



Sound Money Properties  
Series

#11: Provides Settlement Finality &  
Is a Bearer Asset

with @SimplestBTCBook and @DJSATOSHI18

- Ⓝ PORTABLE, DURABLE, DIVISIBLE, FUNGIBLE
- Ⓝ TRULY SCARCE
- Ⓝ DISTRIBUTED & DECENTRALIZED
- Ⓝ CENSORSHIP RESISTANT & UNCONFISCATABLE
- Ⓝ IMMUTABLE & INCORRUPTIBLE
- Ⓝ EASILY VERIFIABLE & CAN'T BE COUNTERFEITED
- Ⓝ PERMISSIONLESS, FRICTIONLESS & PEER-TO-PEER
- Ⓝ NEUTRAL & VOLUNTARY
- Ⓝ TRANSPARENT, OPEN-SOURCE & AUDITABLE
- Ⓝ BORDERLESS
- Ⓝ PROVIDES SETTLEMENT FINALITY & IS A BEARER ASSET
- Ⓝ PSEUDONYMOUS & TRUSTLESS
- Ⓝ SECURE & SCALABLE
- Ⓝ DISINFLATIONARY/DEFLATIONARY

# SETTLEMENT FINALITY

## Definition of **settlement**

: the act or process of settling

- merriamwebster.com

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## Definition of **finality**

1 : the character or condition of being final, settled, irrevocable,  
or complete

- merriamwebster.com

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## Definition of **settlement finality**

: a settlement that is irrevocable and unconditional

- law insider.com

# SETTLEMENT FINALITY

- Bitcoin unites the finality of physical settlement with the convenience of digital assets.
- Like physical cash or gold, Bitcoin payments are settled with absolute finality once they are included on the blockchain.
- The finality and immutability of Bitcoin transactions are the main reason Satoshi Nakamoto referred to Bitcoin as a “peer-to-peer electronic cash system” in the Bitcoin whitepaper.

~ River.com

### 3) Settlement Finality

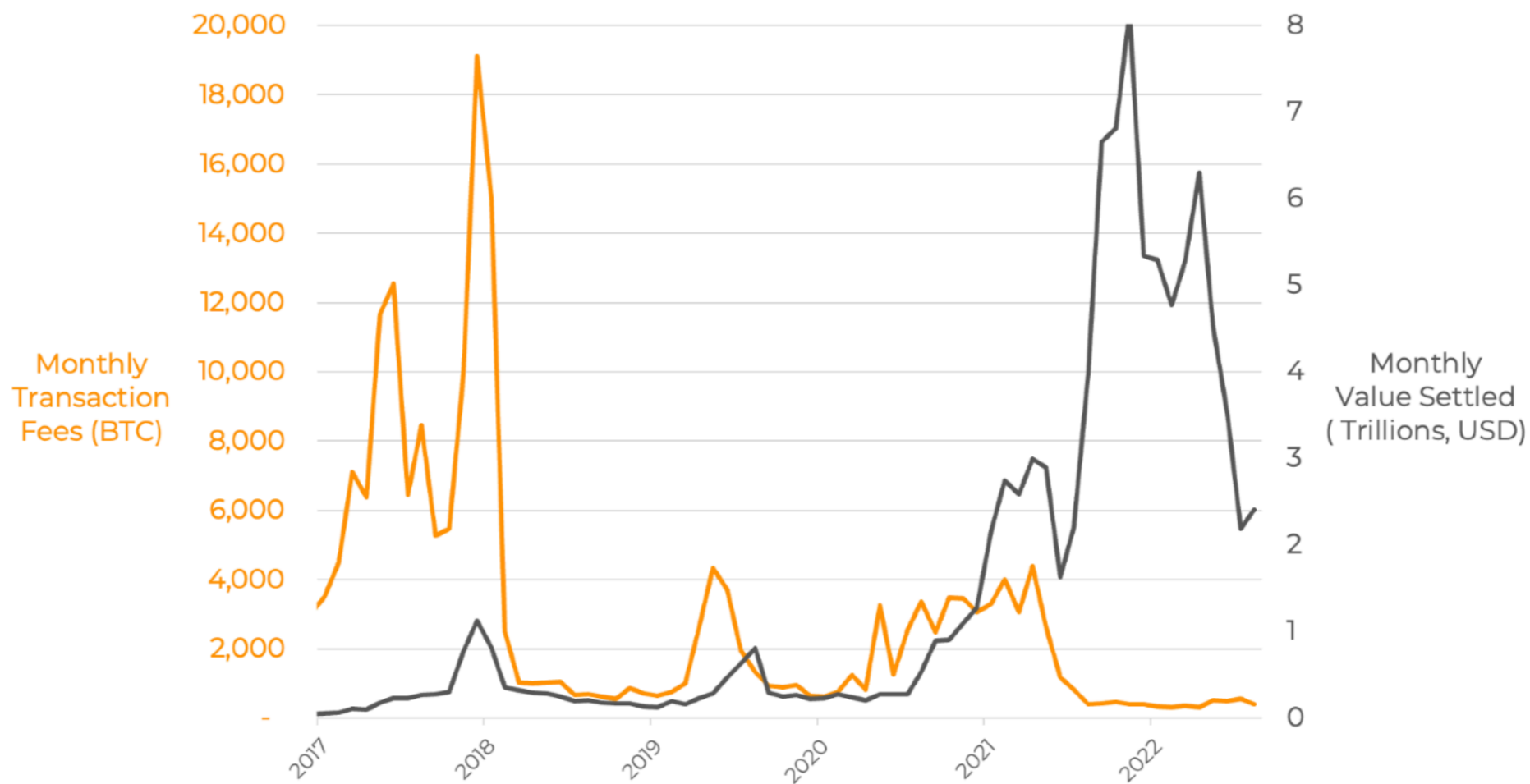
- Bitcoin aims to settle transactions every 10 minutes. One of the most overlooked but groundbreaking features of Bitcoin is its ability to perfectly and trustlessly synchronize itself across time and space.
- Through proof-of-work, Bitcoin utilizes the laws of thermodynamics to ensure that the system can't be cheated.
- As Gigi explains in his article titled "Bitcoin is Time,"  
*"Proof-of-work provides a direct connection between the digital realm and the physical realm. More profoundly, it is the only connection that can be established in a trustless manner. Everything else will always rely on external inputs."*
- No one has the power to cancel Bitcoin transactions.
- Once a transaction has several confirmations, it can be considered irreversible.

