



COIN REPORT:

# Solana (SOL)

An overview of Solana and its potential use cases

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<b>Asset Type:</b>	Blockchain Infrastructure
<b>Consensus Mechanism:</b>	Proof-of-History/Delegated Proof-of-Stake
<b>Launch Date:</b>	March 16, 2020
<b>Max Supply:</b>	Uncapped

## Key Takeaways

### Facts

- Solana can be considered an ideological successor to Ethereum. It is a smart contract platform that uses a monolithic design optimized for speed, latency, and low transaction costs.
- SOL is the native token of the Solana network and is used to pay transaction fees.
- Solana follows a transparent roadmap and frequently rolls out upgrades two to three times per year.

### Strengths

- Solana is focused on enabling a more cost-effective and efficient on-chain experience, aiming to bring the existing financial system on chain.
- Solana's tokenomics are centered on driving issuance and cash flows to SOL stakers and validators.
- Solana has made several design trade-offs, offering users consistently low transaction costs and fast response times.
- Solana's user experience is widely regarded as one of the best in the industry and has introduced innovative technologies like parallel execution that many new entrants now consider must-haves.

### Weaknesses

- Solana's monolithic design and high performance limit the accessibility of running Solana nodes and validators.
- Solana's hardware requirements and economics make running a profitable Solana validator difficult, further raising the barrier to entry for validators.
- Solana's frequent upgrades are made relatively transparent, yet the future state of Solana is likely to look very different than today's, introducing a technical risk that investors should consider carefully.
- The Layer 1 blockchain space is among the most competitive in the industry and Solana will need to continue innovating quickly and reliably to retain existing users and attract new ones.

# What Is Solana and Its Value Proposition

Solana was conceptualized in 2017 by Anatoly Yakovenko and launched in March 2020. Yakovenko's vision for Solana was to create a high-performance blockchain that could support a vast number of applications with minimal transaction costs and low latency. Solana aims to address the scalability issues faced by earlier blockchain platforms, including Ethereum.

Solana integrates unique technology, like proof-of-history and parallel execution (highlighted further in the “Technology” section of this report), to yield sub-second block times and high transaction throughput. Solana approaches the blockchain trilemma differently than its predecessors by offering a scalable, low-cost platform for applications all within a single monolithic architecture.

In summary, the Solana protocol is a robust platform for developers, offering a higher-speed, lower-cost environment where applications can be built and deployed efficiently. These applications, known as programs, are central to Solana’s value proposition. The architecture of Solana programs, which separates data storage from computational logic, optimizes performance and efficiency, setting it apart from traditional Ethereum Virtual Machine (EVM)-based blockchains.

The use of proof-of-history and Solana programs enables high throughput and low transaction costs. This has made Solana’s native currency, SOL, one of the leading digital assets by market cap, valued at over \$87 billion as of June 2025. The SOL token is essential to transact on the Solana network. Each transaction incurs a small fee (approximately \$0.03) paid in SOL to complete the transaction.<sup>1</sup> Whether it is a developer deploying a new program or a user interacting with an application, SOL is needed to pay for these transactions.

## Investment Thesis

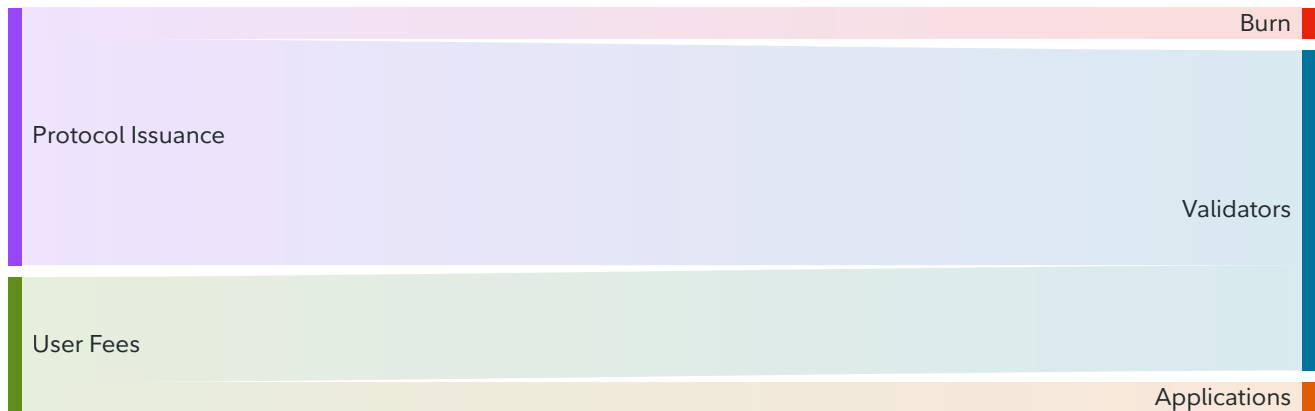
While the Solana white paper paints the platform as a foundation for general applications, many of the notable names in the Solana space have been fully focused on optimizing the trading experience. This has informed much of the network’s recent narrative, “increase bandwidth, reduce latency,” which aims to increase the number of trades that can happen within a smaller time frame.

Although the blockchain’s original intentions were broader, in our view, Solana’s value proposition is primarily centered on its superior blockchain infrastructure, which enables a better trading experience, as well as the global accessibility and adoption of trading all financial assets on Solana. Other use cases along with new financial products are likely to arise naturally alongside the potential future success of the network as well.

Investing in the Solana token is linked to network usage, as a small portion of each transaction is paid in SOL. However, a recent change to the protocol reduced the amount of SOL that is burned

to near zero. Today, most of the value generated from transactions flows to SOL stakers in the form of arbitrage and tips paid for transaction priority.

