Bitnet

The world's digital commerce platform

ETA University - Capitol Hill
March 19, 2015

Overview

Bitnet is building a digital commerce platform to enable enterprise merchants to accept digital currencies such as bitcoin.

Our goal is to become the category leading provider of integrated digital currency payment acceptance, security, and reconciliation solutions.

Who are we

- Founded in January 2014.

- Current team of 40 payments professionals from CyberSource and Visa.

- Over 200 years combined payments experience.

Market Potential

- US bank fees alone generate **$250** billon a year

- Global payment networks revenues exceed **$300** billion annually

- In addition to the disruption of decentralized trust, we see a potential role for bitcoin in the emerging area of machine-to-machine communication (The Internet of Things).

- Mary Meeker's Internet Trends Report Finds 'Extraordinary Interest' in Bitcoin

"The Internet of Things is forecast to generate global revenues of up to **$8.9tn** by 2020, growing at a CAGR of 7.9%."

Wedbush Securities

Rakuten.com
Shopping is Entertainment!

Global ecommerce conglomerate with annual revenue > $5B, with online marketplaces in dozens of countries.

LOGITRAVEL

Pan-European online travel agency now also servicing Brazil and Mexico with annual revenue >$600M

AnchorFree
Hotspot Shield: Security, Privacy, Access

VPN solution for 300M users globally, with annual revenue > $25M

UATP®

A payment card network owned by major international airlines, servicing over 260 airlines globally, which processed over $14B in payments in 2014

CARDINAL® COMMERCE

Globally-focused PSP for alternative payments and authentication solutions, processing over half a billion transactions annually

computop
the payment people

European-focused PSP servicing over 3000 retailers, which processed over $11B in 2013

Evolution

- 80s - 90s began with **Distributed Systems** (and applications)

  - *The Internet. Tuxedo, CORBA, J2EE and a myriad set of client server technologies & businesses.*

- 90s - 00s brought **Distributed Information**

  - *Beginning with email followed by the web itself, through to the rise of social sharing and onto distributed collaboration.*

- 10s - the rise of **Distributed Trust**

  - *Critically for the first time a way to decentralize that trust and in the process disrupt, dis-intermediate & create whole industries.*

Bitcoin is a technology platform

1. **Protocol** : an open set of standards for communication

2. **Network** : self-regulating, self-propagating, self-healing

3. **Payment System** : medium for the exchange of value, and a public ledger

4. **Currency** : universal and independent

Bitcoin is

First   Digital

Open-source   Alternative

Decentralized   Cryptographic

Peer-to-Peer   Currency

Bitcoin is

First

Open-source

Decentralized

Peer-to-Peer

There are many others;

Litecoin, XRP, DogeCoin…

Bitcoin is

First

Open-source

Decentralized

Peer-to-Peer

Non-proprietary code &
strength in transparency

Bitcoin is

First

Open-source

Decentralized

Peer-to-Peer

No issuing authority, central control or manipulation

Bitcoin is

First

Open-source

Decentralized

Peer-to-Peer

Cash-like push transactions, no intermediary required

Bitcoin Ecosystem

Miners

By convention, the first transaction in a block is a special transaction that starts a new coin owned by the creator of the block. This adds an incentive for nodes to support the network, and provides a way to initially distribute coins into circulation, since there is no central authority to issue them.

A number of implementations : bitcoind, bitcoinj

Exchanges

Analogous to tradition forex exchanges, they provide market liquidity, order books and a way for individuals or companies to buy and sell BTC in exchange for fiat currency.

Bitstamp, Kraken, BitFinex, itBit

Wallets

Application and service providers that allow people to store, access and transfer their coins between addresses on the network.

