

**From:** [REDACTED] <[REDACTED]>  
**To:** Jeffrey Epstein <jeevacation@gmail.com>  
**Subject:** Fwd: [Dewayne-Net] The ECB Report on Bitcoin and Virtual Currencies  
**Date:** Sun, 04 Nov 2012 15:24:02 +0000

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Thought u might find this interesting.

[REDACTED] mentioned she had a good conversation with you.

Xo  
Stone

Typos, misspellings courtesy of iPhone word & thought substitution.

Begin forwarded message:

**From:** Dewayne Hendricks <[REDACTED]>  
**Date:** November 4, 2012 7:07:52 AM PST  
**To:** Multiple recipients of Dewayne-Net <[REDACTED]>  
**Subject:** [Dewayne-Net] The ECB Report on Bitcoin and Virtual Currencies  
**Reply-To:** [REDACTED]

The ECB Report on Bitcoin and Virtual Currencies  
By Erik Voorhees  
Oct 30, 2012

<http://blog.bitinstant.com/blog/2012/10/30/the-ecb-report-on-bitcoin-and-virtual-currencies.html>

On Oct 29, 2012, the European Central Bank (ECB) released an official (and very nicely prepared) report called "Virtual Currency Schemes." The 55-page report looks at several facets of what virtual currencies are, how they're being used, and what they can do.

As it happens, the term "Bitcoin" appears 183 times. In fact, roughly a quarter of the whole report is specifically dedicated to Bitcoin and it's probably a safe assumption that Bitcoin's growth over the past year was the catalyst for producing this study in the first place.

Surely a number of other news sites will pick this report up and offer commentary (like here and here), so it seems appropriate for us to convey our thoughts as Bitcoin insiders.

Generally, the report is very good. It is well-written, professionally organized, presents accurate details (usually), advances rational arguments, and draws reasonable (though not always correct) conclusions. Some of the conclusions drawn:

- + Virtual currencies can be categorized into three types by value flows and convertibility
- + At current adoption, virtual currencies do not pose risks to the real world financial system
- + Virtual currencies do pose risks to their users, resulting from instability and lack of regulation
- + Virtual currencies can be used by criminals to perform illegal activities

+ Virtual currencies fall within central banks' responsibility due to their characteristics

+ Virtual currencies could have a "negative impact on the reputation of central banks"

All of these conclusions are quite reasonable. For example, it is very true that virtual currencies can be used by criminals. What was surprisingly refreshing, however, was that the ECB described how cash itself is used by criminals for all of the same reasons as Bitcoin (relative anonymity, hard to regulate, prone to theft, etc.) I must give kudos to the ECB for discussing this dynamic candidly. One might even say the ECB made an honest and objective examination – an objective study – of virtual currency and they deserve some respect for this when so many reporters fail at it. The following is worthy of highlight:

[snip]

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