

**PRESENTATION FOR ASSOCIATION OF FLORIDA MAGISTRATES
AND HEARING OFFICERS**

DIGITAL ASSETS IN DISSOLUTION OF MARRIAGE CASES

DIGITAL GLOSSARY

51% Attack

- Attempt by hackers to steal a blockchain's data and assets by controlling the majority of the network's nodes

Accredited Investor

- Investor deemed to be worthy or experienced

Address

- A Bitcoin address, or key (see private key) refers to either public or private addresses. Public addresses are used to send and receive bitcoins. A crucial difference, however, is that each address should only be used for a single transaction.

ADV

- Federal disclosure documents all financial institutions must provide their clients

Airdrop

- Distribution of digital asset by an entity, used for marketing purposes; also called helicopter money

Anti-Money Laundering

- Rule requiring financial institutions to help prevent tax evasion

Asset Allocation

- How a portfolio is invested among a variety of asset classes

Assets Under Advisement

- Money held by a financial advisor or firm but not independently managed by them

Assets Under Management

- Money managed by a financial advisor or firm

Authentication Economy

- An economic system that does not require buyers or sellers to trust each other; instead, their actions are proven valid cryptographically

Barter System

- An economic system where people and entities trade goods and services

Base Layer Protocol

- A root blockchain network that allows for the creation, transfer, and storage of digital assets. Also called a native layer.

Bit

- A bit is one one-millionth of 1 bitcoin, or 1,000,000 bits equals 1 bitcoin. A bitcoin can also be divided to 8 decimal places or 0.00000008 bitcoin, is called a Satoshi. This is important because for a currency to be useful, it must be easily divisible.

Bitcoin

- When capitalized, “Bitcoin” reference to open-source software used to create the bitcoin virtual currency and the peer-to-peer network formed as a result using blockchain technology. The individual units of the bitcoin virtual currency (when lowercase) e.g., “I sent bitcoins today”; is also often abbreviated BTC or XBT, is a medium of exchange and store of value that operates on the Bitcoin blockchain.

Bitcoin Pizza Day

- May 22, 2010. The first commercial transaction using bitcoin.

Bit-License

- Issued by New York to companies doing business in digital assets.

Bitcoin Mixing

- Bitcoin mixers are solutions (software or services) that let users mix their coins with other users, to preserve their privacy.

Block

- These are where all the details of transactions are stored. All transactions recorded in the block are considered immutable – they cannot be altered – and transparent. This way, users can see where they were recorded, and which transactions took place. Once a block is full, all new transactions are automatically moved to a new block and so on.

Blockchain

- A ledger that resides on the internet. Also called distributed ledger technology.

Block Reward

- Compensation you receive for verifying data placed on a blockchain.

BTC

- BTC is a common unit used to designate one bitcoin.

Buy and Hold

- Strategy of keeping an investment for years after purchase .

Central Bank

- A bank empowered by a government to price money and set interest rates.

Central Bank Digital Currency

- A fiat currency issued in digital form.

Client Relationship Summary

- Short documents summarizing a financial institutions services, fees, conflicts, and other facts.

Code of Ethics

- Policy set by a financial institution governing behavior of its employees.

Cold Wallet

- An account holding digital assets that is not connected to the internet and therefore is safe from online hackers.

Collectible

- Works of art, rugs, antiques, precious metals or gems, rare stamps and coins.

Computer Farm

- An assembly of computers engaged in mining bitcoin.

Confirmation

- Confirmations means that a transaction has been processed by the network and is highly unlikely to be reversed. Transactions receive a confirmation when they are included in a block and for each subsequent block. Even a single confirmation can be considered secure for low value transactions, although for larger amounts like \$1,000, it makes sense to wait for 6 confirmations or more. Each confirmation exponentially decreased the risk of a reversed transaction.

Consensus Mechanisms

- The methodology for generating agreement among those verifying data on a blockchain.

Convertible Virtual Currency

- Virtual currency that has an equivalent value in real currency or that acts as a substitute for real currency.

Cross-Border Transmittal

- The movement of money from one country to another.

Cryptography

- Cryptography is the branch of mathematics that lets us create mathematical proofs that provide high levels of security. Online commerce and banking already use cryptography. In the case of Bitcoin, cryptography is used to make it impossible for anybody to spend funds from another user's wallet or to corrupt the block chain. It can also be used to encrypt a wallet, so that it cannot be used without a password.

Crypto Asset

- Any digital asset that uses cryptography to secure transaction records on a ledger.

Cryptocurrency

- Virtual currency that uses cryptography to secure transactions digitally recorded on a blockchain.

Currency

- A physical object that represents money.

Custodian

- A person or entity that receives and safeguards your assets for you.

Deal Flow

- The discovery of private companies that one might invest in or buy.

Decentralized Autonomous Organization

- An entity operating independently on the internet, with no one in charge.

Decentralized Finance

- Online systems that operate on the internet.