Hot and cold storage options are typical as well as multi-sig. Given the risk involved security is paramount for wallet providers.
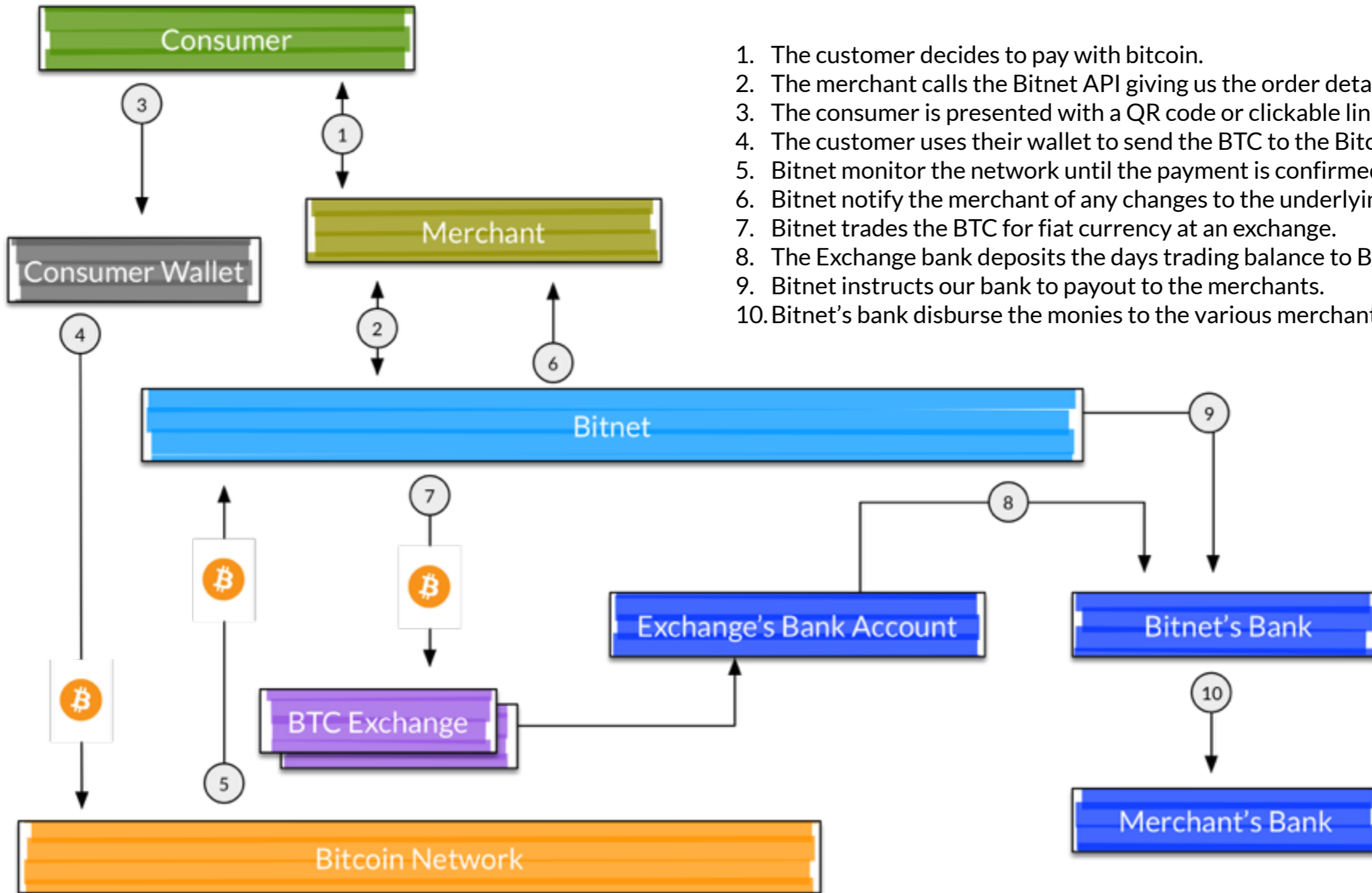
Blockchain.info, Coinbase, Xapo, Circle

Payment Providers

Service providers that connect merchants to the Bitcoin network making it possible for them to transact with their customers.

PSPs are often customers or clients of the other parties in the model; e.g. using miners to validate their transaction blocks and placing trades on exchanges.

