



VARZA SCHOOL · THE FOUNDATIONAL 100

Currency, Gold, Commodities, and Crypto Assets: Uses, Risks, Pricing, and Custody

Chapter 98 · Track 10 — Markets, Investing, and Financial Intelligence with Varza

THE QUESTION IT ANSWERS

How should a person evaluate assets often described as stores of value, inflation protection, alternative money, or speculation without treating them as one category?

CONCEPTS DEFINED

Currency risk · Gold · Commodity · Crypto asset · Custody · Private key · Counterparty risk · Liquidity risk

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Varza promise: clear enough for a first-time learner, exact enough for a professional conversation, and practical enough to support a real decision.

Why this chapter matters

This track introduces markets and investing as systems for allocating capital and risk. It emphasizes ownership, evidence, time horizon, liquidity, fees, behavior, and downside capacity rather than prediction or excitement.

Central question: How should a person evaluate assets often described as stores of value, inflation protection, alternative money, or speculation without treating them as one category?

Currency, gold, commodities, and crypto assets have different claims, use, supply, cash flow, storage, market, custody, regulation, and failure modes. None is automatically safe, inflation-proof, private, liquid, or suitable; the instrument and custody chain matter as much as the quoted price.

Varza approaches the subject from life to ledger and from ledger to decision. We begin with what actually happened, identify the rights, obligations, resources, timing, and uncertainty, and only then choose the correct term, calculation, document, or account. This order protects the learner from a common error: learning a label without understanding the economic reality that the label is supposed to describe.

Learning outcomes

- Define and distinguish currency risk in plain and professional language.
- Define and distinguish gold in plain and professional language.
- Define and distinguish commodity in plain and professional language.
- Define and distinguish crypto asset in plain and professional language.
- Apply the concepts to a numerical case and explain the result rather than only calculate it.
- Identify evidence, workflow, controls, and Varza entities required for reliable use.
- Recognize when jurisdiction-specific or licensed professional advice is required.

The Varza mental model

A financial concept becomes decision-ready when six questions have answers: **what, who, when, how much, based on what evidence**, and **under which assumption or rule**. A seventh question—**what should happen next**—turns knowledge into management.

This chapter uses internationally recognized terminology, but it remains jurisdiction-neutral unless explicitly stated. Accounting standards, tax rules, contract law, consumer protection, labor requirements, and investment regulation can produce different legal outcomes in different countries. The global foundation gives the learner a stable map; local collections must add the binding rules.

Core concepts

1. Currency risk

Working definition. Currency risk is the uncertainty created when assets, liabilities, income, expenses, or commitments are exposed to exchange-rate changes.

Measure exposure by currency and timing; do not assume that all foreign-currency positions offset. A non-specialist can understand this by separating the object, the timing, and the consequence.

Simple example. A dollar payable creates risk for a business whose cash inflows are mainly in another currency.

Decision test. Who can influence the result, and who only reports it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

2. Gold

Working definition. Gold is a scarce precious metal used as a store of value, reserve asset, jewelry input, and traded commodity.

Gold produces no contractual cash flow. Results depend on purchase form, spread, custody, purity, currency, tax, and market price. The concept should be measured at the smallest level that still supports a real action.

Simple example. Physical bullion and a gold-backed exchange-traded product create different custody and counterparty exposures.

Decision test. Does the item affect cash now, later, or not at all? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

3. Commodity

Working definition. Commodity is a standardized or economically similar physical good traded for consumption, production, storage, or financial exposure.

Commodity returns depend on spot price, storage, convenience, futures structure, currency, supply shocks, and instrument design. The number alone is not enough; its definition determines whether comparisons are valid.

Simple example. Oil, copper, wheat, and natural gas have different storage and market dynamics.

Decision test. What is being measured, and what has been left outside the boundary? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

4. Crypto asset

Working definition. Crypto asset is a digitally represented asset or right recorded or transferred using distributed-ledger or related cryptographic systems.

The category is diverse. Analyze legal rights, protocol, issuer, utility, liquidity, volatility, custody, smart-contract, fraud, tax, and regulatory risk. This is where operational activity and financial reporting meet.

Simple example. Bitcoin, a stablecoin, a governance token, and a tokenized security should not be treated as one product.

