

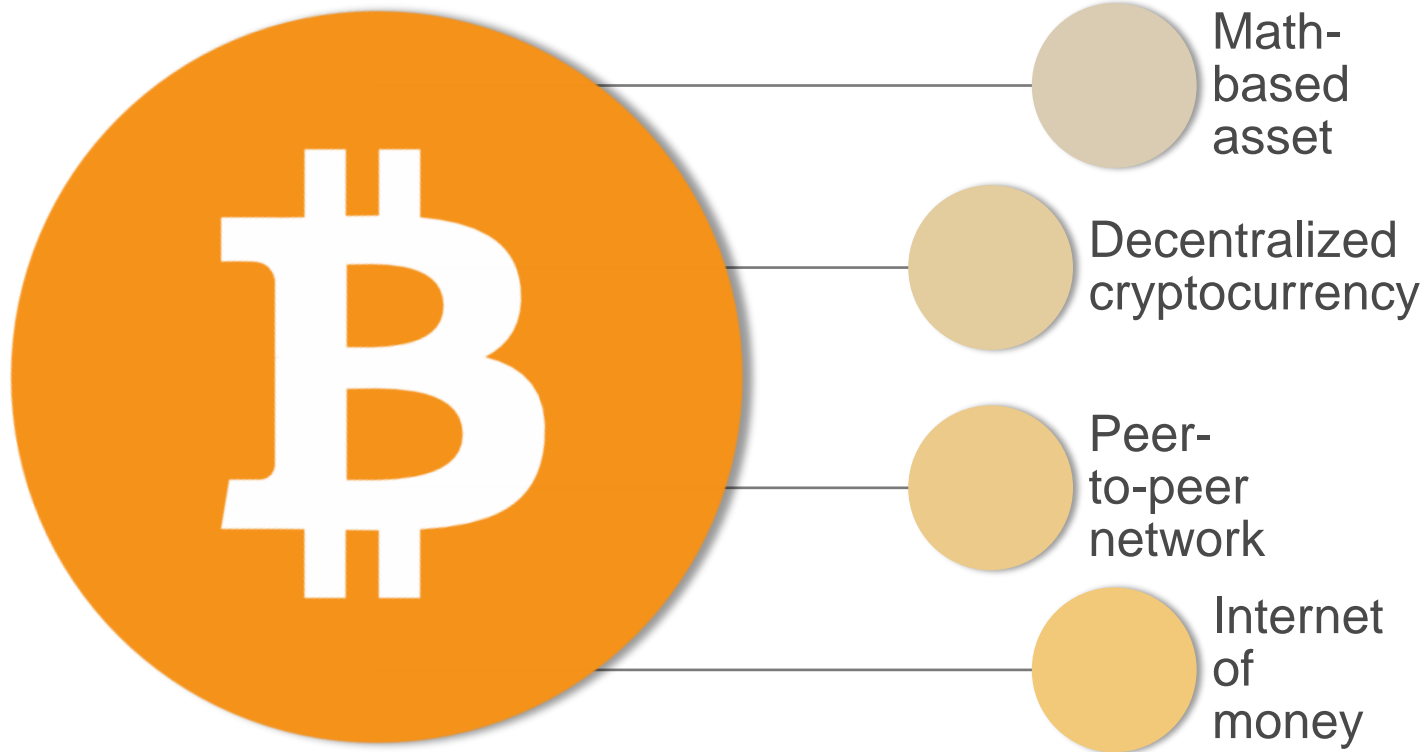
BITCOIN: THE INTERNET OF MONEY

WINKLEVOSS CAPITAL MGMT

CAMERON WINKLEVOSS @WINKLEVOSS

TYLER WINKLEVOSS @TYLERWINKLEVOSS

WHAT IS BITCOIN?



WHO CREATED BITCOIN?



PHILOSOPHY

“The root problem with conventional currency ***is all the trust that's required*** to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve. We have to trust them with our privacy, trust them not to let identity thieves drain our accounts. Their massive overhead costs make micropayments impossible.”