## Solana Value Flow



Source: Fidelity Digital Assets Research, 08/25/25.

When viewing Solana’s value flows, most of the cash flows from increased activity come from issuance and users. Value then flows directly to stakers as a reward for processing transactions and securing the network.

Investors should be mindful in their approach based on this value flow mechanism. Those focused on real cash flows as the underlying investment thesis over the long term should understand where these values are realized. However, those viewing SOL through the lens of network effects may not be as inclined to incorporate this into their decision-making process.

The total addressable market can be thought of conservatively as some percentage of the value of all traditional exchanges (NASDAQ, CME, NYSE, etc.). A more aggressive stance would be to consider its market as exceeding these exchanges due to the ability for all global assets and even new financial products to be traded 24/7. Additionally, blockchain networks—especially those that are monolithic in design—have strong network effects that may provide SOL a premium above and beyond its projected valuation based strictly on cash flows.

It is important to note that Solana’s current design is not able to process nearly the number of transactions required to handle all assets trading on all exchanges globally. Therefore, investors should closely monitor the success of future protocol enhancements, namely Firedancer, which seeks to provide a significant increase to throughput. Firedancer has been in development since August 2022 and is expected to go live in late 2025.

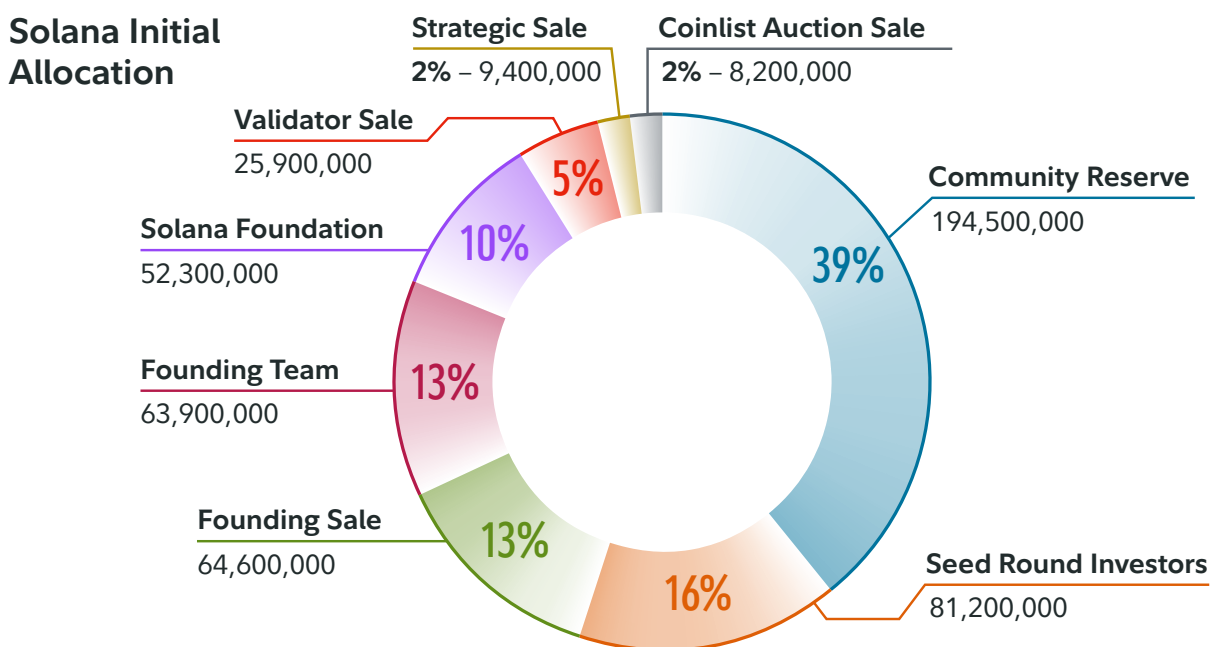
The investment thesis of Solana mirrors that of a pure technology platform. It has shown its ability to scale alongside hardware and bandwidth growth rates over its short history. Solana has a consistently innovative community capable of implementing solutions at a fast pace. Additionally, it has some of the fastest growing network effects of all digital assets.

# History and Future

## Solana Foundation and Initial Token Allocation

Solana launched under the stewardship of Solana Labs (a for-profit developer organization). Around the same time, the Solana Foundation, a Swiss nonprofit, was established to support the network’s development, ecosystem growth, and resource allocation. Solana Labs continues to lead development of the core protocol through a team called Anza that maintains the main client software.

Solana’s native token, SOL, had an initial fixed supply of 500 million tokens at genesis. These were allocated across several groups to fund development, reward the community, and incentivize network participants. Below is the breakdown of the original 500 million SOL allocation.



Source: Fidelity Digital Assets Research via Crypto.com, 04/13/25.

By early 2021, the majority of these tokens had unlocked into circulation, coinciding with Solana’s Mainnet Beta transition. The only portion that continued vesting beyond 2021 was the remaining half of the founding team’s tokens, which was distributed on a monthly basis until February 2023. As of 2023, all founding allocations and investor tokens from the genesis distribution became liquid. Solana’s economics moved to a purely inflationary issuance model after these initial locks expired. Today, Solana’s total supply is 598 million with the difference from the initial amount being attributed to the proof-of-stake issuance policy. The Solana Foundation still holds a substantial treasury of SOL (hundreds of millions of tokens) to support the network. As noted, an initial 194.5 million SOL was under the foundation’s management for ecosystem purposes.