Decision test. When did the underlying right, obligation, benefit, or sacrifice arise? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

5. Custody

Working definition. Custody is the safeguarding and administration of assets, records, keys, or legal entitlements on behalf of an owner or beneficiary.

Custody determines control, recovery, segregation, counterparty exposure, access, succession, and evidence. Ownership and possession may differ. In Varza language, the concept becomes useful when it changes a decision.

Simple example. A regulated custodian holds securities in client accounts while the investor retains beneficial interest.

Decision test. Which document or observation would allow another person to verify it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

6. Private key

Working definition. Private key is a secret cryptographic credential that can authorize control or transfer of assets in certain digital systems.

Loss, theft, coercion, malware, backup failure, and inheritance can create irreversible consequences. Never expose a private key to an assistant or ordinary support channel. The professional term matters because it prevents two different realities from being recorded as though they were the same.

Simple example. A hardware wallet signs a transaction without revealing the private key to the connected computer.

Decision test. How would a different assumption change the result? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

7. Counterparty risk

Working definition. Counterparty risk is the possibility that another party to a financial or commercial arrangement fails to perform its obligation.

Assess legal claim, collateral, settlement structure, concentration, wrong-way risk, jurisdiction, and recovery—not only current reputation. A non-specialist can understand this by separating the object, the timing, and the consequence.

Simple example. An exchange failure can prevent access to assets even when the underlying token still exists.

Decision test. Who can influence the result, and who only reports it? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

8. Liquidity risk

Working definition. Liquidity risk is the possibility that an asset cannot be sold or an obligation cannot be met at the required time without material loss or disruption.

Market liquidity and funding liquidity are related but distinct. Stress often causes both to deteriorate together. The concept should be measured at the smallest level that still supports a real action.

Simple example. A property may be valuable but impossible to sell quickly at an acceptable price.

Decision test. Does the item affect cash now, later, or not at all? A reliable answer should state the unit, date or period, scope, evidence, and uncertainty. When one of these is missing, the concept may still be useful for discussion, but it is not yet decision-ready information.

How the concepts connect

The concepts in this chapter are a system, not a vocabulary list. Currency risk, Gold, Commodity, Crypto asset, Custody, Private key, Counterparty risk, and Liquidity risk describe different parts of the same decision. Confusing them usually creates one of three failures: the wrong amount is measured, the right amount is assigned to the wrong period or person, or a correct report is used for a decision it was never designed to support.

A useful analysis therefore preserves both **classification** and **relationship**. Classification tells us what an item is. Relationship tells us what caused it, what it affects, and what could change it. Varza should store both. A report that shows only totals may be suitable for orientation; a controlled decision requires traceability to the underlying relationships.

Formulas and quantitative relationships

All-in purchase cost

Effective acquisition cost = Market reference value + Spread + Fees + Storage or custody setup + Other transaction cost

The measure compares the real entry cost with the quoted headline price.

Boundary: Tax, financing, slippage, minimum size, and future exit cost require separate analysis.

Currency return in home units

Home-currency return = $(1 + \text{Asset return in foreign currency}) \times (1 + \text{Foreign-currency return versus home currency}) - 1$

The compound relation combines asset and exchange effects.

Boundary: Quote direction, fees, hedging, timing, and tax must be consistent.

Worked case — A crypto price gain becomes a smaller cash result

A person buys a crypto asset when the reference price is CU 100,000 and later sells after a 20% market-price rise. Entry spread and fee total 2%; exit spread and fee total 3%.

Item	Amount or observation
Reference purchase price	CU 100,000
Illustrative acquisition cash cost	CU 102,000
Reference sale value after 20% rise	CU 120,000
Illustrative net exit after 3%	CU 116,400
Cash gain	CU 14,400
Return on cash invested	$14,400 \div 102,000 \approx 14.1\%$ before tax

Calculation and reasoning

1. The quoted asset rose 20%, but the investor paid CU 102,000 after entry friction.
2. Net sale cash is $\text{CU } 120,000 \times 97\% = \text{CU } 116,400$.
3. Cash gain is CU 14,400 and return on cash invested approximately 14.1% before tax.
4. Custody loss, platform failure, transfer error, market gap, and liquidity could create additional outcomes not shown.
5. Compare instrument, provider, control, and total cost—not only the chart.