- From: Does Bitcoin Have Intrinsic Value - An article in Bitcoin Magazine

- By Bob Simon

# 4. Settlement Finality

During periods of low fees the skeptics of Bitcoin have sounded the alarm that the finality, or "security", of transactions is at risk of being undermined. This assertion is surprising because Bitcoin settlements are widely viewed as being irreversible<sup>8</sup>. Even with very low transaction fees, Bitcoin has reliably settled trillions of dollars worth of transactions monthly without needing any trusted third parties.



- From a Riot Research Report - *Bitcoin Transaction Fees: The Future Economics of Bitcoin Settlement Finality*  
- Prepared by: Joe Burnett, Head Analyst, Blockware Solutions  
Pierre Rochard, VP of Research, Riot

# ON SETTLEMENT FINALITY

- 🔹 When you send/broadcast a bitcoin transaction (whether you're simply moving bitcoin between two addresses owned by you, or you're sending bitcoin to someone else as a payment or gift), that transaction is broadcast to the mempools of the network of thousands of bitcoin nodes.
- 🔹 It then gets "mined" into a block on the Bitcoin blockchain, aka the Bitcoin timechain, and **becomes forever immutable in that block and cannot be reversed.**
- 🔹 **Bitcoin's immutability makes all transactions finally settled and irreversible.**
- 🔹 Note: Until the transaction has been mined into a block, there are ways to cancel or replace the transaction through methods like RBF, aka Replace by fee.

# BEARER ASSET

Definition of **bearer**

1 : one that bears

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Definition of **asset**

1 : an item of value owned

- merriamwebster.com



# What Is a Bearer Instrument?

A bearer instrument, or bearer bond, is a type of fixed-income security **in which no ownership information is recorded** and the security is issued in physical form to the purchaser.

The holder of a bearer instrument is presumed to be the owner, and **whoever is in possession of the physical bond is entitled to the coupon payments.**

- Investopedia.com

Bitcoin is a bearer asset, like cash or gold, held by the bearer (owner) directly.