The foundation stakes a substantial portion to validators via its Delegation Program, using a portion for funding development, community initiatives, and strategic partnerships. The Solana Foundation's publicly labeled accounts show stakes and distributors to investors and the wider community. For example, about 41 million SOL from the foundation is delegated to validators, which can be seen on its updated dashboard.

This program functions through the foundation delegating tokens to certain validators to make their operations profitable. Some may view this trade-off as an imbalance in validator economics and incentives, while others defend it as a necessary bootstrapping stage considering the still-nascent platform was launched in 2020. The delegated stake from the foundation has dropped from 100 million when the program began in 2020, signaling a decreased reliance on the program amidst increasing network stability.

## The Monolithic Approach to Scaling

Managing consensus, execution, and settlement within a single layer gives Solana several advantages over modular approaches to scaling. However, it also comes with some drawbacks. Solana developers are leaning into this philosophy and have a clear end goal of "one giant global state machine with the lowest latency and lowest fees that physics will allow," as stated by Yakovenko.

Scaling a singular blockchain to be able to meet the world's demand is an immense task and relies on improvements to the base layer's software as well as the underlying hardware. Solana was explicitly designed to scale with hardware and bandwidth improvements over time. This means as computers and networks get faster, Solana's throughput can increase alongside it.

In this sense, Solana is leveraging both Moore's Law and Nielson's Law. The theories respectively state that consumer hardware performance and internet bandwidth double approximately every two years, which supports the network's long-term scaling approach. However, this monolithic scaling approach does demand robust hardware and bandwidth requirements from validators, creating a potential barrier to entry.

By leveraging Moore's Law, Solana can benefit from a unified execution environment. All transactions flow through the same pipeline, application developers can build on a single shared run time, and all transaction fees are captured by Solana validators.

This monolithic architecture results in a highly performant, interconnected chain that offers a unified experience for all users and developers. For the Solana community, the aim to push the boundaries of Layer 1 performance and ride the wave of hardware and software improvements over time is a worthwhile endeavor given the trade-offs.

For investors specifically, the core idea is that the single unified layer can look to support mass adoption in the future, with all the value paid to use the chain flowing directly to Solana

validators as opposed to the modular approach where value is persistently leaked to other ecosystems outside of the native chain.

## Roadmap

Looking ahead, Solana's core developers and community are focused on a simple mantra: "increase bandwidth, reduce latency." This phrase captures the essence of Solana's vision for the near future. Ultimately, this boils down to making the base layer even faster and more capable of supporting a growing ecosystem without relying on secondary layers. To achieve this, the roadmap through 2025 and beyond includes both major technical projects and several incremental improvements.

**Firedancer:** A headline item on Solana's 2025 roadmap is the production release of Firedancer, a new validator client being developed by the quantitative trading firm Jump Crypto. By the end of 2025, Jump Crypto aims to have Firedancer as a fully functional alternative to the current validator client. The expectation is that Firedancer could dramatically increase Solana's throughput and improve stability. Once it is live, Solana will have two independent validator implementations running the network in parallel.

Currently, Agave is the core implementation that the network relies on. Therefore, not only will Firedancer enhance Solana's core value proposition by potentially offering magnitudes greater throughput, but it will also improve Solana's resilience by introducing a completely separate client that can run the Solana software.

**Doubling Throughput (Blockspace Expansion):** A concrete near-term goal is to double Solana's blockspace capacity. Currently, each block has a limit of 48 million compute units (similar to gas on Ethereum). Solana's developers have created a plan to gradually raise this limit, allowing more transactions per block.

**Continued Software Optimizations:** This part of the roadmap is filled with many small optimizations that developers believe will compound and make meaningful differences in boosting overall performance of the network. Some planned enhancements include optimizing how block data propagates through the network, reducing latency, and using faster cryptographic algorithms where applicable, all with the goal of making a lean and efficient mechanism end-to-end.

# Governance

Blockchain governance refers to how decisions about protocol changes are made. In Solana, governance has evolved into a hybrid model with both off-chain deliberation and on-chain voting. Most of Solana's governance occurs off-chain in similar fashion to other well-known blockchains like Ethereum. However, Solana also incorporates an on-chain voting mechanism to gain insights into upgrade support from the broader ecosystem.

The cornerstone of Solana's governance process is the Solana Improvement Document (SIMD) system. SIMDs are formal proposals that document and justify substantial changes to Solana's core protocol, like how Ethereum Improvement Proposals (EIPs) are treated in Ethereum. However, Solana is unique in its approach of utilizing on-chain voting to determine whether to implement a change, especially for those that are contentious. This hybrid model allows the smaller community of researchers and developers within the Solana community to propose changes. However, it still relies on the wider ecosystem to determine its success or failure through a formal on-chain vote.

Therefore, Solana's decision-making process moves quickly and utilizes the on-chain voting mechanism as checkpoints along the way. In comparison, Ethereum's process is much slower and gradual, ensuring consensus is reached at each point in the governance cycle.

## Social Governance (Off-Chain)

Off-chain governance is where Solana's decision-making process starts. This phase encompasses idea generation, technical discussions, and proposal drafting before any on-chain vote occurs. A window of review and coordination typically takes place, and if the change impacts the rest of the stakeholders in the ecosystem in various or unknown ways, then an on-chain vote will occur to determine the result.

Solana is a smaller ecosystem than Ethereum and has slightly more centralized and technology-focused governance. This allows developers to push upgrades quickly and address flaws in the protocol without the delays associated with a more diverse governance process. Nonetheless, it appears that those in charge (mostly researchers and developers within the Solana Foundation) are in constant contact with application developers building on Solana, allowing them to prioritize certain upgrades that are aligned with their key stakeholders.

