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MAKING CRYPTOCURRENCY VIABLE FOR EVERYDAY USE

02/13/2018



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OTC:GBTC

The soaring valuation and perceived potential of both cryptocurrency and blockchain technology have garnered substantial attention. Bitcoin was introduced in 2009 as a decentralized digital currency. Since then, other cryptocurrencies have emerged, including Litecoin and Ethereum, although Bitcoin remains the leading cryptocurrency at the moment. Bitcoin has surged in price and, despite recent volatility; the aggregate value of all cryptocurrencies combined is over \$400 billion.

Bitcoin has created tremendous rewards and challenges for investors, but in terms of real-world usage, its functionality is limited. It is difficult – to say the least – for the average consumer to spend Bitcoin or other cryptocurrency. In part, this may be attributable to regulatory uncertainty, which may be a factor behind why so few merchants have invested in the infrastructure needed to integrate Bitcoin acceptance. In fact, while the number of merchants taking cryptocurrency has never reached critical mass, acceptance of Bitcoin was at a record low in mid-2017, according to Business Insider (BI). BI notes that of the leading 500 internet sellers, only three accepted Bitcoin at that time, down from five the prior year. Moreover, even among merchants that accept Bitcoin payment, the cryptocurrency comprises an extremely low percent of overall purchase volume. In turn, this limited user functionality of crypto constrains their wider adoption, we believe.

It is also difficult for individuals to acquire Bitcoins for either commercial or investment purposes. Not surprisingly, traditional financial intermediaries have put up some roadblocks. For example, JPMorgan Chase, Bank of America, and Citigroup have decided not to process cryptocurrency purchases using credit cards, according to CNBC. Citigroup has indicated that it "will continue to review [this] policy as this market evolves." Last month, Capital One Financial also moved to prohibit Bitcoin purchases using credit cards, citing "the limited mainstream acceptance and the elevated risks of fraud, loss, and volatility inherent in the cryptocurrency market."

One way to acquire the cryptocurrency is to "mine" them. Bitcoins can be mined by verifying the digital trail of other parties' transactions to confirm those transactions. In exchange, miners are then awarded some Bitcoins for their own use. However, because of the complexity involved, the computing power required for the verification process exceeds the computing technology generally available to most individuals. Miners usually need to purchase expensive mining devices equipped with adequate processing power. In turn, this has led to the formation of mining "pools" in which multiple miners combine their processing power, although mining pool participants derive smaller Bitcoin incentive payments.

MoxyOne Cryptocurrency Management Solution "Monetizes" Crypto

While it is difficult to acquire Bitcoin, it is probably just as difficult to use it and other cryptocurrencies to pay for consumer purchases. As noted, in general only a limited number of retailers around the world are willing to accept cryptocurrency payments at the moment. In 2013, Forbes noted that Wordpress.com and Reddit, as well as OKCupid, were among the leading online sites that accepted Bitcoin. More recently, the International Business Times has cited Microsoft, Dell, Wikipedia, Twitch, Greenpeace, Expedia and PayPal as companies that also accept Bitcoin. Nevertheless, the number of places where consumers can spend their Bitcoins is extremely limited. Australia-based MoxyOne is developing a solution.

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MoxyOne is preparing to conduct an ICO (initial coin offering) of its own cryptocurrency, SPEND. Pre-sales began earlier this month and will end on March 10, 2018, with the actual token sale scheduled for March 14, 2018, through April 14, 2018. At the end of the token sale, the currency likely will be listed on the Cryptopia currency trading platform, which trades Bitcoin, Litecoin, and “over 400 other crypto currencies,” with the goal to list on other exchanges shortly thereafter. MoxyOne plans to use the funds it raises in the ICO to develop a secure debit card and payment infrastructure that can process cryptocurrency payments.

The use of debit cards is on the rise. The number of debit card payments increased at a faster clip than any other payment format from 2009 to 2012, according to Deluxe Corporation. Moreover, a 2017 survey from Compare Cards found that 66% of American consumers believe that using a debit card is safer than using a credit card. In fact, among millennials, 69% believe debit cards are as safe as credit cards if not safer.

MoxyOne's digital wallet and cryptocurrency system can also link to a mobile device application and enable users to make payments at myriad locations around the world through a physical debit card or a mobile device payment system. Overall, the use of mobile payments is also on the rise. In fact, there is a tremendous transition in the payment universe occurring right now and cryptocurrency debit cards can play right into that trend, we believe. According to McKinsey, "The U.S. merchant payments landscape is undergoing a period of rapid, technology-driven change... Consumers use the new tools to move dynamically between computer, mobile device and in-store experiences while shopping."

Specifically, payments have become increasingly card-based, with credit, debit and pre-loaded cards replacing checks and cash for many purchases. Now electronic payments are gaining market share at a rapid pace compared to cash and checks.

McKinsey forecasts that total electronic payments volume will grow by about 7% per annum over the next five years, driven primarily by continued expansion of digital commerce and rising electronic payments acceptance at small merchants. It appears that the functionality of cryptocurrency-based debit cards in the MoxyOne system can be similar to that of other debit cards, as the cryptocurrency is converted seamlessly into the currency that the retailer accepts through the use of liquidity providers.

