

Bitcoin Sentiment Tracker

Merchant Study



Note: While this study has uncovered valuable information about the status of Bitcoin use in the merchant sector, one should be cautioned that this is a “point-in-time” assessment, completed just prior to the COVID-19 crisis. The cryptocurrency sector is still in its early stages of development, with many internal and external factors/dependencies, any of which can subject the market to substantial swings. Further insight will be accomplished through future tracking against current study benchmarks, including modified and expanded questioning to obtain a deeper understanding of opinions and attitudes.

BITCOIN SENTIMENT TRACKER MERCHANT STUDY

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Executive Summary


In 2018, Payments Canada and CorbinPartners Inc. began to partner on the **'Bitcoin Sentiment Tracker'**, an ongoing benchmark analysis to gauge perceptions and attitudes of Bitcoin and other cryptocurrency in the Canadian marketplace.

While the global evolution of cryptocurrency is only in its early stages, it is certainly making waves with consumer and merchant stakeholders. Bitcoin is undoubtedly a leading form, encompassing the majority of total cryptocurrency market cap, and achieving substantial growth in its value over the past five years. Growth of Bitcoin use in Canada is just beginning to emerge, backed by a gradual rise in consumer and merchant participants, and supported by a wider range of access channels. This has led to a more watchful eye on this industry's development, and assistance/advice with how it goes about its business. This has also led to its share of detractors, and significant obstacles which challenge its progress as a currency alternative.

Phase 1 of this study was released in June 2019, and focused on sentiment from the consumer sector, including Canadians who hold / transact Bitcoin, and those who hadn't entered the market, but were profiled as having a higher propensity to do so in the near future.

This report is Phase 2 of the study, addressing the perspectives of Canadian merchants, including those who are responsible for the delivery of cryptocurrency-related products and services to the retail community, and those who have yet to include this form of currency in their business activities. More specifically, the objectives of the study are as follows:

- To gauge perceptions and attitudes from various core merchant segments who have a direct impact on Bitcoin's growth within the consumer market.
- To gain an understanding of the experiences of those in the merchant sector who provide access to Bitcoin, and to assess the reasons or obstacles for those who don't.
- To uncover consistencies or gaps with findings from the Phase 1 consumer study.
- To derive insight into the impact of merchant efforts on current and forecasted growth of Bitcoin across Canada.



A combination qualitative/quantitative study has been conducted integrating results from multiple methods of assessment, including executive one-on-one interviews, focus group, online survey, and various forms of market reconnaissance. Feedback has been obtained from a variety of participants, including global experts and Canadian merchants, the latter comprising retail vendors, cryptocurrency exchanges, and suppliers of credit or investment products/services that utilize cryptocurrency. All findings have been combined and interpreted together, thereby offering a collective merchant viewpoint.

The cumulative key findings of the study are as follows:

- **At the current time, cryptocurrency is not widely accepted nor frequently used by Canadian merchants serving the retail marketplace.** Although media reporting remains extensive, the use of cryptocurrency at this time is primarily supported by a concentrated group of early adopters, and has yet to achieve widespread recognition and implementation.
- **Of options publically available, Bitcoin is the most recognized and frequently traded form of cryptocurrency used for payment/investment purposes.** Being first off the mark has its advantages and in the vast world of cryptocurrencies, Bitcoin has achieved and maintained the most prominent position among Canadian merchants.
- **The satisfaction level for merchants using Bitcoin varies considerably, depending on the role Bitcoin plays in their business and on their criteria for assessment.** While the inaugural study found consumers to be mainly satisfied with their experience across multiple criteria, merchant satisfaction is more varied, with more critical assessments of core factors.
- **The lack of consumer demand for Bitcoin as a product / service payment option fuels the “chicken vs. egg” dilemma, pushing vendors to the sidelines in a ‘wait and see’ mode.** While consumers are looking for greater vendor access to incent them to acquire and use Bitcoin, vendors await greater interest from consumers to incent them to add (or expand) Bitcoin as a payment alternative.
- **Among Canadian merchants, there is a clear divide in perceptions around the safety/security of Bitcoin use dependent on past experience, or lack thereof.** Similar to the consumer study, those merchants who utilize Bitcoin find its level of security to be a distinct advantage as compared to traditional currency, while those who have yet to accept Bitcoin perceive safety / security to be a chief area of concern.
- **Merchant respondents are primarily bullish on the expected use of Bitcoin by Canadian businesses (and consumers), but foresee slow steady growth along the way.** The common expectation is for greater use in the foreseeable future, fueled by organic growth, and the natural progression of those becoming more familiar / knowledgeable about its benefits and usage. However, this viewpoint is softened with the expectation that skyrocketing growth rates are primarily a thing of the past, and that more steady progress across a wider audience is expected over an extended period of time.



- **As use of cryptocurrency evolves and further options are introduced, merchant respondents expect Bitcoin to remain an industry leading choice, and one that complements (rather than competes with) traditional currency.** Merchants expect existing cryptocurrency alternatives to develop and expand their foundation, and new crypto options to be introduced to the market. Yet, the constant viewpoint is that Bitcoin will maintain its frontrunner status for some time to come.
- **Merchant usage of Bitcoin may expand through various innovative means, rather than through one-off payments to retail vendors for products and services.** While acceptance of Bitcoin by retail vendors for payment purposes is on a slow growth curve, merchant respondents suggest that the more prominent advancement will be driven by Bitcoin-based products and services related to investing / expense management / lending, and extended by acceptance from financial institutions previously evading the cryptocurrency sector.
- **There are core obstacles to Bitcoin adoption in the merchant marketplace that respondents report are presenting a significant challenge to growth of the industry, and likely won't be overcome in the short or medium term.** For Bitcoin acceptance to increase, even if not adopted by the masses, there are substantial hurdles related to the instability at trading exchanges, crypto scams, a scarcity of acceptance / focus in the traditional banking sector, price volatility, and a general lack of trust / interest at the vendor level. Meaningful growth will likely not occur until headway is made with these challenges.
- **The limited use of Bitcoin is, in part, due to a deficiency in public knowledge about its attributes, and how it generally operates. For use to increase where suitable for the merchant community, respondents suggest greater educational initiatives directed by, and communicated to, all industry participants.** The principles of cryptocurrency (and its deviation from traditional currency) create a massive learning curve. Too many have participated without having a full grasp of the benefits, risks, and how the process truly works. Many others have stayed away altogether for the very same reasons. If this marketplace is to transition from an emerging industry to growth industry to mature industry, a major transfer of knowledge will need to take place, both within and outside the cryptocurrency marketplace, and be provided through a multitude of related sources.
- **Those merchants who choose to participate may be willing and able to leverage Bitcoin within a framework driven by industry standards and regulatory oversight.** While Bitcoin purists take pride in the notion that its network is powered by a structure with no central authority nor middleman, an opinion was echoed among merchant respondents that more consistent operational standards, support from the traditional financial sector and regulatory oversight in some form are all in order to accept the realities of the marketplace, and allow the industry to grow and mature.



In summary, while Bitcoin arrived on the scene to great fanfare and promise, it has no doubt gone through booms, doom and gloom. While significant issues still persist, this form of cryptocurrency and all those associated with it have withstood the challenge, developed a strong foundation, and settled in with more realistic expectations.

Over time, respondents predict Bitcoin will remain an industry leader in cryptocurrency, and only furthered by the growth of other cryptocurrency options. Through growth / maturity-inducing improvements and enhancements to the operational process, the use of Bitcoin by merchants is expected to grow slowly and steadily, more than likely in different ways than originally projected or intended. Merchants believe Bitcoin will likely act as a core complement to traditional currency rather than a substitute, offering an alternative option for consumer and merchant investments, expense management, or lending.

Operating friction in many forms will need to be reconciled along the way, as well as overcoming the bumps and hurdles presented by those more entrenched in supporting traditional currency. As well, those merchants who can potentially benefit from Bitcoin will need to be sufficiently educated about how it functions prior to including it as a component to its everyday operations. However, respondents foresee the industry being primed to evolve from the original utopian idea of a totally decentralized peer-to-peer cryptocurrency system to one that operates within a more standardized framework overseen by some to-be-determined regulatory arrangement.



Study Background

The global evolution of cryptocurrency (also identified as digital currency) is only in its early stages of growth, but is certainly making waves with stakeholders in the financial marketplace. According to multiple sources, there are over 2000 active or inactive versions of cryptocurrency in existence,^{1 2} with new forms still in development. This includes the proposed 'Libra' currency from corporate behemoth 'Facebook' to central bank versions backed by their respective governments (i.e., People's Bank of China, Bank of Canada).

In 2019, it was reported that cryptocurrency in the global marketplace represented a cumulative market capitalization of over \$230 billion (in U.S. dollars), up over 75% from the previous year.^{3 4} Multiple forecasts have suggested that the market cap could reach upwards of \$10 trillion, with cryptocurrency entrepreneur, Justin Sun (Founder of TRON), recently predicting this will take place before even Apple or Amazon reach these heights.⁵

It is no stretch to say that Bitcoin has been, and remains, a leading cryptocurrency in this field. The value of Bitcoin rose 9 million percent over the last 10 years.⁶ Adoption of its blockchain-based technology has extended to major multinationals, and the number of exchanges and proprietary platforms designed to increase distribution is on the rise. Cryptocurrency authority

¹ Ledger Academy, "A brief history on Bitcoin & Cryptocurrencies", <https://www.ledger.com/academy/crypto/a-brief-history-on-bitcoin-cryptocurrencies>, October 2019

² EtonDigital, "What Do We Really Need to Know About Digital Currencies?", <https://www.etondigital.com/know-digital-currencies>, December 2019

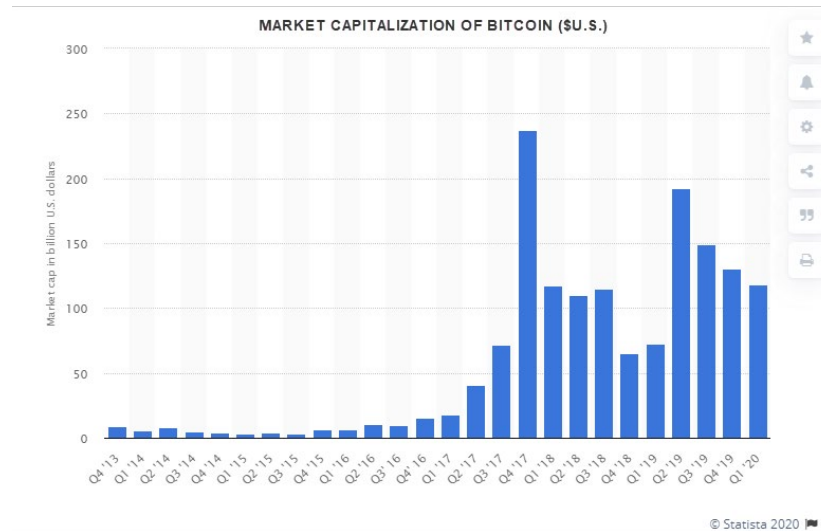
³ Statista, "Market capitalization of cryptocurrencies from 2013 to 2019", <https://www.statista.com/statistics/730876/digitalcurrency-maket-value>, February 2020

⁴ Coin Market Cap, <https://coinmarketcap.com/all/views/all>, February 2020

⁵ Anisa Batabyal – CoinSwitch, – "How does the future of Cryptocurrencies Look in 2020 / Expert Opinions & Forecast", <https://coinswitch.co/news/how-does-the-future-of-cryptocurrencies-look-in-2020-expert-opinions-and-forecast>, December 2019

⁶ William Peaster – Blockonomi, "Bitcoin Price Predictions for 2020: From Zero to a Million – What do the Experts Think?", <https://blockonomi.com/bitcoin-price-prediction-2020>, January 2020

'Grayscale' has found that more than 100,000 organizations accept Bitcoin worldwide.⁷ At this point in time, Bitcoin's market cap encompasses two-thirds of the entire cryptocurrency marketplace, and has grown more than 40 times its value since this point five years ago (January 2015 to January 2020).⁸



All this has led to many bullish reports on expectations, including recent U.S. dollar forecasts for Bitcoin's price to reach \$25,000 by 2022 (Tom Lee at Fundstrat), \$144,000 by 2028 (Satis Group), and up to \$500,000 by 2030 (Mark Yusko, Chief Investment Officer at Morgan Creek Capital Management).^{9 10}

The adoption of Bitcoin use in Canada alone is worthy of attention, including recent acceptance as a payment alternative by the Ontario municipalities of Innisfil and Richmond Hill for property tax purposes. In October of last year, the Ontario Securities Commission (OSC) approved the first publicly traded Bitcoin-based investment fund, potentially signaling wider approval for this form of currency.

According to a recent survey by the Bank of Canada, almost 9 of every 10 Canadians are now aware of Bitcoin, a rise of over 40% since their previous study in 2016.¹¹

⁷ Yoni Blumberg – CNBC, "Here's how you can—and can't—spend bitcoin", <https://www.cnbc.com/2017/12/07/heres-how-you-can-and-cant-spend-bitcoin.html>, December 2017

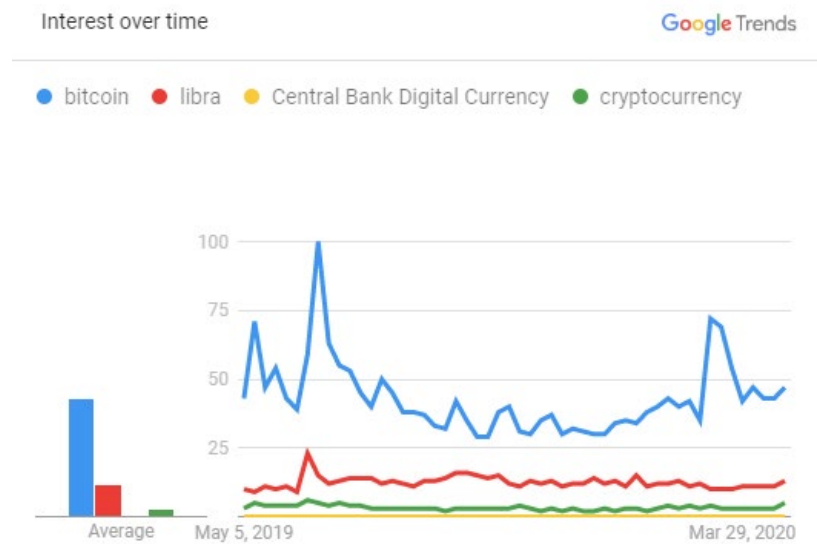
⁸ Statista, "Market capitalization of Bitcoin from 4th quarter 2013 to 1st quarter 2020", <https://www.statista.com/statistics/377382/bitcoin-market-capitalization>, April 2020

⁹ Sherwin Dowlat, "Cryptoasset Market Coverage Initiation: Valuation", Satis Group, https://research.bloomberg.com/pub/res/d37g1Q1hEhBkiRCu_ruMdMsb0A, August 30, 2018

¹⁰ William Peaster – Blockonomi, "Bitcoin Price Predictions for 2020: From Zero to a Million – What do the Experts Think?", <https://blockonomi.com/bitcoin-price-prediction-2020>, January 2020

¹¹ James Langton – Investment Executive, "Bitcoin usage up, Bank of Canada finds", <https://www.investmentexecutive.com/news/research-and-markets/bitcoin-usage-up-bank-of-canada-finds>, November 2019

A 'Google Trends' assessment of interest in Canada over the last year shows considerably more searches for the term 'Bitcoin' than either 'Libra' or 'Central Bank Digital Currency' (as put forward in principle by the Bank of Canada¹²), and even greater interest than searches for the term 'cryptocurrency' in general.¹³



Even with all these optimistic signs, Bitcoin has its share of detractors, and significant obstacles which challenge its progress as a currency alternative. Consumer ownership in Canada continues to be focused on a very small segment of the population, estimated at 5% in the latest Bank of Canada study.¹⁴ In addition, according to blockchain researcher 'Chainalysis Inc.', merchant transactions in Bitcoin only account for about 1% of global economic activity.