## On-Chain Voting

Unlike many blockchain ecosystems, Solana has leaned into on-chain voting for certain important upgrade proposals, specifically those that have a potential economic impact. While there are trade-offs associated with on-chain governance, this system whereby validators vote based on

the amount of stake they have on Solana ensures the end results are most aligned with the key stakeholders in the ecosystem.

This system also tries to avoid chain splits, something Ethereum has experienced twice. In other words, those that are responsible for maintaining network uptime and security have the greatest say in whether these important updates pass or not, and the voting mechanism ensures the new chain will have sufficient support once implemented.

One important nuance here is that Solana has a delegated staking system. This means that Solana token holders can delegate their Solana to validators by providing SOL as staking collateral, earning a percentage of the validator rewards in return. As it relates to governance voting power, only the validators (or those running the nodes) may cast votes, not those that have delegated their SOL to validators. However, validators do have optionality when voting to reflect a split decision among their delegators. For instance, if a validator had 100 votes, they could use 80 to vote “yes” and 20 to vote “no” to properly represent their delegators’ desires.

Many criticisms of this representative on-chain voting scheme revolve around the validators having the ultimate decision. However, validators earn rewards proportional to their stake and therefore are incentivized to properly represent their delegators’ wishes when voting. The real crux is when proposals impact non-stakers directly. In this system, SOL holders that are not staking do not have representation in the voting mechanism. Over the long term, the community may see the economic impact of the decision-making process leaning in the favor of stakers over non-stakers because of this.

## Case Study: SIMD-96

One of the first examples of this process was SIMD-96 in 2024. This proposal changed Solana’s transaction fee distribution. Previously, when users paid a priority fee to get their transactions processed faster, that fee was split between half being burned and half given to validators as a reward. SIMD-96 proposed to give 100% of priority fees to validators, effectively eliminating burn, to better incentivize validators and discourage any out-of-protocol fee arrangements.

The proposal was passed through on-chain voting after receiving the supermajority of support (77.7% of participants voted yes), yet many in the community highlighted a potential conflict of interest. Those that benefitted from the change (validators) were responsible for the outcome of the vote, but those that were negatively impacted (non-stakers) had no representation.

Ultimately, it is not the voting mechanism alone that drove this outcome, as this upgrade had quantifiably positive impacts on overall network health in the eyes of Solana developers and other stakeholders. Most importantly, investors should at least be aware of the different vectors of influence each subset of the network holds. Additionally, non-stakers may take it upon themselves to be more involved in the off-chain governance part of the system.

Savvy investors will appreciate that in blockchain networks, “who decides and how” is as important as the technical specifications of each network. It affects the network’s ability to adapt, the degree of decentralization, and ultimately, the long-term confidence of participants.

By understanding Solana’s governance structures, one can better gauge how the network may respond to future challenges and opportunities. All approaches have their merits, but Solana’s experience shows that a mix of off-chain governance and on-chain voting can drive engagement and is a quantitative measure to make quick and meaningful decisions.

## Technology

Solana’s design prioritizes high performance to support smart contracts and decentralized applications at scale. This section provides an overview of notable technological innovations that make Solana unique and are key to its value proposition. These include programs, accounts, parallel execution, and proof-of-history.

### Programs

Smart contracts on Solana are called programs. A Solana program is a piece of code deployed to the network, identifiable by a unique address. Users interact with programs by sending transactions that invoke them. Once invoked, a program can read or modify data in accounts that are passed to it as inputs.

### Accounts

Solana programs therefore do not inherently store long-term data. Instead, any state (like user balances or other data) is kept in separate accounts on the ledger. A program can be thought of as a service or a tool and the accounts as the files or databases the service can use. This separation allows Solana to manage its memory and state more efficiently and is one reason Solana can run many programs in parallel.

### Parallel Execution

Solana’s transaction processing mechanism is called Sealevel, which is a key innovation enabling parallel execution of programs. When a transaction invokes a Solana program, it must specify all the accounts that will be read or written by that transaction. Sealevel then uses this information to schedule transactions concurrently: Multiple program instructions can execute in parallel as long as they are accessing different accounts.

This process is notably different from Ethereum, which is limited to sequential execution. In sequential execution, transactions in a block are processed one by one, with transactions running in isolation.<sup>2</sup>

A useful analogy between the two designs can be described as a single server (Ethereum) versus a cloud server (Solana). Ethereum's design is like a single server that processes tasks one by one. In contrast, Solana's approach is like a cloud data center with many servers working in parallel. If a big batch of tasks comes in, the single server (Ethereum) will handle them sequentially, whereas the cloud (Solana) will distribute the tasks across various servers and get them done much faster.

This parallel execution design is a major differentiator for Solana, enabling it to maximize hardware utilization. It is one reason why Solana's throughput increases with better hardware and why the network has been able to maintain low costs per transaction. Ethereum's single-threaded execution, or sequential execution, means even if a node has many cores, it usually cannot use them all for different transactions within one block, it must process them one after the other.

It is important to note that in the above comparison, we are differentiating between Ethereum's Layer 1 design and Solana's Layer 1 design. Ethereum's modular approach was chosen so Ethereum's base layer could remain simple and allow Layer 2s to optimize their execution mechanisms.

## **Proof-of-History and Tower Byzantine Fault Tolerance (BFT)**

The Solana white paper introduces the concept of proof-of-history, a unique consensus mechanism that timestamps transactions to create a verifiable order of events. This innovation enhances the network's efficiency and throughput, allowing it to process transactions faster than previously existing blockchains.

