Cryptocurrency 101



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FOCUS

1) Introduction
2) Wallets, Keys, and the Blockchain
3) Exchanges: VASPs/MSBs/FinCEN/SEC
4) Blockchain Analysis
5) Resources





Why this matters …

Why Cryptocurrency Matters

A primer for the practice

$2.5T+

total crypto market capitalization today

More clients now hold, transact in, or build on digital assets than ever before — raising questions that touch nearly every practice group.

Client Exposure Is Already Here

Corporate, private wealth, and fund clients increasingly hold or transact in digital assets — exposure often surfaces mid-deal.

The Regulatory Frontier Is Moving

SEC, CFTC, and state regulators are actively defining the rules; positions taken today shape tomorrow's enforcement risk.

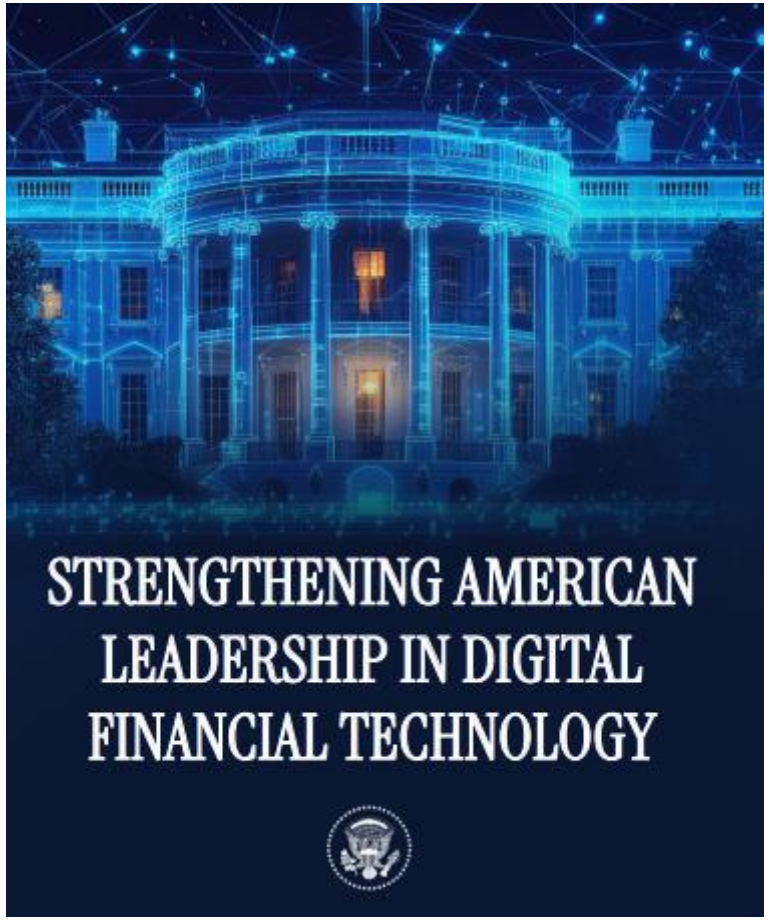
Institutional Capital Has Arrived

ETFs, custody banks, and public companies now hold crypto on balance sheet, driving demand for sophisticated counsel.

It Crosses Every Border and Practice

Tax, M&A, litigation, IP, and regulatory teams all encounter novel questions with no settled precedent.

2025/2026 ...



STRENGTHENING AMERICAN LEADERSHIP IN DIGITAL FINANCIAL TECHNOLOGY

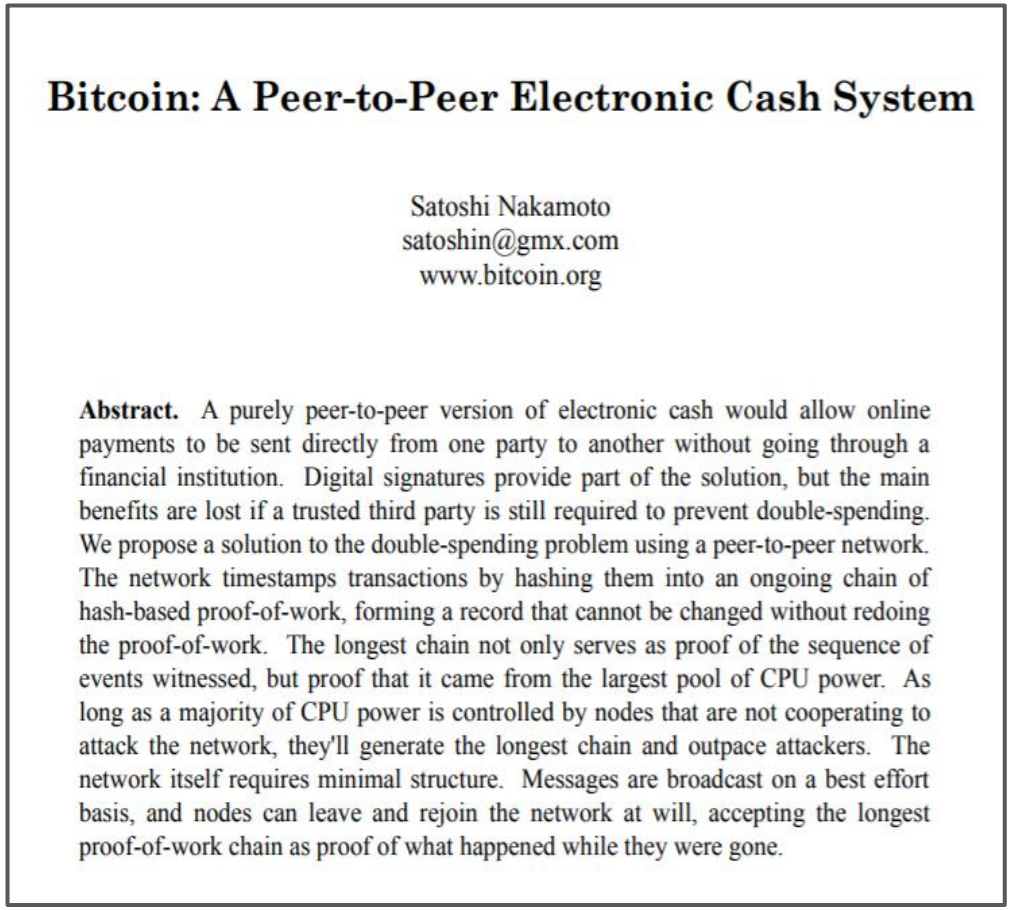
The White House | January 23, 2025



Cryptocurrency:

Enabling online transactions without an intermediary

"What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party."