¹² Bank of Canada, "Contingency Planning for a Central Bank Digital Currency", <https://www.bankofcanada.ca/2020/02/contingency-planning-central-bank-digital-currency> February 2020

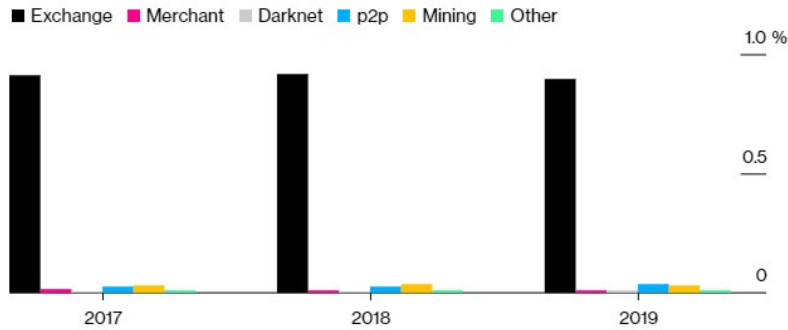
¹³ Google Trends – Interest Over Time (representing search interest relative to the highest point on the chart for the given region and time) <https://trends.google.com/trends/explore?geo=CA&q=bitcoin,libra,Central%20Bank%20Digital%20Currency,cryptocurrency>, April 2020

¹⁴ James Langton – Investment Executive, "Bitcoin usage up, Bank of Canada finds", <https://www.investmentexecutive.com/news/research-and-markets/bitcoin-usage-up-bank-of-canada-finds>, November 2019



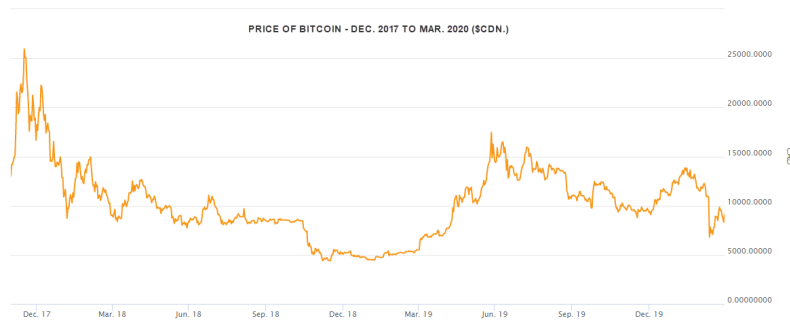
Bitcoin Activity By Category

In percentages



Source: Chainalysis
This year's data is for January through April.


The volatility of Bitcoin's price has very likely kept many potential participants at bay. While its price had steadied somewhat in the past year, (prior to the Covid-19 crisis in Canada, as shown below), and many forecasting a more stable range in value, consumers and merchants appear hesitant to use it for transacting business.



Coinsquare – <https://coinsquare.com/markets/bitcoin>

As noted by Kim Grauer, the senior economist at Chainalysis, *“When the price is going up so rapidly last year, in one day you could lose \$1,000 if you spent it. What’s more, high transaction fees have made paying for small-ticket items like coffee with Bitcoin impractical.”*¹⁵

¹⁵ Olga Kharif – Bloomberg, *“Bitcoin’s Use in Commerce Keeps Falling Even as Volatility Eases”*, <https://webcache.googleusercontent.com/search?q=cache:ft1BW2ihwUJ:https://www.bloomberg.com/news/articles/2018-08-01/bitcoin-s-use-in-commerce-keeps-falling-even-as-volatility-eases+&cd=13&hl=en&ct=clnk&gl=ca>, August 2018



This reality, not to mention regulatory challenges, alleged blockages from big banks, and financial / technical issues at startup trading exchanges, has raised numerous red flags, and led to a “trough of disillusionment” that has resulted in many questioning the true value of Bitcoin at this stage of its development.^{16 17}

Bloomberg – “Bitcoin’s Rally Masks Uncomfortable Fact: Almost Nobody Uses It”.

Kyle Samani – Multicoin Capital Management – “I’m not expecting Bitcoin to be used in any commerce anytime soon.”

Jeff Dorman, Arca Holdings – “...I don’t think Bitcoin itself will ever be ‘money’.”

Nevertheless, Bitcoin and its blockchain technology continue to make strides, most notably in Canada.¹⁸ This has resulted in a more watchful eye on its progress, and even assistance / advice (both solicited and unsolicited) with how it goes about its business, including a World Economic Forum consortium to issue guidelines for cryptocurrency governance,¹⁹ and recently issued guidance in this country from the Canadian Securities Administrators.²⁰

¹⁶ From Gartner’s “*Hope Cycle for Emerging Technologies*” as referenced in Tech Financials “*Bitcoin is Going Through a Distinct Hype Cycle*”, <https://techfinancials.co.za/2019/08/19/bitcoin-is-going-through-a-distinct-hype-cycle>, August 2019

¹⁷ Olga Kharif – Bloomberg, “*Bitcoin’s Rally Masks Uncomfortable Fact: Almost Nobody Uses It*”, <https://www.bloomberg.com/news/articles/2019-05-31/bitcoin-s-rally-masks-uncomfortable-fact-almost-nobody-uses-it>, May 2019

¹⁸ Eleni Kachulis – Conference Board of Canada, “*Seizing the Opportunity of “The Internet of Value”: Summary of the 2018 Blockchain Summit*”, https://www.conferenceboard.ca/docs/default-source/public-pdfs/blockchain-summit-2018-report---stip-website-version.pdf?sfvrsn=e9d14313_2&AspxAutoDetectCookieSupport=1, October 2018

¹⁹ Avi Salzman – Barrons, “*Bitcoin Just Made the Big Time. The Davos Crowd Has Signed On*”, <https://www.barrons.com/articles/bitcoin-world-economic-forum-cryptocurrency-standards-effort-51579892457>, January 2020

²⁰ Canadian Securities Administrators, “*Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*” – <https://www.albertasecurities.com/securities-law-and-policy/-/media/6AB0AE22967F48EE9E7AE34A12F6894A.ashx>, January 2020



Study Mandate

In 2018, Payments Canada and CorbinPartners Inc. began to partner on the '**Bitcoin Sentiment Tracker**', an ongoing benchmark analysis to gauge perceptions and attitudes of Bitcoin and other cryptocurrency in the Canadian marketplace. The study aims to better understand the experience of those who are actively investing or transacting in Bitcoin, or those who are curious enough to just try it, and to delve into the explanations or hurdles for those yet to enter the playing field. By doing so, it will provide more insight to industry stakeholders, and possibly assist those who participate in its growth and those who impact business procedures and protocols.

Phase 1 of the '**Bitcoin Sentiment Tracker**' focused on sentiment from the consumer sector. An [inaugural tracking study](#) was conducted in the summer / fall of 2018 with Canadians who hold and/or transact Bitcoin, and those who hadn't adopted this form of currency, but were profiled as having a higher propensity to use Bitcoin in the near future.

The key findings of that study were as follows:

- The growth of cryptocurrency for consumer use is still in its infancy. While Bitcoin has made significant headway in awareness, a key barrier to ongoing advancement is that the majority of consumers are not yet familiar or comfortable enough with the concept.
- Consumer intrigue and investment growth have spurred adoption of Bitcoin thus far, and will continue to drive potential usage moving forward.
- Once a consumer takes the step to purchase or transact with Bitcoin, he / she is predominantly satisfied with the experience.
- While not frequently featured as a prime selling point of Bitcoin, global / cross-border use is perceived by the consumer market as offering an important comparable benefit to traditional currency.



- While price volatility has opposing effects on consumer sentiment, for most it creates discomfort and is a core obstacle to trial or continued usage.
- When it comes to Bitcoin adoption for purchasing goods or services, there is a “chicken and egg” scenario between consumers and merchants—consumers want greater access from merchants to incent them to use Bitcoin—merchants want greater interest from consumers to incent them to add (or expand) Bitcoin as a payment option.
- There is a clear gap between initial consumer perceptions about the safety / security of Bitcoin, compared to subsequent perceptions after experiencing use.
- Consumers are primarily bullish on expected use of Bitcoin by Canadians for the foreseeable future.
- For growth in the Bitcoin market to continue, it will need to be fueled by ongoing initiatives aimed at consumer awareness and education.

These findings highlight the dependencies on the merchant sector, not just for the products and services made available to the retail customer, but for information, assistance and advice to educate those on why one would even consider Bitcoin or other cryptocurrency as a financial tool.

But what exactly is the Canadian merchant sector thinking at this stage of the Bitcoin evolution? In a [2016 CorbinPartners' pilot study](#) of Canadian retail vendors, many observed digital currency as an innovative alternative with considerable potential, but viewed it primarily as a novelty at the time, commenting that consumer acceptance would be a major hurdle.

“It just isn't getting market traction.”

“It has to be accepted by a wider majority of the population.”

“As an exercise in innovation, it's an interesting platform to explore. In terms of sheer amount of donations though, there could be some improvement overall in the industry.”

“Awareness. That would be the biggest hold up on Bitcoin. A lot of people don't understand it and that's holding it back. Biggest drawback is people don't understand how to use the technology.”



Phase 2 of the **'Bitcoin Sentiment Tracker'** revisits merchant perspectives with a wider lens, including multiple Canadian stakeholders responsible for the delivery of cryptocurrency-related products and services to the retail community.

More specifically, the objectives of the study are as follows:

- To gauge perceptions and attitudes from various core merchant segments who have a direct impact on Bitcoin's growth within the consumer market.
- To gain an understanding of the experiences of those in the merchant sector who provide access to Bitcoin, and assess the reasons or obstacles for those who don't.
- To uncover consistencies or gaps with findings from the consumer study.
- To derive insight into the impact of merchant efforts on current and forecasted growth of Bitcoin across Canada.

A combination qualitative/quantitative study has been conducted using multiple methods of assessment, including executive one-on-one interviews, focus group, online survey, and various forms of market reconnaissance. Feedback has been obtained from a variety of participants, including global experts and Canadian merchants, the latter comprising retail vendors, executives from cryptocurrency exchanges, and suppliers of credit or investment products that utilize cryptocurrency. All findings have been combined and interpreted together, thereby offering a collective merchant viewpoint. [A summary of the study's Research Methodology is provided in Appendix A.]

This version of the **'Bitcoin Sentiment Tracker'** will complement the work previously conducted with the consumer sector, allow for comparisons in viewpoints from both sides, and expand industry knowledge about what many consider to be an up-and-coming legal tender that already impacts traditional banking and is surely *stirring the pot* across Canada and on a global basis.



Detailed Findings

The following presents the cumulative findings of the study. When reading this section of the report, please note that the main theme for each key finding is denoted by magnifying glass symbol, followed by a selection of associated themes, secondary source findings, statistical survey results, and respondent comments (reproduced verbatim) that all support the summary assessment.

Note: While this study has uncovered valuable information about the status of Bitcoin use in the merchant sector, one should be cautioned that this is a “point-in-time” assessment, completed just prior to the COVID-19 crisis. The cryptocurrency sector is still in its early stages of development, with many internal and external factors/dependencies, any of which can subject the market to substantial swings. Further insight will be accomplished through future tracking against current study benchmarks, including modified and expanded questioning to obtain a deeper understanding of opinions and attitudes.



At the current time, cryptocurrency is not widely accepted nor frequently used by Canadian merchants serving the retail marketplace.

Although media reporting on cryptocurrency remains extensive, including some reports with flourishing expectations, this investigation has determined that the use of cryptocurrency at this time is primarily supported by a concentrated group of early adopters, and has yet to achieve widespread recognition and implementation by the Canadian retail marketplace.

- While use of blockchain-based technology is rising with service providers to the retail community, and general awareness of cryptocurrency has grown significantly, direct use of cryptocurrency by retail merchants is still infrequent.



This intermittent or scarce use of cryptocurrency by the retail community was frequently referred to in our investigation of secondary sources.

"Bitcoin and other cryptocurrencies may promise a fast, secure, and lower-cost international payments system. But their use is far from ubiquitous: international acceptance is limited, making it hard for companies to make the full switch."

(AMERICAN EXPRESS, 2019)²¹

"When thinking about cryptocurrency use cases, the first thought most people have certainly surrounds speculation, as no cryptocurrency is widely accepted in retail stores."

(CRYPTOGLOBE, 2019)²²

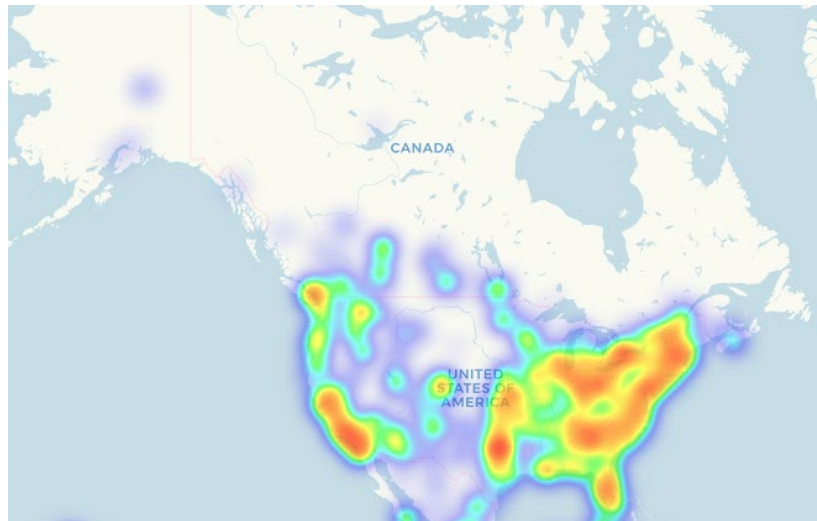
Cryptocurrency use in daily merchant business is still quite concentrated. Globally, it is estimated that up to 100,000 organizations accept Bitcoin.²³ In Canada, Bitcoin is only reportedly accepted as a payment option by an estimated 400 to 500 retail-based businesses, focused on the most populated cities coast to coast.²⁴

²¹ Megan Doyle – American Express.com, <https://www.americanexpress.com/us/foreign-exchange/articles/growth-of-bitcoin-as-a-global-payment-solution>, 2019

²² Georgia Memoria – Cryptoglobe.com, "How Cryptocurrency Use Cases Are Growing Right Under Our Noses", <https://www.cryptoglobe.com/latest/2019/12/how-cryptocurrency-use-cases-are-growing-right-under-our-noses>, December 2019

²³ Carlos Terenzi – UseTheBitcoin, "Grayscale Confirms There Are More Than 100,000 Organizations Worldwide Accepting Bitcoin", <https://usethebitcoin.com/grayscale-confirms-there-are-more-than-100000-organizations-worldwide-accepting-bitcoin>, February 2020

²⁴ Estimate based on feedback from executive interviews, findings from CorbinPartners' online vendor survey, and listings from Coinmap.org – <https://coinmap.org/view/#/world/43.65396273/-79.39270020/8>



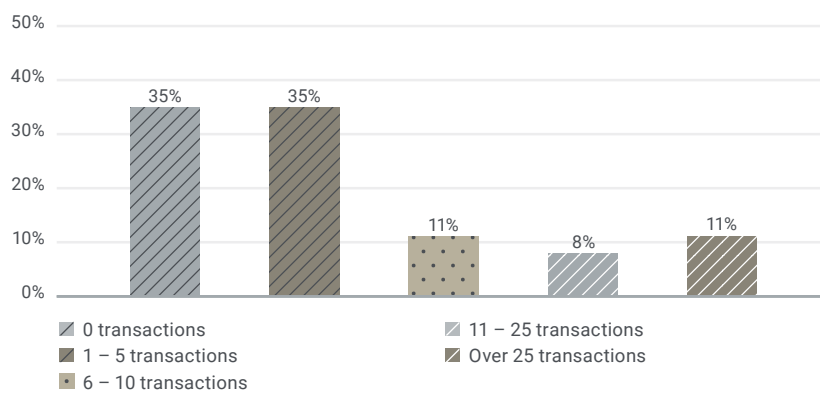
<https://coinmap.org/view/#/world/49.78126406/-95.09765625/3>

- The demand Canadian merchants are receiving from consumers, while slowing growing, is still immaterial to their overall business.

As shown in Figure KF-1,²⁵ of those Canadian vendors who currently accept cryptocurrency as payment for their products or services, seven of every ten have processed five or fewer transactions in the past year. More than a third of these vendors have not processed any transactions in that same timeframe.

FIGURE KF-1: NUMBER OF CRYPTOCURRENCY TRANSACTIONS IN PAST 12 MONTHS

BUSINESSES ACCEPTING CRYPTOCURRENCY PAYMENTS FROM CUSTOMERS



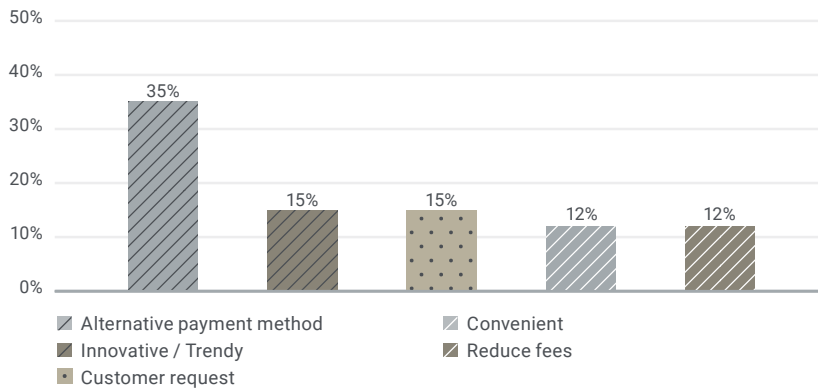
²⁵ This bar chart, and all subsequent bar charts identified as “Figure KF-#”, represents findings from a CorbinPartners’ survey conducted with retail vendors across Canada in Q4 2019 and Q1 2020.

