

FELABAN XXIX Bank Security Conference

CELAES 2014

SEPTEMBER 22-23, 2014 | MIAMI, FL

Technology, Information &
Regulation - New Focus
for Bank Security

ORGANIZED BY:



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bitcoin

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1. What is Bitcoin
2. How does it function?
3. How it could be disruptive to:
 - Incumbent Financial Institutions and Governments
4. Benefits and Risks
5. Regulation



Why Bitcoin?





- Recent growth and news
- Chances it could affect financial industry





- Important to understand:
 - Value basis
 - Business purposes
 - Dispel misconceptions
- Intersection of facts with:
 - Government
 - Compliance
 - Risk factors
 - Risk mitigation controls



Why should you be interested?

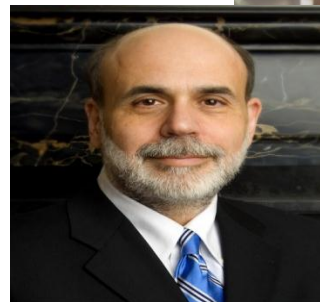
Notable supporters:

Marc Andreessen

Bill Gates

David Andolfatto

Ben Bernanke



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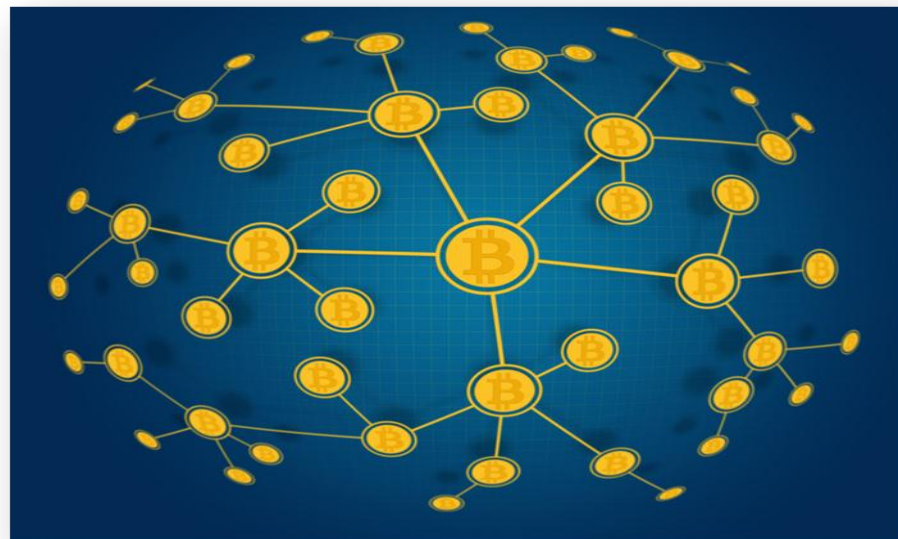
- *You may have to deal with it*
- *Opportunities*
- *Competition*

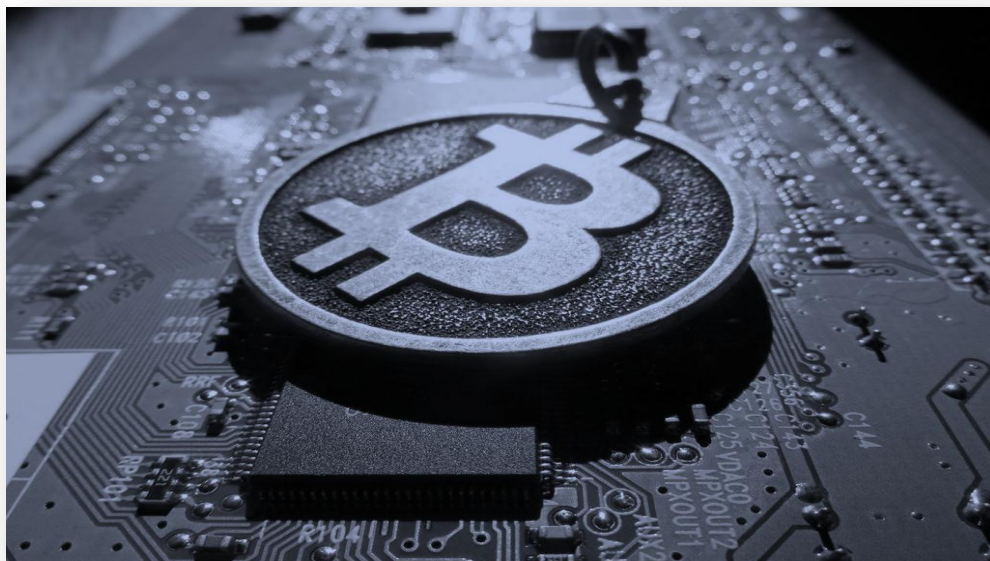


- *Virtual Currencies and Bitcoin*
- *Virtual Currencies are a financial tool you may have to deal with*
- *They may change finance in surprising ways, but opportunities abound.*

What is Bitcoin?

