Twitter Thread by Nik Kalyani



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Newcomers to #crypto generally face one big problem — since we use a lot of jargon, many fundamental concepts are hard to understand.

I'm going to attempt to simplify things with plain English explanations for many crypto concepts.

Let's start with: #Wallets

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Blockchain data can be freely read by anybody with the right tool, usually a web app written by a developer.

But in order to make a change to blockchain data such as sending funds to someone or minting an NFT, you need to send a "transaction" to the blockchain.

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A "transaction" (Tx) is an action that changes blockchain data. It has four primary components:

1■ What the Tx will do? (ex: transfer funds)
2■ Information needed for the Tx? (ex: amount, recipient)
3■ Tx fees (aka "gas")
4■ Authorization for the Tx via a digital signature

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A digital signature here isn't just your scribbled signature in picture form. It specifically means using cryptographic techniques to create a sealed digital envelope that mathematically proves that "you" approved the Tx.

The "you" in this case is not you, the person.

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"You" really means someone or something in possession of a special piece of information called a "private key"

The private key is a secret piece of information associated with your blockchain account that is used by a special tool to digitally sign the sealed Tx envelope.

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The commonly used name for the special tool that is used to sign the sealed Tx envelope is...

■ Wallet ■

In a nutshell, a crypto Wallet is a tool used to manage a list of accounts and their private keys that are necessary to sign blockchain transactions.

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You're probably thinking, "But wait, Nik. That doesn't sound right. My crypto Wallet contains my BTC, ETH, NFTs, Doge ■. Your definition of Wallet doesn't mention how my crypto is stored in it. What gives?"

That friends, is the biggest misconception about crypto Wallets.

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Repeat after me — crypto Wallets do NOT contain any crypto assets. No coins. No tokens. No NFTs.

Crypto Wallets are a tool to manage your accounts and private keys — that's it.

Your crypto assets are ALWAYS data entries on the blockchain ledger, not in your crypto Wallet

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This means you can use any number and type of crypto Wallets to transact for an account whose private key you know, and it will work swimmingly.

Your cryptocurrency — not in your Wallet
Your tokens — not in your Wallet
Your NFTs — not in your Wallet

So where are they?

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Your crypto assets are actually just blockchain data:

Coins you own — an entry for your account in the ledger of the blockchain on which that Coin is a native cryptocurrency

Tokens and NFTs you own — an entry for your account in the Smart Contract that issued the token

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Summary:

A crypto Wallet is a tool used to manage blockchain accounts and associated private keys.

Crypto assets are never in a Wallet, they always remain on the blockchain.

You can use multiple Wallets for the same account — just the UI will be different not the data.

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I hope you found this thread useful. If so, please Like, RT and Follow.

Here's a video with more information about crypto Wallets https://t.co/wfzEIVyUkQ

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