When asked for the reason for accepting Bitcoin, one retail vendor commented, *“Just to offer an alternate payment method”*. When subsequently asked for their intentions in accepting Bitcoin moving forward, the same vendor responded *“We’ll continue to accept Bitcoin, although no one pays with it.”*

- According to retail Canadian vendors, customer demand is not a primary reason for making a Bitcoin payment option available. As shown in Figure KF-2, half of the Canadian vendors surveyed who accept Bitcoin do so primarily to offer another payment alternative, or to be seen as being innovative or trendy.

FIGURE KF-2: PRIMARY REASON FOR ACCEPTING CRYPTOCURRENCY AS A PAYMENT OPTION

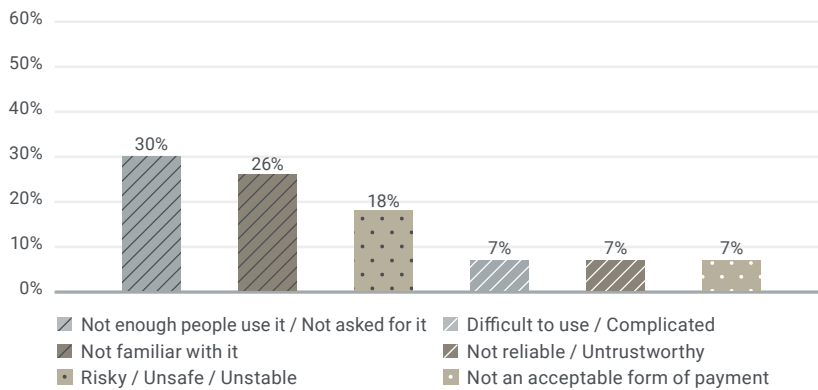
BUSINESSES ACCEPTING CRYPTOCURRENCY PAYMENTS FROM CUSTOMERS




As shown in Figure KF-3, three of every ten Canadian vendors surveyed who do not accept cryptocurrency as a payment option stated that the lack of customer demand is the primary reason for this decision.

FIGURE KF-3: PRIMARY REASON FOR NOT ACCEPTING CRYPTOCURRENCY FROM CUSTOMERS

BUSINESSES **NOT** ACCEPTING CRYPTOCURRENCY PAYMENTS FROM CUSTOMERS





This lack of customer need is clearly highlighted in the following verbatim survey responses from Canadian vendors who do not currently accept cryptocurrency from their customer base.²⁶

"We have never been approached to accept it."

(MANUFACTURING VENDOR)

—————
"There was not a need from our customers – they just don't deal with Bitcoin."

(FOOD / GROCERY VENDOR)

—————
"We had no sales from people wanting to pay by Bitcoin."

(MANUFACTURING VENDOR)

—————
"No customers have ever requested it."

(VENDOR IN EDUCATION)

—————
"Our customers have not indicated an interest in payment by Bitcoin and we are not prepared at this time to accept cryptocurrency."

(MANUFACTURING VENDOR)

—————
"No demand by our existing customer base for this form of payment as an option."

(PROFESSIONAL SERVICES VENDOR)

—————
"I'm thinking that if a currency is generally not accepted by businesses, it has no value as you use currency to purchase consumer goods."

(AUTOMOTIVE REPAIR VENDOR)

—————
"It's just not a priority for our business."

(FINANCIAL SERVICES CONSULTANT)

- A common finding in this investigation was the lack of merchant familiarity with, or knowledge about, the benefits of cryptocurrency, or even how cryptocurrency works in everyday practice.

²⁶ Verbatim comments cited are reproduced as they were typed in to the online survey, or spoken to interviewers, by participants. Punctuation has been added, or format modified, for readability.



Stephen Schwarzman, Chairman and CEO of the world's largest alternative investment firm - Blackstone Group vowed never to buy any cryptocurrency commenting "*I don't have much interest in it because it's hard for me to understand.*"²⁷

The legal community has reported on the difficulty keeping up with the cryptocurrency evolution, noting an urgent demand for lawyers who truly understand the technology.²⁸

A recent report by the U.S. nonprofit research and analysis organization – CAN Analysis & Solutions, described a gap in cryptocurrency knowledge among U.S. government personnel resulting in a "*fractured regulatory environment*" and a lack of preparation "*to fully address the national security challenges posed by cryptocurrencies*".²⁹

In Canada, a reference to a knowledge gap as it pertained to cryptocurrency was all too frequent.

A 2018 study by the Ontario Securities Commission concluded that...

*"...many Ontarians lack understanding of cryptoassets, including those who currently own cryptoassets. The study also revealed that an increasing number of Ontarians are being approached about participating in initial coin or token offerings, exposing them to potential risks given the lack of familiarity with these types of investments."*³⁰

This knowledge gap was ever-present in survey responses from Canadian vendors who don't currently accept any form of cryptocurrency.

"The same reason I do not accept Thai Bhat or Indian Rupees. I don't know much about them and I have no use for them."
(Legal services vendor)

"Don't fully understand how this works. I accept now square, cheques, if this becomes more the norm and banks accept like mine (RBC), I would."
(FINANCIAL SERVICES VENDOR)

²⁷ Polina Marinova – The Profile, "*The Profile: Wall Street's cult hero & the feminist writer under fire*", <https://theprofile.substack.com/p/the-profile-wall-streets-cult-hero>, September 2019

²⁸ Ana Alexandre – Cointelegraph, "*Demand For Legal Experts With Blockchain Tech Knowledge Is High*", <https://cointelegraph.com/news/demand-for-legal-experts-with-blockchain-tech-knowledge-is-high-report>, April 2019

²⁹ Megan McBride and Zack Gold – CAN Analysis & Solutions, "*Cryptocurrency: Implications for Special Operations Forces*", https://www.cna.org/CNA_files/PDF/CRM-2019-U-020186-Final.pdf, August 2019

³⁰ Ontario Securities Commission, "*OSC Study: Lack of understanding of cryptoassets puts Ontarians at risk*", https://www.osc.gov.on.ca/en/NewsEvents_nr_20180628_cryptoassets-ontarians-at-risk.htm, June 2018



"I know nothing about it and neither do my clients as none of them have asked about it."
(PSYCHOTHERAPY VENDOR)

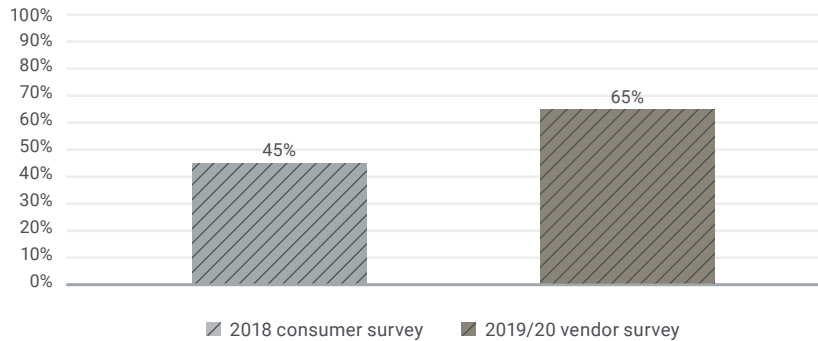
"Do not know enough about it and current traditional payment methods accomplish the goal of payment collection."
(FINANCIAL SERVICES VENDOR)

"It's not a viable payment system for my industry, however my knowledge of the commodity is very basic."
(ENTERTAINMENT / MEDIA / PUBLISHING VENDOR)

"I don't understand it."
(FINANCIAL SERVICES VENDOR)

Almost two-thirds of the Canadian vendors surveyed who currently accept Bitcoin as a payment option (65%) noted "general awareness" as a core area of improvement as it relates to Bitcoin use. As shown in Figure KF-4A, this reference to improving general awareness was more frequent in **vendor** replies related to improvements to Bitcoin use than in **consumer** replies to a similar question (based on the 2018 study).

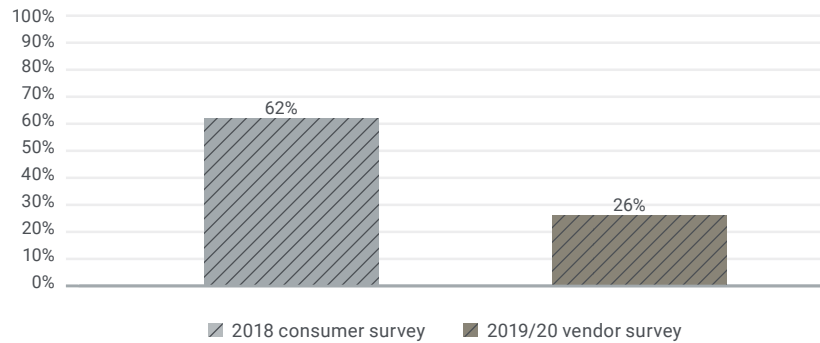
FIGURE KF-4A: REFERENCE TO 'GENERAL AWARENESS' AS A REFERENCED AREA OF IMPROVEMENT VENDORS VS. CONSUMERS




More than a quarter of vendors surveyed who do not accept Bitcoin payments (26%) answered the primary reason for this decision is their lack of familiarity with it.

Note: While this is a sizeable percentage to further illustrate the knowledge gap, this pales in comparison to the percentage of consumers noting a lack of familiarity as a reason for not holding or using (in the 2018 study), as shown in Figure KF-4B.

FIGURE KF-4B: REFERENCE TO 'LACK OF FAMILIARITY' AS A PRIMARY REASON TO NOT USE BITCOIN / CRYPTOCURRENCY VENDORS VS. CONSUMERS



 Of options publically available, Bitcoin is the most recognized and frequently traded form of cryptocurrency used for payment / investment purposes.

Being first off the mark has its advantages and in the vast world of cryptocurrencies, Bitcoin has achieved and maintained the most prominent position among Canadian merchants, as well as by consumers.

- Leading executives / advisors frequently refer to Bitcoin as the industry frontrunner.

“Bitcoin is resilient. Bitcoin is principled. Bitcoin is native to internet ideals. And it’s a great brand,”

(JACK DORSEY, CO-FOUNDER/CEO OF TWITTER, 2018)

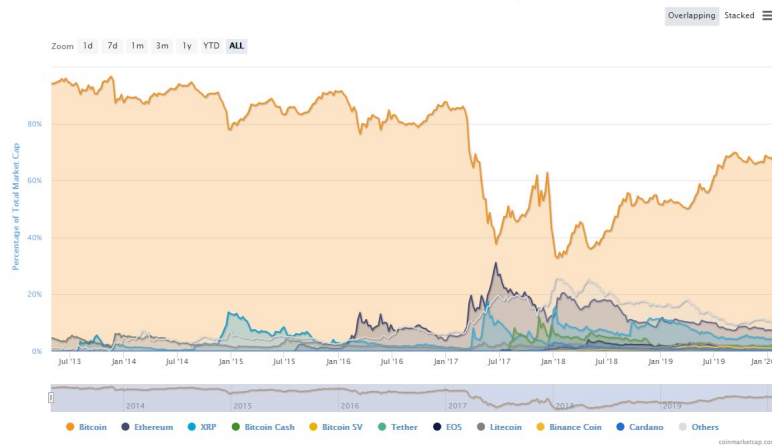
“When it comes right down to it, there appears to be broad consensus among sophisticated cryptocurrency investors, entrepreneurs and subject matter experts: Bitcoin is, all-things-considered, a better buy than Ethereum.”

(JOHN DEVINE, U.S. NEWS AND WORLD REPORT, 2020)

- From a market share standpoint, Bitcoin is an undisputed leader. According to the metric tracker ‘Coinmarketcap.com’, Bitcoin represents two-thirds of the total global market capitalization of cryptocurrency, almost ten times greater than the next in line – Ethereum.³¹

³¹ Chart from CoinMarketCap.com – February 2020, <https://coinmarketcap.com/charts>

PERCENTAGE OF TOTAL MARKET CAPITALIZATION (DOMINANCE)



- In analysing perceptions of Canadian consumers, there is now substantial awareness of Bitcoin.

In the Bank of Canada’s latest Bitcoin Omnibus Survey (BTCOS), almost nine of every ten Canadians (89%) claimed they had heard of Bitcoin, an increase of over 40% from just two years earlier.³²

In the ‘*Bitcoin Sentiment Tracker*’ focused on Canadian consumers who profiled as potential users of Bitcoin, almost all survey respondents (97%) answered they are aware of Bitcoin, or more than two times the percentage aware of the next most recognized cryptocurrency – Litecoin (37%).³³

- Representatives from Canadian cryptocurrency trading exchanges and platform developers (both which are compatible with trading multiple cryptocurrencies) consistently report that at least 75% of its trading value and volume is conducted with Bitcoin.
- As shown in Figure KF-5, almost all Canadian retail vendors who accept cryptocurrency payments from customers take Bitcoin, or more than three times that of the next most-frequently accepted cryptocurrency – Ethereum.

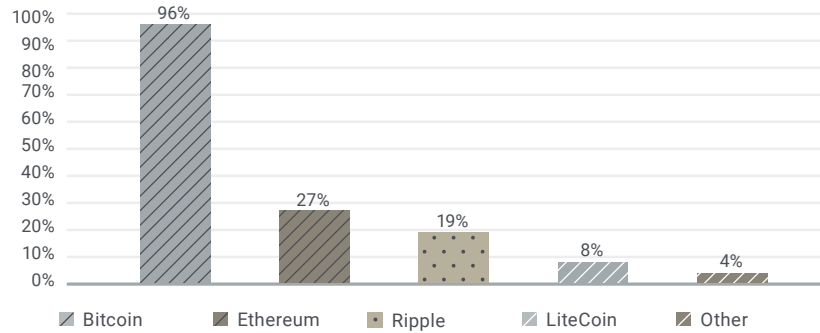
³² Christopher S. Henry, Kim P. Huynh, Gradon Nicholls and Mitchell W. Nicholson – Bank of Canada, “2018 Bitcoin Omnibus Survey: Awareness and Usage”, <https://www.bankofcanada.ca/wp-content/uploads/2019/11/sdp2019-10.pdf>, November 2019

³³ Payments Canada and CorbinPartners Inc., “Bitcoin Sentiment Tracker” – Consumer Study, <https://www.payments.ca/about-us/news/new-research-shows-curiosity-and-investment-potential-are-key-drivers-bitcoin>, June 2019



FIGURE KF-5: TYPES OF CRYPTOCURRENCY ACCEPTED AS PAYMENT FROM CUSTOMERS

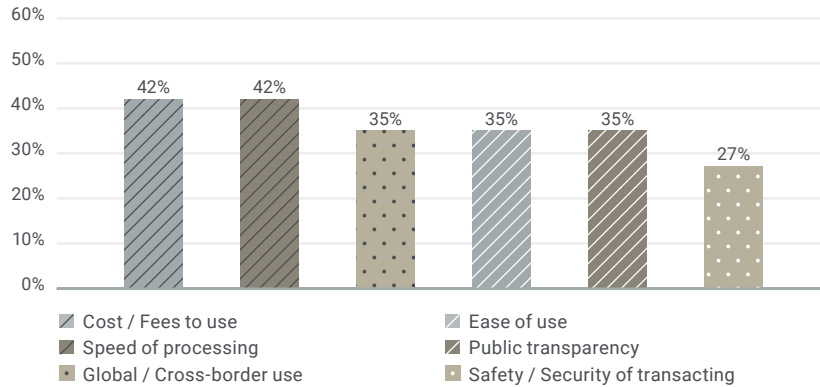
BUSINESS ACCEPTING CRYPTOCURRENCY FROM CUSTOMERS



As shown in Figure KF-6, Canadian retail vendors who currently accept cryptocurrency as a payment option refer to the many advantages Bitcoin holds over traditional currency, including cost and speed to process, each answered by more than four in ten survey participants (42%).