Bitcoin: A Peer-to-Peer Electronic Cash System

Satoshi Nakamoto
satoshin@gmx.com
www.bitcoin.org

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing the proof-of-work. The longest chain not only serves as proof of the sequence of events witnessed, but proof that it came from the largest pool of CPU power. As long as a majority of CPU power is controlled by nodes that are not cooperating to attack the network, they'll generate the longest chain and outpace attackers. The network itself requires minimal structure. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone.

- Cryptocurrencies are, at their essence, computer programs.
- Each cryptocurrency operates its own peer-to-peer network.
- Units of the cryptocurrency are used to store and transmit value among the network participants.
- The systems rely on a distributed transaction ledger, called a blockchain.

Three Points (a quick review)

1. **A financial system without a bank (or govt.) to approve transactions;**

2. **Computers (and their protocols) are verifying transactions; and**

3. **The blockchain "records" transactions,**
   (not a bank + nor a government = without an intermediary).



Market Cap

#	Name		Price	1h %	24h %	7d %	Market Cap	Volume(24h)	Circulating Supply	Sentiment	7d Price%
1	Bitcoin BTC	Buy	$77,346.15	▲0.06%	▲0.28%	▼3.19%	$1.55T	$13.17B	20.08M BTC	Neutral	
2	Ethereum ETH	Buy	$2,509.85	▲0.20%	▼0.44%	▲0.69%	$306.31B	$8.95B	122.04M ETH	2.89	
3	Tether USDT	Buy	$0.9997	▲0.00%	▲0.00%	▼0.02%	$183.47B	$37.87B	183.51B USDT	2.78	
4	BNB BNB	Buy	$722.11	▲0.18%	▼0.91%	▼3.68%	$96.15B	$1.05B	133.16M BNB	Neutral	
5	XRP XRP	Buy	$1.35	▲0.25%	▼0.36%	▼3.80%	$85.41B	$1.02B	62.87B XRP	2.72	
6	USDC USDC	Buy	$0.9999	▲0.00%	▲0.02%	▲0.01%	$74.25B	$5.72B	74.25B USDC	4.01	
7	Solana SOL	Buy	$101.19	▲0.21%	▼0.41%	▼4.46%	$59.37B	$1.6B	586.73M SOL	2.04	

Wallet Types

Software called "Wallet" software connects users to the Bitcoin network and helps them manage their bitcoin.

- **Paper;**
- **Hardware (i.e., Trezor);**
- **Software (i.e., Phone App – Toast);**
- **Online/Hosted (i.e., Coinbase Exchange)**



