

Are Crypto Currencies Allies or Threats to Postal Payments?

Payments Dialogue UPU

November 10th, 2021

Pioneering crypto-financial services since 2013.

Agenda

What is Money?

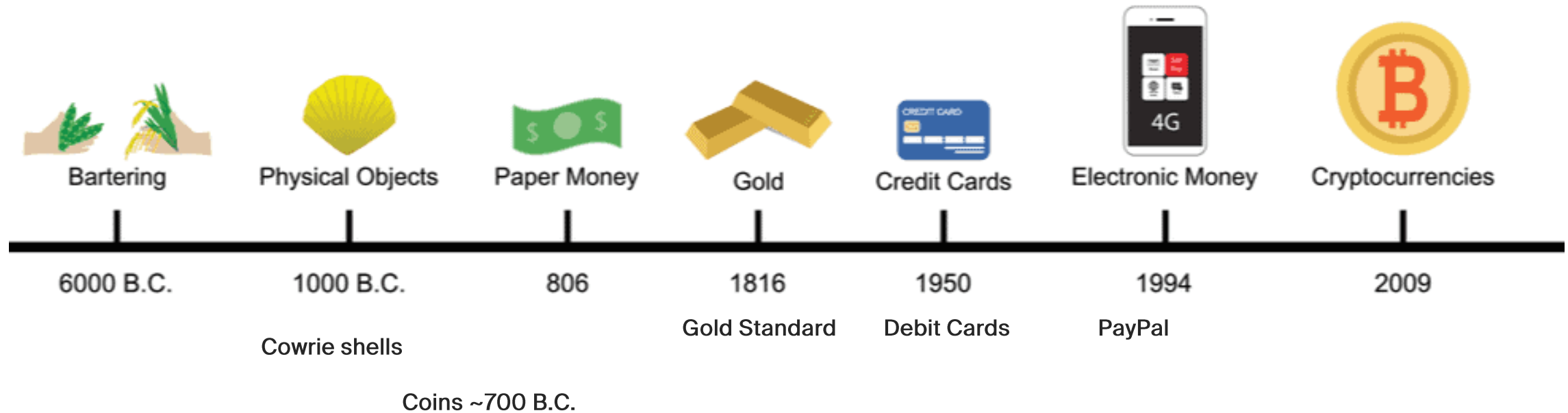
What is Bitcoin?

Impact of Bitcoin

Impact on Postal Payments?



Evolution of Money from Bartering to Cryptocurrencies

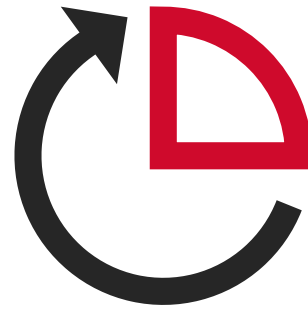


What is money?



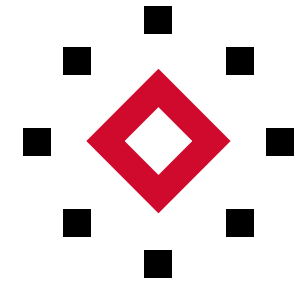
Medium of exchange

ability to trade goods and services without bartering



Store of value

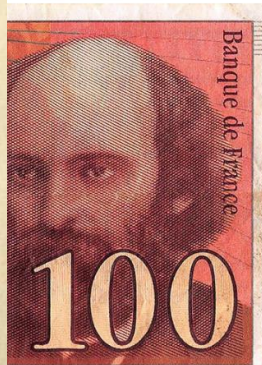
means of maintaining real wealth over time



Unit of account

measurement unit to define and compare market values

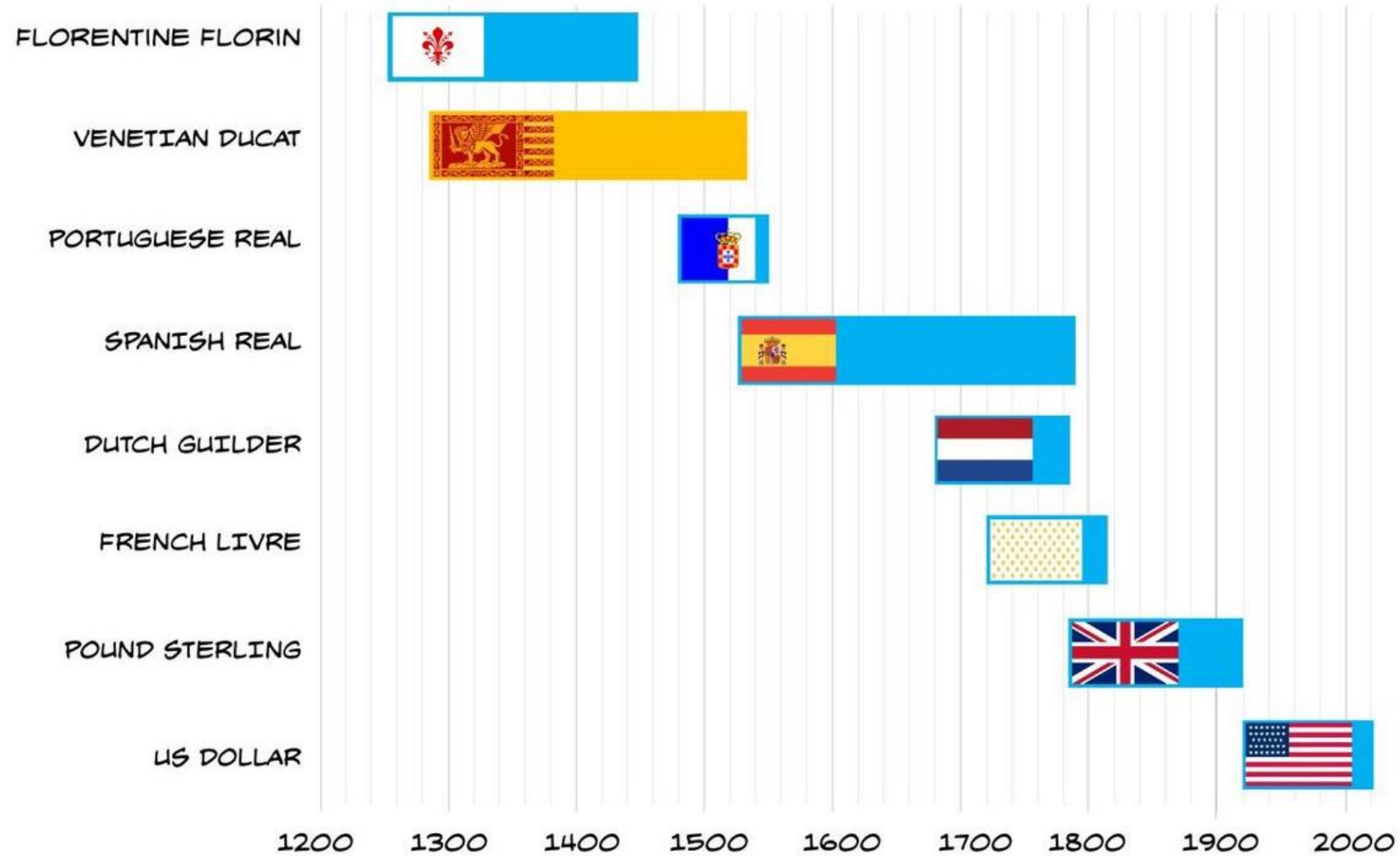
Do you remember those bank notes?