FIGURE KF-6: MAIN ADVANTAGES OF BITCOIN COMPARED TO TRADITIONAL CURRENCY

BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



- When asked about Bitcoin’s standing as compared to other cryptocurrencies, a “Bitcoin Maximalist” theme ruled in responses. Retail vendors, cryptocurrency exchange contacts and industry suppliers in Canada consistently referenced Bitcoin as the industry leader. Use / Sales of Bitcoin was reported as being significantly ahead of other cryptocurrency alternatives such as Ripple and Ethereum.

“It was first to the market.”

(BLOCKCHAIN LEADER)



“Other crypto are not worth your time.”

(BITCOIN ENTREPRENEUR)



"From a consumer perspective, Bitcoin remains #1."

(C-LEVEL EXECUTIVE AT DIGITAL EXCHANGE)

"Bitcoin alternatives are all scams."

(DIRECTOR OF BUSINESS DEVELOPMENT)

"Bitcoin had a head start as it was the first out of the gate."

(VP OF ALTERNATIVE STOCK EXCHANGE)

"It's the name brand."

(BLOCKCHAIN EDUCATOR)



The satisfaction level for merchants using Bitcoin varies considerably, depending on the role Bitcoin plays in their business and on their criteria of assessment.

While the inaugural *'Bitcoin Sentiment Tracker'* found consumers to be mainly satisfied with their experience with Bitcoin across multiple criteria, merchant satisfaction is more varied, with more critical assessments of core factors.

- Digital exchanges and suppliers of Bitcoin-based products / services in Canada are primarily satisfied with their own experience, feedback from their customers, and business results to date.

"The doom and gloom of 2018 has given rise to mainly positive sentiment in 2019."

(BUSINESS DEVELOPMENT DIRECTOR)

"Our business has grown exponentially."

(CEO OF TRADING PLATFORM)

"Very pleased with our progress and more to come."

We expect steady growth."

(DIRECTOR OF CLIENT RELATIONS)

"We're growing rapidly and just traded our highest volume ever."

(CEO OF CRYPTO EXCHANGE)

- For vendors who accept Bitcoin as a payment option, feedback is mixed. Two research studies outside of Canada illustrate this point.

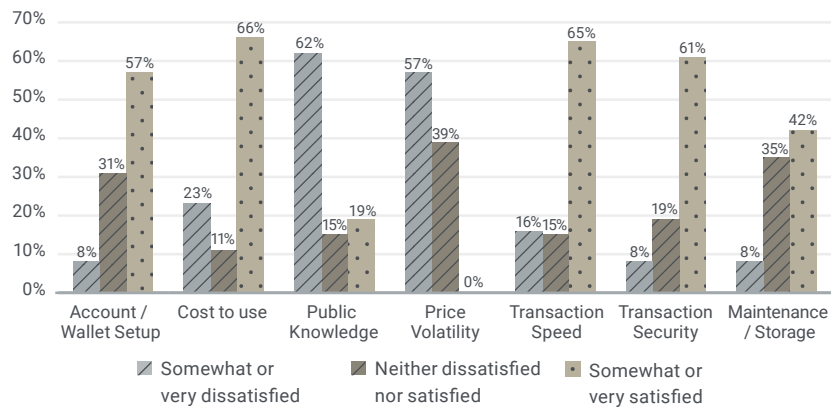
According to a 3rd party survey conducted in 2019 by Bitcoin Exchange Script ³⁴, 97% of respondents answered they are glad they started to accept Bitcoin, with one commenting, *“It’s the future. We have customers all over the world and not all of them are able to use PayPal or credit cards.”* Ninety-six percent (96%) of respondents in that study stated they would recommend that other businesses begin to accept Bitcoin.

However, in an exploratory study with the combination of consumers, e-commerce merchants, and cryptocurrency exchange employees (published in the International Journal of Human-Computer Studies), researchers examined Bitcoin use in greater detail, including assessments of learnability, efficiency, help, security and satisfaction. Overall, Bitcoin was found to hold inferior usability in comparison to credit / debit cards, thereby leading to a negative reflection on its overall security.³⁵

- In the CorbinPartners’ survey with Canadian vendors, usability was also evaluated on specific factors to pinpoint where Bitcoin is working effectively, as well as areas of concern.

As shown in Figure KF-7, vendors who accept Bitcoin are principally satisfied with a number of factors that impact their overall business experience, including setup of the cryptocurrency wallet, the cost of transacting, transaction speed and security of their transactions.

FIGURE KF-7: SATISFACTION WITH BITCOIN AS A PAYMENT OPTION
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



Excludes the percentage of respondents answering the factor is not applicable to their specific circumstances.

³⁴ Based on a survey conducted by Bitcoin Exchange Script in March 2019 with more than 200 vendors – <https://sxi.io/survey-results-96-of-merchants-would-recommend-bitcoin-to-peers>

³⁵ Abdulla Alshamsi and Peter Andras, *“User perception of Bitcoin usability and security across novice users”* – International Journal of Human-Computer Studies, https://www.researchgate.net/publication/331286661_User_Perception_of_Bitcoin_Usability_and_Security_across_Novice_Users, February 2019



Satisfaction with these factors is apparent in the following verbatim responses from vendors:

"Reduces fees we pay to the credit card companies."

(TECHNOLOGY VENDOR)

"The ease of use, privacy and security, and the speed."

(OTHER RETAIL VENDOR)

"Easy way to send funds without effects implications."

(OTHER WHOLESALE VENDOR)

"I believe block chain and crypto will become our main currency due to honesty, integrity and transparency. It appears to be a much better system than currently in world use."

(TECHNOLOGY VENDOR)

"I like the decentralized nature of it. It's not owned by anyone. It's community driven."

(AGRICULTURE VENDOR)

"It offers schmuck insurance against the middleman."

(DIGITAL EXCHANGE VENDOR)

- As also shown in Figure KF-7 above, Canadian vendors are dissatisfied with the knowledge level related to Bitcoin by customers. More than six of ten vendors commented on how little is known about Bitcoin in the general public, highlighted by the following verbatim responses:

"Not many know about it or use it."

(MANUFACTURING VENDOR)

"Ignorance about it. Not widely used."

(HEALTH AND WELLNESS VENDOR)

"There is a lack of public knowledge."

(OTHER RETAIL VENDOR)



*"We need to understand it more to have it accepted.
Lots of learning curve."
(FINANCIAL SERVICES VENDOR)*

*"I don't believe the public is aware enough to use
it and are probably afraid to use it."
(TRANSPORTATION VENDOR)*

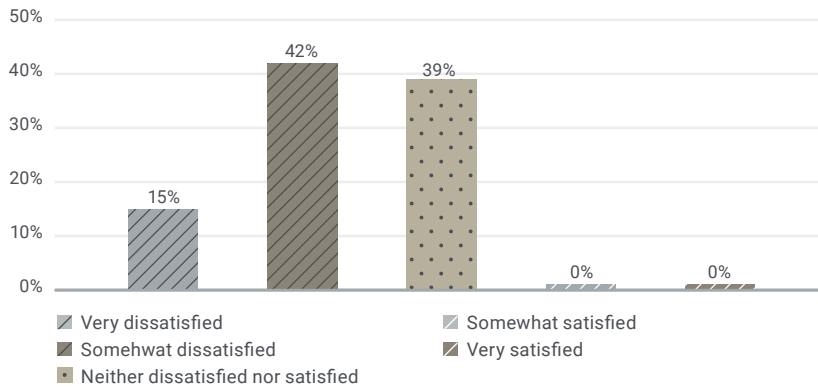
*"I know nothing about it and neither do my clients
as none of them have asked about it."
(COUNSELING VENDOR)*

- Retail vendors who accept Bitcoin as payment from customers are also dissatisfied with the volatility of its price—most notably in relation to the value of the traditional dollar.

In the survey previously referenced by Bitcoin Exchange Script, vendors who said they were **not** satisfied with accepting Bitcoin for payment cited the risk associated with Bitcoin's price as a primary reason.

As shown in Figure KF-8 below, more than half of the Canadian vendors who accept Bitcoin in the CorbinPartners' survey answered they were either somewhat or very dissatisfied with Bitcoin's price volatility.

FIGURE KF-8: LEVEL OF SATISFACTION WITH BITCOIN FOR PRICE VOLATILITY
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



Excludes 4% of respondents answering price volatility is not applicable to their specific circumstances.

Verbatim comments from Canadian retail vendors frequently referred to their concern with price volatility, including the following examples:

*"Exposure to market valuation risk fluctuations does not make it worthwhile."
(PROFESSIONAL SERVICES VENDOR)*



"You could make money, but it's also a big risk."

(MANUFACTURING VENDOR)

"I see the value fluctuating widely and it makes me a bit nervous to accept as payment."

(OTHER RETAIL VENDOR)

"I don't believe it to be a stable currency. The volatility of the value as it pertains to traditional currency implies too much risk."

(CONSTRUCTION VENDOR)

"I just don't think it's a trustworthy currency. It's very risky as it goes up and down."

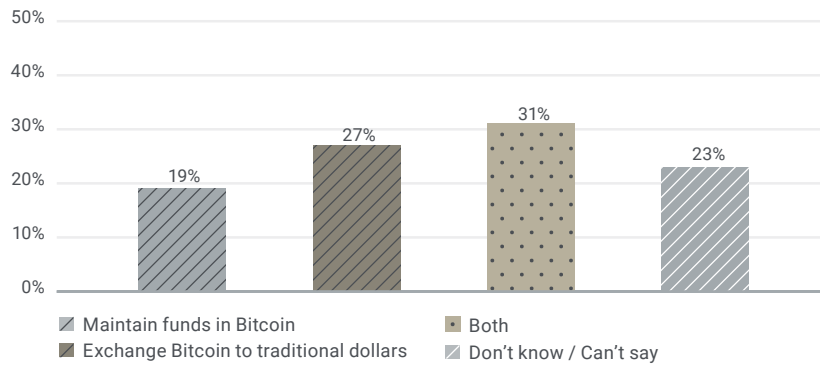
(AUTO REPAIR VENDOR)

"It fluctuates in price too much and I have no idea what the tax rules are regarding it."

(TRANSPORTATION VENDOR)

As shown in Figure KF-9, concerns with price volatility are fostered by businesses subsequent action to exchange funds back to traditional dollars, rather than maintain those funds in Bitcoin. Almost six of ten Canadian vendors who accept Bitcoin payments have to deal with currency exchange implications when converting Bitcoin for traditional dollars.

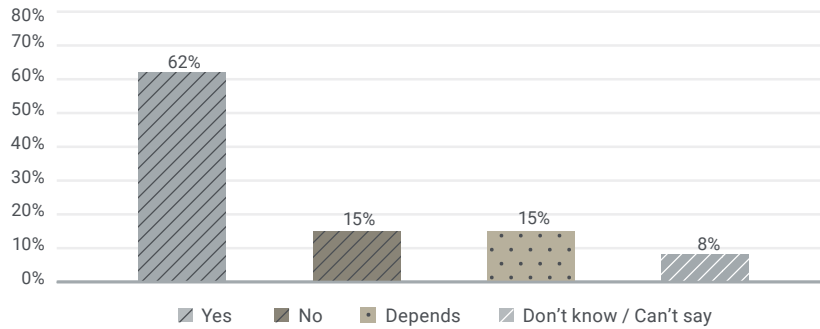
FIGURE KF-9: MAINTAIN OR EXCHANGE FUNDS IN BITCOIN
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



- The dissatisfaction from Canadian vendors about the lack of Bitcoin use from consumers has resulted in a notable change in willingness to recommend this payment option to other retail vendors. In the CorbinPartners' survey, less than two-thirds of Bitcoin-accepting vendors surveyed responded that they would recommend Bitcoin as a payment option to other vendors, as shown in Figure KF-10A.

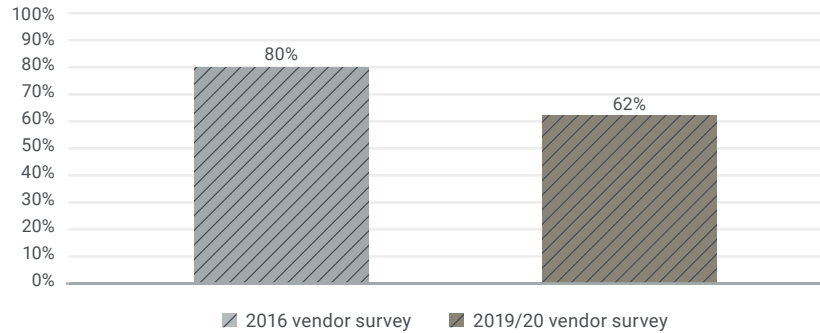


FIGURE KF-10A: RECOMMEND BITCOIN AS PAYMENT OPTION TO OTHER BUSINESSES
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



The percentage of those vendors stating they would recommend Bitcoin as a payment option to other businesses has dropped considerably since CorbinPartners last tracked vendor perceptions / attitudes in 2016, as shown in Figure KF-10B below.

FIGURE KF-10B: RECOMMEND BITCOIN AS PAYMENT OPTION TO OTHER BUSINESSES
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS

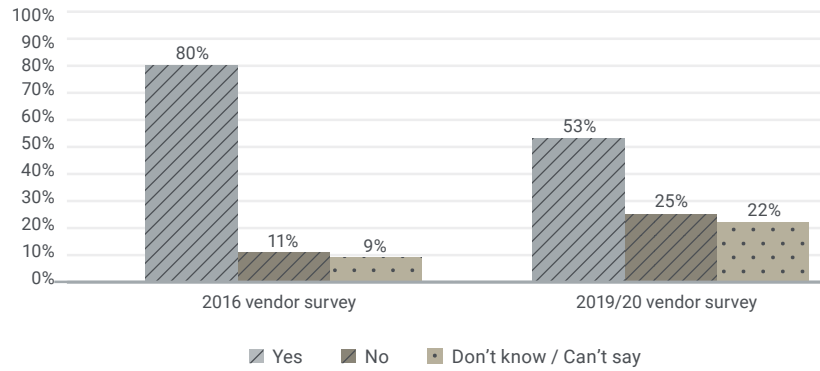


Based on affirmative responses to the question of whether they would recommend Bitcoin as a payment option to other businesses

This dissatisfaction has also impacted intended use of Bitcoin as a payment option moving forward. Based on the current survey, just over half of Bitcoin-accepting vendors expect to continue offering Bitcoin as a payment option in the next year, with many more vendors uncertain as to their future intention. As shown in Figure KF-11, there is a significant drop in positive intentions as compared to a vendor survey conducted by CorbinPartners back in 2016.

**FIGURE KF-11: INTEND TO ACCEPT CRYPTOCURRENCY IN
NEXT 12 MONTHS**

BUSINESSES WHO CURRENTLY ACCEPT BITCOIN PAYMENTS FROM CUSTOMERS



Verbatim comments made from a variety of these vendors explain their concerns, as shown below:

"Not a reliable form of payment."
(TECHNOLOGY VENDOR)

"No one pays with it."
(OTHER RETAIL VENDOR)

"Lack of awareness. Lack of trust."
(OTHER RETAIL VENDOR)

"I don't feel enough legitimate businesses are using it so it's mostly used by illegitimate businesses. People think it's a drug dealer's currency."
(TRANSPORTATION VENDOR)

"Too many uncertainties."
(EDUCATION VENDOR)



The lack of consumer demand for Bitcoin as a product / service payment option fuels the “chicken vs. egg” dilemma, pushing vendors to the sidelines in a ‘wait and see’ mode.

In the 2018 / 2019 ‘Bitcoin Sentiment Tracker’ focused on consumers, a “chicken or egg” quandary was reported in which consumers are first looking for greater access from vendors to incent them to acquire and use Bitcoin, while vendors demand greater interest from consumers to incent them to add (or expand) Bitcoin as a payment alternative. This phase of the study confirms this conclusion based on the following findings:

- Industry experts beyond the Canadian border are finding that Bitcoin is being held as an investment tool far more than as a transaction tool.

“It’s not a hard explanation that Bitcoin – clearly, most of the reason why people want [Bitcoin] is to hold it, not to transact for small amounts of money.”

(HASEEB QURESHI, MANAGING PARTNER – DRAGONFLY CAPITAL)³⁶

“Bitcoin advocates have long suggested the virtual money would one day replace fiat currencies as a means of doing business, but after a rise in use last fall, the digital currency has lost what little appeal it had as a way to buy goods or services.”

(BLOOMBERG NEWS)³⁷

“Bitcoin economic activity continues to be dominated by exchange trading. This suggests Bitcoin’s top use case remains speculative, and the mainstream use of Bitcoin for everyday purchases is not yet a reality.”