Select a Wallet



Bitcoin Core



Bitcoin Wallet



breadwallet



Bither



MultiBit HD



Armory



Electrum



mSIGNA



Hive



Mycelium

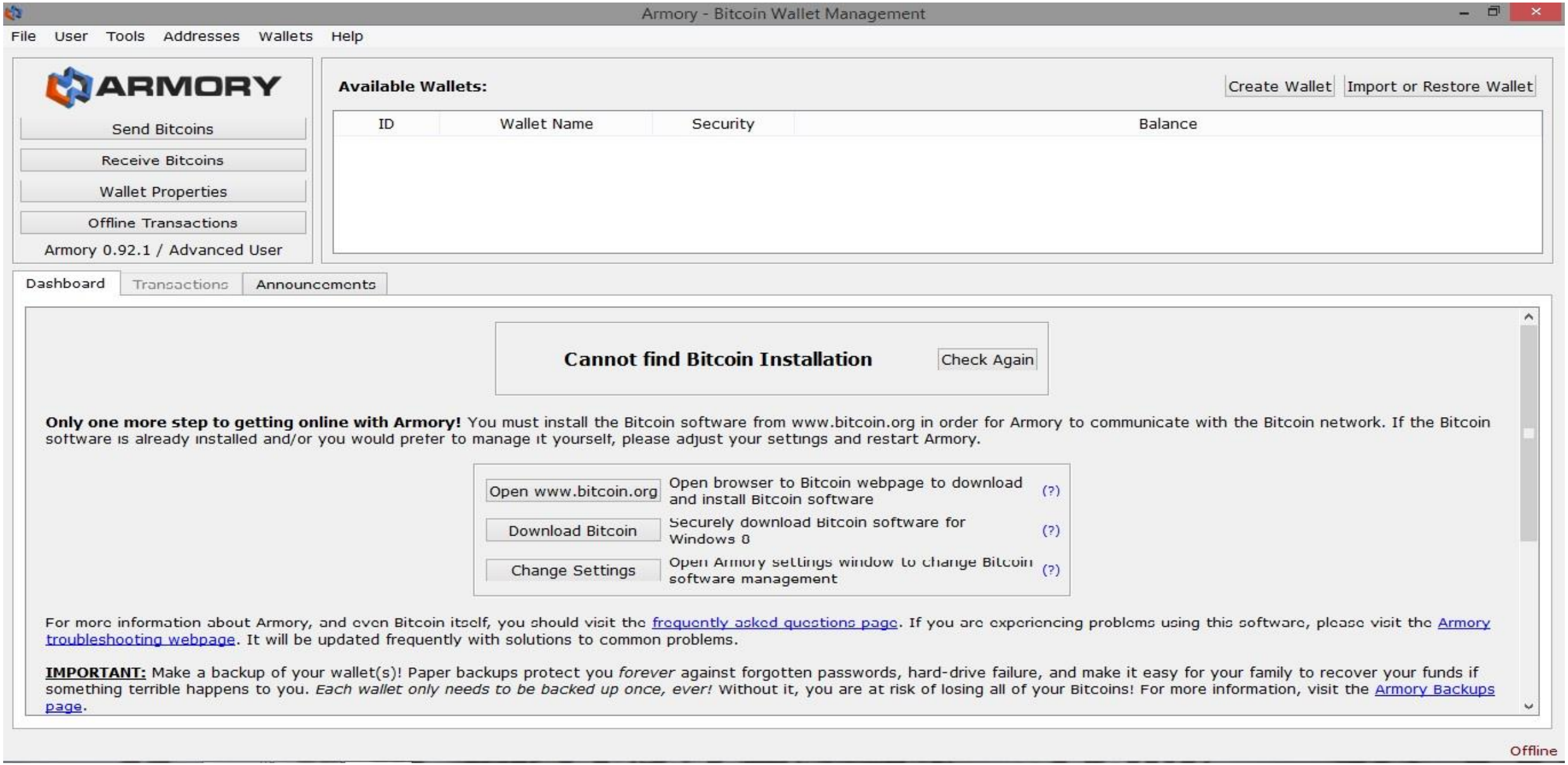


BitGo

