking and financial services.











Financial Services



Banking Industry



Present

Name	Price	24h %	7d %	Market Cap ⓘ
 Bitcoin BTC Buy	\$42,137.65	▲ 0.22%	▼ 4.85%	\$798,406,998,681
 Ethereum ETH Buy	\$2,883.02	▲ 0.88%	▼ 9.04%	\$344,991,017,165
 Tether USDT	\$1.00	▼ 0.01%	▼ 0.01%	\$78,494,781,599
 BNB BNB Buy	\$398.13	▲ 0.42%	▼ 8.73%	\$65,800,728,302
 USD Coin USDC	\$1.00	▲ 0.05%	▲ 0.11%	\$52,441,781,470
 XRP XRP	\$0.789	▼ 1.52%	▼ 0.18%	\$37,711,823,655
 Cardano ADA	\$1.03	▼ 0.74%	▼ 13.14%	\$34,633,440,588
 Solana SOL Buy	\$94.42	▲ 2.35%	▼ 21.46%	\$30,110,949,206
 Terra LUNA Buy	\$52.91	▲ 2.51%	▼ 8.96%	\$21,115,032,378
 Avalanche AVAX Buy	\$80.12	▲ 2.38%	▼ 5.23%	\$19,638,212,195

What Do Regulators Call It?

- US Financial Crimes Enforcement Network (FinCEN) ————— “Convertible Virtual Currency”
- US Commodity Futures Trading Commission (CFTC) ————— “Digital Asset”
- US Securities and Exchange Commission (SEC) ————— “Digital Asset”
- Financial Action Task Force (FATF) ————— “Virtual Asset”
- EU 5th Anti-Money Laundering Directive (AMLD5) ————— “Virtual Currency”
- European Commission ————— “Crypto-assets”
- Monetary Authority of Singapore (MAS) ————— “Cryptocurrency/crypto assets”
- Financial Transactions and Reports Analysis Centre (FINTRAC) ——— “Virtual Currency”

- medium of exchange;
- unit of account;
- store of value,
- does not have legal tender status (except in El Salvador)
- protected by cryptography (keys → the wallet))
- recorded on the blockchain (miners)
- uses a proof-of-work system to validate transactions and maintain the blockchain (is what miners do)

- Cryptocurrencies main functionalities are:
 - Investment asset
 - Method of payment
- Bitcoin (BTC) and Ethereum (ETH) are the most common cryptocurrencies
- Satoshis are Bitcoin's smallest units 0.00000001

Custodial Services vs Non-Custodial Services



CUSTODIAL WALLET

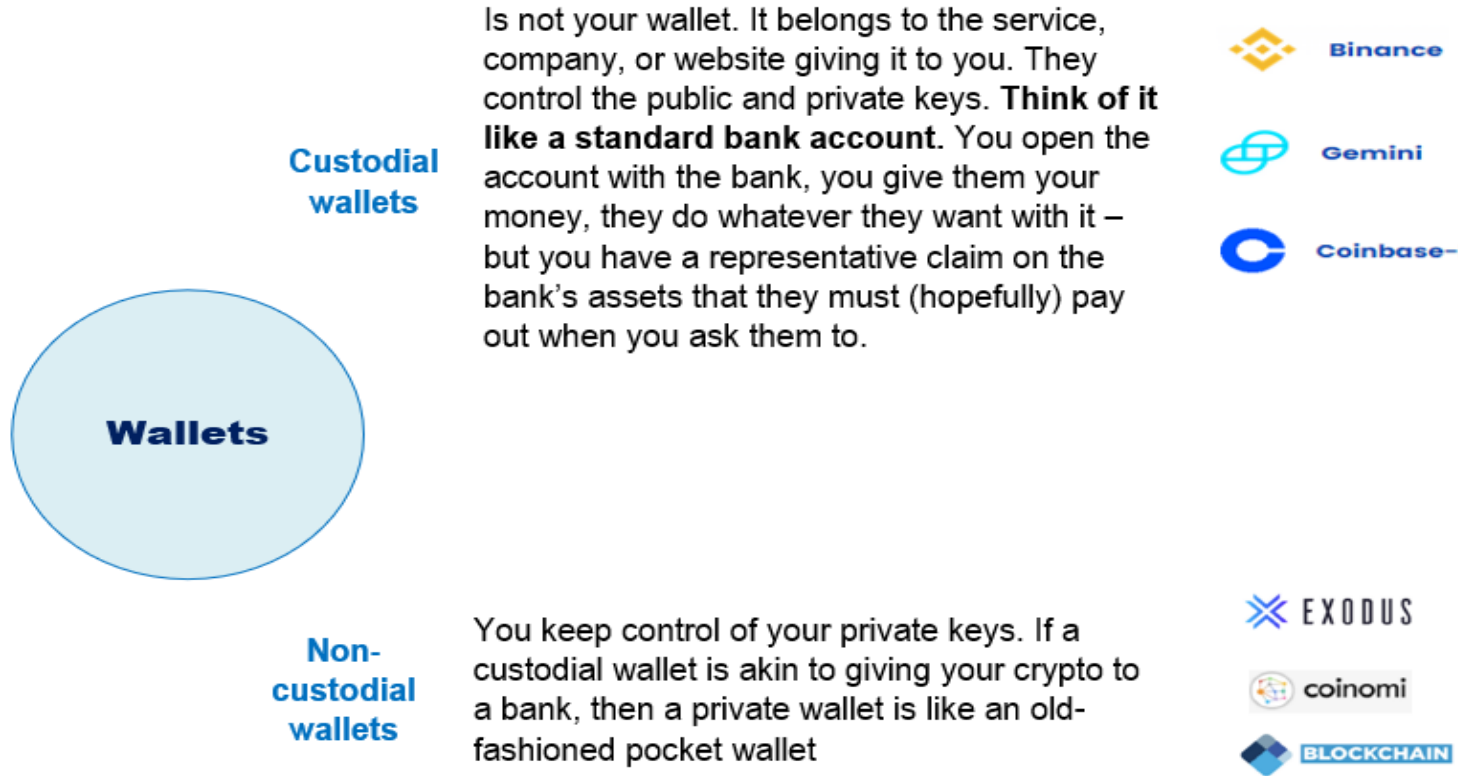
**CUSTODIAL WALLETS ARE
THIRD PARTIES SUCH AS EXCHANGES
AND BROKERAGE SERVICES. THESE
SERVICES HAVE CONTROL OVER
YOUR COINS.**