By embedding timestamps directly into the blockchain, proof-of-history eliminates the need for validators to communicate and agree on the order of transactions, reducing latency and enabling the network to process transactions quickly. With many programs processing in parallel, the challenge becomes agreeing on the order of when each transaction was processed. Proof-of-history combats this by timestamping all transactions so they can be ordered appropriately and then agreed upon using the Tower BFT consensus algorithm.<sup>3</sup>

There are many additional innovations like Turbine and Gulf Stream that also contribute to Solana validators' ability to ingest and confirm transactions quickly. These additional features are focused on efficiently gossiping data across the Solana network, allowing transactions to flow quickly through the network enabling Solana's consistently low block times (~400 milliseconds).

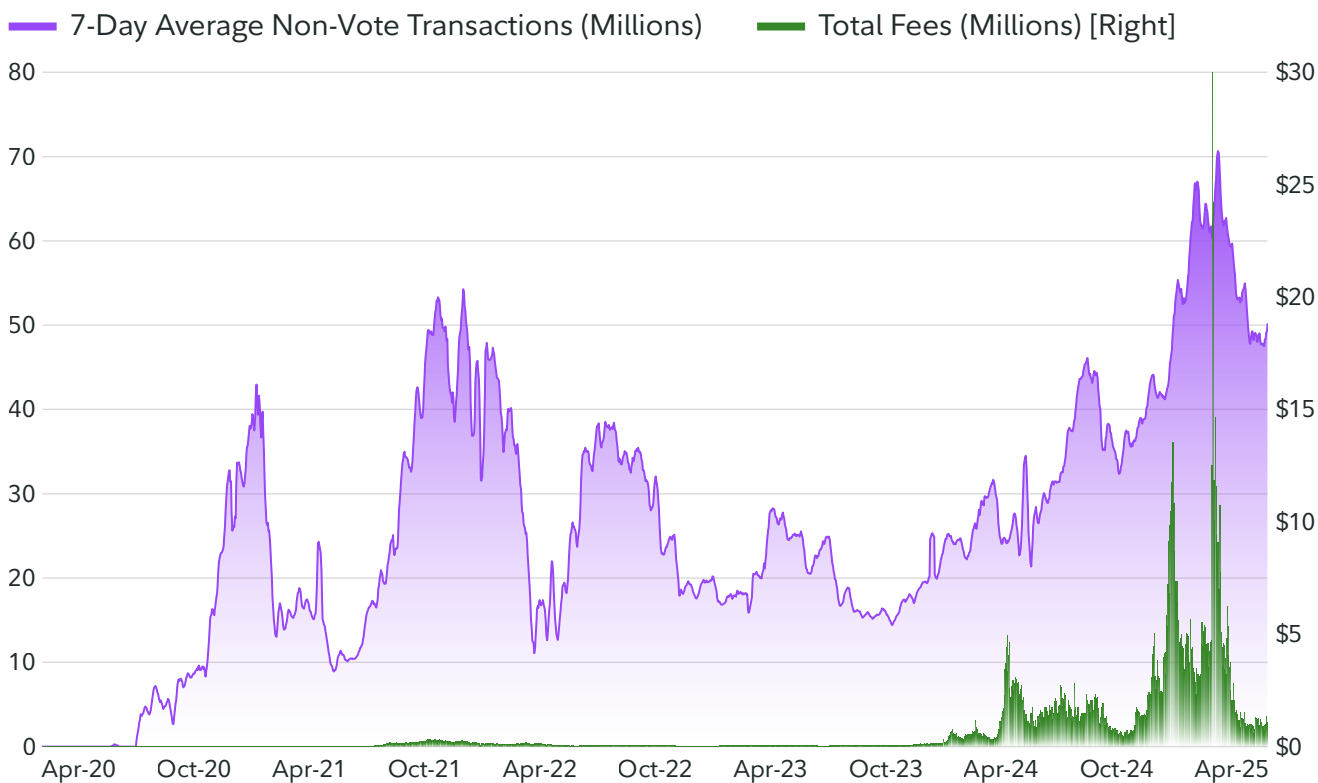
For an investor or non-technical observer, the key takeaway for Solana's technology as it compares to Ethereum's Layer 1 is that it can do more work in a shorter time on-chain, with different trade-offs around security and hardware requirements. Solana is designed in a way that prioritizes speed and scaling alongside high-end hardware and bandwidth growth rates. This goal can be seen at every level of the technology stack and emphasizes the importance of a long-term time horizon in Solana's investment thesis.

# Fundamental Analysis

Over the past year, Solana has had an average daily transaction count of 49.7 million with an average daily revenue (total fees paid) of \$2.8 million as of June 5, 2025.<sup>4</sup> In the same time frame, Solana users have paid a total of \$1 billion in base fees, priority fees, and Maximal Extractable Value (MEV) compared to the network issuing \$4.5 billion of new SOL Tokens.

Overall, revenue has declined significantly from the memecoin boom. However, even given this downtrend, Solana’s pure monolithic design and high throughput allows the chain to continuously drive meaningful revenue compared to all competitors. Even for those that believe memecoins are a passing fad, what the recent cycle has undoubtedly confirmed is that Solana can manage substantial user activity and transaction volume. This puts the previous criticisms of Solana’s reliability further down the list of hurdles to achieve its vision.