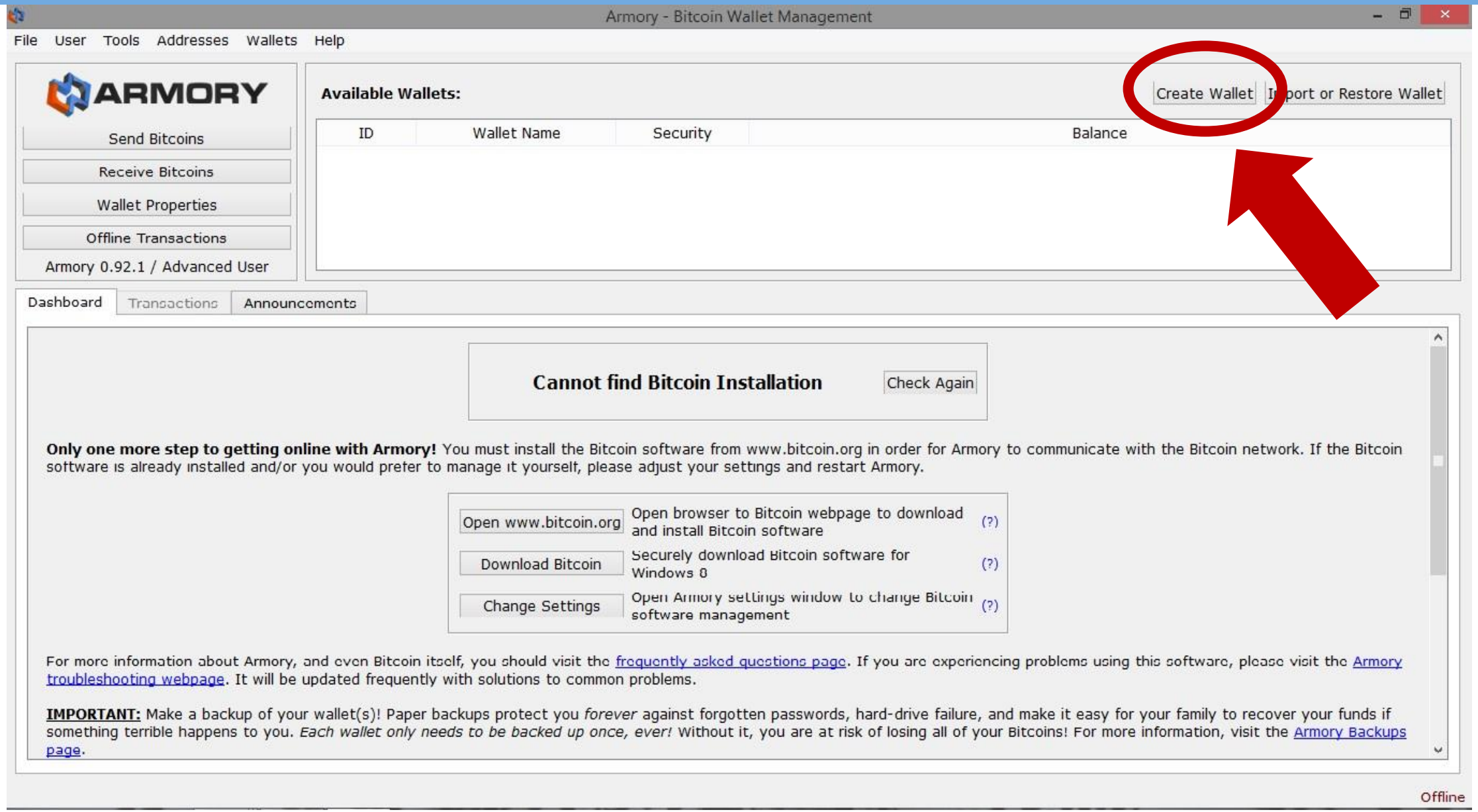


Green Address

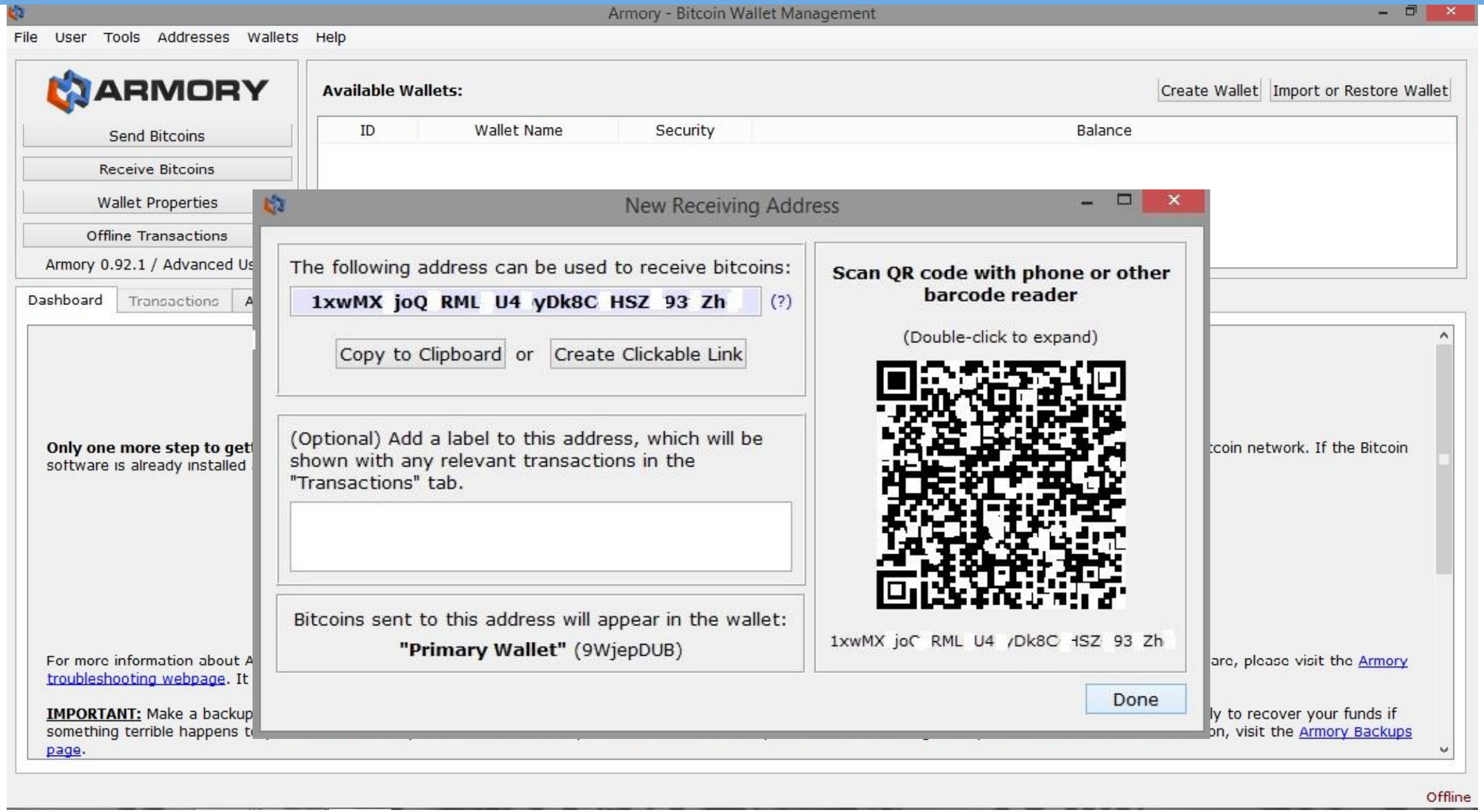
Wallet Interface



Generate an Address



Generate an Address



Generate an Address [P.O. Box analogy]



