Open Blockchain Networks and Cryptocurrencies:
What they are and why they matter

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To understand cryptocurrencies, we must first understand open blockchain networks.
Decentralization eliminates the centralized middleman
Open blockchain networks are the infrastructure of decentralized systems.

1. Hardware and proprietary software that run the digital service from a central server.

1. Consensus mechanism that allows computers on the network to reach agreement.
Open blockchain networks address shortcomings of centralized services

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<thead>
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<th>Traditional Centralized Service</th>
<th>Open Blockchain Network</th>
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<tbody>
<tr>
<td><strong>Security</strong></td>
<td>Single point of failure makes data centers vulnerable to attack</td>
<td>Encryption of data and decentralization of data makes cyber attacks difficult</td>
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<td><strong>Privacy</strong></td>
<td>Business model often based on selling consumer data</td>
<td>Allows for individual control of personal data</td>
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<td><strong>Competition</strong></td>
<td>Economies of scale for large organizations; massive proprietary data sets encourage monopoly power</td>
<td>Easy for individuals and small businesses to “plug in,” personal ownership of data allows for portability</td>
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Cryptocurrencies are the fuel of open blockchain networks
Cryptocurrencies are an integral and essential part of open blockchain networks.

### Service Integrity
Token interacts with the network software to ensure that the service is correctly administered.

### Enhanced Payments
Tokens enable instant low-cost micropayments.

### Incentive
Token rewards individuals and businesses for contributing to the operation of the network.
In 2014 the IRS deemed “virtual currency” to be property, therefore capital gains tax rules apply to cryptocurrency transactions.
Thank You