The liquidity provider is the individual or corporation that purchases the cryptocurrency tokens in exchange for fiat currency. This is a critical element of the MoxyOne system. Liquidity providers will provide the equivalent fiat required for the purchase in exchange for the cryptocurrency plus a fee. Specifically, the liquidity provider will receive the full amount of the tokens from the MoxyOne user, as well as extra tokens that serve as payment for participating in the MoxyOne system. To qualify, liquidity providers will need to own a minimum amount of SPEND tokens. In the MoxyOne system, the merchant gets paid and, in fact, might not even know that cryptocurrency was even involved in the transaction.

MoxyOne – Leveraging Blockchain and Available via White Label

One component of MoxyOne's transaction system involves its own cryptocurrency, SPEND, which can be used for real world purchases via its Just In Time Funding (JITF) mechanism described above.

In addition, MoxyOne will make the solution available to others via a white labeling service that will allow companies to become partners and gain access to the MoxyOne infrastructure. Through its white label service, MoxyOne intends to offer turnkey cryptocurrency-management solutions for companies that have cryptocurrency or are initiating their own ICOs. To be eligible to participate in MoxyOne's transaction system, companies must also hold a certain number of *SPEND* tokens.

MoxyOne's goal is to provide white label debit cards and its proprietary payment infrastructure using blockchain. Blockchain is the underlying digital architecture that supports many digital cryptocurrencies including Bitcoin. Blockchain is a decentralized and encrypted ledger that offers a secure method to store records and other information in a way that can be verified. Each block in the blockchain contains a hash – a digital fingerprint or unique identifier – and timestamped batches of prior transactions, as well as the hash of the previous block. The hash connects the blocks and prevents any block from being altered or inserted between two existing blocks. Each new block reinforces the verification of the previous block and therefore the overall blockchain. This characteristic is also believed to make it transparent if an attempted hacking tries to alter any part of the blockchain. According to IBM, blockchain architecture gives participants the ability to share a ledger that is updated, through peer-to-peer replication, every time a transaction occurs. Peer-to-peer replication means that each participant (node) in the network acts as both a publisher and a subscriber. Each node can receive or send transactions to other nodes, and the data is synchronized across the network as it is transferred.

Blockchain is viewed as a secure option for financial transactions that also provides flexibility and scalability. Blockchain technology also has broader applications beyond cryptocurrencies. Among other features, it can be used to process transactions, manage medical records, and verify and confirm proof of ownership. Blockchain can also record and track intangible assets such as intellectual property, patents, copyrights, or branding. In discussing blockchain, an article in the [Harvard Business Review](#) notes that, “Contracts, transactions, and the records of them are among the defining structures in our economic, legal, and political systems. They protect assets and set organizational boundaries.... With blockchain, we can imagine a world in which contracts are embedded in digital code and stored in transparent, shared databases, where they are protected from deletion, tampering, and revision.”

“Blockchain is a public ledger technology that uses digital signatures and cryptographic hashing to provide a record of secure

transactions that cannot be altered,” according to [TechRepublic](#). Specifically, blockchain is thought to be safe, immutable and transparent because no single person or party within the chain can alter the record without the agreement of all parties in the chain. Leading companies such as IBM and Mastercard have already adopted blockchain technology to protect transactions and American Express has launched instant blockchain payments for cross-border business-to-business payments.

By allowing companies to incorporate its blockchain-enabled cryptocurrency payment system, MoxyOne will white label features such as a debit card, wallet system and virtual debit card. Token holders will be able to use the MoxyOne infrastructure and potentially even to add benefits such as a rewards program. Rewards programs or customer loyalty platforms allow members to earn points each time they transact. Such programs are becoming increasingly popular as a way to drive consumer loyalty and stickiness. Many retailers and consumer products companies operate loyalty programs. According to Business Insider, from 2008 to 2012, U.S. loyalty memberships increased by 10% per annum, reaching 23 memberships per household in 2012. A recent McKinsey study of 55 North American and European publicly traded companies showed that, despite some negative impact on EBITDA margins reflecting that the reward essentially results in discounted pricing, market capitalizations for companies with strong loyalty programs outpaced those of companies that do not offer or emphasize a rewards program.

Overall, MoxyOne expects that the MoxyOne supported cryptocurrency debit cards will enable consumers to use digital cryptocurrencies as easily as they would use any other currency or electronic payment mechanism. In success, the cards will effectively enable the payment of cryptocurrencies online or at retail locations such as stores, restaurants and service providers. MoxyOne also intends to provide mobile applications for contactless payments. The 2013 Nilson Report indicates that contactless electronic payments comprised 8.7% of total paid expenditures in 2007 and were forecast to grow to 10.6% by 2017.

MoxyOne has already formed a partnership with [Social](#), a decentralized social networking platform that will utilize its cryptocurrency. It will be the first MoxyOne white label partner to offer its token holders a MoxyOne supported debit card to be used within its integrated marketplace and ad platform.

As crypto becomes a medium for real-world utilization, we believe it could also impact its valuation, which has been volatile of late, as noted. The value of Bitcoin has fallen more than 50% since the cryptocurrency reached a high that exceeded \$19,000 in December 2017. Despite the inherent volatility, we believe investor interest remains strong. The [Bitcoin Investment Trust](#) provides investment exposure to Bitcoin. The trust was first launched in September 2013 and began trading in May 2015 under the symbol GBTC (OTC:GBTC). GBTC shares have historically traded at a substantial premium to the net asset value of the trust, most likely reflecting the scarcity value of vehicles providing passive investment exposure to Bitcoin. GBTC declared a 91-for-1 stock split last month. Post-split, each share of Bitcoin Investment Trust represents approximately 0.001 Bitcoin.

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