Derivative

- Investment contract based on an asset.

Digital Asset

- The binary representation of anything having an economic value that can be owned.

Discount

- Price of a security trading below net asset value.

Distributed Record

- Data that is posted on the internet for all to see.

Dogecoin

- A digital pet rock.

Dollar Cost Averaging

- Strategy of investing money in set increments at consistent intervals.

Donor Advised Fund

- Charities that invest donations until donors dictate their distribution to other charities.

Double Spend

- If malicious user tries to spend their bitcoins to two different recipients at the same time, this is double spending. Bitcoin mining and the block chain are there to create a consensus on the network about which of the two transactions will confirm and be considered valid.

Dual Registrant

- Financial advisor licensed with both the SEC and FINRA.

Fat-Finger Risk

- Accidentally mistyping orders, thus sending the wrong digital asset or amount, or to the wrong party.

Fiat Currency

- Fiat currency is legal tender whose value is backed by the government that issued it. The U.S. dollar is fiat money as are the euro and many other major world currencies. This approach differs from money whose value is underpinned by some physical good such as gold or silver, called commodity money.

Fidelity Bond

- Insurance bought by a financial institution to protect itself and its clients from financial loss due to theft or crime.

Fiduciary

- One who serves your best interests.

FIFO

- Your oldest shares will be sold first: “first in, first out”.

FinTech Sandbox

- Government policy that allows companies to innovate without fear of fines or sanctions.

Gas Fee

- Fee paid to miners to validate your transaction.

Genesis Block

- The first block written to the Bitcoin blockchain. Also called Block 0.

GTC

- A limit order that remains open until executed, no matter how long it takes for you to get the price you’ve set. The trade is “good till canceled”.

Halvening

- An event that reduces a block reward by 50%. Also called halving.

Hard Fork

- The split of a blockchain into two blockchains, the result of disagreements by developers over how the blockchain should operate.

Hash

- A string of computer code representing data.

Hedge Fund

- An investment that strives to reduce risk.

HIFO

- Your shares with the biggest gain will be sold first “Highest in, First Out.”

Hot Wallet

- An account holding digital assets that is connected to the internet.

Howey Test

- Method used by the SEC to determine if an investment is a security.

In-Kind Transfer

- Movement of coins or tokens as-is to a different custodian. Also called trustee-to-trustee transfer.

Initial Coin Offering

- A coin released to the market for the first time.

Intermediary

- A person or entity facilitating transactions between two parties.

Jamie Dimon

- A person who doesn't know anything about bitcoin and who demonstrates that fact by making ridiculous comments about it. See Warren Buffett.

Know Your Customer

- Rule prohibiting financial institutions from doing business with anonymous parties.

Ledger

- A document that records deposits and withdrawals, or other data.

Leverage

- Borrowed money that is invested, to magnify returns.

LIFO

- Your newest shares will be sold first, "last in, first out".

Like-Kind Exchange

- Selling one investment and purchasing another without paying capital gains. Also called a Starker exchange.

Limit Order

- Transaction that lets you set the worst price you're willing to accept; trade will be executed at that price or better. Limit orders are canceled at the end of the year if not executed.

Long-Term Capital Gain or Loss

- Holding period of more than one year.

Margin Call

- A demand that you post additional collateral, failure results in the sale of your asset.

Market Order

- Transaction to be made immediately or at first opportunity.

Max Drawdown

- A portfolio's maximum loss.

Metaverse

- Broad term referring to an internet economy supported by virtual reality gamers.

Metcalfe's Law

- The notion that a network's value grows exponentially as the network adds users.

Micropayment

- Payment of a small amount of money, often fractions of a penny.

Mining

- Bitcoin mining is the process of making computer hardware do mathematical calculations for the Bitcoin network to confirm transactions and increase security, as it validates the data on the blockchain. As a reward for their services, Bitcoin miners can collect transaction fees for the transactions they confirm along with newly created bitcoins. Mining is a specialized and competitive market where the rewards are divided up according to how much calculation is done. Not all Bitcoin users do Bitcoin mining, and it is not an effortless way to make money.

Modern Portfolio Theory

- The notion that investing in two risky assets is safer than investing in just one of them.

Multiple

- Valuing a company by dividing its profits.

Negative Correlation

- Two assets whose prices move in opposite ways at any given time.

Net Asset Value

- Price of a Security.

Node

- A computer on the blockchain network.

Non-Correlation

- Two assets whose price movements are not related to each other.

Non-Fungible Token

- A token that is unique.

Oracle

- Software code that connects the digital world with the physical world.

Outbound Oracle

- Algorithm that tells a real entity about an event that occurred on a blockchain.

Over the Counter

- Securities that do not trade on an exchange.

P2P

- Peer-To-Peer refers to systems that work like an organized collective by allowing everyone to interact directly with the others. In the case of Bitcoin, the network is built in such a way that each user is broadcasting the transactions of other users. And, crucially, no bank is required as a third party.

