Cryptocurrency Terms to Know

Blockchain – A blockchain is a distributed database shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital form.

A blockchain collects information together in groups, known as blocks. Blocks have certain storage capacities and, when filled, are closed and linked to previously filled blocks, forming a chain of data known as the blockchain.

Cryptocurrency – A type of virtual (digital) currency that utilizes cryptography to validate and secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.

DeFi (Decentralized Finance) – DeFi is a blanket term for decentralized alternatives to traditional (centralized) finance. DeFi includes banking, money management, payment processing, insurance, etc. DeFi products and services enable democratized access to a historically exclusive industry.

Digital (Virtual) Currency – A form of currency that exists only in digital or electronic form that can operate independently of a central bank. In some environments, it operates like "real" currency (i.e. U.S. coin and paper money designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange), but it does not have legal tender status in the U.S.

Distributed Ledger Technology – A protocol that enables the secure functioning of a decentralized digital database. Distributed networks eliminate the need for a central authority to keep a check against manipulation. DLT allows for storage of all information in a secure and accurate manner using cryptography.

Exchange – An exchange is like a crypto middleman. It's an online service that allows you to exchange your fiat for crypto or change crypto into fiat.

Fiat – Fiat money is government issued currency. In the United States, that means the U.S. dollar.

Gas: Gas is the term for the amount of ether (ETH) – the native cryptocurrency of Ethereum – required by the network for a user to interact with the network. These fees are used to compensate Ethereum miners for the energy required to verify a transaction and to provide a layer of security to the Ethereum network by making it too expensive for malicious users to spam the network.

Mining – A competitive process of verifying and adding new transactions on a blockchain that uses the proof-of-work (PoW) method. The miner that wins the competition is rewarded with some amount of the currency and/or a transaction fee.

By mining, you can earn cryptocurrency without having to put down money for it.

Non-fungible tokens (NFTs) - A uniquely identified digital item that can be purchased or sold, typically via cryptocurrency and the Ethereum blockchain. An NFT can be an image, video, or other form of digital

media, and also serve as a "token" with some sort of intrinsic utility, such as establishing membership or voting rights in an organization.

Proof of Work (PoW) – A competitive validation method to confirm transactions and add new blocks to the block chain. It's a form of cryptographic proof in which one party proves to others that a certain amount of specific computational effort has been expended.

Proof of Stake (PoS) – Uses randomly selected miners to validate or mine cryptocurrency transactions based on the number of coins they own. Under this model, the idea is that a miner will be less likely to attack a network if they have a stake in the game.

Public Ledger – A record-keeping system that maintains participants' identities in secure and (pseudo-anonymous form, their respective balances, and a record book of all the genuine transactions executed between network participants.

Smart Contracts – Legal contracts written in computer code. Smart contracts hold multiple parties accountable for something, just like a normal legal contract, but they instruct each party through code rather than spoken language. Both parties can see and approve of the programming before accepting a contract's terms.

Staking - The act of verifying transactions on a "proof-of-stake" blockchain. Staking also results in a reward, but in contrast to mining, it is in return for "staking" a quantity of the crypto asset instead of for computational power.

Wallet – A cryptocurrency wallet is an app or physical storage device that allows you to store and retrieve your digital currency. Wallets can hold multiple cryptocurrencies.

It's important to note that the currency itself isn't stored in the wallet. Rather, wallets store the location of your currency on the blockchain.

> **Hot wallet** – Connected to the internet.

> **Cold wallet** – Not connected to the internet.

Additional Resources:

https://decrypt.co/learn

https://www.usatoday.com/story/tech/columnist/komando/2021/11/25/crypto-terms-blockchain-bitcoin-nft/8741199002/

https://www.one37pm.com/nft/cryptocurrency-terms-to-know

https://www.one37pm.com/nft/guide-to-nfts-beginner