-Satoshi Nakamoto

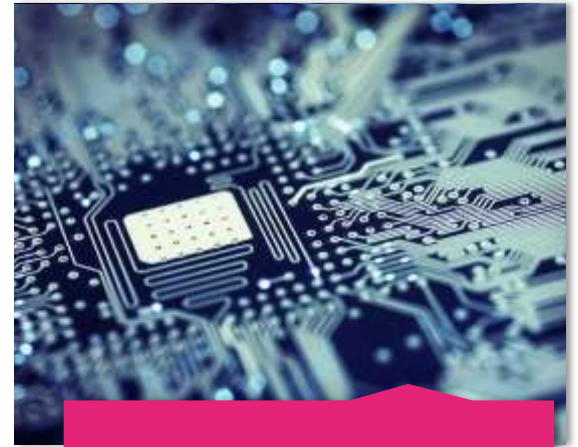
CLASSIFICATION?



COMMODITY



CURRENCY



TECHNOLOGY

CURRENCY: BITCOIN VS. FIAT

	Scarce	Durable	Portable	Divisible	Authenticity Verification	Storage	Fungible	Difficult to Counterfeit	Widespread Use
Fiat	!	!	✓	✓	✓	!	✓	!	✓
Bitcoin	✓	✓	✓	✓	!	✓	✓	✓	✗



Yes



Neutral



No

COMMODITY: BITCOIN VS. GOLD

	Scarce	Durable	Portable	Divisible	Authenticity Verification	Storage	Fungible	Difficult to Counterfeit	Widespread Use
Gold	✓	✓	✗	!	!	✗	!	!	✗
Bitcoin	✓	✓	✓	✓	!	✓	✓	✓	✗