Permissioned System

- An electronic system that anyone can access.

Permissive Country

- A government that does not interfere with the trading of digital assets.

Play-To-Earn Game

- An online game where participants earn digital assets based on their performance.

Positive Correlation

- Two or more assets that rise and fall in sync.

Power of Attorney

- Document giving another person or entity legal control of your assets.

Premium

- Price of a security trading above net asset value.

Private Key

- A private key is a secret piece of data that proves your right to spend bitcoins from a specific wallet through a cryptographic signature, and access to digital assets that you own. Your private key(s) are stored in your computer if you use a software wallet; they are stored on some remote servers if you use a web wallet. Private keys must never be revealed as they allow you to spend bitcoins for their respective Bitcoin wallet.

Private Placement

- Investment fund available only to an accredited investor.

Proof of Stake

- Protocol that validates data on a blockchain. The more of a digital asset you stake, the greater your chance of receiving a block reward.

Proof of Work

- Protocol that validates data on a blockchain. Involves solving complex calculations. Success results in receipt of a block reward.

Public Key

- A code you share with others so they can send you digital assets.

Qualified Custodian

- A bank, broker-dealer, futures commission merchant, or some foreign entities designated by the SEC or a state agency to serve as a custodian.

Rebalancing

- Restoring a portfolio's asset allocation by selling some assets and purchasing others.

Red Flags Identity Theft Program

- Procedures set by a financial institution to protect its clients and their assets.

Registered Representative

- A stockbroker.

Restricted Period

- 6-or-12-month period during which you cannot sell your investment.

Ric Edelman's 1% Digital Assets Allocation Strategy

- A brilliant investment strategy, especially for those new to digital assets.

Second Layer Protocol

- Built on a base layer protocol; provides additional features and capabilities.

Separately Managed Account

- Hybrid between owning investments directly and via a fund.

Sharpe Ratio

- A formula that measures an asset's or portfolio's return per unit of volatility.

Short Selling

- Bet that the value of a company will fall.

Short-Term Capital Gain or Loss

- Holding period of one year or less.

Signature

- A cryptographic signature is a mathematical mechanism that allows someone to prove ownership. In the case of bitcoin, a Bitcoin wallet and its private key(s) are linked by some mathematical magic. When your Bitcoin software signs a transaction with the appropriate private key, the whole network can see that the signature matches the bitcoins being spent. However, there is no way for the world to guess your private key to steal your hard-earned bitcoins.

SIM Card Hijacking

- Hackers stealing data by accessing the removable memory chip in your smartphone.

Simple Agreement for Future Equity

- A contract whereby a company promises to give equity.

Simple Agreement for Future Tokens

- A contract whereby a company promises to give tokens if they are issued.

Smart Contract

- Automated movements of money that occur only upon completion of pre-arranged events.

Soft Fork

- Creation of a new coin that uses the original blockchain.

Sortino Ratio

- A formula that measures the downside volatility of an asset or portfolio.

Stablecoin

- A digital asset whose price is pegged to a fiat currency.

Staking

- Posting your digital assets on the internet, to win a block reward or earn interest.

Standard Deviation

- The dispersion of an asset's actual return from its average return.

Strict Countries

- Governments that have banned digital assets transactions.

Supply Chain

- The movement of goods from factory to consumer.

Supply v. Demand

- An economic theory that holds that an asset's price rises as demand outpaces supply.

Taxable Event

- Any event that results in a tax liability.

Token

- Small, physical representation of an intangible item.

Trade Lot

- A set of assets purchased in a single transaction.

Trust Economy

- An economic system that requires buyers and sellers to trust each other's actions.

Turnkey Asset Management Program

- Backoffice systems deployed by financial advisors.

Unbanked

- A person who lacks sufficient funds to open a bank account, or who doesn't live near a bank.

Unicorn

- Company less than 10 years old that is worth more than \$1 billion.

Velocity of Money

- The speed that money moves through an economic system.

Venture Capital

- Money invested into an early-stage company.

Virtual Currency

- Digital representation of a medium of exchange, unit of account, or store of value other than fiat currency.

Wallet

- A Bitcoin wallet is loosely the equivalent of a physical wallet on the Bitcoin network. The wallet contains your private key(s) which allow you to spend the bitcoins allocated to it in the blockchain. Each Bitcoin wallet can show you the total balance of all bitcoins it

controls and lets you pay a specific amount to a specific person, just like a real wallet. This is different to credit cards where the merchant charges you.

Warm Wallet

- A hot wallet that can only send digital assets to wallets you designate. Reduces hacker and fat-finger risk.

Warren Buffett

- A person who doesn't know anything about bitcoin, and who demonstrates that fact by making ridiculous comments about it. See Jamie Dimon.

Wash-Sale Rule

- Purchases of a security sold within 30 days are not immediately eligible for capital loss deduction.

Yield Farming

- The practice of lending or staking your digital assets to earn interest.