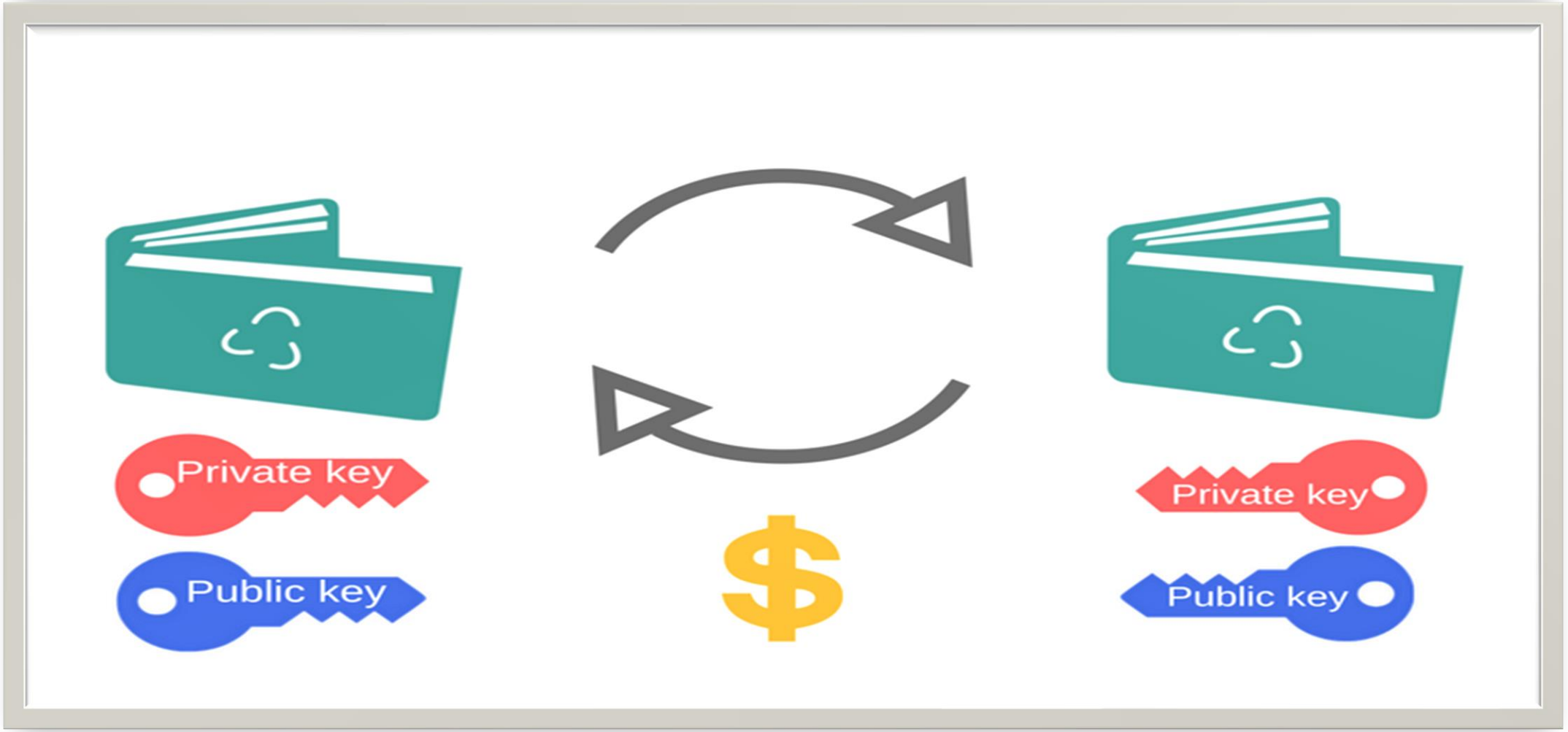
FORMATS

Example Bitcoin Address:
12QivkMW62oiQJQCidBK6A6kfHZSLyVLgn
26-35 alphanumeric characters, beginning with 1, 3, or bc1

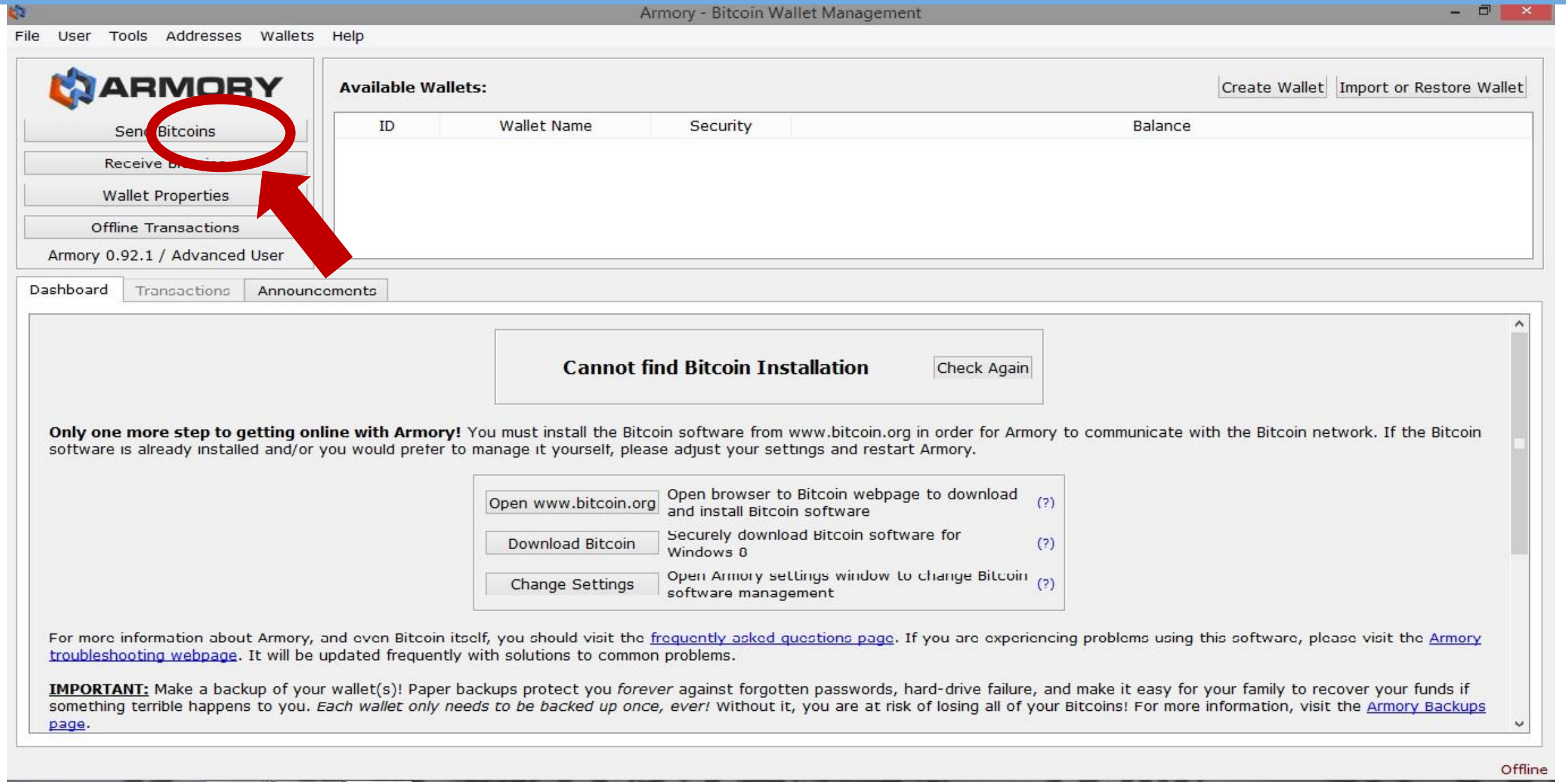
Example Private Key:
5Hwgr3u458GLafKBgxtssHSPqJnYoGrSzgQsPwLFhLNYskDPyyA

- The "Create Wallet" button generates a public-private key pair, an element of "public key" or "asymmetric" cryptography.
- The public-private key pair consists of two "keys":
  - A Private Key, which must be kept secret like a super-strong password or pin number.
  - A Public Key, which can be shared with everyone, which is represented as a Bitcoin address.
- The private key is stored as part of a wallet file, similar to any other computer file.

