

Bitcoin a Topic of Discussion at Recent Fed Meeting With Bankers

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I came across a rather [interesting post this evening by Mark Calabria](#) over at the CATO Institute which mentions a recently-held meeting held between the Federal Reserve Board and members of the banking industry.

These meetings are held quarterly, and their records are made public.

As Calabria points out, the most recent meeting held in early May discussed a wide range of topics, one of which happens to be bitcoin.

In these discussions, a number of sub-topics were covered, of which include: economic activity, financial stability, consumer protection, and the ever-present threat of illicit use (such as criminal financing or evading taxation).

The meeting groups conclude that “Bitcoin does not present a near-term threat to the banking system by way of disintermediation,” though “[various] security concerns will continue to hinder adoption.”

Longer term, it’s mentioned that “Bitcoin’s longer-term impact could be more pronounced and require adaptation by payment processors,” which is certainly a point many experts in the digital currency sector consider to be inevitable.

Looking forward, it’s noted that if adoption of bitcoin continues, “banking could participate increasingly in Bitcoin fund flows, especially as multicurrency accounts proliferate and reputational concerns subside.”

Also of interest is the following:

In an economy hypothetically dominated by Bitcoin, its finite number (21 million) would prevent the application of traditional monetary policy tools to provide support in a downturn or reduce growth during excessive expansion.

In other words: bailouts would be more of a challenge since more bitcoin can't be created at the stroke of a pen like the U.S. dollar.

It's no surprise that today's bankers and the Federal Reserve are discussing bitcoin. The use of the digital currency has been spreading seemingly like wildfire, and a number of high profile companies like Dell and Overstock.com have begun accepting bitcoin.

It's also not surprising that bankers want to see bitcoin regulated:

Regulation is advisable; considerations include protecting consumers, addressing illicit use, and avoiding Balkanization. Bitcoin advocates may argue that increased regulation minimizes one of its greatest advantages, namely decentralization. Recent events suggest that some flexibility should be sacrificed to address obvious problems.

The State of New York has taken the lead here in the United States when it comes to regulating bitcoin with a 'BitLicense' proposal that is currently in a public commenting period.

Those these discussions between bankers and the Fed are expected, that doesn't make them any less interesting to read about. If you're looking for additional information on this front, you can [read a record of the May 9th meeting here](#). For your convenience, I've also embedded the document below.