NONCUSTODIAL WALLET

**NONCUSTODIAL WALLETS GIVE
USERS 100% CONTROL BY
PROVIDING OWNERS
WITH THE PRIVATE KEYS**

Source: Bitcoin.com <https://news.bitcoin.com/the-difference-between-custodial-and-noncustodial-cryptocurrency-services/>

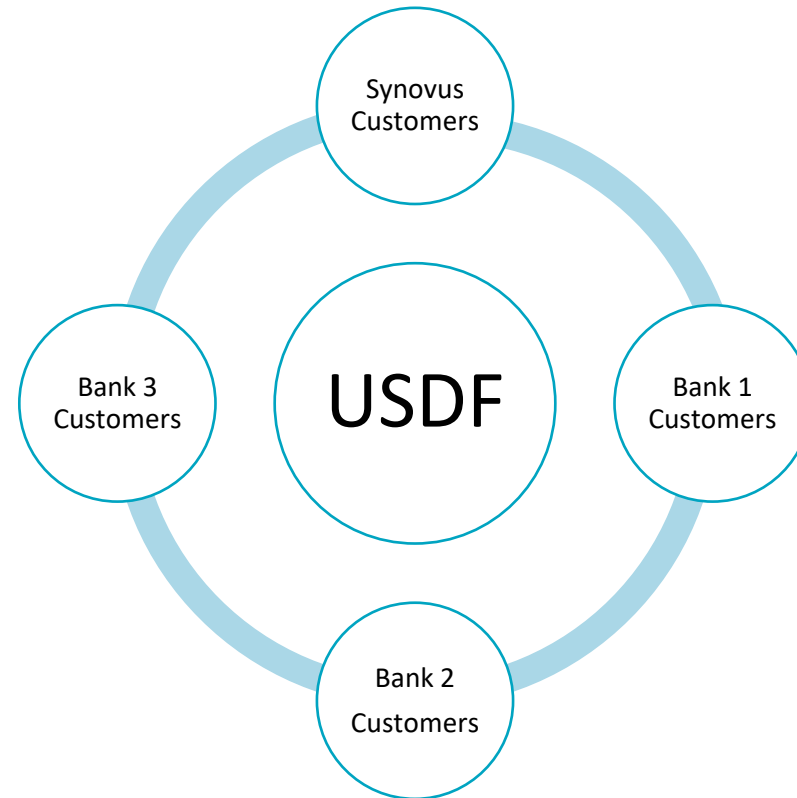
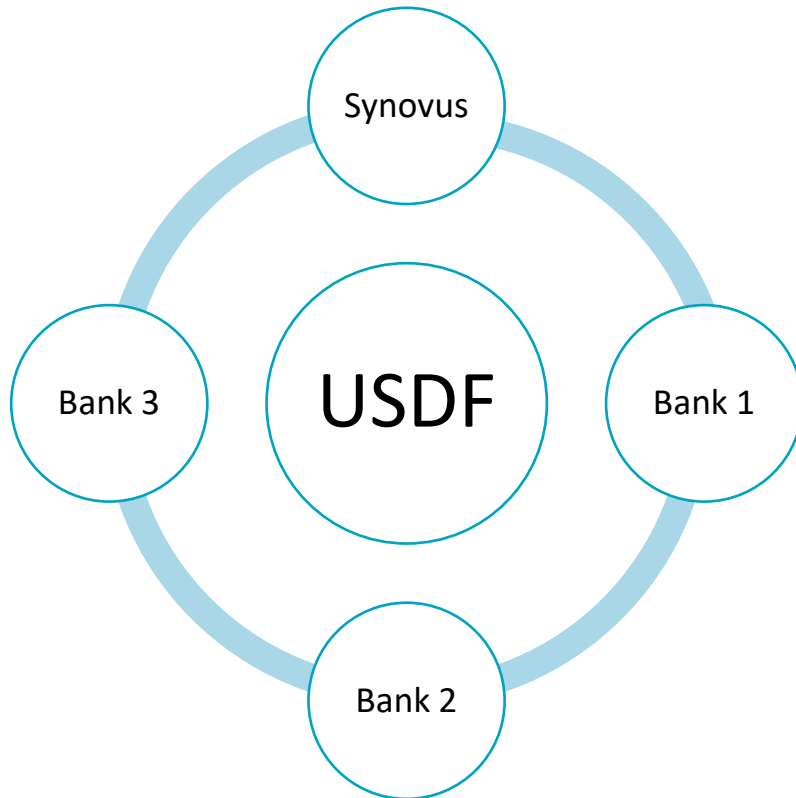


Source: FATF 2014 GUIDANCE FOR A RISK-BASED APPROACH VIRTUAL CURRENCIES

Crypto Assets Related products - **Cryptocurrency Custodial Services**



Crypto Assets Related products - USDF



<https://www.usdfconsortium.com/>