Bitnet, BitPay, Coinbase

Bitcoin Transaction Flow

1. The customer decides to pay with bitcoin.
2. The merchant calls the Bitnet API giving us the order details.
3. The consumer is presented with a QR code or clickable link to initiate payment.
4. The customer uses their wallet to send the BTC to the Bitcoin network.
5. Bitnet monitor the network until the payment is confirmed.
6. Bitnet notify the merchant of any changes to the underlying payment.
7. Bitnet trades the BTC for fiat currency at an exchange.
8. The Exchange bank deposits the days trading balance to Bitnet's bank
9. Bitnet instructs our bank to payout to the merchants.
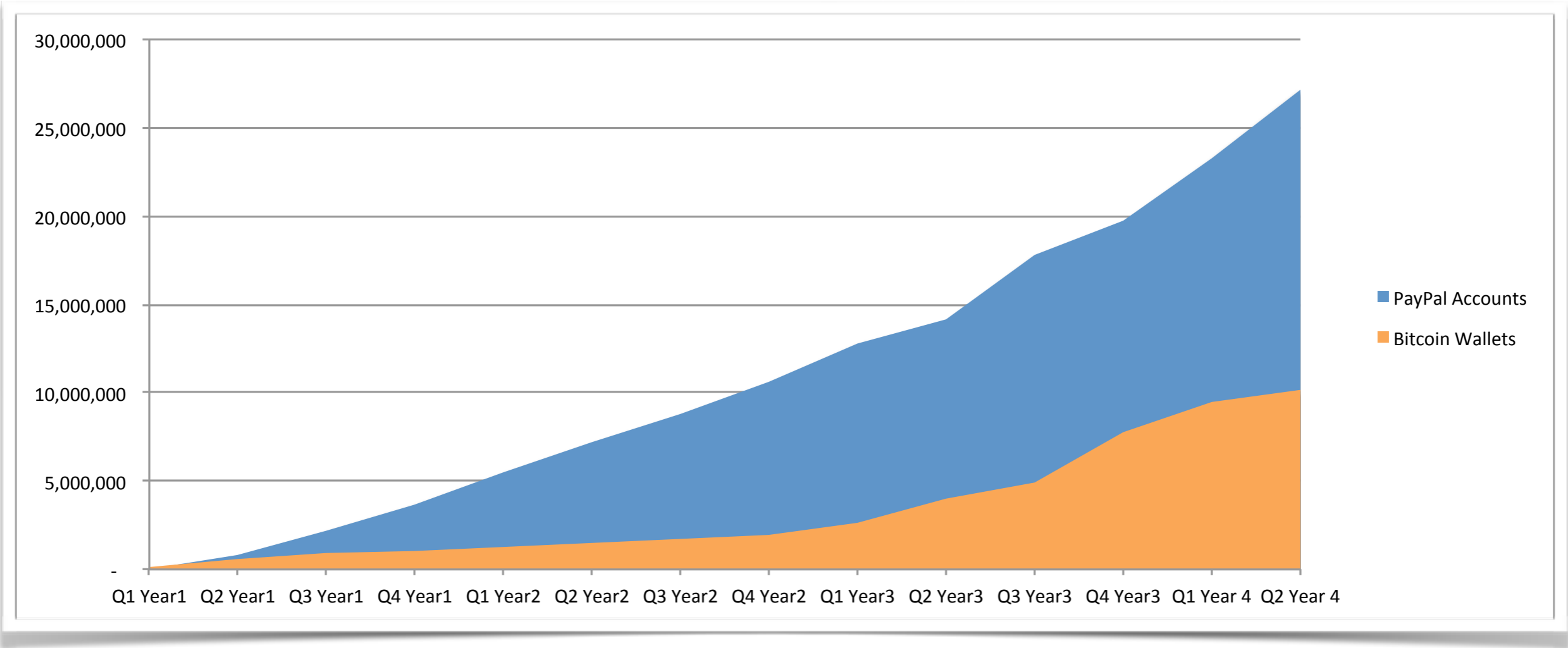10. Bitnet's bank disburse the monies to the various merchant accounts.

