CRYPTO GLOSSARY FOR LAWYERS & NOTARIES

Key terms for legal professionals

Introduction

This glossary is designed to provide lawyers and notaries with clear, concise definitions of key cryptocurrency and blockchain terms relevant to property transactions, compliance, custody, and record-keeping. The aim is to facilitate a better understanding of this evolving landscape and to ensure accurate and informed legal practice.

Glossary

Address: A unique identifier, similar to a bank account number, that represents a specific location on a blockchain where cryptocurrency can be sent and received. Addresses are typically long strings of alphanumeric characters.

Blockchain: A decentralized, distributed, and immutable digital ledger used to record transactions across many computers. Each transaction is grouped into a 'block,' which is cryptographically linked to the previous block, forming a 'chain.' This structure ensures data integrity and transparency.

Consensus Mechanism: The method by which a blockchain network achieves agreement on the validity of transactions. Common consensus mechanisms include Proof-of-Work (PoW) and Proof-of-Stake (PoS).

Cryptocurrency: A digital or virtual currency that uses cryptography for security. Cryptocurrencies operate independently of a central bank and are typically decentralized.

Custody: The act of securely storing and managing cryptocurrency assets on behalf of others. Cryptocurrency custodians may be subject to specific regulatory requirements.

Decentralized Finance (DeFi): Financial applications and services built on blockchain technology, aiming to provide open, permissionless, and transparent alternatives to traditional financial systems.

Digital Asset: A digital representation of value, which can be digitally traded or transferred and can be used for payment or investment purposes. This encompasses cryptocurrencies, security tokens, and other digital representations of ownership.

Gas: A unit of measurement representing the computational effort required to execute a transaction on a blockchain network, primarily Ethereum. Users pay gas fees to compensate miners or validators for processing their transactions.

Hash: A unique, fixed-size alphanumeric string generated by a cryptographic function from an input of arbitrary size. Hashes are used to verify data integrity and are a fundamental component of blockchain technology.

Immutability: The characteristic of a blockchain where, once a transaction is recorded, it cannot be altered or deleted. This ensures the integrity and reliability of the data.

Key (Public and Private): A pair of cryptographic keys used to control access to cryptocurrency. The public key is like an account number and can be shared, while the private key is like a password and must be kept secret.

Mining: The process of validating and adding new blocks to a Proof-of-Work blockchain by solving complex computational problems. Miners are rewarded with cryptocurrency for their efforts.

Non-Fungible Token (NFT): A unique digital asset that represents ownership of a specific item or piece of content. NFTs are typically used to represent digital art, collectibles, and other unique items.

Smart Contract: A self-executing contract written in code and stored on a blockchain. Smart contracts automatically execute when predetermined conditions are met, enabling automated and trustless transactions.

Token: A digital representation of an asset or utility that resides on a blockchain. Tokens can represent a wide range of things, including currency, ownership, or access rights.

Wallet: A digital tool used to store, manage, and transact with cryptocurrencies. Wallets can be software-based (hot wallets) or hardware-based (cold wallets).

Disclaimer

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