

# **Bitcoin: Is a Safe Currency?**

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## **Abstract:**

This paper examines the status of virtual currencies on the international foreign currency exchange. Specifically, it examines “Bitcoin,” a digital, decentralized, partially anonymous currency that has become particularly popular in the last few years, not backed by any government or other legal entity. Bitcoin is unique not because it is a virtual currency, but because it is proof of concept of a decentralized non-issued electronic currency. Regulation of virtual currencies is at a very early stage. Compared to most currencies or online payment services, such as PayPal, bitcoins are highly liquid, have low transaction costs, and can be used to make micropayments. This new currency could also hold the key to allowing organizations such as Wikileaks, to receive donations and conduct business anonymously.

Although the Bitcoin economy is flourishing, Bitcoin users are anxious about Bitcoin’s legal and regulatory status. Regulation of virtual currencies is at a very early stage. Most regulatory regimes are not well designed to cater for this type of payment system. However, creating and protecting trust is a crucial issue in the regulation and public acceptance of new payment services. It is generally accepted that adequate regulation is a key pre-cursor to consumer acceptance of new payment methods, including mobile banking and payments.