Yes



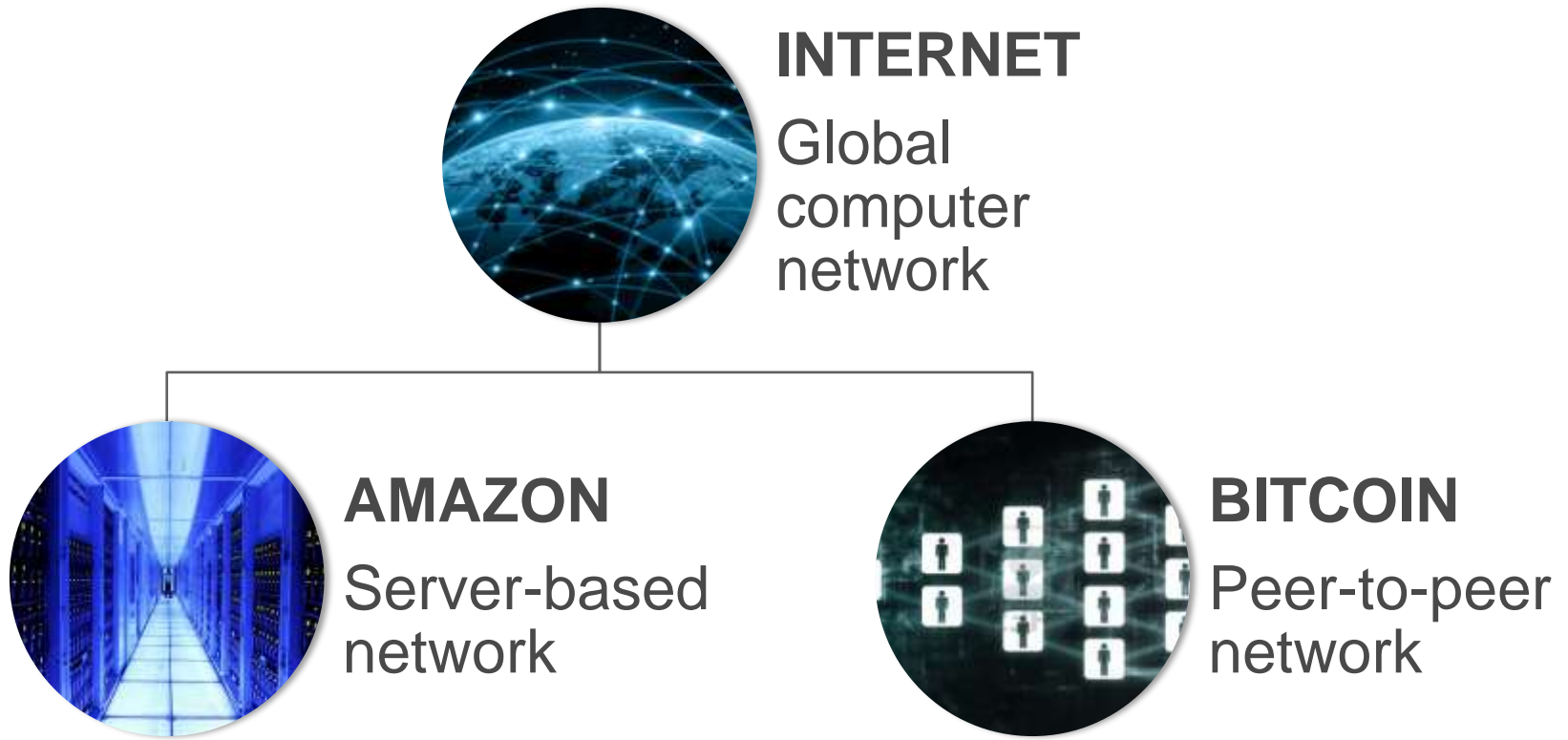
Neutral



No

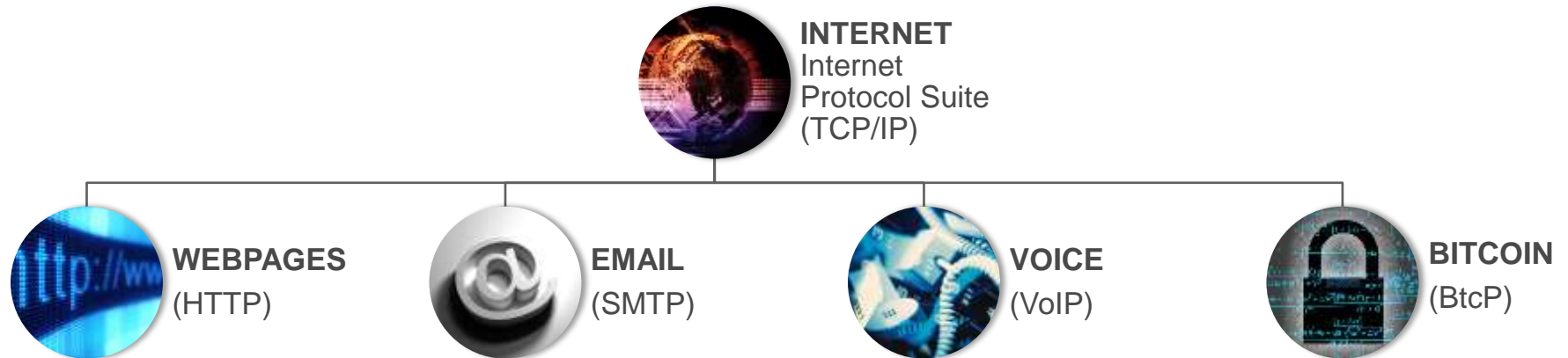
TECHNOLOGY: A NETWORK

net·work: a system of devices that are connected to each other

