

A Bitcoin Comparison

Suppose a U.S. citizen wanted to rent a vacation house in Europe. This diagram compares some alternative methods by which a \$1,000 downpayment could be sent. Even at this early stage in Bitcoin's development, the total monetary cost to the sender and recipient of transacting using bitcoin compares favorably to more traditional alternatives. The diagram also shows the potential for the sender to transmit bitcoins to the recipient without use of an intermediate financial institution. This presents novel AML issues that governments and digital-currency firms will need to address.



Sender

Bitcoin
Sender adds money to a unique Bitcoin wallet for specific transaction.

Sender uses a Bitcoin client, which may be provided by a financial institution or operated on the sender's own computer, to initiate transfer. Distributed network of computers verifies transaction and credits the recipient.



Recipient

Bank Wire (SWIFT)

Sender provides bank with required information (recipient name, address, bank, account number, etc.).

Credit Card

Transaction details and the sender's credit card information is sent to the acquiring bank through the recipient's gateway service or payment processor.

Sender charged up to a 3% exchange conversion fee (free on some cards).

The acquiring bank sends a request through the card association to the issuing bank to confirm fund availability.

Recipient charged international acquirer and interchange fees totaling ±2%.

Institution sends transaction information and instructions via SWIFT network to recipient's bank. The transaction may include intermediate correspondent institutions.

Recipient may incur additional fees and exchange rate spreads from intermediate correspondent institutions and/or the recipient bank.

0.5%–1.0% fee to transact in and out of Bitcoin

Typical transaction fee ±\$0.01; can be free

0.5%–1.0% fee to transact in and out of Bitcoin

Estimated Total Cost For \$1,000 International Transfer from USD to EUR

Bitcoin: ±\$15

Credit Card: ±\$50

Bank Wire: ±\$40-\$80