This means that, once sent (given), it goes directly to the new bearer (owner), with no middleman (bank) needed to process the transaction.

~ From: The Simplest Bitcoin Book Ever Written  
By Keysa  
~ Free PDF @ [thesimplestbitcoinbook.net](http://thesimplestbitcoinbook.net)

## Bitcoin is a Bearer Asset

- Ⓛ Unlike digital dollars, which offer holders a claim to an underlying asset, or physical dollars that cannot be used for online transactions, **bitcoin is a pure form of digital cash.**

- [Coinbits.app/blog/is-bitcoin-a-bearer-asset](https://coinbits.app/blog/is-bitcoin-a-bearer-asset)



This certifies that there has been deposited in the treasury of the United States of America One Silver Dollar Payable to the Bearer on Demand



This certifies that there has been deposited in the treasury of the United States of America Ten Dollars in Gold Coin Payable to the Bearer on Demand




Federal Reserve Note  
The United States of America  
This note is legal tender, for all debts, public and private  
One Dollar



Bitcoin moves directly from one bearer's 'wallet' to another bearer's 'wallet'.


Also, **it is the asset itself**, rather than being a claim to an asset as the previous dollar bills are.



**Stack Hodler** 

@stackhodler



**#Bitcoin**  is a finite digital bearer asset.

Lightning allows for instant settlement of that bearer asset anywhere in the world.

There's still lots of building to do, but combining these two ideas will change commerce forever. And it's happening now, as the old system crumbles.

3:24 AM · Apr 12, 2023 · **7,422** Views

# The Next Domino to Fall

This decade is being shaped by the dematerialization of physical stores of value brought about by the creation of a global and provably scarce digital **bearer asset**- Bitcoin.

By reducing settlement friction and removing third-party liabilities, Bitcoin has unleashed a new paradigm in how we transfer value. As the total market capitalization grows, so does its utility due to the increased liquidity for larger and larger participants.