The EUR took over!

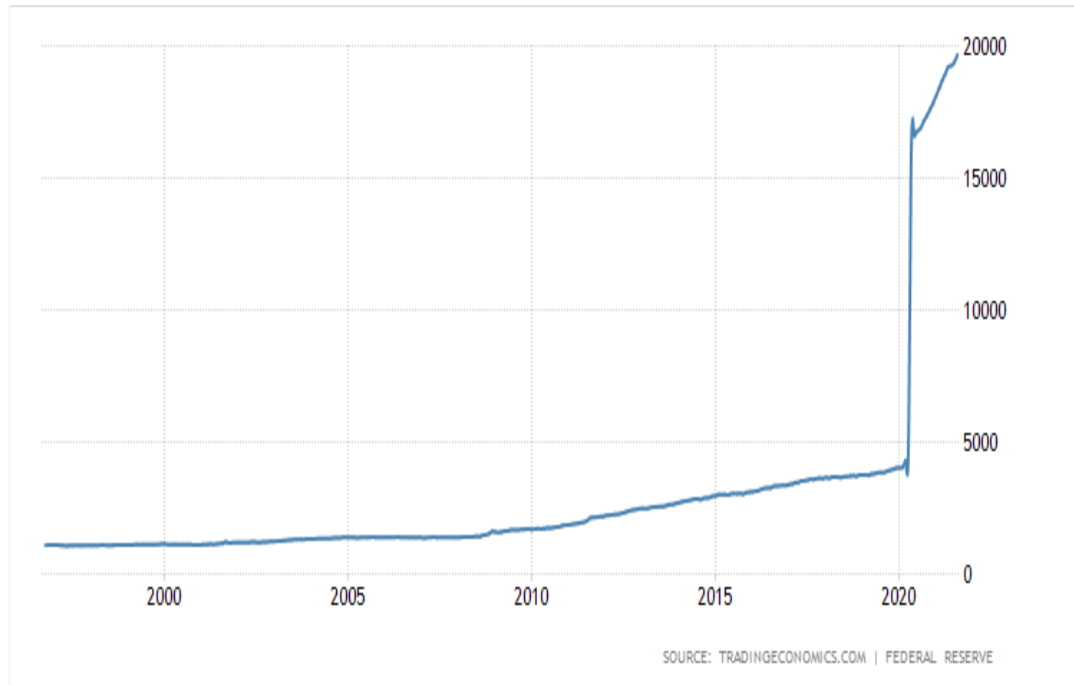


Major reserve currencies since 1250

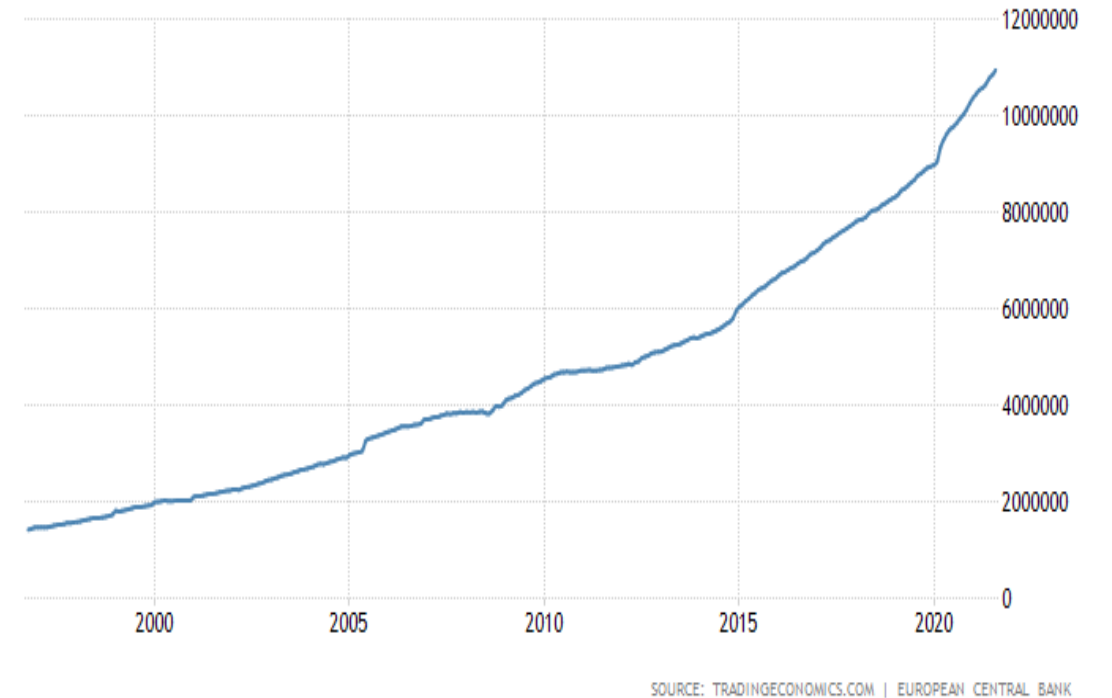


What about our current money? → Who can print money?

