

Written Statement to U.S. House of Representatives Committee on Small Business

Thank you Chairman Graves and members of the House Committee on Small Business for the opportunity to appear here today.

My name is Adam White and I'm the Director of Business Development and Sales at Coinbase, a company founded in June 2012 with the goal of making it easy for merchants and consumers to transact with the digital currency, bitcoin. More than 1 million consumers use Coinbase as their bitcoin wallet, and as of today, there are more than 27,000 businesses that entrust Coinbase to accept bitcoin payments on their behalf using our payment tools. These merchants include large, enterprise-level businesses such as Overstock.com and Big Fish Games, as well as a myriad of small businesses like Tealet, Tuft & Needle, and Mondo Cellars.

Prior to my role at Coinbase, I served as a Captain in the United States Air Force and am a veteran of Operation Iraqi Freedom and Operation Enduring Freedom. I also worked briefly as a consultant at Bain & Company and a product manager at Activision Blizzard after completing my MBA at Harvard Business School.

I'd like to begin today by outlining the inherent benefits of Bitcoin in commerce - namely the elimination of fraud, reduction of transaction fees, and monetization of new markets - and how these benefits can be a positive influence on businesses of all sizes.

Bitcoin enables individuals to push payments to merchants without having to share personally identifiable information that can be intercepted by criminals and used for fraudulent purposes. This push functionality gives Bitcoin a unique characteristic that eliminates the risk of fraud, something that merchants, card processors, and banks spend billions of dollars per year combatting. With Bitcoin, for example, the Target data breach that compromised over 70 million consumers' credit card information would not have been possible.

Additionally, many card issuers use fraud detection systems that are overly sensitive to trigger activities for card-not-present transactions. Initial estimates suggest that some merchants turn away nearly eight percent of incoming orders due to suspicious activity, many of which could, in fact, be legitimate. Bitcoin payments are irreversible, so fraudulent charges are prevented from occurring, and as a result, merchants do not bear the risk and cost associated with these false declines.

Due to the elimination of fraud, Bitcoin transactions are dramatically less expensive than traditional card based payments. Merchants can reduce their electronic payments acceptance fees to less than 1% when accepting payment in bitcoin. This is especially important for small businesses that sacrifice anywhere between 3-5% of their revenues in card transaction fees. Businesses can use these savings to reinvest in their company or pass them on to consumers in the form of lower prices. Moreover, merchants are not faced with a fixed fee per transaction, enabling them to forgo minimum transaction limits and sell small ticket items profitably.

Finally, Bitcoin democratizes foreign exchange and enables frictionless, cross-border transactions that settle immediately. Many products and services are not available for sale in foreign countries solely because the business cannot manage the payments systems needed to support overseas commerce. Because of the borderless and global nature of Bitcoin, a bitcoin payment made by customer in New York looks identical to a merchant as a bitcoin payment made by a customer in London, Buenos Aires, or Tokyo. Moreover, there are no international currency conversion fees associated with bitcoin payments so merchants can sell low margin items just as profitably abroad as they do domestically. The ability to easily begin accepting payments from customers around the world can open up whole new markets for merchants, and significantly improve top-line revenue.

We see Bitcoin as an extremely powerful technology, and it is our goal to bring the efficiencies created by the Bitcoin network to the masses. We are encouraged to see the Committee's proactive examination into the topic of bitcoin as it relates to small businesses, and I look forward to engaging in dialogue and answering any questions you may have.