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Bitcoin: Friend or Foe to Banks?



Bryan Yurcan

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Some consider virtual currencies a passing fad, while others believe banks should be keeping a close eye on them.

Tags: Payments, Bitcoin, Digital Currency, Regulation, Fraud

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**Kathy Burger** - 5 days ago

Didn't Jamie Dimon also say the London Whale was a tempest in a teapot? I don't think he, or any other banker, should be in the "derisively dismissing" business about any trend or product. Yes, there certainly is something faddish about virtual currencies right now and no one should be "betting the bank" (so to speak) on Bitcoins. (Well, I guess the Winklevoss twins are, but they don't have the same kinds of fiduciary responsibilities as a bank.) But Matthew Friend's comments explain why banks need to be following this -- the ongoing fragmentation of the payments value chain with the emergence of all sorts of new players seeking to fill gaps or do something better. That's part of a broader social trend that I don't think any kind of business, especially banking, can afford to ignore -- even if it's not at all clear what banks should do about it.

**TMISHRA2738** - 5 days ago

bitcoin wow its like the dark under ground society of restricted elites having their own way :-) own currency own exchange. While the exclusivity of this and lack of possible scaling is going to improve the trade ability and in turn the value of the bitcoin. It cant be discounted specially if the fad catches up with NFL accepting it and there are ATMs being incorporated to exchange this. It would probably become a EMV rather than a alternative currency. Regulation will follow. There has not been a lot innovation in the money market currency traded side. :-) go bitcoin.

**Bryan Yurcan** - 3 days ago

Yes Dimon's comments smack of arrogance, and maybe he should be paying a bit more closer attention. Obviously virtual currencies are not something banks need to be forming strategies around now, but as with all non-traditional players in the payments space, it could disintermediate banks in some capacity in the future.

**Valdez4FSI** - 3 days ago

Keeping an eye on them and using them as currency vs. as an investment vehicle are two different things. Gold is hard to use as a currency, but it has value and people invest in it. Right now I would see and think of bitcoin more like gold and less like a dollar.

**Kathy Burger** - 3 days ago

I think the point is that banks SHOULD be forming strategies around it now, they should really be understanding the landscape and preparing for what role -- if any -- they should be playing in this space. If they wait to see how this plays out then they can only be in reaction mode and have no chance of being a meaningful player in the space.

**Nathan Golia** - 1 day ago

Dismissing something fresh and unexpected as a passing fad is a longstanding tradition going back to "Guitar groups are on their way out, Mr. Epstein." Certainly bitcoin isn't going to replace world currencies overnight but technology's impact on established economic systems is almost always more than meets the eye initially.

**Ivy Schmerken** - 1 day ago

I've read that regulators are not dismissing bitcoin and think the digital currency has some legitimacy. Bitcoin is being watched by regulators - especially given, as Bryan mentions, the recent arrest of the Bitcoin exchange CEO for money laundering charges. The site was using Bitcoin to finance a drug operation. If bitcoin becomes more popular other than something for the elite - i.e. Winklevoss twins, then I'm sure we'll see some form of regulation emerge soon. The NFL app using Bitcoin as a form of payment for tickets is quite innovative, so it's hard to ignore if more things like that emerge.

**Greg MacSweeney** - 2 hours ago

Ha, yes. Banks are very good at dismissing 'passing fads.' When PayPal first started, it was brushed off as a minor irritant by banks. Yes, the \$5.6 billion in PayPal revenue (2012) with a 26% growth projection is surely just a passing fad.

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