

Cryptocurrency for Beginners

November 3, 2021

By: [Matthew G. Nielsen](#)

On this episode of Bracewell Sidebar, Anne Termine, a former chief attorney at the US Commodity Futures Trading Commission, joins us to talk about cryptocurrency.

In the first part of this two-part episode, Anne provides insight on understanding how cryptocurrencies are created, how they function and what they mean for financial market participants.

Anne joined the firm in June 2021, with over 20 years of experience representing clients in investigations, enforcement actions, and litigation involving commodities, derivatives and more recently, cryptocurrency markets.

What is cryptocurrency?

The question isn't so much what is cryptocurrency but how cryptocurrency came to be. This is based on the concept of the Internet 3.0, or the decentralization of information. The development of the Internet allowed us to connect with each other in wide and varied ways, but it eventually became centralized by large players. What was supposed to be decentralized access for the world, became privatized. Data is being handled, controlled by a few big players, rather than being freely exchange.

Blockchain, which is the technology underlying cryptocurrencies, is the concept to bring back the original Internet as an open source for all. Blockchain is a technology that allows people to interface, to exchange ideas, transfer and track as assets, without the need to go through a third party. It is an online, shared or distributed ledger that records every transaction on the Internet.

How do you separate the currency from the number crunching?

Blockchain is the base layer upon which digital assets exist. Blockchain is an ever-evolving Internet without the use of centralized servers, because everyone who participates in it in a sense is adding to the server power. No one controls it; no one owns it. That's why it's a distributed ledger technology.

That opens the door for decentralized services and markets, one of which is cryptocurrency. As you solve that computational problem, you earn a coin, and that coin is considered to be a cryptocurrency

Is it a modern version of the old barter system?

That's not a bad way to describe it. If the blockchain and the distribution ledger technology is Internet 3.0, then digital assets of different types of cryptocurrencies can be considered to be Money 2.0.

It is a different way that's fast, easy, cheap and relatively safe to exchange value peer to peer without having to go through a third party. That's where the markets arise, and that is the value within it.

How does crypto come to market? How does it become something that lay people who are not crunching numbers, can start getting their hands on and looking for things like hedges and swaps and bundling?

Most of the money in crypto assets today still lies in the buying and selling of the assets themselves. If that's what you're interested in, if you're interested in just exploring and trying to determine whether or not you want to buy this new asset, then you could go to any one of those exchanges.

That's the concept of that distributed ledger as opposed to a bank, for example. If you and I wanted to buy or sell or exchange money in any way, I need to send you money. We would do it through a Venmo or PayPal, or Bank of America through Zelle. And the ledger for that transaction is held by the banks. Whereas here, the ledger is held publicly on that open source network open source network.

Have questions about cryptocurrency or blockchain technology? Reach out to [Anne Termine](#) or [Matthew Nielsen](#).

The opinions expressed in this podcast are those of the speakers and do not necessarily reflect the viewpoint of their institutions or clients.