What the result means

Alternative assets require ordinary financial discipline plus specialized custody and market understanding. A price quote is only one layer of the result.

The case is deliberately compact. In practice, Varza would preserve the supporting documents, currency, dates, counterparty, project or cost center, approvals, and links to the resulting records. The lesson is not merely to reach a number; it is to make the path to that number reviewable.

Practical workflow

1. **Define the decision, responsible person, economic unit, period, and acceptable uncertainty.**
Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
2. **Identify the exact exposure: physical asset, deposit, fund, futures contract, token, stablecoin, or platform balance.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
3. **Understand price formation, currency quote, spread, fees, leverage, legal rights, redemption, and tax.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
4. **Map custody, key control, storage, insurance, counterparty, and recovery.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
5. **Limit exposure by goal and loss capacity and independently verify transactions and providers.**
Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
6. **Reconcile the result to source evidence and investigate exceptions rather than forcing agreement.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
7. **Approve the decision or record at the authority level required by value, risk, and legal consequence.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.
8. **Monitor the outcome, compare it with the original assumption, and retain the learning for the next cycle.** Define the owner, required evidence, status, date, and exception route. Do not allow the next step to erase the record of the previous one.

How this concept should appear in Varza

The minimum Varza data model for this chapter includes asset, instrument, unit, price_source, spread, custodian, wallet, private_key, exchange, storage, counterparty, transaction. These names are not merely interface labels. Each entity should have a stable identifier, status history, responsible owner, applicable currency or unit, effective dates, evidence links, and access controls.

A useful Varza screen should answer four questions without forcing the user to reconstruct the story manually:

1. **What happened or is expected to happen?** Show the operational event, obligation, or decision in plain language.
2. **What changed financially?** Show cash, asset, liability, equity, income, expense, commitment, or risk effects.
3. **Why should the user trust it?** Show source documents, calculations, approvals, and revision history.
4. **What requires attention now?** Show exceptions, due dates, thresholds, and the next responsible action.

The Varza design principles most relevant here are:

- Attach every important number to a source, period, currency, entity, and responsible person.
- Prefer a traceable estimate with stated assumptions to an impressive number with hidden assumptions.
- Use automation to strengthen evidence and consistency, never to remove accountability.

Varza AI may explain, classify, compare, simulate, and prepare a proposed action. It should not silently change a legal record, post a material transaction, close a period, release a payment, or make an investment decision on the user's behalf. Material actions require visible evidence, permissions, validation rules, and an accountable human approval path.

Controls and professional boundaries

1. **No private key or recovery phrase stored in ordinary notes, chat, or AI prompts.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
2. **Independent provider and address verification.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
3. **Tested backup and inheritance procedure for self-custody.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
4. **No leverage or yield product without complete counterparty and liquidation analysis.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
5. **Stable definitions, versioned assumptions, and consistent units across plans, records, and reports.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.

6. **Traceability from every material total to evidence, calculation, owner, and change history.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.
7. **Access and approval rights aligned with responsibility and the possible consequence of error or misuse.** The control should be proportionate to value and risk, documented clearly, and tested often enough to detect failure before the consequence becomes irreversible.

A control is effective only when it operates in practice. A policy that everyone can bypass is a statement of hope, not a control. Likewise, a control that blocks ordinary work without distinguishing low-risk and high-risk cases encourages hidden workarounds.

Common mistakes and better responses

Mistake 1: Treating a stablecoin as equivalent to insured bank cash

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Mistake 2: Buying gold exposure without knowing whether it is allocated, redeemable, or merely a claim

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Mistake 3: Assuming commodity price return equals futures-product return

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Mistake 4: Sending crypto because a support agent or urgent message supplies an address

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Mistake 5: Using a technically correct number outside the period, entity, currency, or decision boundary for which it was calculated

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Mistake 6: Accepting an automated result without reviewing the evidence, assumptions, exceptions, and required professional judgment

Better response. Reconstruct the underlying event, state the definition being used, obtain the missing evidence, and recalculate before making a decision. Correct the process as well as the current number so the same error does not become routine.