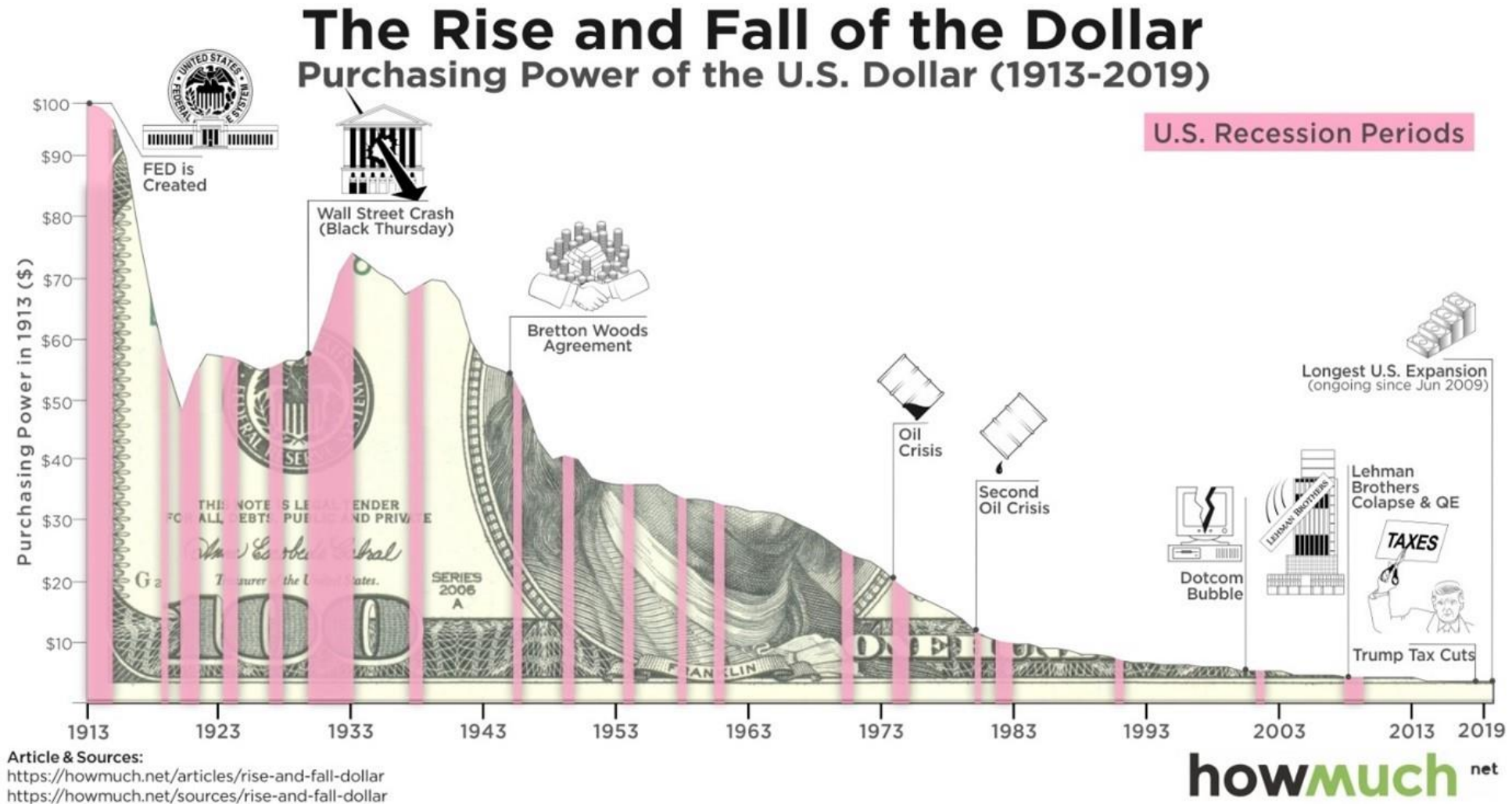
USD Supply (M1)



EUR Supply (M1)



What about our current money? → What's the value of money?



What about our current money? → Any doubts?

Deutsche Bank Research



Eventually, it is possible that inflation will become more and more embedded in our system and doubts will rise about the sustainability of fiat money. The demand for alternative currencies will therefore likely be significantly higher by the time 2030 rolls around. Will fiat currencies survive the policy dilemma that authorities will experience as they try to balance higher yields with record levels of debt? That's the multi-trillion dollar (or bitcoin) question for the decade ahead.

In Summary:

- Doubts about sustainability of fiat money
- Demand for alternative currencies
- Authorities have to balance the dilemma between higher yields and record level of debt.