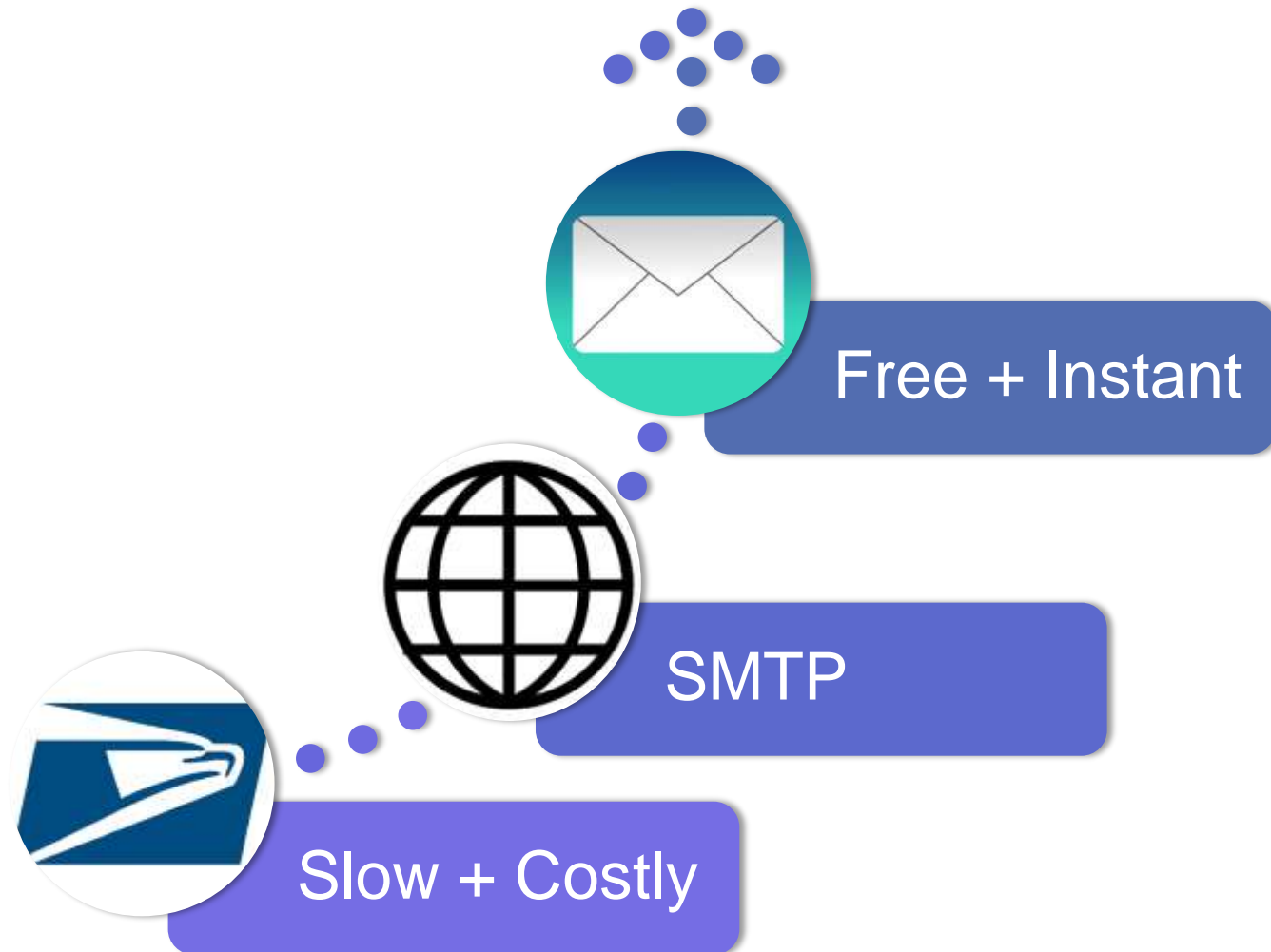


TECHNOLOGY: A PROTOCOL

pro-to-col: (computer science) a set of rules or procedures for transmitting data between electronic devices, such as computers