(KIM GRAUER, SENIOR ECONOMIST – CHAINALYSIS)³⁸

- In Canada, a notable number of retail vendors who were early adopters of Bitcoin as a payment option have since discontinued use. In the CorbinPartners’ vendor survey, almost one in five of the Bitcoin-accepting vendors answered they no longer accept Bitcoin as a payment option, with the primary reason being the lack of customer demand to warrant continued

³⁶ Kyle Torpey – Forbes, “Why Bitcoin Won’t Be Dethroned As Crypto Market King”, <https://www.forbes.com/sites/ktorpey/2020/01/14/why-bitcoin-wont-be-dethroned-as-crypto-market-king/#52d665382ba0>, January 2020

³⁷ Olga Kharif – Bloomberg News, “Bitcoin’s Use in Commerce Keeps Falling Even as Volatility Eases”, <https://www.bnnbloomberg.ca/bitcoin-s-use-in-commerce-keeps-falling-even-as-volatility-eases-1.1117351>, August 2018

³⁸ Peter Wind – Coincodex, “Only 1.3% of Bitcoin Economic Activity Is Related to Merchants, Chainalysis Data Shows”, <https://coincodex.com/article/3727/only-13-of-bitcoin-economic-activity-is-related-to-merchants-chainalysis-data-shows>, May 2019

support. This is shown in the verbatim responses below:

"We had no sales from people wanting to pay by Bitcoin."
(MANUFACTURING VENDOR)

"No demand from my customers."
(TECHNOLOGY VENDOR)

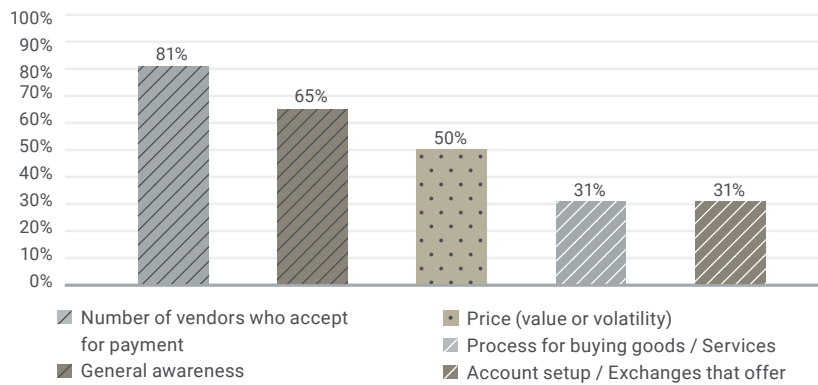
"Not much people use it so it's slowing down."
(AUTOMOTIVE VENDOR)

"The main reason was desire. We had only 2 or 3 customers that would actually use it as an option."
(FOOD / GROCERY VENDOR)

"We have not had any requests from our customers."
(TECHNOLOGY VENDOR)

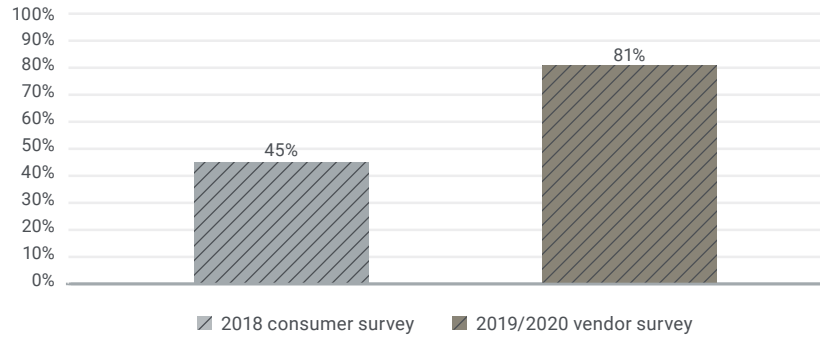
- Increasing acceptance by other Canadian businesses was clearly stated as a priority from those vendors who have already adopted Bitcoin as a payment option. More than eight in ten retail vendors who continue to accept Bitcoin as a payment option note wider distribution of this payment option as an essential improvement to the Bitcoin industry, as shown in Figure KF-12A.

FIGURE KF-12A: IMPROVEMENTS TO BUSINESS USE OF BITCOIN
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



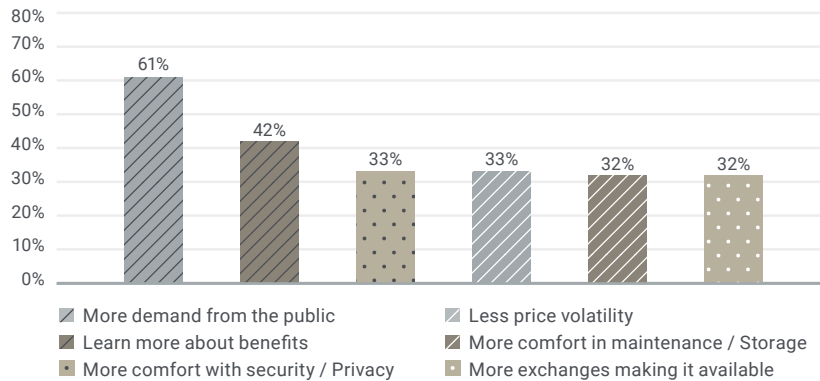
This concern for wider distribution seems more prevalent with retail vendors in Canada than retail consumers, as shown in Figure KF-12B which compares results from the 'Bitcoin Sentiment Tracker' of merchants with consumers.

FIGURE KF-12B: REFERENCE TO NUMBER OF VENDORS WHO ACCEPT BITCOIN AS AN AREA OF IMPROVEMENT VENDORS VS. CONSUMERS



- For those Canadian vendors who do not currently accept Bitcoin, it was clear that the lack of consumer demand is a core driver. When these vendors were asked what would motivate them to begin accepting Bitcoin as a payment option, the majority of respondents cited the need for more demand from the public, as shown in Figure KF-13.

FIGURE KF-13: MOTIVATIONS TO ACCEPT BITCOIN AS PAYMENT OPTION BUSINESSES NOT ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



- Suppliers to the retail merchant sector continue to introduce / support products and services based on Bitcoin (and other cryptocurrency), but admit that the road to acceptance by both vendors and consumers will be a long one. This is evident in the following verbatim responses received in executive interviews:

“At this time, there is just very little demand for digital currency solutions.”
 (CEO OF FINANCIAL SERVICE TECH CO.)



"It all depends on wage adoption, consumer investment (which depends on price) and merchant acceptance (which must come first). Growth will be slower than expected."
(CRYPTOCURRENCY ENTREPRENEUR)

"The acceptance of new products and services are a big deal, but it will not open the flood gates."
(BLOCKCHAIN CONSULTANT)

"It will continue to be used for investment purposes, but not much more than that."
(BANK DIRECTOR)

"It can be a meaningful asset for institutional investing but it will not be used as a consumer payment option."
(FINANCIAL SERVICES ENTREPRENEUR)

"There is a lack of institutional involvement."
(CEO OF ALTERNATIVE TRADING SYSTEM)

"It won't be used significantly by smaller businesses, or to purchase low-value products."
(DIRECTOR OF CLIENT RELATIONS)



Among Canadian merchants, there is a clear divide in perceptions around the safety / security of Bitcoin use dependent on past experience, or lack thereof.

In the earlier 'Bitcoin Sentiment Tracker' targeted at Canadian consumers, existing Bitcoin users found this cryptocurrency to be a safe / secure form of currency, while non-users perceived this factor as a disadvantage compared to traditional currency. In this current study with merchants, a similar distinction was uncovered. Those who currently utilize Bitcoin find its level of safety / security to be a distinct advantage as compared to traditional currency, while those who have yet to use / accept Bitcoin do not have the same comfort level, and perceive this to be a chief area of concern.

- Conflicting opinions related to the safety of Bitcoin are found with industry experts globally. Some believe the design and infrastructure of Bitcoin and its underlying technology results in a secure solution.



“Bitcoin achieves security in a decentralized manner through emergent network properties. In fact, Bitcoin has provided the first solution for the ‘Byzantine General’ problem, a distributed architecture problem that had until recently been deemed unsolvable by computer scientists.”

(ASHOK MISRA – FOUNDER OF ALINA CONSULTANTS – AS REPORTED TO THE PAYMENT CARD INDUSTRY / PCI SECURITY STANDARDS COUNCIL)³⁹

Others see substantially more risk present, such as the potential for use in cyber-based crime.

“Digital currency, like Bitcoin, purports to be the most secure form of trading and dealing with money available. However, this is unfounded, at the time. There’s a risk of merchants becoming targets for cyber criminals. Attacking crypto and other digital currency is popular right now – some merchants may not want to stick their necks out until there are laws in place that seek to govern these types of transactions and protect both consumers and merchants. It’s all about staying updated on how these currencies develop.”

(ANDREW ROSSO – INTERNET / TECH ATTORNEY WITH ROSSO LAW LLC)⁴⁰

- Contradictory viewpoints about the security factor can also be found with retail vendors globally as it relates to Bitcoin as a payment option. Some vendors comment on the comparative advantage Bitcoin has from a security standpoint compared to other electronic transfer options.

“People are not ready to pay with crypto. They prefer to keep it rather than spend it. I prefer to receive payments in crypto because they are more secure for me. For example, when I receive payments from PayPal, some people cheat and say they didn’t receive the goods.”

(OWNER - LOLA LUNA BOUTIQUE)⁴¹

Other vendors suggest that the negative publicity surrounding Bitcoin’s safety / security has a negative impact on their own status.

“[There is] some reputational risk in associating myself with something that the major media connects to nefarious activities/persons.”

(RESPONDENT TO ‘BITCOIN EXCHANGE SCRIPT’ SURVEY)⁴²

³⁹ PCI Security Standards Council, “How Blockchain Technology Offers Improvements to Payment Security”, <https://events.pcisecuritystandards.org/blog/blockchain-technology-payment-security-misra>, September 2019

⁴⁰ Tina Mulqueen – Forbes, “Now Accepting Bitcoin: A Retailer’s Guide To Digital Currencies”, <https://www.forbes.com/sites/tinamulqueen/2018/02/23/now-accepting-bitcoin-a-retailers-guide-to-digital-currencies/#7b68ac1a1ed4>, February 2018

⁴¹ Francisco Memoria – CryptoGlobe, “Bitcoin Usage Among Crypto Payment Processors Is Growing: Report”, <https://www.coindesk.com/bitcoin-usage-among-merchants-is-up-according-to-data-from-coinbase-and-bitpay>, February 2020

⁴² Based on a survey conducted by Bitcoin Exchange Script in March 2019 with more than 200 vendors – <https://sxi.io/survey-results-96-of-merchants-would-recommend-bitcoin-to-peers>



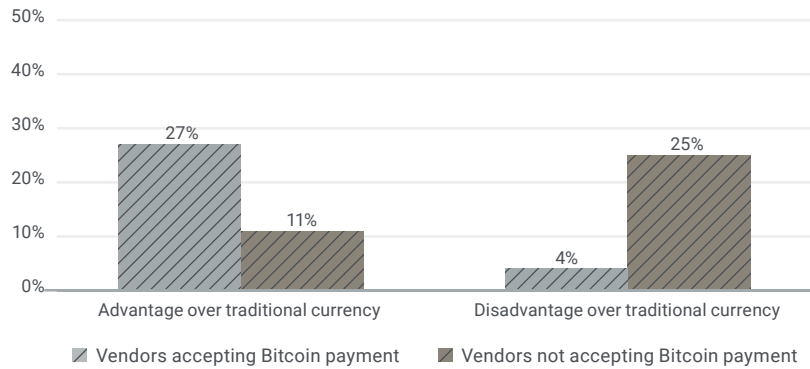
- This same divergence in perception was found with Canadian merchants. Based on the CorbinPartners' vendor survey, almost two in ten vendors who do not accept Bitcoin as a payment option noted the lack of safety / security as a primary reason for their decision. A third of non-accepting vendors would be motivated to allow Bitcoin as a payment option if they had a greater comfort level with its security.

At the same time, more than six in ten Bitcoin-accepting vendors (61%) answered that they are satisfied with transaction security, including more than a third of respondents (38%) who answered they are very satisfied.

- As shown in Figure KF-14, statistically fewer vendors in Canada who do not accept Bitcoin (11%) cited safety / security to be a main advantage of Bitcoin over traditional currency than do Bitcoin-accepting vendors (27%).

Similarly, statistically more vendors who do not accept Bitcoin (25%) identified safety / security as a disadvantage of Bitcoin as compared to Bitcoin-accepting vendors (4%).

FIGURE KF-14: PERCEPTION OF BITCOIN SAFETY / SECURITY
VENDORS ACCEPTING BITCOIN PAYMENT VS. VENDORS NOT ACCEPTING BITCOIN PAYMENT



- Verbatim answers from vendor respondents to the CorbinPartners survey highlight the distinct differences in perception.

Canadian vendors **not** accepting Bitcoin:

"It's too complex and the lack of security, and the price volatility."

(FINANCIAL SERVICES VENDOR)

"Not safe."

(EDUCATION VENDOR)

*"There are a lot of scams associated with cryptocurrency.
And most times it's used for laundering money."*

(ARCHITECTURE VENDOR)



"It certainly cannot be accepted as trust funds."

(LEGAL SERVICES VENDOR)

"It getting stolen would keep me awake at night."

(EDUCATION VENDOR)

"It's completely unregulated. The government can shut it down at anytime meaning your money would be gone."

(FOOD / GROCERY VENDOR)

"Bitcoin does not have anything to backup its value, unlike traditional currency."

(FINANCIAL SERVICES VENDOR)

"I personally associate Bitcoin with fraudsters and those wanting to skirt authority."

(CONSTRUCTION VENDOR)

"Needs to be governed and secure."

(MANUFACTURING VENDOR)

Canadian vendors accepting Bitcoin:

"While an inherent strength of Bitcoin, most don't understand the investment philosophy or security aspect."

(FINANCIAL SERVICES VENDOR)

"Convenience and security."

(HOME SERVICES VENDOR)

"The ease of use, privacy and security, and the speed."

(OTHER RETAIL VENDOR)

"We know it's a safe alternative but have to prove it to the client."

(FINANCIAL SERVICES VENDOR)

"People are more inclined to use the newer technology for security and convenience."

(APPLIANCE REPAIR VENDOR)

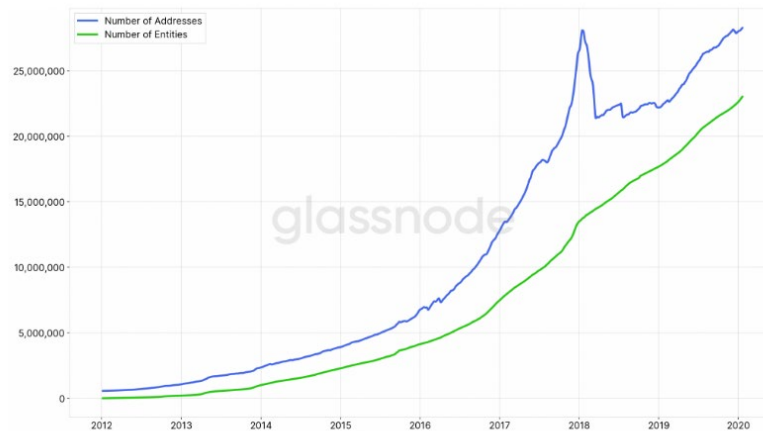


Merchant respondents are primarily bullish on the expected use of Bitcoin by Canadian businesses (and consumers), but foresee slow steady growth along the way.

The “doom and gloom” conditions for Bitcoin reported in 2018 have seemingly not dampened current expectations. When considering the advancement of Bitcoin use across Canada, the common opinion by merchants is for greater use in the foreseeable future, fueled by organic growth, and most notably as merchants and consumers become more familiar with the benefits and more knowledgeable about the purchase / usage process. However, there seems to be a more consistent viewpoint that the significant growth rates in usage associated with a skyrocketing value are primarily a thing of the past, and that more steady growth across a wider audience is expected over an extended period of time.

- Usage of Bitcoin across audience segments continues to rise. Blockchain data and intelligence provider – Glassnode reports that as of January 2020, there were over 23 million entities globally holding Bitcoin.⁴³


GLOBAL ADOPTION OF BITCOIN



Courtesy Glassnode Insights, number of Bitcoin addresses and entities over time

- Usage of Bitcoin continues to rise specifically across the merchant community. As recently reported in cryptocurrency news source ‘CoinDesk’...