Decision checklist

- ☐ Can I explain currency risk in plain language and in professional terms?
- ☐ Can I explain gold in plain language and in professional terms?
- ☐ Can I explain commodity in plain language and in professional terms?
- ☐ Can I explain crypto asset in plain language and in professional terms?
- ☐ Have I stated the entity, currency or unit, date or period, and decision boundary?
- ☐ Can another person reproduce the number from retained evidence?
- ☐ Have I separated actuals, estimates, commitments, and scenarios?
- ☐ Have I tested timing, liquidity, risk, and at least one adverse outcome?
- ☐ Is the required approval proportional to the possible loss or legal consequence?
- ☐ Does the final output lead to a specific action, owner, and review date?

Practice lab

1. **Explain it.** Describe Currency risk to a person who has never studied finance. Then add the professional definition and identify one boundary your simple explanation omitted.
2. **Classify it.** Create five examples from your household or a small business and classify each using Gold. State any assumptions.
3. **Calculate it.** Rebuild the worked case with amounts 20% higher. Identify which conclusions change and which remain structurally true.
4. **Challenge it.** Describe a situation in which Commodity could be measured correctly but still lead to a poor decision because timing, risk, or incentives were ignored.
5. **Design it.** Sketch a Varza screen or report for this chapter. Include fields, evidence links, status, owner, exceptions, and one AI-assisted action.

Answer guidance

A strong answer uses consistent definitions, reveals assumptions, distinguishes fact from estimate, and connects the result to an action. More than one conclusion may be reasonable when the learner clearly states the decision objective and uncertainty. The worked-case recalculation should preserve the method even when the numbers change.

Varza AI knowledge capsule

This capsule is intentionally explicit so that a retrieval system can distinguish canonical teaching points from examples and commentary.

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    "Commodity: a standardized or economically similar physical good traded for consumption, production, storage, or financial exposure.",
    "Crypto asset: a digitally represented asset or right recorded or transferred using distributed-ledger or related cryptographic systems.",
    "Custody: the safeguarding and administration of assets, records, keys, or legal entitlements on behalf of an owner or beneficiary.",
    "Private key: a secret cryptographic credential that can authorize control or transfer of assets in certain digital systems.",
    "Counterparty risk: the possibility that another party to a financial or commercial arrangement fails to perform its obligation.",
    "Liquidity risk: the possibility that an asset cannot be sold or an obligation cannot be met at the required time without material loss or disruption."
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Suggested questions for Varza AI

- Explain this chapter using an example from a household, a shop, and a service business.
- Ask me five diagnostic questions before applying this concept to my situation.
- Show the difference between cash effect, accounting effect, and decision effect.
- Recalculate the worked case using my currency and assumptions, but preserve the original definitions.
- Identify which parts require local accounting, tax, legal, labor, or investment rules.

Sources and standards horizon

This chapter is original Varza educational content. It paraphrases and synthesizes concepts; it does not reproduce a standard or third-party article. The following sources were used to establish terminology, scope, and current professional context:

- **S013 — International Monetary Fund, *Inflation: Prices on the Rise*.** accessed 2026-08-31. Inflation and purchasing-power concepts. Source: <https://www.imf.org/en/publications/fandd/issues/series/back-to-basics/inflation>
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- **S017 — U.S. Securities and Exchange Commission, *Red Flags of Investment Fraud Checklist*.** accessed 2026-08-31. Common investor-fraud warning signs. Source: <https://www.investor.gov/protect-your-investments/fraud/how-avoid-fraud/red-flags-investment-fraud-checklist>
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- **S020 — FINRA, *Risk*.** accessed 2026-08-31. Investment-risk categories and loss potential. Source: <https://www.finra.org/investors/investing/investing-basics/risk>

Standards horizon. Reviewed through 2026-08-31. IFRS 18 and the third edition of the IFRS for SMEs Accounting Standard are included as transition knowledge where relevant; both have mandatory effective dates beginning in 2027, with early application permitted under their respective requirements.

Jurisdiction note. Crypto, commodity, currency, precious-metal, custody, securities, derivatives, tax, consumer, anti-money-laundering, and exchange rules vary materially by jurisdiction and product. Use current official regulatory sources and licensed advice.

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