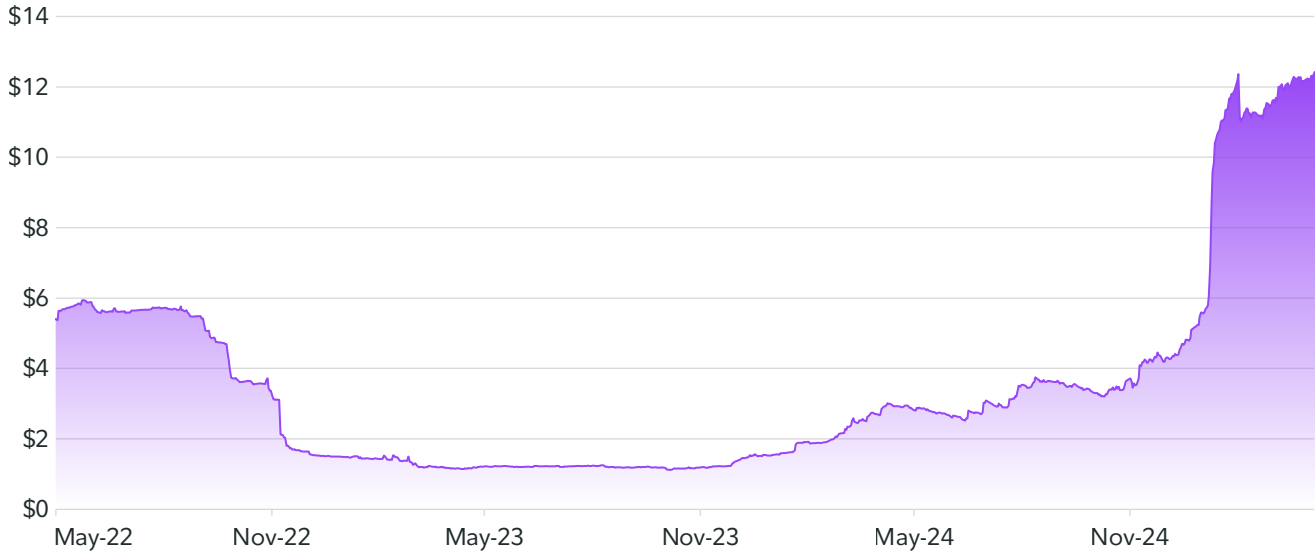
## Solana Transactions and Fees



Source: Fidelity Digital Assets Research via Coin Metrics, 04/18/25.

An important proxy for Solana’s future success will be the uptake of stablecoin adoption. Many researchers in the space acknowledge that Solana is designed in a way that aligns well with the use cases and security requirements for payments and trading using stablecoins. Over the past year, stablecoin supply on Solana has risen from \$3 billion to reaching an all-time high of approximately \$12.5 billion according to DefiLlama. That represents over a 400% increase and may be starting to signal the acceptance of Solana’s proven reliability and speed.

## Stablecoin Supply on Solana (Billions)

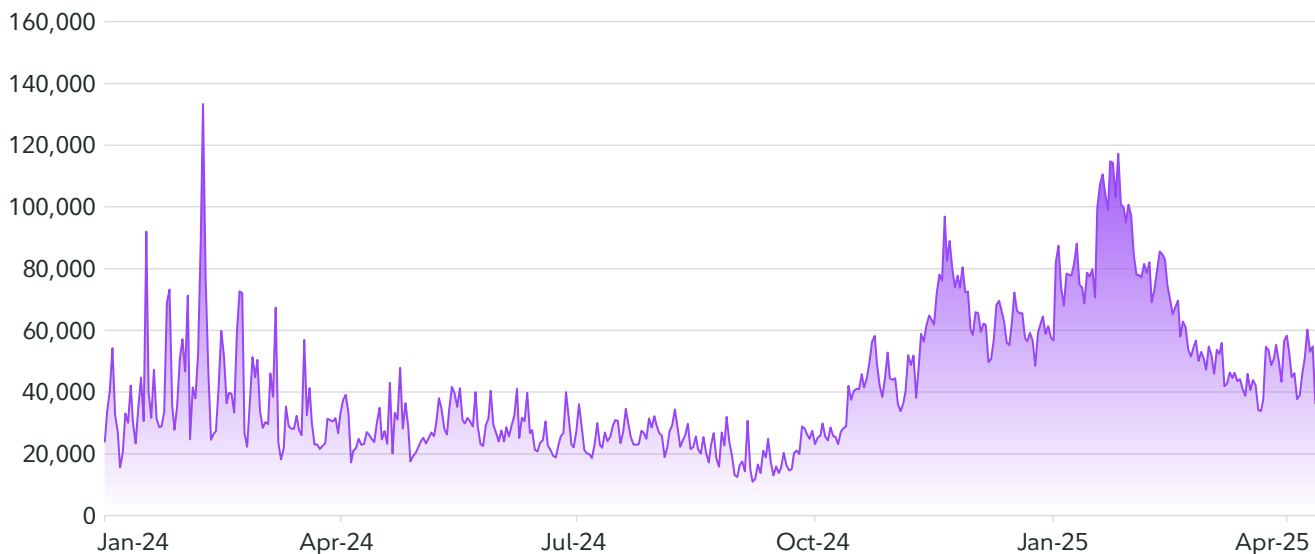


Source: Fidelity Digital Assets Research via DefiLlama, 04/13/25.

Lastly, core to Solana’s investment thesis is the future ability for anyone around the globe to easily create and access new financial products. The “tokens created” metric can be used as a proxy to determine how easy it is to create new products.

Although these tokens are mostly memecoins, it is possible to imagine a platform in the future where creating new financial products is just as easy and accessible. While regulation is a large hurdle as it relates to this component of the investment thesis, memecoin platforms as well as exchanges on Solana have shown that creating new financial products and trading them 24/7 is possible. The question just remains how soon this vision will be realized, if at all.