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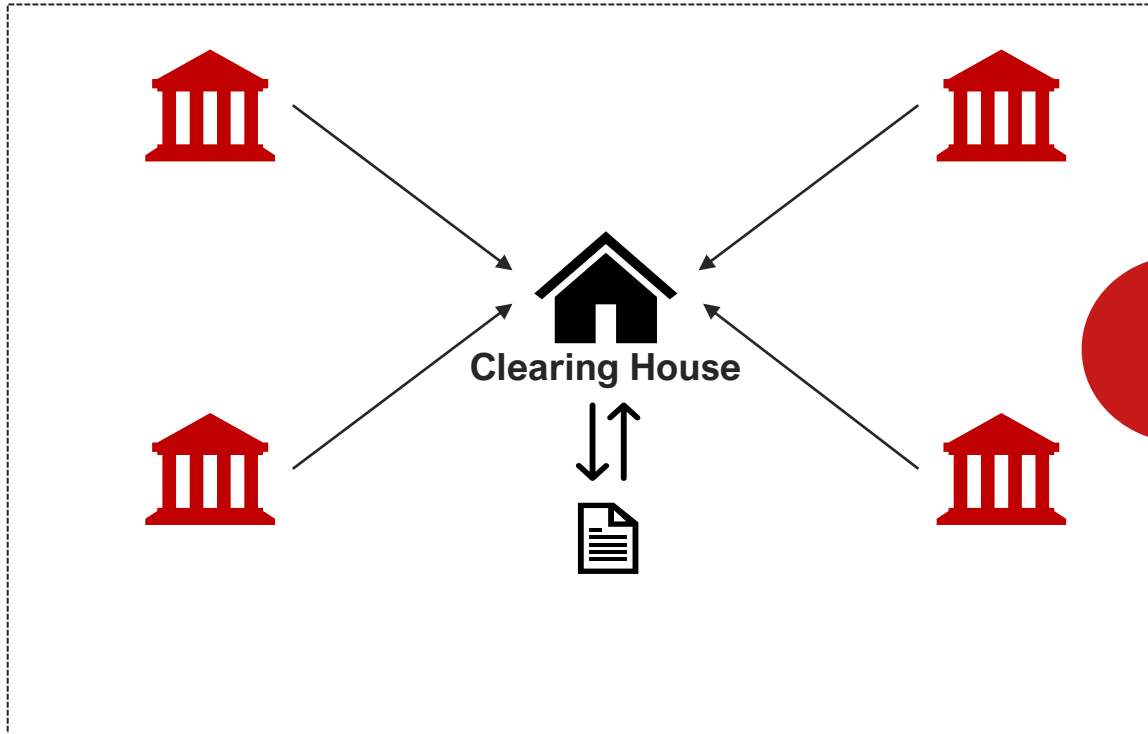
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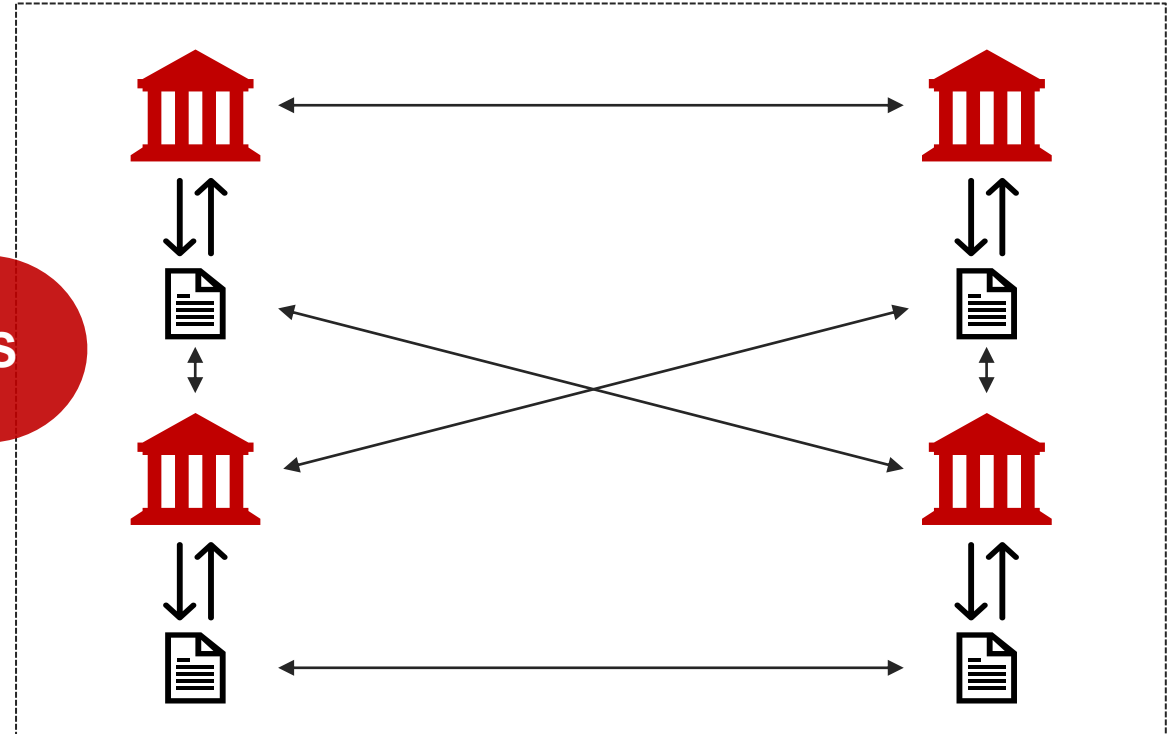


Centralized vs. Decentralized Ledger (DLT*)

