

Crypto Payments

The ability to pay for everyday items with cryptocurrencies has long been seen as a barometer for the level of crypto asset adoption. As it was originally styled to be a “peer-to-peer electronic cash system,” Bitcoin was expected to provide a universal medium of exchange to pay for anything and everything.

Today, that goal remains only partially realized at best. As the price of Bitcoin and other crypto assets took off in late 2017, transaction fees also rose dramatically, making it less attractive to use them as a day-to-day medium of exchange. The lack of universal infrastructure for accepting crypto payments, as well as regulatory uncertainty in some countries have also factored into the low adoption rate of crypto payments.

Despite these mixed results, it is important to watch the crypto payments space, both on a retail and institutional level. Payment providers are increasingly aware that consumers value the opportunity to pay in a variety of ways, meaning that all options (including paying with crypto) should be made available.

Worldline, Europe’s largest payment system provider, confirmed this fact in announcing its partner-

ship with Bitcoin Suisse to integrate crypto payments into its point-of-sale terminals and in online shopping. Facebook’s Libra project has put a focus on the ability to execute cross-border retail payments seamlessly, something that cryptocurrencies can and should play a central role in.

At the institutional and international level, there is growing interest in developing cryptocurrency-like payment systems, such as the one proposed by BRICS¹⁴ or the solution being explored by the Monetary Authority of Singapore and JP-Morgan for cross-border payment and settlement.¹⁵ In these cases and others like them, process efficiency seems to main focus, rather than decentralization of finance. Whether there are any long-term benefits remains to be seen.

Beyond supporting payments for goods and services in order to realize Satoshi’s original vision of peer-to-peer electronic cash, increased usage (and transactions) of cryptocurrencies payments is key for another reason. The transaction fee paid by those transacting plays a significant role in the overall network security by incentivizing miners. As the Bitcoin block reward continues to shrink, this will be more and more important, since these transaction fees can help guarantee the security of the system.

If second-layer solutions and other technical integrations advance over the next year, bringing crypto payments to shops and inter-bank systems as well, then adoption will contribute to an even stronger ecosystem.¹⁶

¹⁰ <https://www.finma.ch/en/documentation/dossier/dossier-fintech/entwicklungen-im-bereich-fintech/>

¹¹ <https://www.theblockcrypto.com/linked/43591/owner-of-burj-khalifa-worlds-tallest-building-launching-its-native-token-on-jpmorgans-blockchain>

¹² https://www.finews.com/news/english-news/38773-how-banks-hold-back-the-digital-exchange?_ga=2.128259852.1010220954.1574064555-1629039672.1552572799

¹³ <https://www.swisscom.ch/en/about/news/2019/11/19-wertpapiertransaktionen-mit-tokens.html>