# Bitcoin: The new gold rush?

## Bitcoin basics
Bitcoin is a cryptocurrency, a digital alternative to traditional money relying on cryptography for its security. The bitcoin protocol, a system of open source processes, governs the supply and primarily supported by a peer-to-peer network. This design also makes bitcoin a payment network, one that sits outside the traditional payments system.

### Pros
- Low transaction costs
- International transferability and convertibility
- Protection from some political risk and inflation
- Basic alternative digital currency problems of supply growth and stable price and exchange rate formulation solved
- Operations are outside the banking system — immune to bank holidays, but not protected by deposit insurance

### Cons
- Currently volatile value
- Limited adoption by insiders
- Combined with other software, anonymity can be used for illegal purposes
- Lack of trusted intermediaries to challenge fraud
- Uncertainty about security and operational resilience
- Inadequate mass-market understanding

## Conditions for mainstream adoption

### Trust
- Trust may be a challenge (open source, decentralized system, operational issues, volatility, lack of secondary market, lack of consumer protection, lack of historical information)

### Acceptance
- An increasing number of mainstream acceptance

### Payments
- Transaction fees negligible
- Banks decline, still require $1,000 minimum
- No onerous acceptance by traditional financial institutions
- Limits to usage

### Business and institutional implications for financial services companies

## Institutional implications

### Operations and technology
- Bitcoin is a cryptocurrency based on new value propositions, requiring new business models, platforms, and new regulatory and tax frameworks

### Tax and accounting
- The adoption of bitcoin may only exacerbate tax and accounting challenges, making it imperative to develop new frameworks for tax policy and issuance for tax purposes, as well as ensuring the proper categorization of profits and losses

## Bitcoin basics

### Stability
- Bitcoin’s volatility needs to moderate in order to reflect the mainstream market
- Notwithstanding, bitcoin’s market value is still subject to volatility

## Argentina

### Pros
- High inflation
- Low transaction costs
- International transferability and convertibility

### Cons
- Inflationary environment
- Limited adoption by insiders

## The Deloitte Center for Financial Services

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For more information and to download the full report, please visit [www.deloitte.com/us/cfs/bitcoin](http://www.deloitte.com/us/cfs/bitcoin).

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