## Tokens Created Per Day

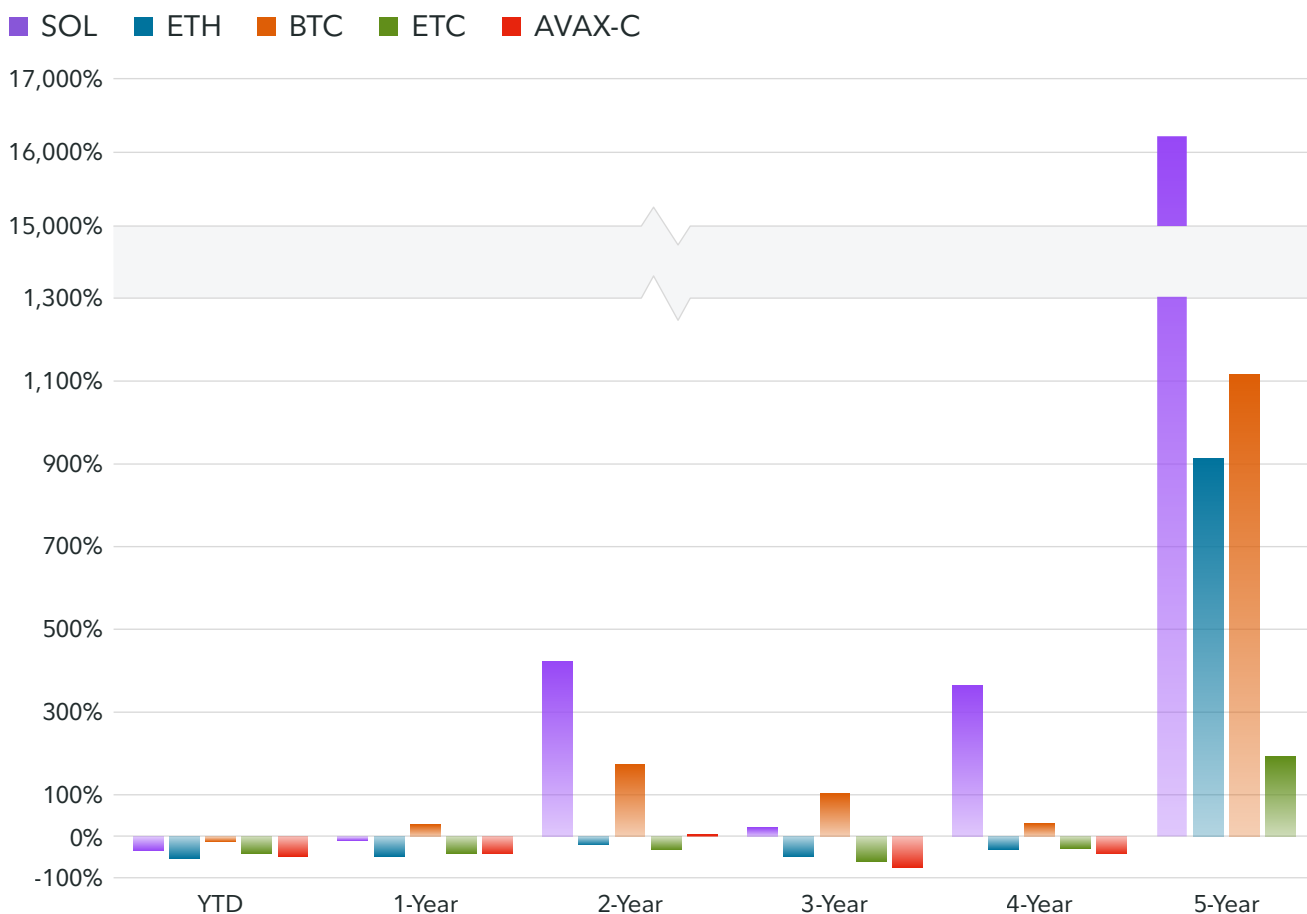


Source: Fidelity Digital Assets Research via Dune Analytics, 04/13/25.

## Competitor Analysis

Solana has the potential to be viewed as a successor to Ethereum, as the former aims to improve upon the performance and functionality of the latter. The goal of Solana is to improve upon Ethereum in meaningful ways, and it has made significant design choices to that effort. The two networks may look similar at the surface level, but they function very differently under the hood.

### Price Performance



Source: Fidelity Digital Assets Research via Coin Metrics, 04/13/25.

While Solana's performance has drawn attention over the past few years, the extreme volatility created large dispersion in returns depending on the investment time frame. Note that Solana's year-to-date, one-year, and three-year performance are not outstanding, but the two-year, four-year, and five-year performances are impressive.

The two-year performance can be attributed to Solana's large drawdown and bounce-back associated with the collapse of FTX, which was a large player in the Solana ecosystem. The five-year performance lines up roughly with the inception of the blockchain, which clearly shows early investors benefitted greatly.

TTM	Tx Counts	Active Daily Users	Fee Per Transaction	Total Value Locked	Stablecoin Supply
SOL	44,969,271	6,138,815	\$ 0.03	\$ 8,500,000,000	\$ 12,500,000,000
ETH	1,187,067	459,600	\$ 3.17	\$ 49,500,000,000	\$ 122,500,000,000
BTC	518,877	475,275	\$ 3.38	\$ 5,300,000,000	\$ N/A
AVAX	239,101	41,639	\$ 0.12	\$ 1,300,000,000	\$ 1,700,000,000
ETC	29,485	7,675	\$ 0.002	\$ 300,000	\$ 71,400

Note: All values are averages of the last 12 months except Total Value Locked and Stablecoin Supply. Source: Fidelity Digital Assets Research via Coin Metrics and DefiLlama, 04/13/25.

