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TSX

SOLA

Evolve Solana ETF

## OVERVIEW

Solana is a high-performance, decentralized blockchain platform designed to support scalable and user-friendly decentralized applications (DApps). Launched in 2020 by Solana Labs, it aims to address the limitations of earlier blockchains by offering rapid transaction speeds and low fees. The platform's native cryptocurrency, SOL, is used for transaction fees, staking, and as a unit of account within the network.<sup>1</sup>

## HISTORY & DEVELOPMENT



Solana was founded in 2018 by Anatoly Yakovenko and Raj Gokal. Yakovenko, a former engineer at Qualcomm, envisioned a blockchain that could overcome scalability issues inherent in existing networks. The mainnet beta of Solana was launched in March 2020, introducing its unique Proof-of-History (PoH) mechanism to enhance transaction throughput. Since its inception, Solana has gained attention for its technological innovations and rapid growth within the blockchain ecosystem.<sup>2,3</sup>

## INVESTMENT CASE



Investors are attracted to Solana due to its high throughput, low transaction costs, and expanding ecosystem of DApps and decentralized finance (DeFi) projects. Its ability to process thousands of transactions per second with minimal fees positions it as a strong competitor to platforms like Ethereum. However, potential investors should be aware of challenges such as network outages and regulatory uncertainties that could impact its adoption and value.<sup>4</sup>

## USES



Solana supports a wide range of applications, including:

- Decentralized Finance (DeFi):** Platforms for lending, borrowing, and trading assets without intermediaries.

- Non-Fungible Tokens (NFTs):** Creation and exchange of unique digital assets representing ownership of art, collectibles, and more.
- Gaming:** Blockchain-based games offering true ownership of in-game assets and enhanced user experiences.
- Payments:** Fast and low-cost transactions suitable for various payment solutions.

These applications leverage Solana's speed and scalability to provide efficient and user-friendly services.<sup>5</sup>



## SUPPLY & SUPPLY ISSUANCE

As of early 2025, Solana has a circulating supply of approximately 400 million SOL tokens, with a total maximum supply capped at 489 million. New tokens are introduced through staking rewards, incentivizing validators to secure the network. The emission rate decreases over time, following a disinflationary model to balance network security with token value.<sup>6</sup>



## TECHNICAL FEATURES

Solana's architecture includes several innovative components:

- Proof-of-History(PoH):** A cryptographic clock that sequences events, enabling high throughput and efficiency.
- Tower BFT:** A consensus algorithm optimized for PoH, enhancing network security and speed.
- Turbine:** A block propagation protocol that breaks data into smaller packets for efficient transmission.
- Sealevel:** A parallel smart contract runtime allowing simultaneous transaction processing.
- Gulf Stream:** A mempool-less transaction forwarding protocol that reduces confirmation times.

These features collectively enable Solana to achieve high performance and scalability.<sup>7</sup>

## GOVERNANCE & DECENTRALIZATION

Solana operates on a delegated Proof-of-Stake (dPoS) model, where token holders can delegate their SOL to validators who process transactions and maintain the network. While Solana Labs and the Solana Foundation play significant roles in development and promotion, the network's governance is designed to be decentralized, with a growing number of independent validators contributing to its security and decision-making processes.<sup>8</sup>



## SECURITY & RISKS

While Solana's architecture offers high performance, it has faced challenges, including:

- **Network Outages:** Several instances of downtime due to technical issues and attacks have raised concerns about reliability.<sup>9</sup>
- **Centralization Concerns:** The relatively small number of validators compared to other networks may pose centralization risks.
- **Regulatory Uncertainty:** As with many cryptocurrencies, Solana faces potential regulatory challenges that could impact its development and adoption.

Ongoing efforts are focused on enhancing network resilience and decentralization to mitigate these risks.

## SOURCE

1. <https://solana.com/>
2. <https://solana.com/solana-whitepaper>
3. <https://www.coindesk.com/learn/a-beginners-guide-to-the-solana-network/>
4. <https://www.morningstar.com/articles/1314071/solana-crypto-what-it-is-an-how-it-works>
5. <https://solana.com/use-cases>
6. <https://coinmarketcap.com/currencies/solana/>
7. <https://docs.solana.com/>

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## REGULATORY LANDSCAPE



Solana, like other blockchain platforms, operates within an evolving regulatory environment. In 2024, the U.S. Securities and Exchange Commission (SEC) filed a lawsuit against a cryptocurrency exchange, alleging that Solana should be regulated as a security<sup>10</sup>. This action has prompted discussions about the classification and regulation of SOL tokens, with potential implications for exchanges, developers, and investors involved with the platform.

## ADOPTION & INSTITUTIONAL INTEREST



Solana has seen growing adoption across various sectors:

- **DeFi Platforms:** Projects like Serum and Raydium have built decentralized exchanges on Solana.
- **NFT Marketplaces:** Platforms such as Solanart and Magic Eden facilitate NFT creation and trading.
- **Institutional Investments:** Firms like SkyBridge Capital have invested in Solana, citing its technological potential.<sup>11</sup>

These developments reflect increasing confidence in Solana's capabilities and future prospects.

8. <https://solana.org/validators>
9. <https://www.coindesk.com/tech/2022/10/01/solana-suffers-another-outage-bringing-blockchain-to-a-halt/>
10. <https://www.reuters.com/legal/coinbase-sec-set-face-off-federal-court-over-regulators-crypto-authority-2024-01-17/>
11. <https://www.coindesk.com/business/2021/11/08/skybridge-capital-launches-solana-fund-plans-bitcoin-etf/>

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