POSTAL SERVICE



TELECOMMUNICATIONS



Voices are converted
into electronic signals
and sent long
distances

VoIP



Voices are digitized
and transmitted as
real-time data

FINANCIAL SERVICES



Expensive
+ Slow

Bitcoin
Protocol



Free +
Instant

IMPLICATIONS: NO BAIL-INS









Cyprus



Greatest Drop in Euro-Zone Bank Deposits: Countries

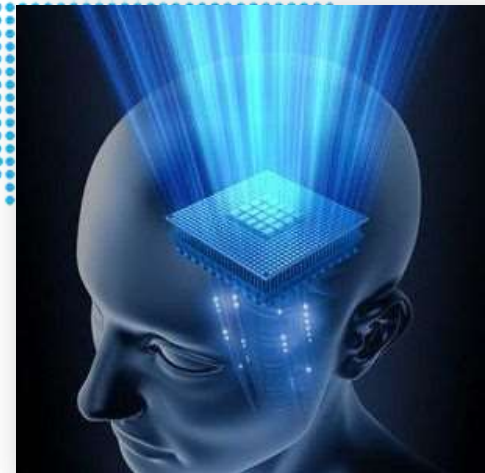
Following haircuts on Cypriot accounts, bank depositors seem skittish about the euro-zone periphery

 Numeric View  Bar View  Information

Rank	Country		Change in deposits 3/31/13 to 6/30/13	Total deposits 6/30/13	Total deposits 3/31/13
1	Cyprus		-15.68%	€37.57B	€44.56B
2	Slovenia		-1.69	21.29	21.66
3	Greece		-1.59	170.06	172.81
4	Spain		-0.90	1,526.80	1,540.64
5	Ireland		-0.10	209.92	210.12
6	Malta		-0.09	11.92	11.93

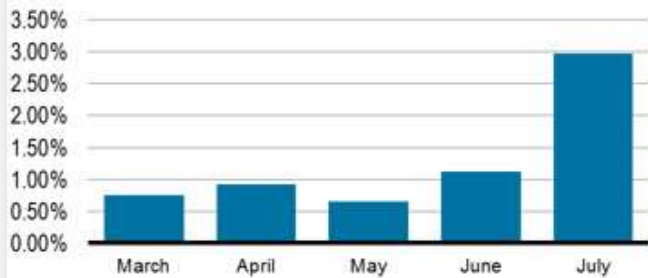
IMPLICATIONS: DIFFICULT TO APPROPRIATE

United States
May 1, 1933



IMPLICATIONS: NO CAPITAL CONTROLS

Argentina bitcoin downloads as a percentage of global downloads:



Source: The Genesis Block

Argentina



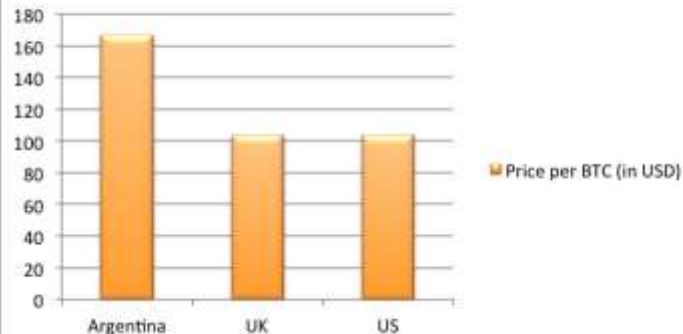
Highest Inflation: Countries

Inflation in Venezuela is more than 10 times greater than in the U.S.

123 Numeric View | Bar View | Information

Rank	Country		CPI 2012
1	Venezuela		21.28%
2	Nigeria		12.24
3	Argentina		10.03
4	Kenya		9.64
5	India		9.30