Looking at the past 12 months and latest fundamentals, Solana has outpaced all other networks listed while offering nearly the lowest transaction fees on average. Total Value Locked and Stablecoin Supply are still well below Ethereum but have significantly higher growth rates. Solana offers the fastest response times and the lowest transaction costs, which has spurred a significant influx of users.

Solana processed \$5.6 trillion of transaction volume from just USDC, USDT, and the SOL token in the past 12 months.<sup>4</sup> This shows that Solana is already a competitive value transfer platform when compared to the traditional finance incumbents like PayPal (\$1.68 trillion in FY 2024) and Mastercard (\$9.8 trillion in FY 2024).

2025 Annualized	Inflation Rates	Total Fees	Fees Less Issuance	Net Fees Per Coin	Price-to-fees
SOL	4.26%	\$ 1,009,361,659	\$ (3,516,785,599)	\$ (5.88)	76
ETH	0.51%	\$ 1,388,360,865	\$ (1,367,964,412)	\$ (11.33)	139
BTC	0.85%	\$ 643,749,335	\$ (12,227,335,652)	\$ (615.96)	2,577
AVAX	2.44%	\$ 5,961,873	\$ (8,437,523,266)	\$ (17.82)	1,361
ETC	3.38%	\$ 19,567	\$ (115,208,575)	\$ (0.76)	117,791

Note: Metrics were calculated as follows: Fees Less Issuance = Fees (USD) - Issuance (USD). This uses the daily price at 4:00 p.m. ET each day to convert the total native token fees and issuance into USD. Net Fees Per Coin = Fees Less Issuance (USD) / Current Supply as of 04/13/25. Price-to-fees = Market Cap (USD) / Total Fees (USD). All metrics used in the calculations above are annualized as of April 13, 2025. Source: Fidelity Digital Assets Research via Coin Metrics, 04/13/25.

Investors must be mindful of Solana’s relatively higher inflation compared to competitors’ and how this impacts investment decisions. Importantly, the concern of elevated issuance is common within the community as it is likely that some change to issuance gets implemented in the future. The current inflation rate is about 4.5% and decreases by 15% each year until the annualized inflation rate is 1.5%. This means it will take about seven years until Solana’s inflation reaches its terminal rate.

From a valuation standpoint, Solana appears to be very competitive, especially when looking at price-to-fees ratio. Solana boasts almost the same amount of revenue as Ethereum with a fraction of the valuation. For investors evaluating Solana’s cash-flow valuation metrics, the question remains: Where will this form of sustainable revenue come from in the future if memecoin activity peaked in 2024?

## Scenario Analysis

**Bull Case:** In this scenario, all assets eventually trade on global, permissionless systems like Solana. Traditional venues like NYSE, NASDAQ, and CME continue to operate, but a growing percentage of trading volumes shift to on-chain platforms. Solana supports both traditional financial assets and new types of assets that could not exist before. Solana upgrades quickly enough to support global asset trading, staying ahead or in line with competitors, and gets more reliable over time to support this integration.

**Base Case:** Some assets trade on Solana, while others remain on traditional platforms. Solana competes well among new and existing blockchains but does not dominate the smart contract platform market. It meets market needs for specific products like crypto trading and dollar transfers but is not a one-stop shop for everything. This could be due to limitations in facilitating global transactions or market preferences for different blockchain designs.

**Bear Case:** Solana fails as a technology or remains a niche provider of high-performance services that users do not fully trust for high-value transactions. Some users find value in Solana, but it never fully transitions to servicing traditional financial use cases.

## Risks and Uncertainty

### Competitive Risk

Solana faces competitive risk based on market preferences for blockchain trade-offs. Investors should consider which markets can drive the most revenue and which chain best suits those needs. Solana risks losing out to more decentralized blockchains like Ethereum or more scalable, efficient platforms. Newer, faster blockchains are continuously emerging.

### Technical Risk

Solana regularly undergoes upgrades, which can introduce uncertainties and potential disruptions. Additionally, the complexity of these upgrades may lead to unforeseen technical issues or vulnerabilities that could impact network performance and security.

Solana has had several periods of network instability, with some leading to complete chain halts. Outages pose a significant risk for investors as they can severely impact businesses and users' willingness to integrate. Solana experienced three major outages in 2022, one minor outage in 2023, and its most recent occurred in early 2024.

## Regulatory Risk

Solana's investment thesis involves deep integration with the existing financial system, aiming to enhance and modernize its infrastructure. The pace and success of this integration depend heavily on regulatory and legislative decisions. Changes in regulations or unfavorable rulings could hinder Solana's adoption and growth.

## Governance Risk

Governance decisions in Solana are made quickly, often voted on by validators. This can lead to risks if important decisions are made without sufficient deliberation or community input. Additionally, the concentration of decision-making power among validators may raise concerns about centralization and the potential for conflicts of interest.

## Contributors

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**Interested in learning more about Solana and other digital assets?**

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<sup>1</sup> Coin Metrics, Analyst Spotlight Solana Overview, March 2025.

<sup>2</sup> Medium, Sealevel — Parallel Processing Thousands of Smart Contracts, September 2019.

<sup>3</sup> Medium, Proof of History: A Clock for Blockchain, August 2019.

<sup>4</sup> Coin Metrics, Crypto Data, June 2025.