WEB 3.0

BLOCKCHAIN, CRIPTO, STABLECOINS AND DREX

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Web 3.0 (or “Web3”), better known as the 3rd generation of the Internet, is seen as the next phase of the Internet. The Web3 is decentralized and based on blockchain technology to improve user navigation and provide users more control over their personal data.

WHAT DIFFERENTIATES WEB3 FROM THE INTERNET WE HAVE TODAY?

Web3 is a developing technology and has some characteristics that differentiate it from the Internet we know today:

1

Decentralization

Web3 is designed to be decentralized, based on blockchain technology, which operates through a chain of independent, encrypted, and transparent interconnected blocks, providing greater security for transactions and data sharing on the network.

2

No controlling entity

Web3 has no controlling authority/entity. Users can transact and interact without the need for an intermediary.

3

Automation

On Web3, information is interpreted and processed by automated systems, making it easier to search for and organize data through a structure that allows information to be aligned hierarchically. For example, a search service provides more accurate and contextually relevant search results for the user, given their settings and preferences.

4

Interoperability

Web3 aims to provide a greater possibility of technology interactions so that information is shared between platforms without an intermediary. Web3 interoperability allows users to navigate different services while maintaining their preferences, profiles, and settings between platforms.

5

Digital ownership

The tendency is for Web3 users to have more control over their data and digital assets, given that the network will not have a controlling agent or entity. Users will have the liberty to choose how their data is processed and by whom, ensuring greater security for their privacy.

HOW DOES BLOCKCHAIN TECHNOLOGY WORK?

Blockchain technology is a distributed and decentralized data structure that allows transactions to be recorded and verified securely, transparently, and immutable. This is why it is the basis of Web3.

In short, blockchain technology is made up of a series of blocks that contain information about transactions. Each block contains a set of recent transactions and a reference to the previous block. Instead of having a single point of control, such as a central server, the blockchain is decentralized and distributed across a network of computers (nodes). Each node in the network has a complete copy of the blockchain.

To add a new block to the blockchain, the nodes on the network need to agree on which block will be added next. This is achieved through consensus algorithms such as Proof of Work (PoW) or Proof of Stake (PoS). Each block contains a set of transactions, which are protected by cryptography. Each block is linked to the previous block via a hash, and any change to a previous block would affect all subsequent blocks, making the chain immutable.

Due to its decentralized nature and the cryptography involved, the blockchain is highly secure and immutable. Once a transaction is confirmed and added to a block, it is extremely difficult to change it.

Because of these characteristics, blockchain technology, the basis of Web3, is used by different crypto assets, as detailed below.

DIFFERENCES BETWEEN CRYPTO ASSETS, CRYPTOCURRENCIES, STABLECOINS AND DREX

As explained in our booklet Crypto Assets Services and their Regulation in Brazil , crypto assets are virtual assets, digital representations of values whose transfer, storage, and transaction can be carried out between people or companies electronically, based on blockchain technology.

Along these lines, there are various types of crypto assets, the most widespread of which is cryptocurrency. Cryptocurrencies are electronic or virtual currencies that use cryptography to secure transactions. Cryptocurrency records are also kept in blockchain architectures, allowing transactions and financial movements to be tracked securely without needing a central server or database.

Cryptocurrencies are intangible representations of currency and store value as a means of exchange between parties for products or services and for speculative and investment purposes. Some of the best-known examples of cryptocurrencies are Bitcoin (BTC) and Ethereum (ETH).

Also, within the category of cryptocurrencies are stablecoins, linked to other more stable assets to determine their value, such as fiduciary currencies, the dollar, and the euro, or even commodities such as gold or oil.

The trend is that the use of cryptocurrencies as a financial exchange currency in the Web 3.0 environment will be key to enabling the creation of decentralized applications that provide economic infrastructure for applications, making them ideal for exchanging value within a decentralized environment.

WHAT ABOUT DREX? IS IT A CRYPTOCURRENCY?

Real Digital (“Drex”) is a currency classified as Central Bank Digital Currency (CBDC) and is not a cryptocurrency or even a crypto asset.

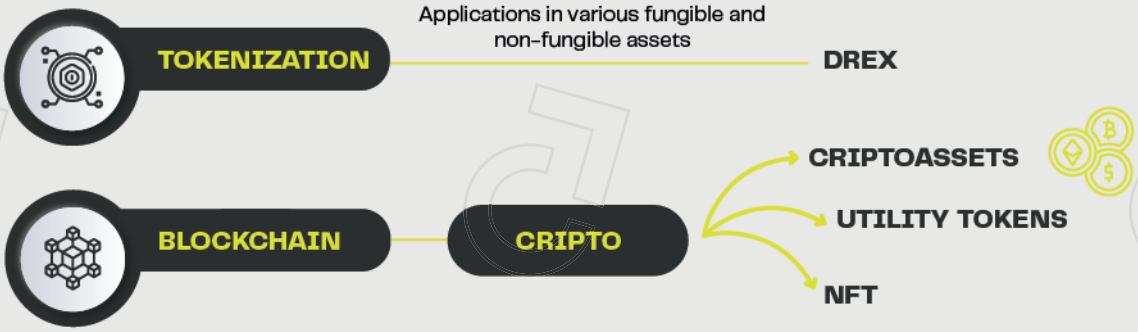
Drex differs from cryptocurrencies in that its structure will be entirely controlled by the Central Bank of Brazil (Bacen), unlike cryptocurrencies in general, which have autonomy, and its fundamental characteristic is decentralization due to the absence of interference by a controlling central authority.

In the same sense, Drex is not a stablecoin. Stablecoins are privately issued and are generally not subject to regulation. Meanwhile, Drex is a digital expression of the Brazilian real issued by Brazil’s sovereign currency regulator, Bacen.

The confusion between Drex and cryptocurrencies is probably generated because it was announced by Bacen as a tokenized asset and thus linked to blockchain technology (in

general, tokenization uses blockchain technology and, as far as is known, Bacen will use blockchain technology to implement Drex).

However, because the government controls and issues it, Drex is not a cryptocurrency.



Despite the great advances and possibilities that Web 3.0 technologies provide, it is important to highlight several challenges and considerations, including regulatory, technological, and security issues. It is, therefore, advisable to conduct thorough research and seek expert advice to fully understand the associated risks and benefits.

Our recognitions

Análise Advocacia (2021)

Chambers & Partners Brazil (2021 & 2022)

Leaders League (2021, 2022 & 2023)

Transactional Track Record (2021 & 2022)

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