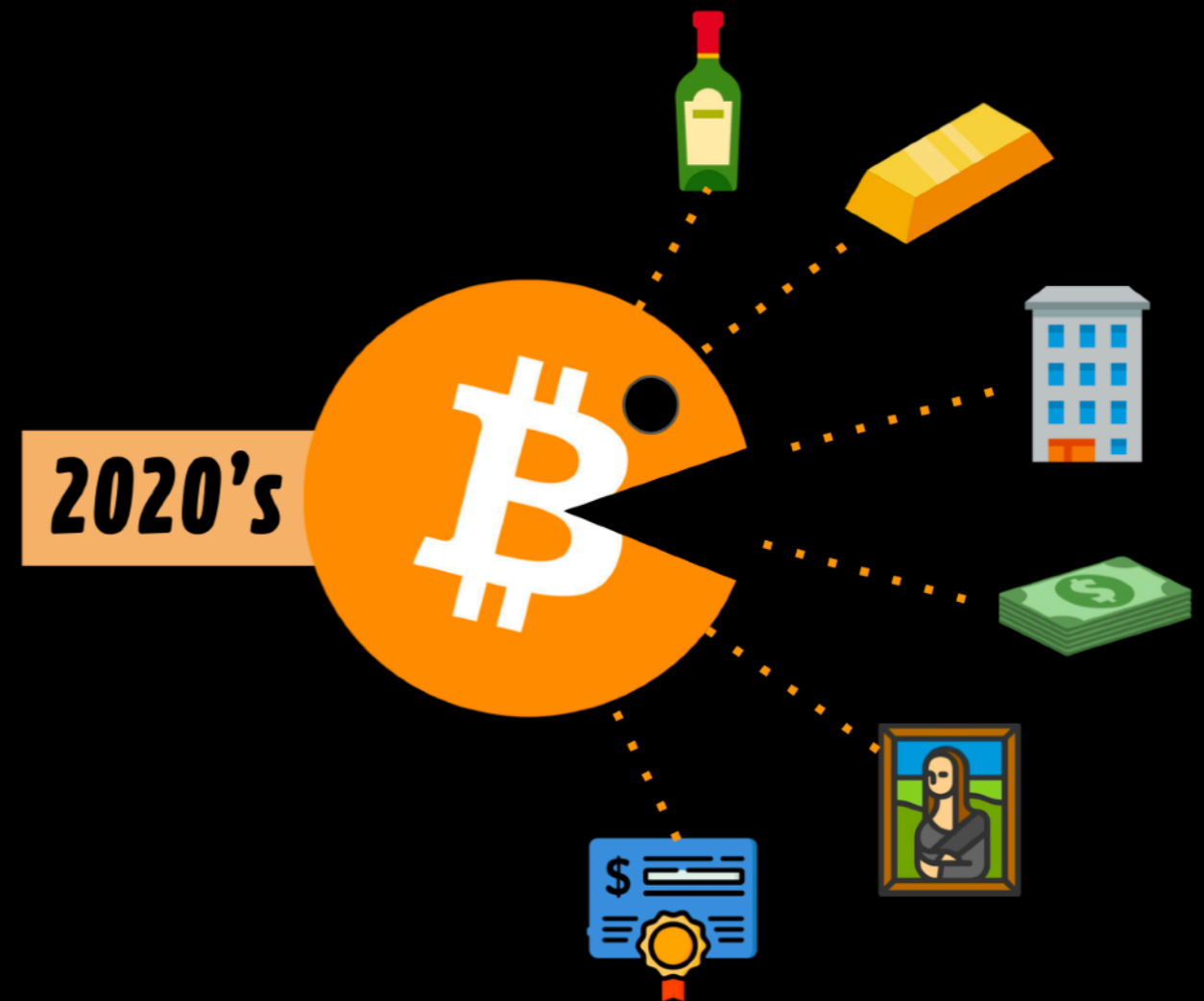
*Bitcoin > Gold*

*Bitcoin > Bonds*

*Bitcoin > Cash Savings*

*Bitcoin > Investment Real Estate*

*Bitcoin > Collectibles (Wine, Art, Cars)*





# BITCOIN IS A BEARER ASSET

- ⓑ Bitcoin is a bearer asset; however, unlike a bearer bond, there is no income stream.
- ⓑ Bitcoin's innovation is that it represents a superior form of money, but there are no future promises beyond being in possession of a digital bearer instrument.
- ⓑ The only utility of bitcoin is in holding it as a currency and transacting with it in the future, whether that be in exchange for legacy currencies or other goods and services
- ⓑ In most cases today, whenever someone buys bitcoin, they are directly trading a fractionally reserved form of currency (with the promise of future debasement) in return for a bearer asset with a finite supply and a vastly superior monetary policy.

- [Unchained.com/blog/bitcoin-is-not-a-pyramid-scheme/](https://unchained.com/blog/bitcoin-is-not-a-pyramid-scheme/)

# BITCOIN IS A BEARER ASSET

- One of Bitcoin's amazing and revolutionary attributes is **its ability to be a true bearer asset** without the need of any third party/custodian.
- This key premise is often repeated and known as "**not your keys, not your bitcoins.**"
- **Self Custody of your private keys gives you full control** to do whatever, whenever, you want with your Bitcoin.
- If you don't self custody your private keys, then you won't be able to use, move, send, nor spend your bitcoin until the custodian of your bitcoin gives you permission.
- Ultimately **possession of your bitcoin private keys** (ideally a 12 or 24 word seed phrase - from the 2,048 BIP-39 word list) **is ten/tenths of the law!**
- This is why **learning how to self-custody your Bitcoin is the most important thing** to learn when you start using bitcoin.

# IS BITCOIN A BEARER ASSET?

By David Waugh  
Coinbits.app Blog

- One way to think about bitcoin's ownership qualities is by viewing it as a bearer asset.
- Taking self-custody of bitcoin provides the private key holder access to the underlying asset at any time.
- Unlike dollars held in a bank account, money market fund, Venmo, or PayPal account, taking self-custody gives holders complete control over their bitcoin, like physical cash.
- Owning your keys means owning your coins in a pure, literal way. Therefore, bitcoin is a bearer asset. However, what makes it special is that it is the first digital bearer asset.

## Physical bearer assets: A short history

- The concept behind a bearer asset is simple: A bearer asset (or "instrument") represents an obligation to pay its holder a fixed amount of another asset upon demand.
- Holders are entitled to ownership of company shares, gold, and real estate, and they can redeem the bearer instrument for those assets with the instrument's issuer. Issuers create bearer instruments in the form of physical certificates, vouchers, or tickets.
- Bearer assets do not require the redeemer to register ownership. Anyone holding the asset can redeem it. Ownership is transferred by physically giving the physical certificate to someone else.
- Before modern fiat currencies, banknotes were redeemable for a fixed amount of another asset, usually gold. The purpose of a banknote was simply convenience. Bank customers would deposit gold in a vault, and the bank would issue a note redeemable for the gold. Whoever had the note could bring it to the bank and trade it for gold in the vault.