- **Consensus Network**
- **All digital payment system**
- **Shared Public Ledger**
- **First practical application of triple entry bookkeeping**
- **Unhackable**





- Decentralized
- Distributed
- Open Source
- Independent



The Blockchain





The Consensus Network



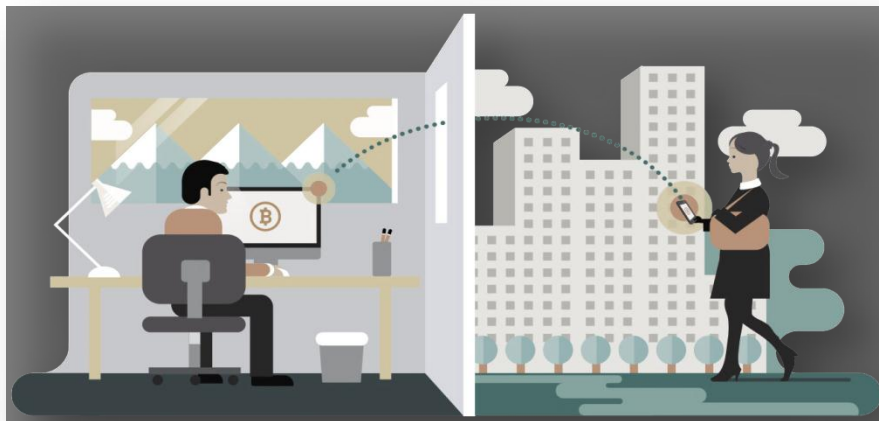
- Mining
- 21 Million BTC
- 2.1 Quadrillion units

Public Address

3J98t1WpEZ73CNmQviecrnyiWrnqRhWNLy

Private Key

5Kb8kLf9zgWQnogidDA76MzPL6TsZZY36hWXMssSzNydYXYB9KF



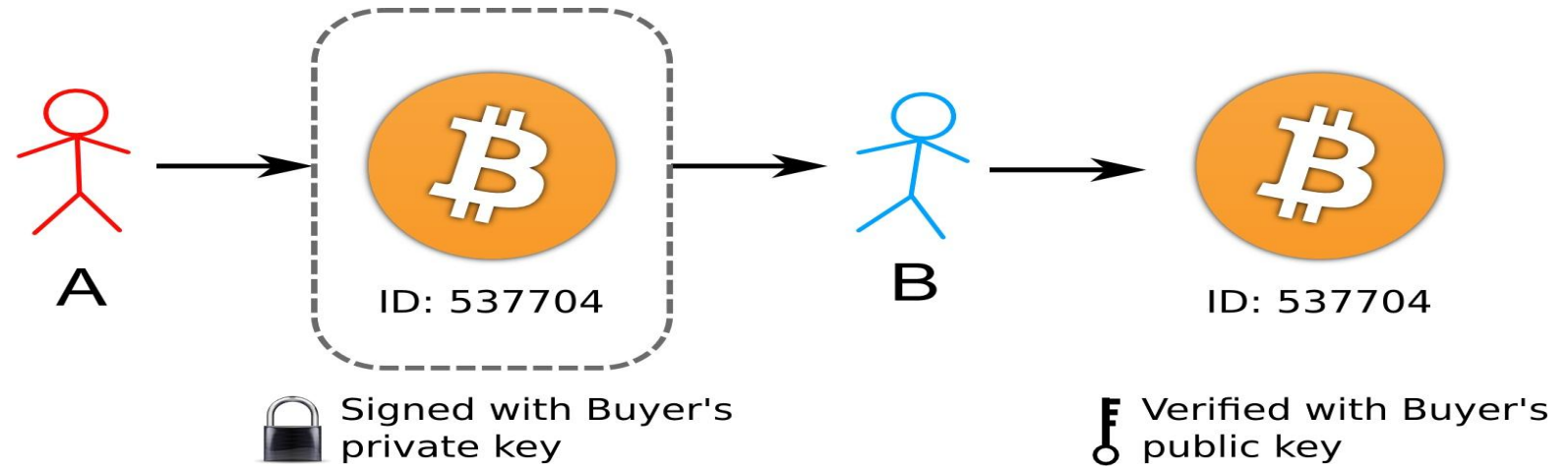
- Public Address “houses” the bitcoins like a safety deposit box
- Private Key unlocks the Public Address
- Public Key IS ownership of Bitcoins
- Bitcoins are bearer instruments
- Wallets and Third Parties
- Technical aspects are invisible to most users; transactions are like text messages

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Sample Transaction



Disruptive Potential / Risks

➤ Private Sector, Financial Institutions

- Competition
- Cheaper
- Faster
- More efficient
- Missed opportunities

➤ Governments

- Loss of monetary policy control
- Domestic and International Competition
- Promoting criminal use
- Loss of economic benefits





Setting Expectations

- Bitcoin needs infrastructure, innovation, cooperation, less obstruction
- Cryptocurrencies are not panaceas
- Misconceptions abound
- Policing is working well, from without and within



- Growing high tech industry
- Speed, efficiency, privacy + transparency, advanced functions
- Social and Economic Outcomes
 - Reaching the unbanked
 - Global financial inclusion
 - Enhanced personal liberty and dignity
 - Better financial privacy
 - More stable money supply
 - Promote peace and prosperity in troubled regions

Benefits



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Regulation

- A serious challenge
- US Perspectives
 - Feddeal, State, and Local
- Will it be fostered or resisted?
- Will benefits be embraced or minimized?
- A global concept that brings natural risks but far more benefit



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