Bitcoin Adoption

In the first 3.5 years in operation the Bitcoin network processed **$28.7 Billion** compared to the **$17.3 Billion** PayPal processed in its first 3.5 years.
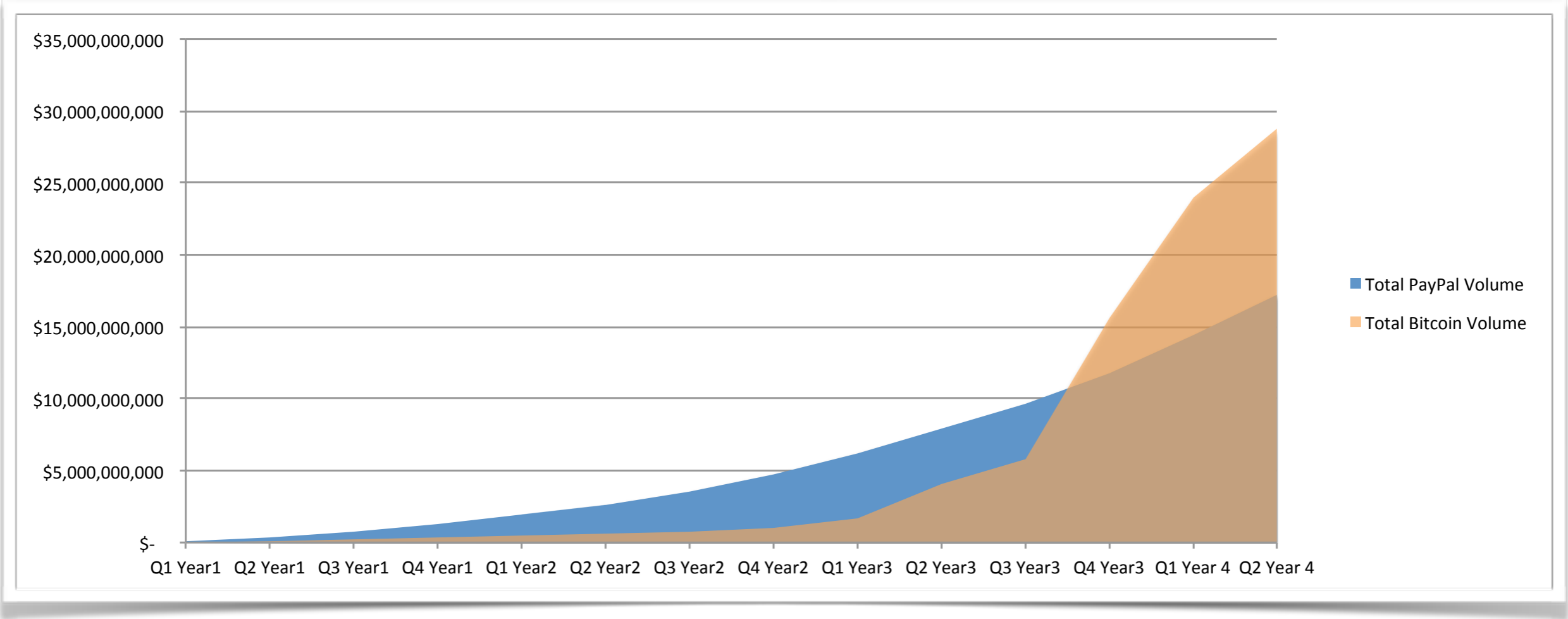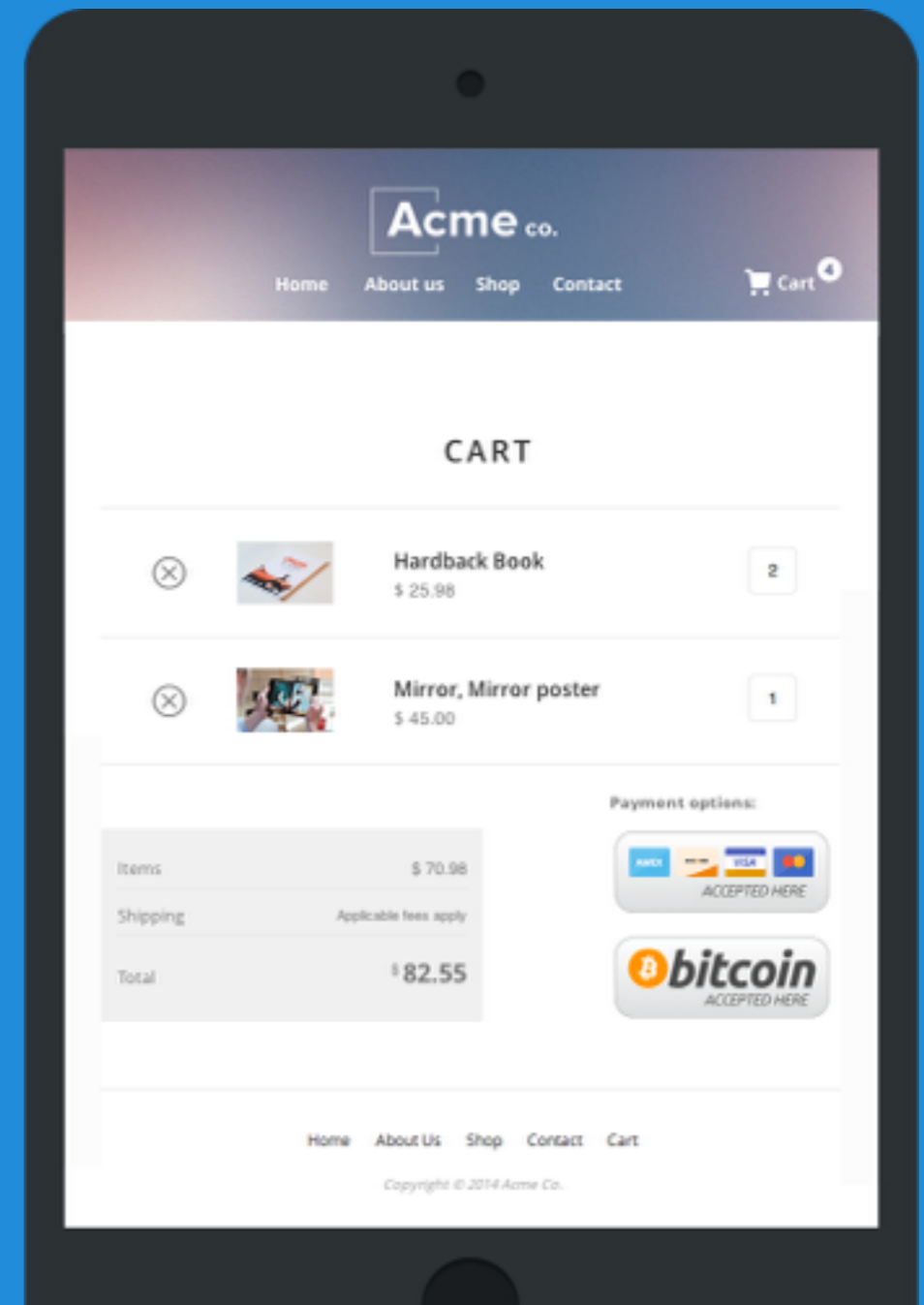
Bitcoin Adoption