Cost of buying bitcoins online



IMPLICATIONS: HEDGE AGAINST INFLATION

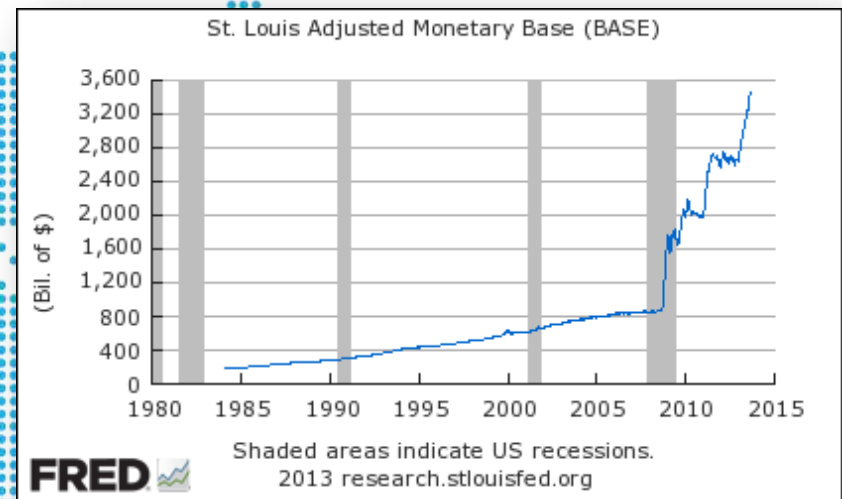
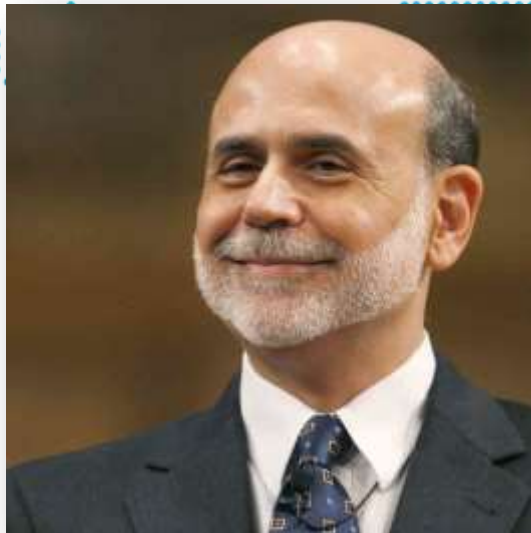


Zimbabwe



IMPLICATIONS: HEDGE AGAINST THE FED?

United States



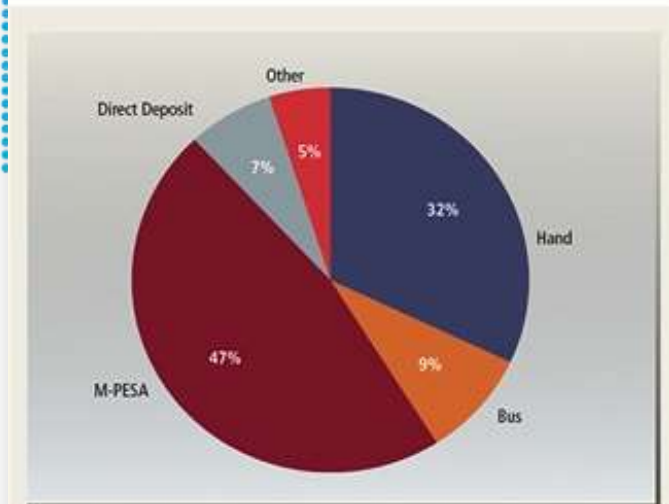
IMPLICATIONS: INFERIOR ALTERNATIVES FLOURISHING