## Is cash a bearer asset?

- Modern fiat currencies are not bearer instruments. Unlike the banknotes of the past, physical cash has value based on the assumption that other people will accept it for various goods and services. Banknotes can no longer be exchanged for fixed amount of another asset like gold. Physical cash is not "backed by" anything.
- Digital fiat currency (the numbers you see when you look at your online bank account) is likewise not a bearer instrument. Customers cannot redeem or exchange digital dollars for anything besides physical dollars from a bank, or for goods and services from people willing to render them.
- Digital dollars are held in regulated, third-party custody accounts such as checking and savings accounts, or accounts associated with payment apps like PayPal or Venmo. Unlike bearer instruments, these types of dollars can only be spent through those third parties – relying on their software systems, and requiring their permission.
- This introduces risk and uncertainty that bearer assets do not have. Banks have working hours, outside of which your money may be unavailable. Accounts can be frozen, either by accident, or on purpose but for unjust cause. In some situations, people's money can be legally moved out of their account without their permission. Digital dollars require people who are rightful owners of their hard-earned money to be subject to institutions – many of which are increasingly seen as unreliable, untrustworthy, or corrupt.

## What makes bitcoin different

- Before bitcoin, consumers did not have access to a digital bearer asset. Anyone desiring to transact across the internet had to trust some institution and use their payment rails. Bitcoin is different.
- Notably, bitcoin itself is not a "bearer asset" by the standard definition of that term. It exists on the bitcoin blockchain and is not backed by anything. Still, the bitcoin network allows users to use bitcoin in similar ways to bearer assets of the past.
- If this sounds confusing, that's because bitcoin is an invention that does not fit our pre-existing models for what money is and how it can be used. In practice, bitcoin functions like a digital bearer instrument. Just like anyone can transfer ownership of a physical bearer asset, they can also transfer ownership of bitcoin. Bitcoin is a truly new form of money – a digital bearer asset, the first of its kind.
- To move bitcoin from one bitcoin address to another requires knowledge of a secret code called a private key. Whoever knows this secret code is the de facto owner of the bitcoin at that address, because they are the only ones who can move the bitcoin to another address.
- This can be done with no intermediary or third-party permission. Like a physical bearer asset, which allows for redemption of a fixed amount of gold, bonds, or another asset, a private key in the custody of a particular individual represents ownership of the bitcoin that can be moved with that key. In other words, when you own bitcoin, it means you have the independent ability to move it.

- More recently, innovators have figured out how to engineer physical bitcoin bearer instruments. The Opendime device, which is about the size of a USB stick, is an excellent example: You can transfer bitcoin to an on-chain address that is accessible only with the private key stored on the Opendime. You can then trade the Opendime device itself for goods and services. If the recipient of the Opendime wants to get the bitcoin "out" and move it to another wallet, a seal on the device must be broken, which reveals the private key and effectively destroys the device. The process is similar to disposing of a paper bearer asset upon redemption.
- **Bitcoin: A bearer instrument for the digital future**
- Bitcoin offers consumers internet-native money. Combining the best qualities of physical monies with digital features makes it ideal for the modern age. Bitcoin's open-source code base allows for continuous auditing, as well as development of new custody solutions such as physical bearer instrument devices, multi-signature custody, and more.
- Like language, food, and culture, money is integral to our daily lives. It is past time that money got an upgrade. Centuries ago, physical bearer instruments facilitated tremendous growth in commercial activity. Today, and for centuries to come, bitcoin will do the same. Thanks to its utility as a bearer instrument, bitcoin offers something other digital monies cannot: Ownership.

- [coinbits.app/blog/is-bitcoin-a-bearer-asset](https://coinbits.app/blog/is-bitcoin-a-bearer-asset)

Thanks for listening!

Feedback always welcome!

Next week we will discuss how bitcoin

IS PSEUDONYMOUS AND TRUSTLESS