CENTRALIZED



DECENTRALIZED




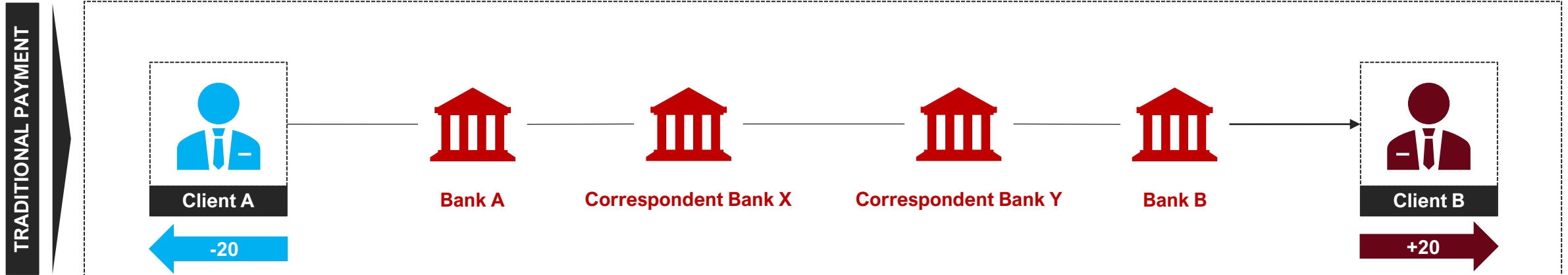
DISTRIBUTED



VS

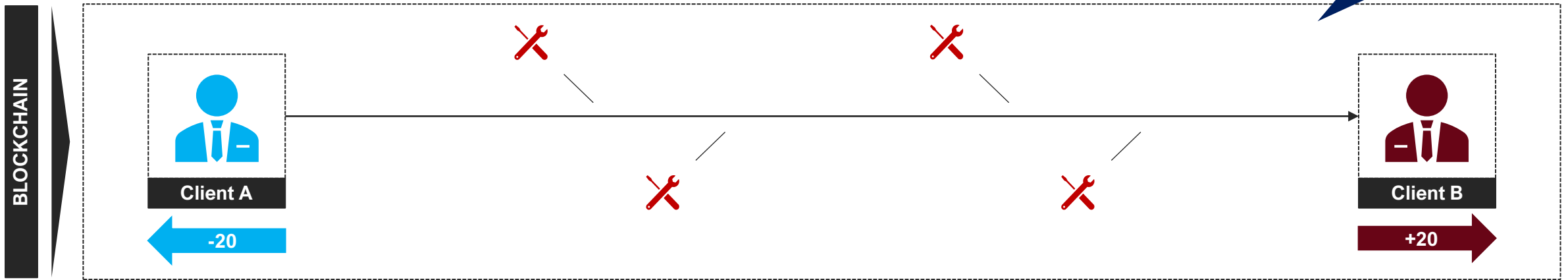
Traditional Payment vs. Blockchain

 Transaction Verification by Miner



VS

Postal Transfer / Money orders?



Main problem solved: clear identification of digital good

Copy of a compact disc



Copy of an mp3 file



Copy of a gold coin → checks possible



Copy of Bitcoin ??? → Double spend problem solved



Bitcoin – payment system based on monetary policy



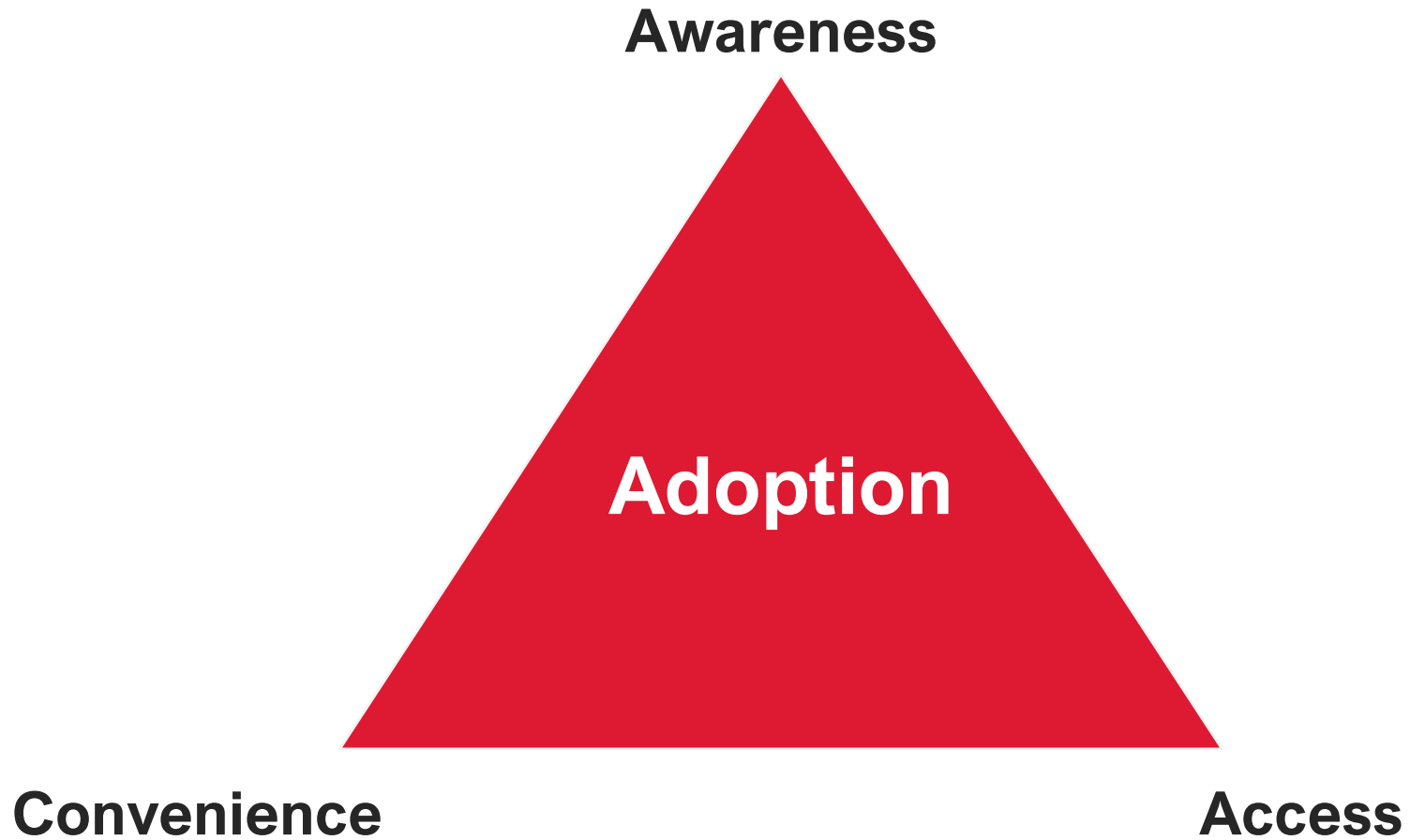
Bitcoin Full Node Sculpture: Monetary Policy part of code