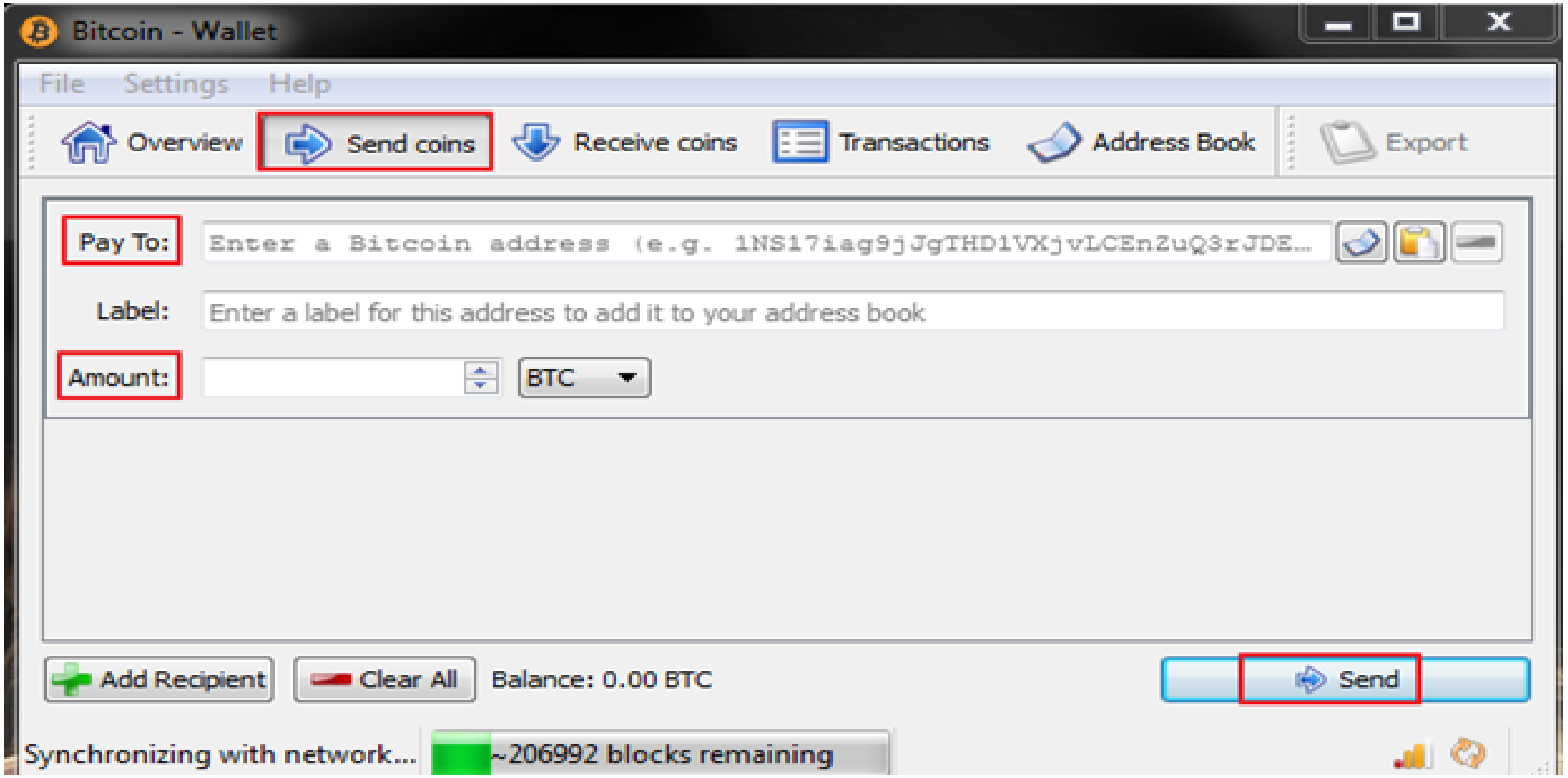
Visualize: Wallet, Public Keys, Private Keys