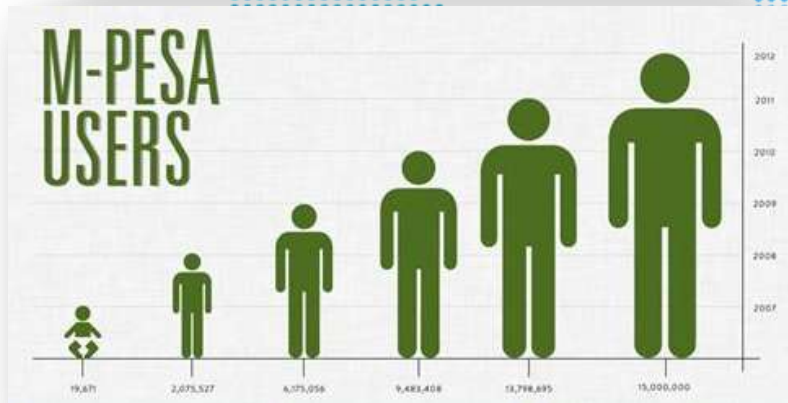
Kenya



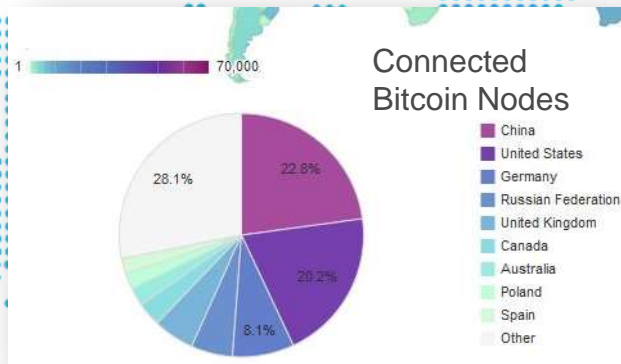
Figure 6. How people in Kenya sent money after the introduction of M-PESA



Source: FSD Kenya M-PESA study 2007



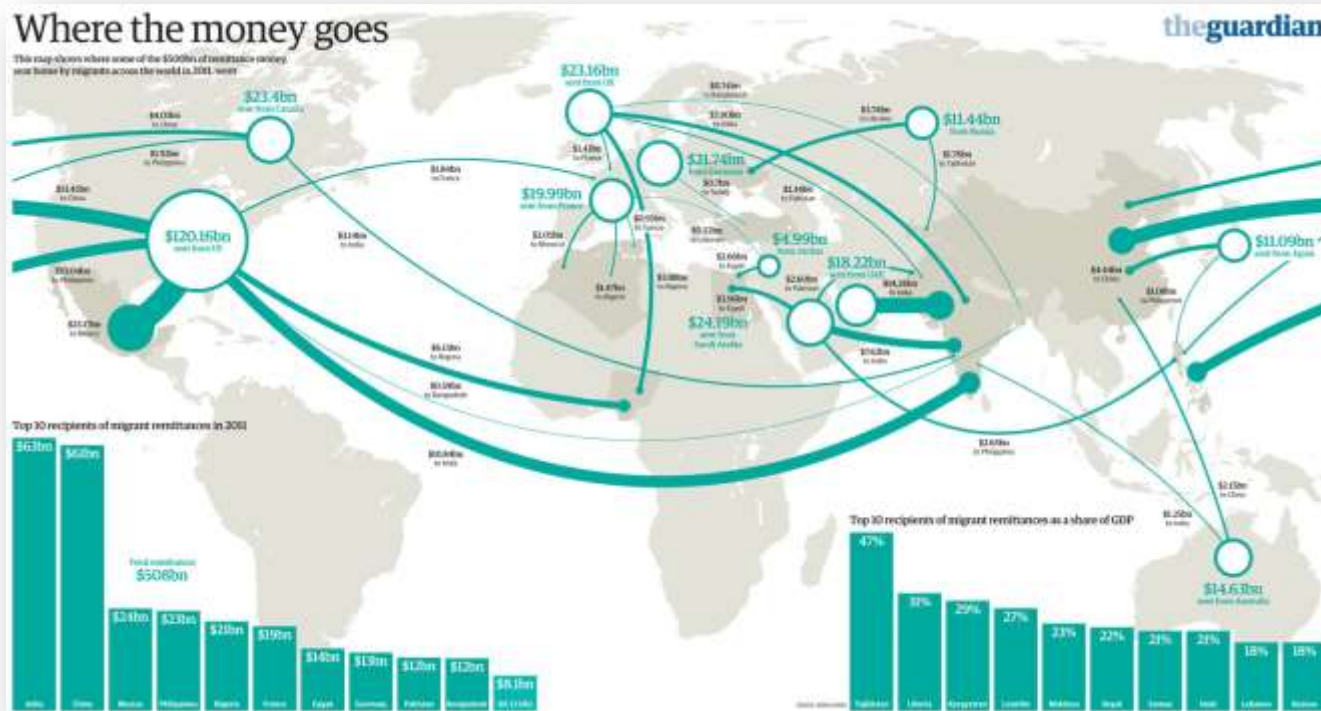
IMPLICATIONS: CHINESE SUPPORT?



