

Crypto 101: An Introduction to Digital Assets

Understanding an emerging asset class

What Are Digital Assets?

Digital assets are assets that exist electronically and rely on cryptographic technology and distributed networks to record ownership and transactions. Most digital assets operate on **blockchain technology**—a shared network that records and verifies transactions in a transparent, sequential manner.¹

Unlike traditional financial systems that rely on centralized intermediaries, blockchain networks are typically maintained by a distributed group of participants who collectively validate activity on the network.¹

Blockchain Technology—In Brief

Blockchain functions as a shared network where transactions are grouped into blocks, validated by the network and added to a continuously growing chain. Each block links to the prior one, creating a permanent historical record.

Key Characteristics of Blockchain Networks



TRANSPARENCY

Transactions are publicly verifiable.



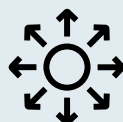
SECURITY

Cryptography helps protect data integrity.



IMMUTABILITY

Once recorded, transactions generally cannot be changed.



DECENTRALIZATION

No single entity controls the network.

Why Digital Assets Are Gaining Attention

Digital assets have evolved from early experimentation toward broader institutional awareness. Regulatory developments in major markets, improved custody and trading infrastructure, and expanding real-world applications have contributed to increased investor evaluation.

¹ FINRA, *Crypto Assets* — <https://www.finra.org/rules-guidance/key-topics/crypto-assets>

Key Cryptocurrencies

BITCOIN
 The first blockchain-based digital asset, designed to enable peer-to-peer transfers of value without centralized intermediaries. Bitcoin operates on its own blockchain and has a fixed supply of **21 million units**; as of early 2026, approximately **20 million (about 95%)** have already been created.²

ETHEREUM
 A programmable blockchain supporting smart contracts. Ethereum operates using a **proof-of-stake (PoS)** consensus mechanism, in which network participants validate transactions by staking tokens rather than using energy-intensive mining.³

SOLANA
 A high-performance blockchain network designed for speed and scalability, emphasizing fast transaction processing and low costs. Solana supports applications such as payments, trading and decentralized services.⁴

Comparing Major Cryptocurrencies

ATTRIBUTE	BITCOIN	ETHEREUM	SOLANA
Primary role	Store of value	Programmable platform	High-performance network
Supply structure	Fixed	Variable	Variable
Representative uses	Value transfer	Smart contracts, applications	Payments, trading, applications

These differences can matter for investors, as factors such as network design and intended use cases influence how a digital asset is used and the types of applications it may support.

Portfolio Applications

Some investors consider digital assets appropriate for a **modest portfolio allocation**, depending on individual objectives, risk tolerance and time horizon. Interest has increased alongside regulatory developments in several jurisdictions, growing global adoption by consumers and institutions, and continued development of market infrastructure such as custody, trading and settlement.

At the same time, cryptocurrencies remain volatile and are influenced by evolving regulatory, technological and market dynamics.⁵



Key Takeaway

Digital assets represent an evolving intersection of technology and finance. Understanding blockchain fundamentals and the distinctions among major networks can help investors more thoughtfully assess how digital assets may—or may not—fit within a broader investment framework.

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² Bitcoin.org: Bitcoin: A Peer-to-Peer Electronic Cash System (whitepaper page) — <https://bitcoin.org/en/bitcoin-paper>
³ ethereum.org: Proof-of-stake (PoS) (consensus mechanism reference) — <https://ethereum.org/developers/docs/consensus-mechanisms/pos/>
⁴ Solana: Getting Started (high-performance network overview) — <https://solana.com/learn/getting-started>
⁵ IRS: Digital assets (definition for U.S. tax purposes) — <https://www.irs.gov/filing/digital-assets>

Risk Considerations

Digital assets are highly volatile and unpredictable. Their value is influenced by factors including supply and demand, investor confidence, macroeconomic conditions, regulatory developments and technological change. Prices may experience sharp fluctuations, including rapid losses. Digital assets are not backed by any government and may be subject to fraud, cybersecurity risks and market manipulation. Cryptocurrency investments may not be suitable for all investors and should be evaluated in the context of individual objectives, risk tolerance, liquidity needs and time horizon.

Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.

Cryptocurrency (notably, Bitcoin) operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. It is not backed by any government. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency. Cryptocurrency may experience very high volatility.

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