Initiate a Transaction



Send Bitcoin



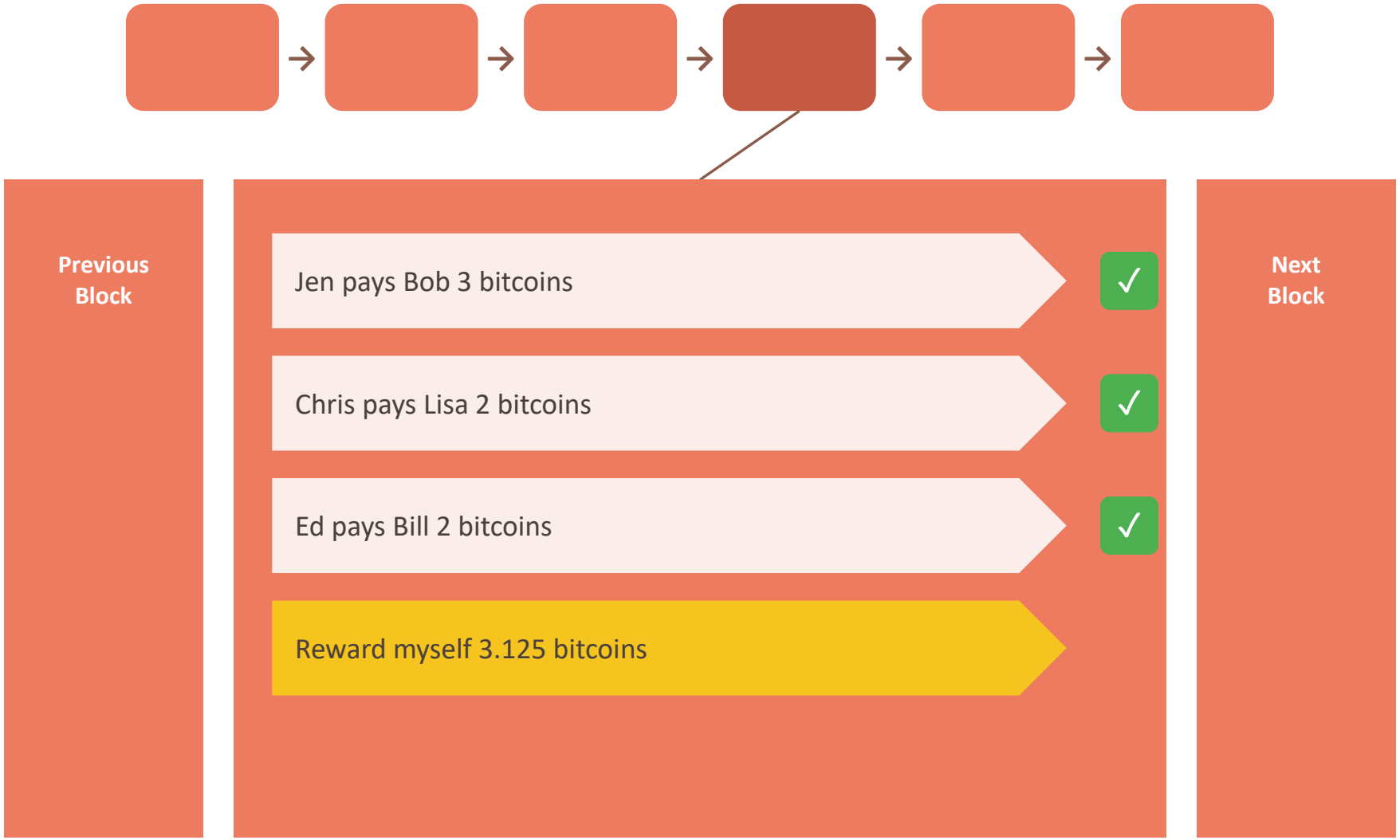
Transaction Announcement



Mining



New Block is Appended to the Blockchain



**<u>03/24</u>:
3.125 BTC





VASPs/MSBs/FinCEN/SEC

Crypto Industry and Regulation

Exchanges

#	Exchange	Trading volume(24h)	Avg. Liquidity	Weekly Visits	# Markets	# Coins	Fiat Supported
1	Binance	$5,103,950,499	926	7,324,577	2169	856	ARS, AUD, BRL and +86 more
2	Coinbase Exchange	$942,293,836	744	4,029,406	520	411	USD, AED, ARS and +61 more
3	Upbit	$1,569,613,849	415	1,137,362	838	355	KRW
4	OKX	$1,020,888,120	737	4,266,861	2014	606	EUR, BRL, AUD and +3 more
5	Bybit	$806,592,527	644	2,326,290	1276	798	BRL, CHF, CZK and +72 more
6	Bitget	$483,883,413	728	2,113,720	1399	901	EUR, MXN, ZAR and +12 more
7	Gate	$742,692,298	711	2,553,282	2486	1767	EUR, BRL, KES and +61 more

US Financial Crimes Enforcement Network (FinCEN)

FinCEN is a bureau of the U.S. Department of the Treasury.

The Director of FinCEN is appointed by the Secretary of the Treasury and reports to the Treasury Under Secretary for Terrorism and Financial Intelligence.

FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.





FinCEN Registration

1) As defined in the **BSA** …"financial institution" includes: ….

- A licensed sender of money … who engages as a business in the transmission of funds, including …. the transfer of money … outside of the conventional financial institutions system (31 USC 5312(a)(2)),
  (**i.e., a Virtual Currency Exchange or P2P Exchanger are Financial Institutions**);

2) Virtual currency companies, wherever located, **must register with FinCEN as MSBs** if they do business "**wholly or in substantial part**" within the United States.

VASPs Collect Useful Information

- True Name
- Address
- DOB
- Driver's License Number
- Passport Number
- Social Security Number
- Bank Account Information
- IP Addresses
- E-mail Address
- Device Information
- Phone Number
- Photograph
- Transaction History
- Other Services Used
- Associated wallets
- Customer communications

The Core Question: Is a Crypto Asset a “Security”?

The SEC’s central concern has been simple: when a crypto asset is sold like an investment, buyers deserve the same disclosure and anti-fraud protections as any stock or bond.

The “Howey” Test

A transaction is an “investment contract” (and therefore a security) when there is:

1. An investment of money
2. In a common enterprise
3. With a reasonable expectation of profit
4. Derived from the efforts of others

Why Asset Managers Care

✓ **Registration & disclosure**

If a token is a security, offers must be registered or exempt.

✓ **Enforcement risk**

Historically the SEC regulated “by enforcement,” creating uncertainty for issuers and funds.

✓ **Investor protection**

The label a promoter uses does not control — the economic reality of the sale does.

Bottom line: most tokens are not, by themselves, securities — but how they are sold can pull them into the securities laws.

The SEC's New Crypto Taxonomy (March 2026)

On March 17, 2026 the SEC (joined by the CFTC) issued interpretive guidance sorting crypto assets into five categories. This is the first holistic securities analysis framework for the crypto market. Most categories are not securities.

Digital Commodities

Native network tokens whose value comes from a functional crypto system, not others' efforts.

Not a security

Digital Collectibles

Collected or used items; may be a security if fractionalized into ownership interests.

Not a security*

Digital Tools

Perform a practical function (ticket, ID, title); often non-transferable.

Not a security

Stablecoins

Payment stablecoins under the GENIUS Act are generally not securities; others may be.

Generally not*

Digital Securities

A financial instrument that meets the definition of "security" and is issued as a token.