⁴³ Paul de Havilland – Crypto Briefing, “The Rise and Rise of Bitcoin Adoption”, <https://cryptobriefing.com/rise-bitcoin-adoption>, January 2020



"According to BitPay Chief Marketing Officer Bill Zielke, the payment processor facilitated \$1 billion worth of cryptocurrency transactions in 2019, with Bitcoin leading the pack. Likewise, a Coinbase spokesperson said Coinbase Commerce processed \$135 million worth of cryptocurrency payments for thousands of merchants in 2019, which represents a 600 percent increase in the number of unique transactions via Coinbase Commerce since 2018."

(COINDESK – FEBRUARY 2020)⁴⁴

- There are widespread expert forecasts that the price of Bitcoin will continue to rise.

"Fundstrat's Tom Lee said that Bitcoin might reach \$40,000 by the end of 2020. Tom Lee has been very vocal about his interest in Bitcoin always. He states that Bitcoin might give enormous returns post the halving event that is scheduled to be in May 2020."

(COINSWITCH – FEBRUARY 2020)⁴⁵

"Only days after Nexo co-founder Antoni Trenchev made the case for a \$50,000 Bitcoin price in 2020, Bitpay Chief Commercial Officer Sonny Singh has also shared his belief that the crypto asset will hit new all-time highs this year."

(FORBES – JANUARY 2020)⁴⁶

"Those having adopted it just believe the price of Bitcoin will go up. It's an engrained viewpoint."

(CEO OF CRYPTO EXCHANGE – INTERVIEW WITH CORBINPARTNERS)

If these forecasts come to be, there is potential for it to drive merchant / consumer usage, at the very least, in the form of investment speculation or cross-border transfers.

- In Canada, suppliers to the retail merchant sector express optimism when speaking about the potential for wider usage of Bitcoin.

"I think it's the future. Everything that was analog in the past is now digital."

(DIRECTOR OF CLIENT SERVICES)

⁴⁴ Leigh Cuen – CoinDesk, "Bitcoin Usage Among Merchants is Up", <https://www.coindesk.com/bitcoin-usage-among-merchants-is-up-according-to-data-from-coinbase-and-bitpay>, February 2020

⁴⁵ Anisa Batabyal – CoinSwitch, "Bitcoin Price Prediction – Bitcoin Price Hits \$10000 USD for First Time in 2020", <https://coinswitch.co/news/bitcoin-price-prediction-2020-2025-latest-btc-price-prediction-bitcoin-news-update>, February 2020

⁴⁶ Kyle Torpey – Forbes, "Bitcoin Price To Rise Above \$20,000 In 2020, Says Bitpay's Singh", <https://www.forbes.com/sites/ktorpey/2020/01/09/bitcoin-price-to-rise-above-20000-in-2020-says-bitpays-singh/#4d0348166e9e>, January 2020



"Mass adoption will change the world forever."

(STRATEGIC CONSULTANT)

"Wider adoption will surely follow."

(CRYPTO PLATFORM DEVELOPER)

"We are still a few years away from blockchain being used well enough to take advantage of the benefits of a distributed ledger, but the growth is fairly inevitable."

(TECHNOLOGY CONSULTANT)

"It's similar to the invention of gun powder. There's no going back."

(PRESIDENT OF CRYPTO WALLET COMPANY)

"We are still in the earlier adopter phase, and next will be the high growth phase, followed by the maturity phase."

(LEGAL SERVICES PROVIDER)

However, these suppliers also expressed caution to anticipate steady growth over time, rather than the wild and rapid swings experienced in the past.

"There will be steady, measured growth."

(CEO OF ALTERNATIVE TRADING SYSTEM)

It's a marathon, not a sprint."

(STRATEGIC ADVISOR TO CRYPTO INDUSTRY)

"Most are bullish as more adoption is anticipated.

We're expecting steady growth."

(BUSINESS DEVELOPMENT DIRECTOR)

"Until people get paid in crypto, mass adoption will be slow to come by."

(DIGITAL EXCHANGE DEVELOPER)

"It will slowly grow logarithmically, rather than linearly."

(TECHNICAL LEAD AT CRYPTO EXCHANGE)

"It's just starting to gain traction."

(TECHNOLOGY VENDOR)

"I'm a big crypto supporter but it will take some time to takeoff."

(OTHER WHOLESALE VENDOR)

- Suppliers to the retail merchant sector also comment that steady growth will be furthered by an expectation of reduced volatility in Bitcoin's value.

"Yes, it is definitely volatile, but that will surely decline over time."

(FOUNDER OF WALLET COMPANY)

"Stablecoins will produce less volatility, which will only aid in Bitcoin growth."

(BLOCKCHAIN LEADER)

"A more stable coin is a must but will come in time. A couple of false starts are expected."

(VP OF ALTERNATIVE STOCK EXCHANGE)

"I think the dropping price volatility has a lot to do with it. When the price is going up and up no one wants to spend it because it will be worth more tomorrow and next month."

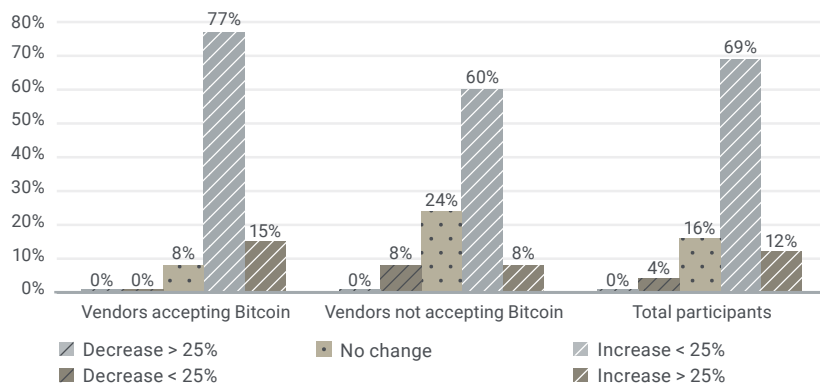
(MANUFACTURING VENDOR)

- Retail vendors in Canada echo the viewpoint of an expectation for steady growth.

Of the retail vendors surveyed, 62% of them offered an opinion on how Bitcoin usage will change in the next three years. As shown in Figure KF-15A, of retail vendors with an opinion, the majority (69%) expect general usage of Bitcoin by Canadians to increase moderately over the next three years. Vendors who currently accept Bitcoin foresee greater growth in usage than those vendors who do not currently offer this as a payment option.

FIGURE KF-15A: ESTIMATED CHANGE IN BITCOIN USAGE IN CANADA OVER NEXT 3 YEARS

VENDORS WITH AN OPINION



Excludes those participating vendors who answered "No opinion / Don't know / Can't say"

This moderately bullish forecast by vendors who accept Bitcoin payments is more optimistic than the forecast given by Bitcoin-holding consumers in the 2018 / 2019 study (see Figure KF-15B), but less enthusiastic than the more sustained (or extreme) bullishness exhibited in a 2016 CorbinPartners survey of Bitcoin-accepting vendors, as shown in Figure KF-15C.

FIGURE KF-15B: ESTIMATED CHANGE IN BITCOIN USAGE IN CANADA OVER NEXT 3 YEARS

VENDORS WITH AN OPINION WHO ACCEPT BITCOIN PAYMENTS VS. CONSUMERS WITH AN OPINION WHO HOLD/USE BITCOIN

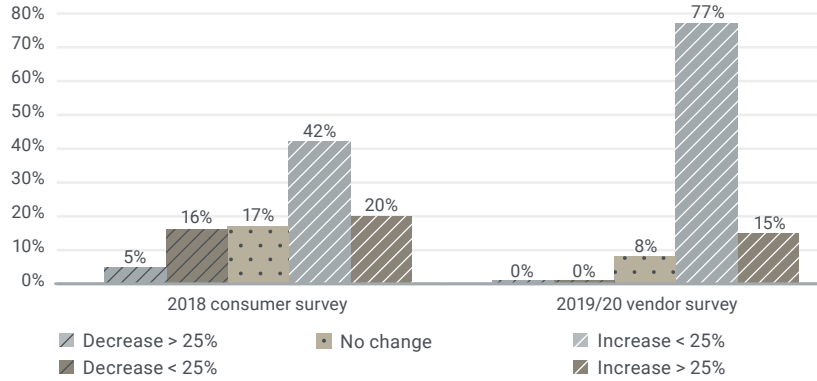
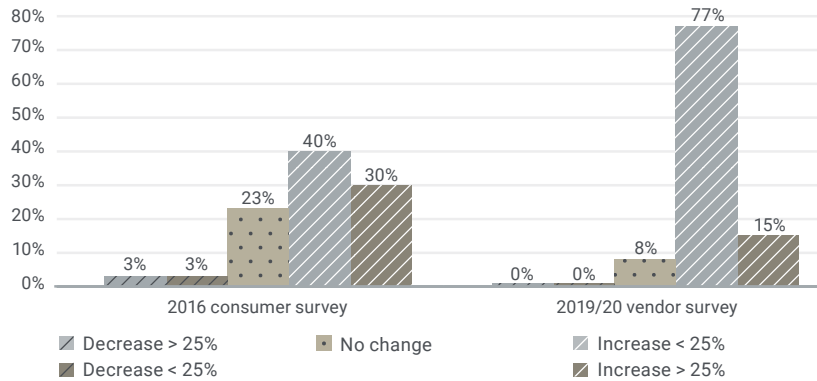


FIGURE KF-15C: ESTIMATED CHANGE IN BITCOIN USAGE IN CANADA OVER NEXT 3 YEARS

VENDORS WITH AN OPINION WHO ACCEPT BITCOIN PAYMENTS

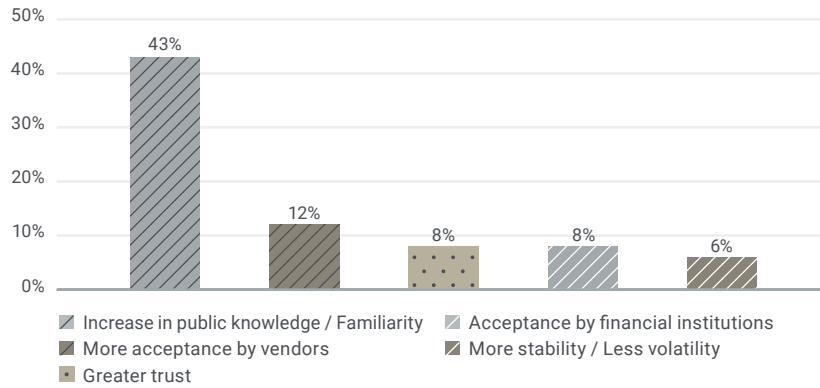


Columns for 2016 survey do not tally to 100% due to rounding.

- This moderately bullish forecast by retail vendors is based on a natural progression of use, due in part to an increase in familiarity with, and knowledge of, Bitcoin. This is shown in Figure KF-16, followed by examples of verbatim comments by Canadian vendors to explain their forecast.



FIGURE KF-16: REASON(S) FOR BULLISH FORECAST FOR BITCOIN
VENDORS WHO FORECAST AN INCREASE IN BITCOIN USAGE OVER THE NEXT 3 YEARS



"It would appear that there is more comfort with crypto in many circles."
(MANUFACTURING VENDOR)

"I believe blockchain and crypto will become our main currency due to honesty, integrity and transparency. It appears to be a much better system than currently in world use."
(TECHNOLOGY VENDOR)

"There will be greater awareness by the public and greater ease of use for adopting Bitcoin."
(AGRICULTURE VENDOR)

"I do think it will increase. I just think the hurdle is awareness and adoption and it's a slow process to get people."
(CONSTRUCTION VENDOR)

"Businesses are just starting to learn about this. I expect more will begin to use this."
(OTHER RETAIL VENDOR)

"Broader adoption and awareness as well as institutional interest."
(TECHNOLOGY VENDOR)



As use of cryptocurrency evolves and further options are introduced, merchant respondents expect Bitcoin to remain an industry leading choice, and one that complements (rather than competes) with traditional currency.

A consistent viewpoint given is that while existing cryptocurrency alternatives develop and expand their foundation, and new crypto options are introduced to the market, Bitcoin will maintain its frontrunner status for some time to come.

- Prominent executives / advisors in the global market forecast that Bitcoin will remain an industry leader among cryptocurrency options moving forward.

"Bitcoin is the leader today, and may continue to be the leader due to having the largest network effect and 'brand..."

(JEFF DORMAN, CHIEF INVESTMENT OFFICER OF ARCA HOLDINGS, 2019)⁴⁷

"We see the market rejecting everything, except BTC. This has been our dominant investing thesis since 2011. We're doubling down on Bitcoin Maximalism with new capital. As BTC climbs toward our 2021 target of \$100,000, we believe everything except BTC will die-off."

(UNNAMED SOURCE AT HEISENBERG CAPITAL, 2019)⁴⁸

"Once [Ethereum] aimed at Bitcoin and missed, I think, sort of, the game is over," explained Haseeb. "Bitcoin kinda wins. And it's pretty hard for anybody, at this point, to dethrone Bitcoin as being the claimant to what will be the digital store of value or digital gold."

(HASEEB QURESHI, MANAGING PARTNER – DRAGONFLY CAPITAL, 2020)⁴⁹

- The consensus from study participants is that the existence and use of Bitcoin and other cryptocurrency is entrenched and here for the long run.

"It's here, it works, and it's not going away."

(CEO OF WALLET COMPANY)

⁴⁷ Olga Kharif – Bloomberg, "Bitcoin's Rally Masks Uncomfortable Fact: Almost Nobody Uses It", <https://www.bloomberg.com/news/articles/2019-05-31/bitcoin-s-rally-masks-uncomfortable-fact-almost-nobody-uses-it>, May 2019

⁴⁸ Ben Brown – CCN, "\$100,000 Bitcoin Price Will Kill Every Other Cryptocurrency by 2020", <https://www.ccn.com/everything-except-bitcoin-will-die-100k-major-crypto-fund>, May 2019

⁴⁹ Kyle Torpey – Forbes, "Why Bitcoin Won't Be Dethroned As Crypto Market King", <https://www.forbes.com/sites/ktorpey/2020/01/14/why-bitcoin-wont-be-dethroned-as-crypto-market-king/#2b7bdba22ba0>, January 2020



"Bitcoin is here to stay."

(VP OF ALTERNATIVE STOCK EXCHANGE)



"We're not going back."

(BLOCKCHAIN EDUCATOR)



"We know it's sticking around."

(LEADER OF BLOCKCHAIN SOLUTIONS)



"There will be a gradual exit from retail banking."

(STRATEGIC ADVISOR ON CRYPTOCURRENCY)

However, this notion is clarified with a consensus that Bitcoin is not expected to replace traditional currency, but instead will complement it.

"Bitcoin cannot compete with traditional currency."

(EXECUTIVE AT DIGITAL CURRENCY EXCHANGE)



"When you take a birds-eye view of the currency market, you realize that Bitcoin will not replace fiat money."

(BANK DIRECTOR)



"It's not a replacement for the good 'ole dollar but a counterpart to."

(BLOCKCHAIN / BITCOIN EDUCATOR)



"Futuristic, we're not there yet and we are not going away from physical currency anytime soon, for society."

(FINANCIAL SERVICES CONSULTANT)

- Suppliers to the retail merchant sector comment that being first off the shelf has already led to a mass audience aware of Bitcoin, and a substantial head start over other cryptocurrency options. This is clearly stated in the following verbatim comments in executive interviews:

"It has a solid foundation."

(EXECUTIVE OF WALLET COMPANY)



"Being the first one out of the gate has a significant upside."


(STRATEGIC ADVISOR TO CRYPTO INDUSTRY)



"The extensive media focus means everyone knows of it."

(VP, PROJECT EXECUTIVE)





"While I'm unsure of its level of dominance, I expect Bitcoin to still be #1 in the next 5 to 10 years."

(STRATEGIC ADVISOR)

"Bitcoin is the dominant player."

(C-LEVEL EXECUTIVE AT DIGITAL EXCHANGE)

"The conversation is still primarily about Bitcoin. It's the name brand."

(DIRECTOR OF BUSINESS DEVELOPMENT)

- Some cryptocurrency exchanges only offer trading in Bitcoin. However, the majority of exchanges in our study noted access to multiple cryptocurrency options. For the latter, the percentage of trading business arising specifically from Bitcoin considerably exceeds other cryptocurrency options.

"Trading in Bitcoin represents 85% of our business."

(CEO OF CRYPTOCURRENCY TRADING PLATFORM)

"We offer ten digital currencies, but Bitcoin covers 80-85% of our volume."

(TECHNICAL LEAD AT CRYPTOCURRENCY TRADING PLATFORM)

"Our exchange allows trading in six different digital currencies, but the bulk of that, say 70-80%, is in Bitcoin."