Key Facts about Bitcoin to remember

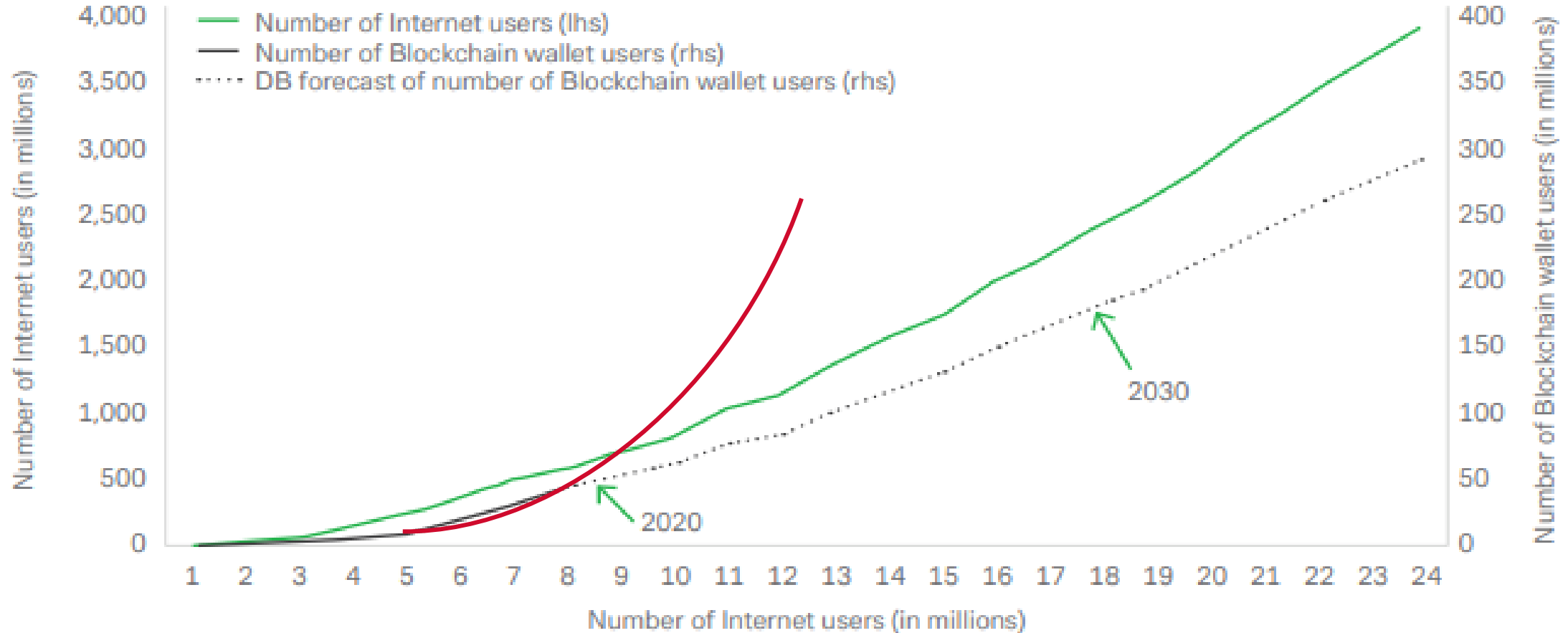
1. Bitcoin (BTC) started 2009
2. The code is the monetary policy
3. Miners get reward for keeping the system alive
4. There is a max. supply of 21m Bitcoins, expected to be minted in year 2140
5. «Proof of work» is key for security of the network

Base for Growth in Crypto Payments



Let's have a look at crypto adoption (1/2)

Adoption rates of cryptocurrencies and the Internet

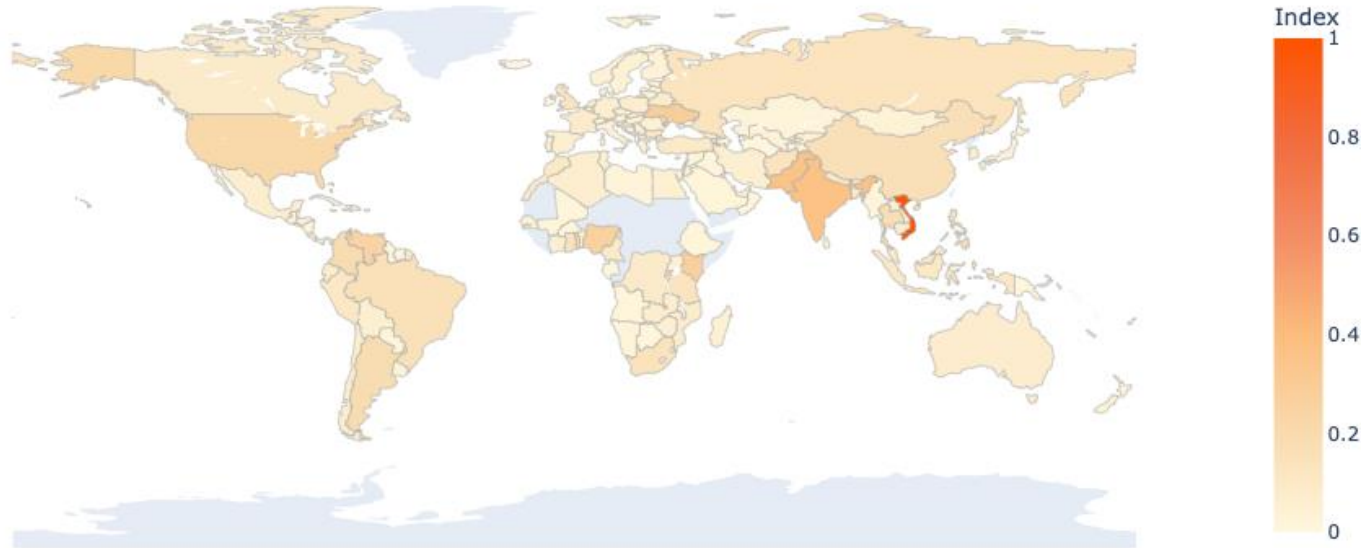


Let's have a look at crypto adoption (2/2)