It has achieved that with less than half the number of end consumer accounts.

Checkout

Merchant's price goods & services in their local currency, but allow customers pay with bitcoin.
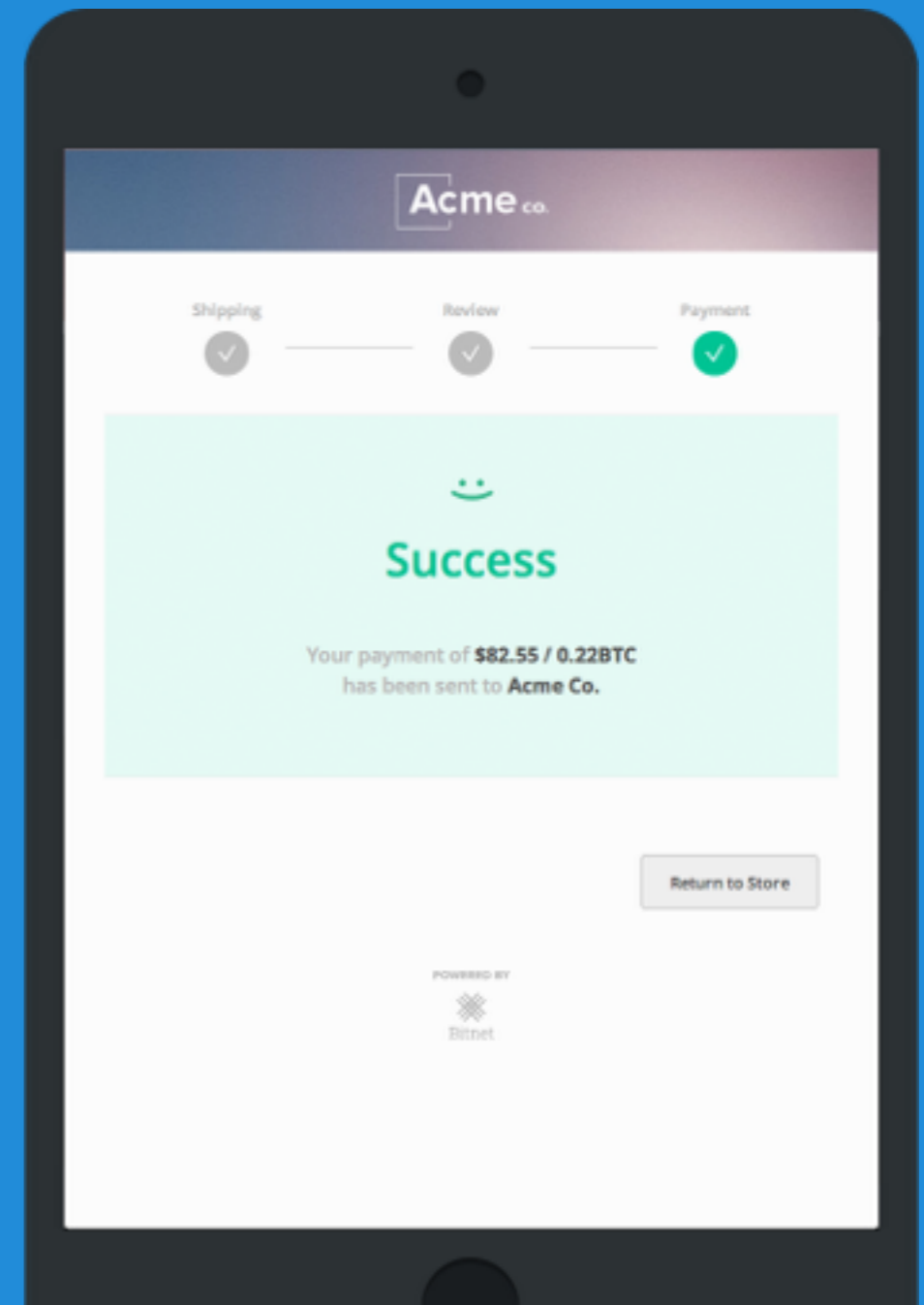
Checkout

The consumer can see the BTC price and has a time window within which to pay.

They have multiple ways to launch their Bitcoin wallet.

Checkout

Once the consumer has paid, we confirm the transaction with the merchant and they can begin fulfillment.

Bitnet value proposition

Guaranteed payment
Bitnet provides guaranteed funds for all digital currency transactions. Period.

No fraud, no risk, no chargebacks
All hail the provable, verifiable payment infrastructure of the Bitcoin protocol.

Instant global reach
Reach a global customer base through a single integration.

No price volatility
The merchant is guaranteed their sales price, less our processing fee.

Full consumer protection
Consumers payments are protected via multi-sig escrow services, useful for high value items.