(CLIENT SERVICE DIRECTOR, CRYPTOCURRENCY EXCHANGE)

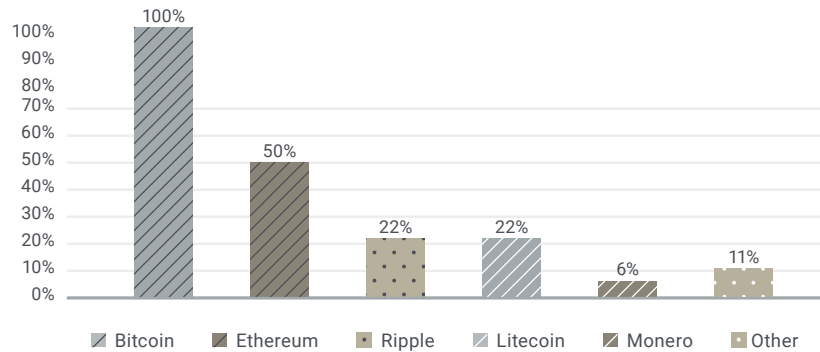
"We trade more than ten different cryptocurrencies, but primarily Bitcoin, Ethereum and Ripple. Bitcoin is about 85% of our trading business."


(DIRECTOR OF CLIENT RELATIONS AT CRYPTO EXCHANGE)

- The percentage use of Bitcoin by Canadian retail vendors is expected to significantly exceed other cryptocurrency options.

As shown in Figure KF-17, all Canadian retail vendors who intend to (continue to) accept cryptocurrency as a payment option in the near future stated that option will include Bitcoin payments. The percentage of vendors intending to accept Bitcoin is twice that of those intending to accept the next most-frequently mentioned cryptocurrency, that being Ethereum, and more than four times that of those intending to accept payments in Ripple.

FIGURE KF-17: TYPES OF CRYPTOCURRENCY EXPECTED TO BE ACCEPTED FROM CUSTOMERS IN NEXT 12 MONTHS
 BUSINESSES ANTICIPATING THEY WILL ACCEPT CRYPTOCURRENCY PAYMENT FROM CUSTOMERS



 Merchant usage of Bitcoin may expand through various innovative means, rather than through one-off payments to retail vendors for products and services.

While acceptance by retail vendors for payment purposes is on a slow growth curve, merchant respondents suggest that the advancement of Bitcoin in Canada will be primarily driven by Bitcoin-based products and services related to investing / expense management / lending, and extended by acceptance / participation of financial institutions previously evading the cryptocurrency sector.

- The Canadian retail market is already being introduced to financial products and services backed by / based on Bitcoin and other cryptocurrency.

The Bitcoin Fund – a regulated, publically-traded closed-end investment fund focused on digital assets
https://www.osc.gov.on.ca/en/Proceedings_rad_20191029_3iq.htm
 (<https://3iq.ca/3iq-corp/3iq-files-the-bitcoin-fund-ipo>)

Rivemont Crypto Fund – an actively managed crypto fund aimed at qualified investors and offering a diversification of different cryptocurrencies within its portfolio
<https://rivemont.ca/en/rivemont-crypto-fund>

Ledn – loan service using Bitcoin as collateral
<https://www.wealthprofessional.ca/news/industry-news/canadas-first-bitcoin-backed-loan-has-been-issued/250224>



First Block Capital – advisory services related to crypto investments and broader emerging technologies (<https://www.firstblock.capital>)

Bylls – a Canadian bill payment service which allows you to pay any of over 9000 Canadian billers using Bitcoin (<https://bylls.com>)

CredEarn – A trading platform which allows you to earn interest on your cryptocurrency holdings (<https://earn.mycred.io/bitbuy>)

Nexo – An instant credit line backed by your Bitcoin (<https://nexo.io/instant-crypto-loans/bitcoin-loan>)

- According to interviews with suppliers to the retail industry, substantial infrastructure is being setup in Canada to support and drive an expansion of Bitcoin and other active cryptocurrency use.

“Build it and they will come.”

(CEO OF CRYPTO EXCHANGE)

“There is so much building and so much support in the works.”

(DIRECTOR OF BUSINESS DEVELOPMENT)

“Bitcoin is backed by the largest infrastructure of all crypto alternatives.”

(STRATEGIC ADVISOR TO CRYPTO INDUSTRY)

“Systems are being designed right now to improve issues such as processing speed.”

(CEO OF ALTERNATIVE TRADING SYSTEM)

“Traditional financial services are working on crypto solutions.”

(VP OF ALTERNATIVE STOCK EXCHANGE)

“Infrastructure is being built through vendor partnerships and licensing software.”


(VP PROJECT EXECUTIVE)

“Systems are being designed to use this in a ‘machine to machine’ economy, such as electric vehicle charging.”

(BLOCKCHAIN EDUCATOR)

“Technological innovations are coming including a ‘lightning network’ to improve speed and lower fees.”

(DIRECTOR OF CLIENT RELATIONS)

- 
- Bitcoin merchants suggest that the development of new forms of cryptocurrency would likely lead to more credibility for existing forms. While not yet disclosed how it will operate, Facebook's proposed entry to the marketplace with 'Libra' is forecasted to be a core complement to Bitcoin, rather than a competitive threat.

"Libra could put cryptocurrency in the hands and minds of billions."

(BUSINESS DEVELOPMENT DIRECTOR)

"Libra will be complementary to Bitcoin, and provide more exposure for all crypto."

(FOUNDER OF WALLET COMPANY)

"Libra will provide a significant boost to the marketplace, if it can maintain trust."

(BLOCKCHAIN EDUCATOR)

"Libra will bring more credibility to the masses."

(CEO - CRYPTO EXCHANGE)

"Facebook Libra will struggle with regulatory and compliance related to privacy, but all will benefit if they get over that hurdle."

(CRYPTOCURRENCY WALLET DEVELOPER)

"Facebook can bring cryptocurrency to the general marketplace."

(DIRECTOR OF ALTERNATIVE TRADING SYSTEMS)

- Investors are beginning to use Bitcoin and other various forms of cryptocurrency as a component to more creative investment strategies, including...

Algorithmic Trading: executing orders using automated pre-programmed trading instructions based on factors such as price, time and volume. Software tools on the market to leverage this strategy include the following:

AlgoTrader – an algorithmic trading solution to support automated cryptocurrency trading, <https://www.algotrader.com/features/automated-cryptocurrency-trading/>

Empirica – a complete trading platform dedicated to create, test and execute institutional-grade trading algorithms, <https://empirica.io/crypto-algorithmic-trading-software/>

Dollar Cost Averaging: a strategy of investing a fixed amount of traditional currency into Bitcoin at regular time intervals, with the purpose being to reduce downside risk of placing large sums of money into the market at one point in time.

The screenshot shows a web interface for a Bitcoin Dollar Cost Average calculator. At the top, it says "Bitcoin Dollar Cost Average". Below this, there are two input fields: "Enter Start Date in 'MM/DD/YYYY' Format" with the value "01/01/2017" and "Enter Periodic Amount" with the value "\$ 100". There are four buttons for investment frequency: "WEEKLY", "BI-WEEKLY", "SEMI-MONTHLY", and "MONTHLY". Below these buttons are four rounded rectangular boxes displaying the results: "BTC Acquired" (1.03543141 BTC), "BTC Value in USD" (\$9,034.86), "USD Total Spent" (\$3,900.00), and "Return on Investment" (131.66%).

<https://www.bitcoindollarcostaverage.com/>

Passive Investing Strategies: using excess funds to diversify your investment portfolio and enter the cryptocurrency market, or expand an existing crypto portfolio.

MoneyCheck – A smart phone app where you can automatically invest your spare change on all purchases and reinvest it at any time into a portfolio of ETFs, <https://moneycheck.com/smart-phone-finance-apps>.

RoundlyX – A platform which allows you to round up your credit card purchases and bank transactions in order to invest into various cryptocurrencies, <https://www.roundlyx.com>.

Smart Contracts: a self-executing contract with the terms of the agreement between buyer and seller being directly written into lines of code.



CATENA

The Catena Blockchain Suite is an industry first product to quickly enable publishing of complex datasets onto public or private blockchains. Utilising smart contracts and hardware security modules, Catena enables a new level of data consistency and integrity.

<https://bitaccess.ca/>



- Canadian merchants are beginning to expand use of Bitcoin and other cryptocurrency for purposes of payment to cross-border suppliers.

"The use of Bitcoin will rise for purposes of cross-border payments and smart contracts."

(STRATEGIC ADVISOR TO CRYPTO INDUSTRY)

"Bitcoin will be used by many to send funds back home."

(BLOCKCHAIN EDUCATOR)

"We're seeing a wider range of use, including overseas product purchases."

(DIRECTOR OF CLIENT RELATIONS)

"We have a lot of clients overseas. We use it to be able to offer them another option."

(TRANSPORTATION BUSINESS OWNER)

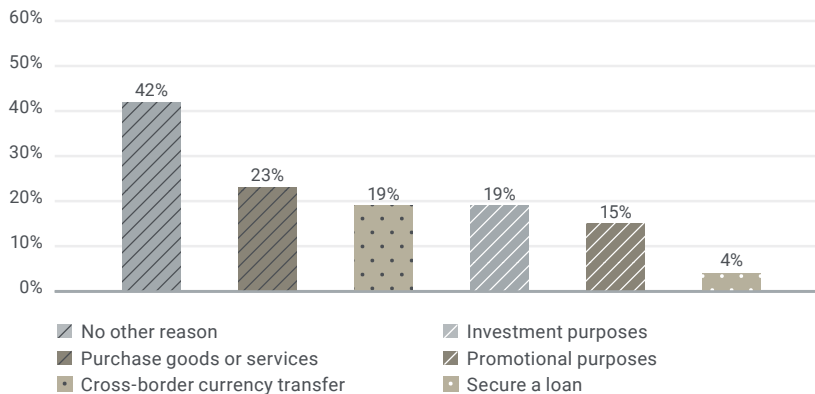
"More will invest and use to purchase globally."

(TECHNOLOGY VENDOR)

When describing the advantages of Bitcoin compared to traditional currency, more than a third of Canadian vendors accepting Bitcoin (35%) referenced 'cross-border currency transfers'.

As shown in Figure KF-18, almost two of every ten retail vendors (19%) who currently accept Bitcoin as a payment option also use this cryptocurrency for cross-border payment purposes.

FIGURE KF-18: OTHER REASON FOR RETAIL VENDOR TO USE BITCOIN
BUSINESSES ACCEPTING BITCOIN PAYMENT FROM CUSTOMERS

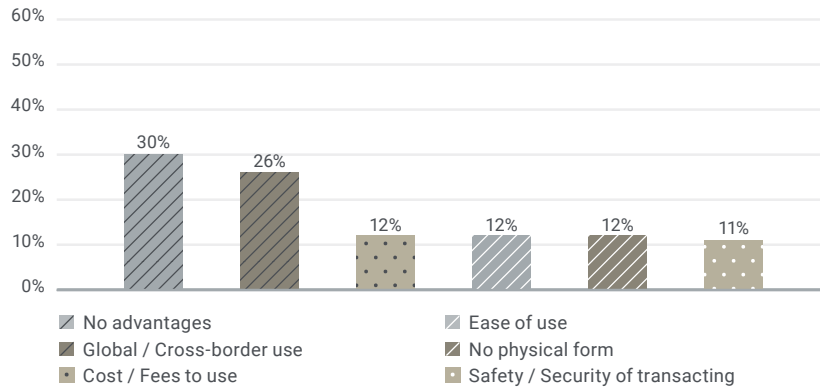




For Canadian retail vendors who do not currently accept Bitcoin as a payment option, the perceived advantage over traditional currency most frequently noted is cross-border currency transfers, answered by more than a quarter of respondents (26%), as shown in Figure KF-19.

FIGURE KF-19: PERCEIVED ADVANTAGES OF BITCOIN COMPARED TO TRADITIONAL CURRENCY

BUSINESSES NOT ACCEPTING BITCOIN PAYMENTS CUSTOMERS



For Canadian retail vendors who intend to accept Bitcoin as a payment option from customers, the most frequent additional reason given for use is for cross-border currency transfers.

"I do a lot of business in the U.S and in Europe, and the United Kingdom and having Bitcoins would be a really good way to pay people in different countries as a one world currency. It would save me in currency exchange fees."

(MANUFACTURING VENDOR)

"Using Bitcoin to pay suppliers overseas is much easier and cost-effective than current payment methods."

(TECHNOLOGY VENDOR)



There are core obstacles to Bitcoin adoption in the merchant marketplace that respondents report are presenting a significant challenge to growth of the industry, and likely won't be overcome in the short or medium term.

The path to growth for Bitcoin will not be a smooth one. For Bitcoin acceptance to increase, and not necessarily to even be adopted by the masses, there are substantial hurdles that already exist, and more that will potentially stand in the way. Meaningful growth will likely not occur until headway is made with the following challenges.

- The perception of cryptocurrency as a whole has been negatively impacted by the instability and lack of security within Canadian exchanges that serve the industry.

ezBTC:

"As British Columbia's securities regulator advises them to contact lawyers, users of the now-seemingly-defunct Nanaimo-based cryptocurrency trading platform ezBtc.ca say they're skeptical that they'll ever get their money back."

(CTV NEWS, 2019)⁵⁰

"Customer assets are at risk."

(BC SECURITIES COMMISSION)⁵¹

Quadrigo CX:

"QuadrigoCX debacle is an embarrassment for Canada's relatively new cryptocurrency exchanges."

(CTV NEWS, 2019)⁵²

"The catastrophic failure of Vancouver-based crypto exchange Quadrigo CX in January 2019, however, has highlighted the need for some kind of regulatory action in the Canadian cryptocurrency space."

(CROWDFUND INSIDER, 2019)⁵³

Einstein Exchange:

"Under a cloud of complaints, investigations and lawsuits, a controversial Vancouver cryptocurrency exchange has shut its doors with more than \$16 million owing to customers."

(CBC, 2019)⁵⁴

⁵⁰ Ian Holliday – CTV News, "BCSC investigates Nanaimo cryptocurrency exchange; users doubt they'll get money back", <https://vancouverisland.ctvnews.ca/bcsc-investigates-nanaimo-cryptocurrency-exchange-users-doubt-they-ll-get-money-back-1.4677419>, November 2019

⁵¹ Canadian Press (as reported on BNN Bloomberg), "B.C. Securities Commission takes action against two crypto platforms gone offline", <https://www.bnnbloomberg.ca/b-c-securities-commission-takes-action-against-two-crypto-platforms-gone-offline-1.1342723>, November 2019

⁵² Michael MacDonald – Canadian Press, "Laptop likely holds key to missing \$180 million in cryptocurrency: experts", <https://www.ctvnews.ca/business/laptop-likely-holds-key-to-missing-180-million-in-cryptocurrency-experts-1.4285646>, February 2019

⁵³ Cali Haan – Crowdfund Insider, "Report: Third Vancouver Crypto Exchange Investigated by BC Securities Regulators", <https://www.crowdfundinsider.com/2019/11/153794-report-third-vancouver-crypto-exchange-investigated-by-bc-securities-regulators>, November 2019

⁵⁴ Jason Proctor – CBC, "B.C. cryptocurrency exchange shuts doors owing more than \$16M to customers", <https://www.cbc.ca/news/canada/british-columbia/einstein-cryptocurrency-bitcoin-complaints-1.5347104>, November 2019

"The Canadian cryptocurrency space was just dealt another blow with the news that a Vancouver-based exchange has just bit the dust, having had an unfortunate run-in with local regulators. This marks the latest collapse of a relatively well-known Canadian Bitcoin exchange in the past year. Ouch."

(BLOCKONOMI, 2019)⁵⁵

"Einstein improperly used their customers' assets."

(BC SECURITIES COMMISSION)⁵⁶

- Well-publicized crypto scams in Canada have also left a major black mark on the industry, and negative perceptions tied to the use of cryptocurrency.

"It's a scam: Toronto police urge vigilance as multiple people fall victim to Bitcoin fraudsters."

(CBC, 2019)⁵⁷

"New Canadians targeted in Bitcoin scam"

(CTV NEWS, 2019)⁵⁸



⁵⁵ Nick Chong – Blockonomi, "Canadian Crypto "Einstein Exchange" That Owes \$12 Million to Customers Seized", <https://blockonomi.com/canadian-crypto-exchange-seized>, November 2019

⁵⁶ Jason Proctor – CBC News, "B.C. cryptocurrency exchange shuts doors owing more than \$16M to customers", <https://www.cbc.ca/news/canada/british-columbia/einstein-cryptocurrency-bitcoin-complaints-1.5347104>, November 2019

⁵⁷ Desmond Brown – CBC, "It's a scam: Toronto police urge vigilance as multiple people fall victim to bitcoin fraudsters", <https://www.cbc.ca/news/canada/toronto/bitcoin-fraudster-steal-money-1.5345279>, November 2019

⁵⁸ Video from CTV News Toronto, "New Canadians targeted in Bitcoin scam", <https://toronto.ctvnews.ca/video?clipId=1593064>, 2019



"Canadian Teen Charged for \$50 Million Cryptocurrency Theft"

(COINTELEGRAPH, 2020)⁵⁹

"Two Canadian brothers pleaded guilty to Bitcoin scam worth over \$150,000 in federal court."