Is a security

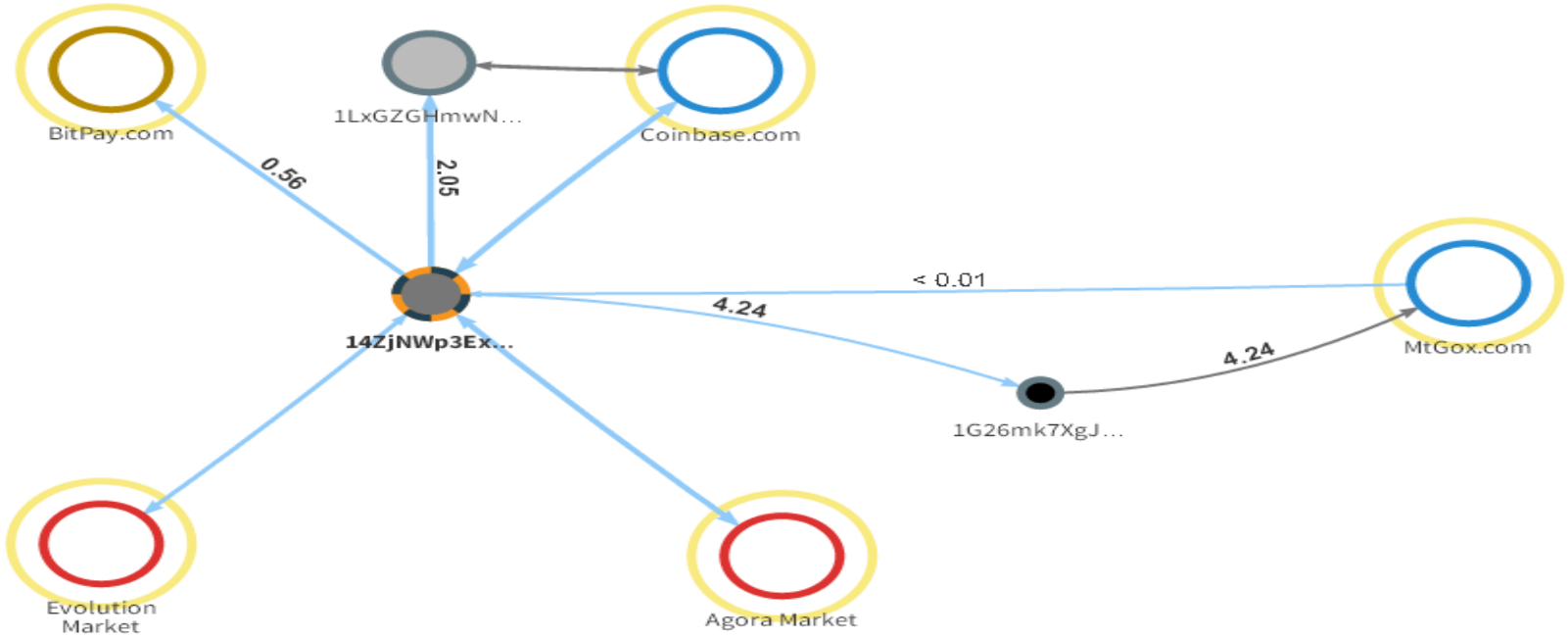
** Collectibles may be securities if fractionalized; some stablecoins may be securities depending on their features.*



Blockchain Analysis

Tracing the Transactions

Blockchain Analysis



SUMMARY | EXPOSURE | COUNTERPARTIES | TRANSACTIONS | ADDRESSES | OSINT

Cluster: 14ZjNWp3ExiPSvTHx9vEYKeuUHPYXp1fKT Balance: 0.008 Sent: 17.000 Received: 17.023 Fees: 0.016 Addresses: 21 Transactions: 302

Counterparty	#TXO	Sent	Received	Flow	First	Last
1G26mk7XgJmgLkpvRd46hUWk4MQUmh4tto	1	4.240	0	-4.240	3/25/13	3/25/13
CoinPayments.net	4	3.891	0	-3.891	1/20/16	3/20/16
1LxGZGHmwNPw7pkqNdrsbSoDuMNMJeYKai	19	2.055	0	-2.055	6/28/16	6/8/17
Evolution Market	5	1.921	0.005	-1.915	9/13/14	1/24/15
Agora Market	20	1.846	0.390	-1.456	4/10/14	8/28/15
15rEpzEdEeNkduiaDv38hZsvJM5N65fcRK	1	0.920	0	-0.920	12/5/15	12/5/15
Coinbase.com	25	0.794	3.277	2.483	6/19/13	12/20/16
BitPay.com	8	0.561	0	-0.561	4/12/13	3/13/16
1FtMB7w7SrSAnsTSeEuBbDMDvK3WjFqQam	1	0.118	0	-0.118	4/25/16	4/25/16
1KFtiNT9MsF2kMgdGwxKnVEcMu2DAAomZF	1	0.111	0	-0.111	5/17/16	5/17/16
1GfuN1UWbP4FszPVZw7Tr8XpcxDKJzf6CE	1	0.094	0	-0.094	2/23/16	2/23/16
1P8xLGLLNYgGnYSeZcq85TYV9ZdMEwr8W2	2	0.083	0.083	< 0.001	4/18/14	4/18/14

Resources



DIGITAL ASSET UPDATE: CLARITY ACT TAKES ANOTHER STEP FORWARD



Date: 14 August 2026

US Policy and Regulatory Alert

By: **Sanjeev Bhasker**, **Emily K. Lavery**, **Jeremy M. McLaughlin**, **Thoreau A. Bartmann**, **Sarah V. Riddell**, **Tamika P. Bent**

The Digital Asset Market Clarity Act (H.R. 3633) (the CLARITY Act) took another important step forward on 8 August, when Senate Majority Leader John Thune filed a cloture motion on the motion to proceed to consideration of the legislation. Cloture is the Senate procedure for ending debate and moving toward a vote on legislation; for most legislation, invoking cloture requires 60 votes. The filing sets up a 15 September vote on cloture on the motion to proceed and provides a path toward Senate consideration following the August recess.

The development is significant, particularly given the challenges of assembling sufficient bipartisan support for comprehensive digital asset legislation. The House previously passed its version of the CLARITY Act with substantial bipartisan support, by a vote of 294–134, but the Senate has been negotiating its own approach to several of the legislation's key provisions.

The filing of the cloture motion should therefore be viewed as a meaningful step forward—but not as an indication that the legislation is on a certain path to enactment. The Senate must still navigate the 60-vote threshold for cloture, and negotiations remain focused on several substantive issues that could materially affect the scope and operation of the final legislation. We highlight the pertinent issues—and their status—below.

KEY ISSUES UNDER DISCUSSION

Defining the SEC-CFTC Regulatory Boundary

https://www.klgates.com/thought-leadership/Digital-Asset-Update-CLARITY-Act-Takes-Another-Step-Forward-8-14-2026

Questions?

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