Global Cryptocurrency Adoption Index - July '20 - June '21

881%

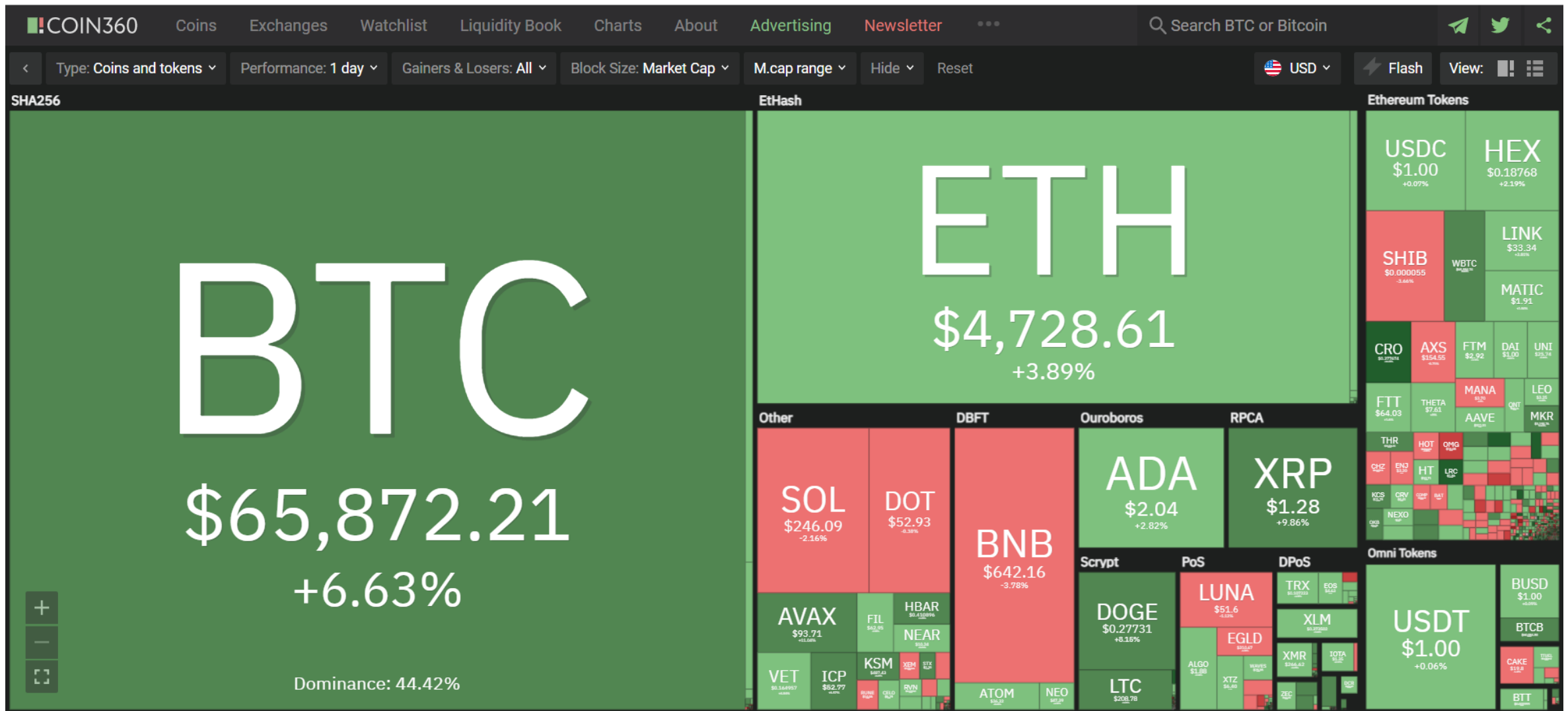
Global Crypto Adoption
Index Growth from
Q3 2020 to Q3 2021



Conclusion: reasons for adoption differ by region

- Emerging markets: preserve their savings in the face of currency devaluation, send and receive remittances, and carry out business transactions.
- North America, Western Europe and Eastern Asia: mainly institutional investment.

Overview of crypto currencies based on coin360.io (Nov 2021)



Who can issue stablecoins?

Private Institutions

 **tether**

 **USD Coin**

 **diem**

Central Banks (CBDC*)