POSSIBILITIES: REMITTANCES

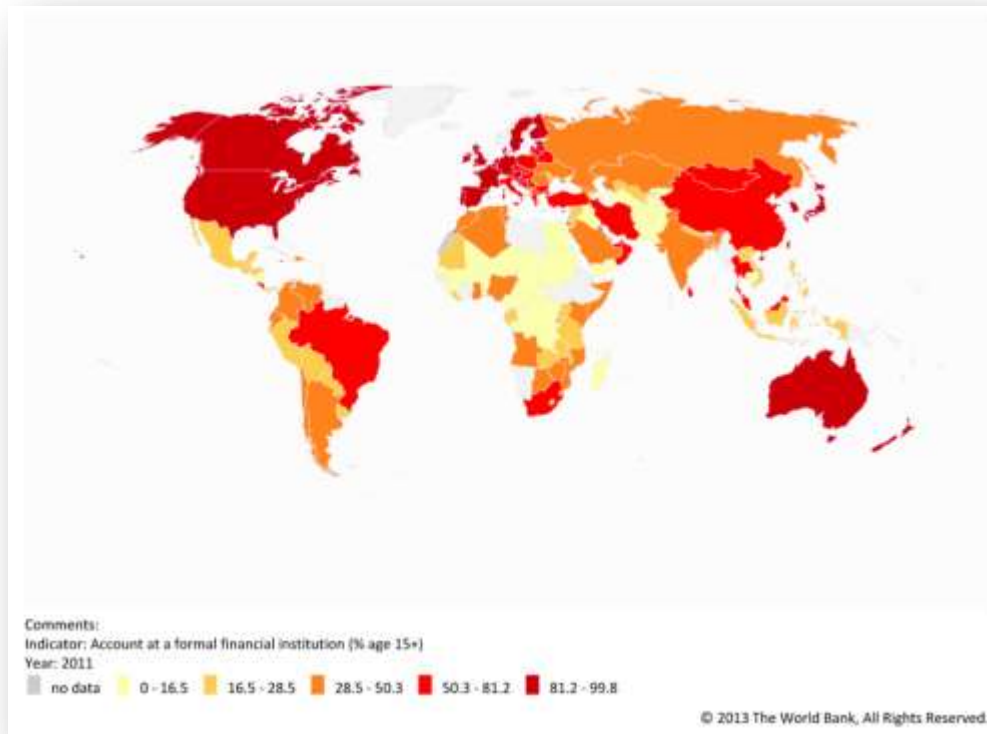
“The World Bank estimates that migrants will send about \$515 billion to relatives in developing countries by 2015.”

-TechCrunch



POSSIBILITIES: BANK THE UNBANKED

Bitcoin address = Email address for cash = Bank account



POSSIBILITIES: MICROPAYMENTS

Confirm Send

Amount:

80 μ BTC (1¢)

From:

1P2xjKjrvagB6hHgeAHj1xcc7HKKgVXfPo
You

To:

1CgzM9Xop2JxvD89kDaZxTXdhAGrC8cS5q
Salvation Army

Donate

BITCOIN



EXCHANGE-TRADED FUND

Frictionless

Buying Bitcoin isn't easy and requires technological proficiency

ETF can bypass these pain-points

Secure

Storing Bitcoin securely takes expertise

ETF can offload this security burden

Accessible

Pension funds, mutual funds, 401k's, etc., cannot hold Bitcoin (or gold bars)

ETF can give mainstream investors Bitcoin exposure

REGULATION

“I will not deny that there are some troublesome [virtual currency] providers out there. But, that is balanced by a recognition of the innovation these virtual currencies provide, and the financial inclusion that they might offer society. A whole host of emerging technologies in the financial sector have proven their capacity to empower customers, encourage the development of innovative financial products, and expand access to financial services. And ***we want these advances to continue.***”

-Jennifer Shasky-Calvery
Director, Financial Crimes Enforcement Network

FUTURE

Imagine you could take a time machine back to the early days of the Internet; how would you act differently?

