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Peer-to-Peer Cash

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A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution.

- Satoshi Nakamoto, Bitcoin Whitepaper

Unlike in the legacy banking model, where for two parties to transact, both parties must employ the services of a trusted third party (e.g. a bank), in Bitcoin, money is exchanged peer-to-peer using the Bitcoin protocol.

Transactions can involve effectively unlimited numbers of peers thanks to the flexibility of the protocol which is limited only by the economics of constructing and verifying each transaction rather than arbitrary parameters.

Wallets allow users to create transactions that sign ownership records of digital coins and assign them to new owners. The records of these exchanges make up the history of Bitcoin transactions, sometimes referred to as a ledger.

Transactions are recorded on a public ledger visible to all parties without the need for a financial institution's involvement. This does not mean that banks will not use Bitcoin or be a part of the Bitcoin ecosystem. In fact, banks that use Bitcoin will have the advantages of its low cost transaction verification as a competing advantage in financial markets.