Digital EUR

Digital GBP

Digital Yuan

Smart Contracts

 **DAI**

 **MAKER**

Benefits

Choice

Efficiency

No counterparty
Privacy

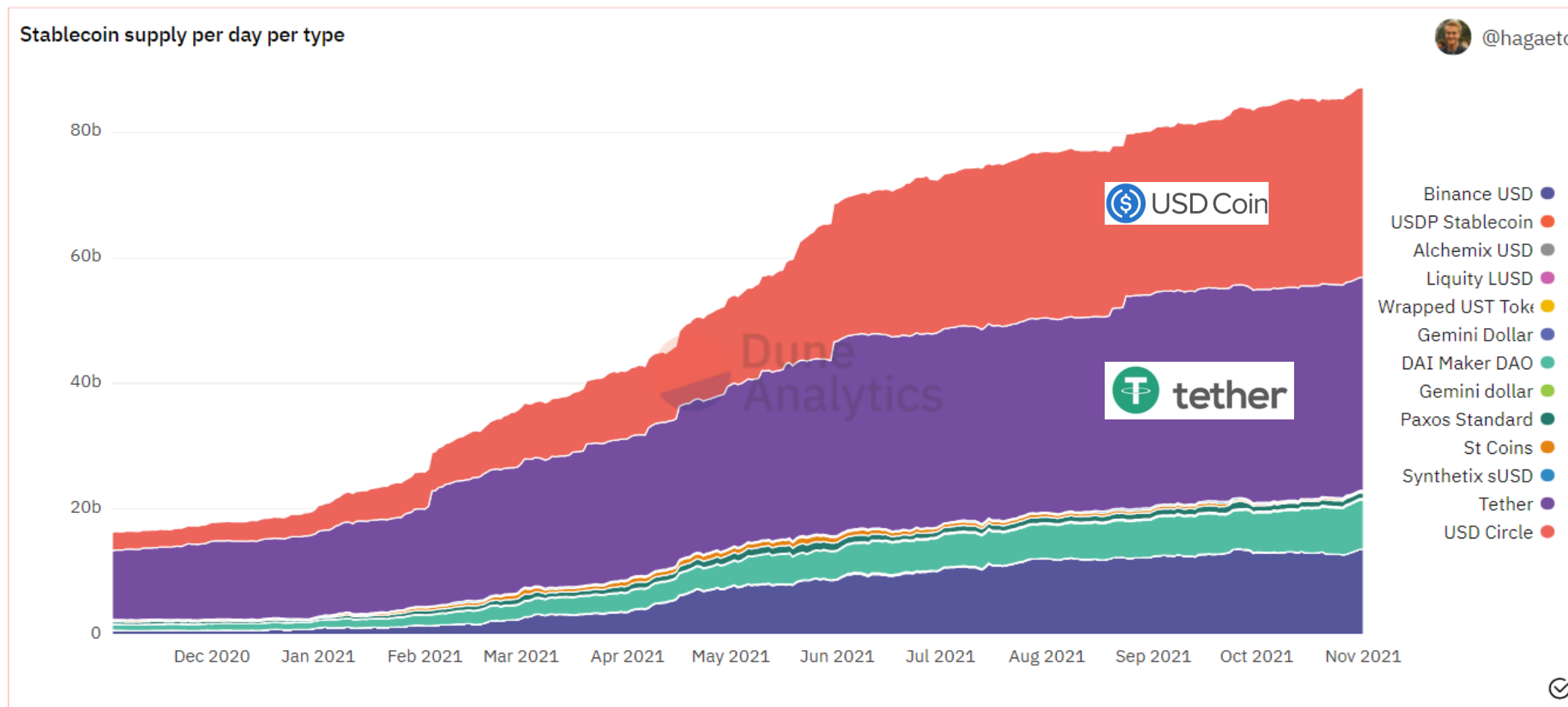
Criticism

Trust / Stability
Monetary Policy

Political Agenda
Privacy Issues
Monetary Policy

Security
Monetary Policy

Recently, massive growth of stablecoins



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Crypto Payments on the rise: Major Milestones in 2021

2021 January February March April May June July August September October November December



Announces checkout with Crypto



Brazil announces CBDC



Bank of Jamaica mints Jamaican Dollar as CBDC for pilot



Cuba to regulate crypto for payments



Paypal launches crypto service in UK



BTC becomes official legal tender in El Salvador



Bank of Ghana announces CBDC



NCR plans to acquire LibertyX

2021

January

February

March

April

May

June

July

August

September

October

November

December

Announces payment with Crypto



AXA accepts crypto payments



Go Live WL Crypto Payments



ECB kicks off design phase of digital EUR



Facebook announces Novi (digital wallet) is ready to launch



Announces successful tx settlement of USDC on Ethereum

4 Market Trends in 2021 to keep in focus

- Regulatory frameworks continue to evolve and to be implemented as institutional players continue to access crypto space
- Stable Coins with huge customer bases to lower entry barriers to crypto (private coins and CBDC)
- Bridging fiat and crypto world enables infrastructure for mainstream adoption (parallel to SWIFT, ACH, etc.)
- Focus on transaction costs will boost second layer solutions (e.g., BTC Lightning as money remittance → El Salvador)

Bitcoin has joined the U.S. dollar as legal tender in El Salvador

1. Why Bitcoin:

financial access / financial inclusion

- 70% of Salvadorans who don't have access to "traditional financial services
- 23% of GDP linked to Remittances: transfer the billions of dollars in remittances that Salvadorans living outside the country send back to reduce fees (>10% of transaction)
- Fully decentralized, no central bank can influence Bitcoin, it's only the code itself

2. How?

Via BTC & BTC Lightning Network (2nd Layer Solution)

- El Salvador's government holds 550 Bitcoin
- Government owned Chivo wallet
- BTC Lightning (fast & cheap transactions)

3. Impact of decision:

Pioneer for the community

- Publicity: El Salvador is the first country to adopt Bitcoin in this fashion
- Independence from USD and therefore from politics, driven by US reserve!
- International push back, especially Worldbank
- It's a Global Bitcoin Laboratory
- More countries could also adopt Bitcoin as legal tender (Panama, Ukraine, Cuba, Zimbabwe, ...)



Example in Switzerland: Accepting BTC & ETH

Use Cases

Point of Sale

Merchant enters amount in **CHF, EUR, USD**



Invoice

Merchant sends out **invoice** via **e-mail**



Online Payments

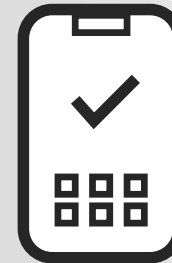
Merchant integrates **cryptocurrency payments** into online **payment process**



Customer **pays** in **BTC or ETH** via **QR code**



Merchant receives **confirmation of payment**



Settlement in **fiat** (CHF, EUR, USD)



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What's the impact on Postal Transactions?

What do you think of the financial future?

How could crypto solve Money Order Issues like:

- FX / change-risk
 - Long settlement times
 - Dependency on banks / institutions
- ... for the effective payment between posts?

Postal Transfer /
Money orders?
“keep crypto”, ... without
conversion into fiat

Are stablecoins an alternative for Postal
Transfer / Money Orders with less volatility
risk vs. Bitcoin

Where to find us



Connect with us!

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Mon - Sat: 7AM-12PM and Sun: 10AM-4PM for Institutional clients

Social Media

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-  t.me/bitcoinsuisse_announcements



[bitcoinsuisse.com](https://www.bitcoinsuisse.com)

Backup

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Previous positions

- SIX Payment Services (Worldline) Paymit, TWINT, PSD2
- PayPal General Manager Switzerland & Austria
- eBay Strategy & Expansion Europe
- Cablecom (UPC/Sunrise) Corporate & Business Development
- McKinsey Consultant

Education

- Uni St. Gallen MBA
- ETH Zürich Master in Materials Sciences



Armin Schmid

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