(THE BLOCK, 2019)⁶⁰

Canadian suppliers to the retail merchant sector admit the negative implications of these scams are substantial, and will be difficult to overcome.

"Scams directed at the public at large remains the largest threat to the business."

(DIRECTOR OF CLIENT RELATIONS)

"The Quadriga fiasco really hurt, and the individual actions of scammers is only adding to the problem."

(DIRECTOR OF BUSINESS DEVELOPMENT)

"On the blockchain, there is no room for mistakes. Scams can't be reversed."

(DIRECTOR AT DIGITAL EXCHANGE)

"A common issue is a lack of trust, caused by a concern for being scammed."

(BITCOIN ENTREPRENEUR)

- Financial industry experts on a global scale note that acceptance by more established participants serving the merchant (and consumer) sector is a precursory requirement to a growing / maturing industry.


"If cryptocurrencies are to become mainstream, technical improvements are needed. But to gain trust and acceptance beyond a core group of enthusiasts, affiliation with existing well-known brands would help. In short, cryptocurrency would need to present itself to potential users from within the existing financial framework, instead of placing itself outside."

(TEUNIS BROSENS – ING, 2019)⁶¹

⁵⁹ Andrey Shevchenko – Cointelegraph, "Canadian Teen Charged for \$50 Million Cryptocurrency Theft", <https://cointelegraph.com/news/canadian-teen-charged-for-50-million-cryptocurrency-theft>, January 2020

⁶⁰ Yogita Khatri – The Block, "Two brothers plead guilty to bitcoin scam worth over \$150K", <https://www.theblockcrypto.com/linked/50805/two-brothers-plead-guilty-to-bitcoin-scam-worth-over-150k>, December 2019

⁶¹ Teunis Brosens, Lead Economist for Digital Finance and Regulation – ING, ING International Survey – "From cash to crypto: the money revolution", https://think.ing.com/uploads/reports/IIS_New_Tech_Cryptocurrencies_report_18092019.pdf, September 2019



"The rate this space is maturing increases every year, and I don't see that stopping anytime soon. As more and more established financial players such as ourselves join from traditional finance industries, the regulation and infrastructure needed to take it to the next level will begin to appear, and the markets will begin to stabilise. In turn this will lead to less speculative involvement and instead adoption and usage will start to become the main drivers of value."

(LORENZO PELLEGRINO – SKRILL / NETELLER / INCOME ACCESS – PART OF 'PAYSAFE GROUP', 2019).⁶²

Canadian retail merchants also note the need for greater credibility in this sector based on the acceptance from more recognized retailers.

"There will be no major growth until it is determined who is regulating it, and major institutions start to participate."

(VP PROJECT EXECUTIVE)

"I think if household name financial institutions tout Bitcoin, there would be greater adoption by other businesses; it needs more leadership or acceptance from mainstream Canadian businesses first."

(CEO – PROFESSIONAL SERVICES)

"Acceptance from the major players (e.g., Amazon, Remax) will change things quickly."

(FINANCE EDUCATOR)

"I think more business to business acceptance will do a lot for Bitcoin as well."

(VP MANUFACTURING)

- Apprehension based on a "lack of trust" was frequently mentioned by Canadian vendors unwilling (or not motivated) to accept Bitcoin for payment purposes.

"Not trustworthy."

(CONSTRUCTION VENDOR)

"There is a lack of awareness and a lack of trust."

(OTHER RETAIL VENDOR)

⁶² Bitcoinist, "Bullish on crypto": an interview with Skrill CEO Lorenzo Pellegrino (Response to question "In terms of evaluation, infrastructure, regulation, what will the crypto space look like in the next several years?"), <https://bitcoinist.com/bullish-on-crypto-an-interview-with-skrill-ceo-lorenzo-pellegrino>, August 2019



"Trust among businesses is currently limited."

(TECHNOLOGY VENDOR)

"I just don't trust it and don't feel it's right."

It seems a little shady."

(TECHNOLOGY VENDOR)

"I don't trust it."

(RENTAL PRODUCT VENDOR)

- Providers of Bitcoin-based products and services in Canada identify notable room for improvement in order to pursue further growth. Modifications or enhancements allude to key issues directly related to retail delivery (and relative to other cryptocurrency options), including the speed of Bitcoin execution / reporting and transparency in pricing.

"It takes too long to process."

(FINANCIAL SERVICES ENTREPRENEUR)

"Not as fast as other cryptocurrencies."

(DIGITAL EXCHANGE DEVELOPER)

"The speed to transact Bitcoin on the blockchain is an issue."

(BITCOIN WALLET DEVELOPER)

"It costs \$22 to send \$20 worth of Bitcoin."

(DIGITAL EXCHANGE DEVELOPER)

"By design, the time between block for Bitcoin is just longer."

(IT CONSULTANT)

"Other cryptocurrency are simply more transparent."

(TECHNICAL LEAD AT CRYPTO TRADING PLATFORM)

"Quicker access is needed. KYC (Know your client) is an obstacle to speed."

(DIRECTOR OF BUSINESS DEVELOPMENT)

"There is no validity to exchange trading volumes."

(DIRECTOR OF ALTERNATIVE TRADING SYSTEMS)



"Transparency of prices and fees is a core issue to growth."

(DIRECTOR OF CLIENT RELATIONS)

- While relatively more stable in price over the past year, the long-term volatility of Bitcoin's value, relative to the dollar, leaves merchants tentative about its use moving forward.

"It's very risky as it goes up and down."

(AUTOMOTIVE BUSINESS OWNER)

"It's not stable."

(HEALTH AND WELLNESS BUSINESS OWNER)

"It's a major issue for me as I immediately exchange Bitcoin to dollar."

(FINANCIAL EDUCATOR)

"Those being scared off by the volatility is one of the most common issues."

(CEO OF BITCOIN EXCHANGE)

"Price stability is key. It won't take off that much."

(BITCOIN ENTREPRENEUR)

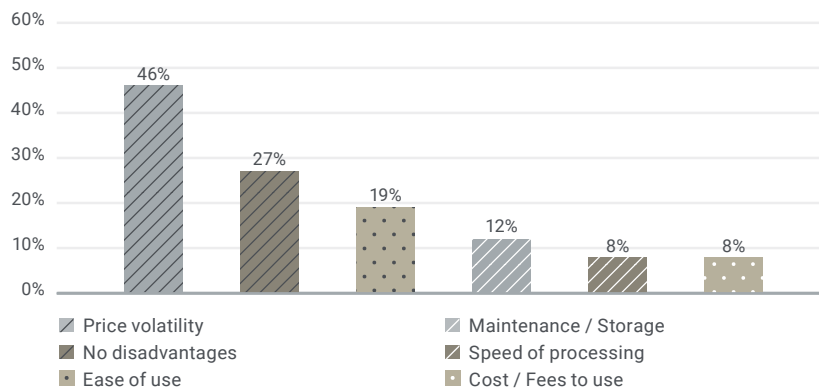
"A key to Bitcoin's growth is for the price to rise and stabilize."

(BLOCKCHAIN EDUCATOR)

Concerns with price volatility are similar with the Canadian retail vendors as they were with consumers. As shown in Figure KF-20, almost half of retail vendors who currently accept Bitcoin as a payment option (46%) cite price volatility as a main disadvantage compared to the traditional dollar.

FIGURE KF-20: MAIN DISADVANTAGES OF BITCOIN COMPARED TO TRADITIONAL CURRENCY

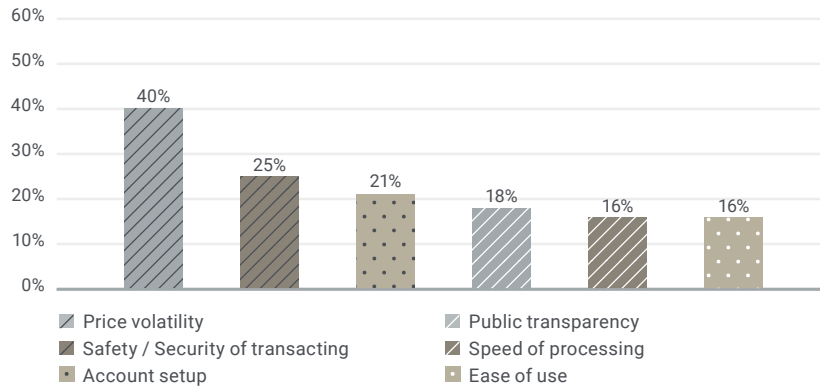
BUSINESSES CURRENTLY ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



As shown in Figure KF-21, four in ten retail Canadian vendors who do not accept Bitcoin perceive price volatility as a prominent disadvantage compared to traditional currency.

FIGURE KF-21: PERCEIVED DISADVANTAGES OF BITCOIN COMPARED TO TRADITIONAL CURRENCY

BUSINESSES **NOT** ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS



- There is an alleged lack of acceptance and censorship for Bitcoin by existing stakeholders in the Canadian financial services industry.

This is evident in the comments given in executive interviews.

“While banks have the appetite, it’s just not a priority.”

(BLOCKCHAIN CONSULTANT)

“Banks not freezing accounts or payments when informed customers are using Bitcoin would absolutely be an improvement.”

(CEO OF BITCOIN EXCHANGE)

“Bank censorship is destructive to our operation.”

(DIRECTOR OF CLIENT RELATIONS)

“Major logistical issues for acceptance. I’m not convinced these can be overcome.”


(VP OF ALTERNATIVE STOCK EXCHANGE)

“In the grand scheme, it’s still pretty niche, which explains why the banks have not jumped aboard.”

(BANK DIRECTOR)

“Canadian banking censorship is a massive issue. That’s not changing. In fact, it’s getting worse.”

(CEO OF CRYPTO EXCHANGE)



"The big banks are definitely setting up obstacles impeding use. This is due to their inability to price risk, the increased standards of practice to ensure all are onside, and the security requirements if lending against it."

(BLOCKCHAIN CONSULTANT)

"Bitcoin's growth is tied to acceptance in the banking community."

(BLOCKCHAIN EDUCATOR)

This suggestion is similarly demonstrated in comments given by retail vendors in Canada.

"We were audited by the Canada Revenue Agency because we accepted Bitcoin, so we stopped accepting it."

(OTHER RETAIL VENDOR)

"Fear of more government audits."

(AGRICULTURE VENDOR)

"I think the public perception of Bitcoin is that is an underground type of currency."

(OTHER RETAIL VENDOR)

"More general adoption of the system is needed by the financial institutions."

(FINANCIAL CONSULTING VENDOR)

"It will get extra scrutiny from Revenue Canada."

(AGRICULTURE VENDOR)

"The banks are not behind it."

(TRANSPORTATION VENDOR)

"We must hide the fact that we accept Bitcoin from our bank and ensure payments we receive from selling the coins are vague enough not to get blocked by the bank or have our account closed down simply for dealing with an exchange."

(TECHNOLOGY VENDOR)

This hypothesis is also validated in the recent policies / actions of Canadian banks.



Important Information regarding cryptocurrency transactions

Effective immediately, RBC will no longer be allowing the use of RBC credit cards for transactions involving cryptocurrency. We regret any inconvenience this may cause.

<https://www.rbcroyalbank.com/onlinebanking/bankingusertips/notices/communications/CryptoCurrency.html> (Viewed February 2020)

TD Canada Trust Coinbase Debit Visa Purchases [BLOCKED]

I purchased Bitcoin on Coinbase about a month ago for a small amount of \$100 at the time and the transaction went through no problem.

Fast forward to about a week ago and the transactions get cancelled right away as well as my debit card being changed to DEPOSIT only, I found this out the hard way by going to make a purchase the next morning and my \$2 Tim Hortons order go declined.

I called TD to ask what was going on and was given the above explanation.

Me: fair enough but it was me so please do not waive these as fraudulent.

TD Rep: yes sir but it was our algorithm flagging it as fraudulent there is nothing I can do as Bitcoin is technically gambling.

Me: okay that's great I understand the banking system doesn't like the idea of these new technologies potentially forcing their hand to be better but it's my money, I'm not using credit, I can go give \$100 to a homeless man and get nothing in return and that's okay.

TD: Yes sir but it's still gambling

Me: okay great I didn't ask your opinion or to have this debate with you, am I able to make a purchase now?

TD Rep: i can't guarantee anything

Me: hangs up

https://www.reddit.com/r/Bitcoin/comments/dda71h/td_canada_trust_coinbase_debit_visa_purchases (October 2019)



BMO Financial Group

Ops Bulletin / Bulletin Ops

Voir ci-dessous pour la version française

Wealth Management Product Operations March 28, 2018
Bulletin #632

Blocking Cryptocurrency Transactions for BMO Credit Cards, Debit Cards & Interac Online Payment

Overview As background, clients can buy and sell cryptocurrencies, such as Bitcoin, through an online cryptocurrency exchange, and by setting up an account through a merchant website.

These cryptocurrency merchants are set up to accept different methods of payment. Once transactions are completed, the cryptocurrency is stored with the merchant.

What's Changing **Effective immediately**, BMO will be blocking cryptocurrency merchant transactions. This decision was made due to the volatile nature of cryptocurrencies, and to better protect the security of our clients and the bank.

This block applies to transactions processed using the following payment methods:

- BMO MasterCard credit cards (including Small Business credit cards)
- BMO Debit Card-Upgraded (Debit MasterCard)
- BMO Debit Cards (using Interac Online Payment)

For Credit Cards & Debit MasterCards Clients attempting any cryptocurrencies transactions using a BMO Debit or Credit MasterCard will be blocked, and will be presented with a screen message advising them that transaction cannot be completed.

Note: Clients who are signing up for cryptocurrency transactions for the first time will not be able to use their BMO MasterCard credit card or their BMO Debit Card-Upgraded to register.

For Interac Online Payment Service When using Interac Online Payment for a cryptocurrency transaction, BMO will debit the client's account temporarily. When the finalized transaction is being sent from BMO to the merchant, the transaction will be blocked and the client will be presented with an Interac message advising them that the transaction cannot be completed.

Note: Any debited funds will be automatically credited back to the client's bank account within approximately 30 minutes.

<https://www.financemagnates.com/cryptocurrency/news/bank-montreal-now-blocking-cryptocurrency-transactions> (March 2018)

This is further validated by comments from those that serve within the Canadian banking industry.

"It will remain a niche for a small percentage of Canadians."

(BANK DIRECTOR)

"While we use blockchain technology for back-office efficiency, digital currency solutions are just not a priority."

(DIRECTOR OF PAYMENT SOLUTIONS)

"There is certainly a niche market involved but how do you get mass adoption?"

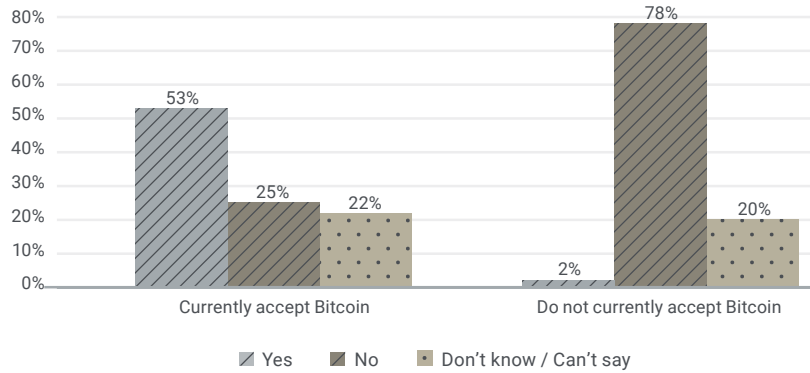
(VP, PROJECT EXECUTIVE)

- Getting interest from Canadian vendors to adopt Bitcoin use may present a considerable hurdle. The CorbinPartners survey found that vendors who do not currently accept Bitcoin for payment purposes are bearish on their intentions to begin using it.

As shown in Figure KF-22, only 2% of these retail vendors confirmed a plan to accept any form of cryptocurrency in the next year.

FIGURE KF-22: INTEND TO ACCEPT CRYPTOCURRENCY IN NEXT 12 MONTHS

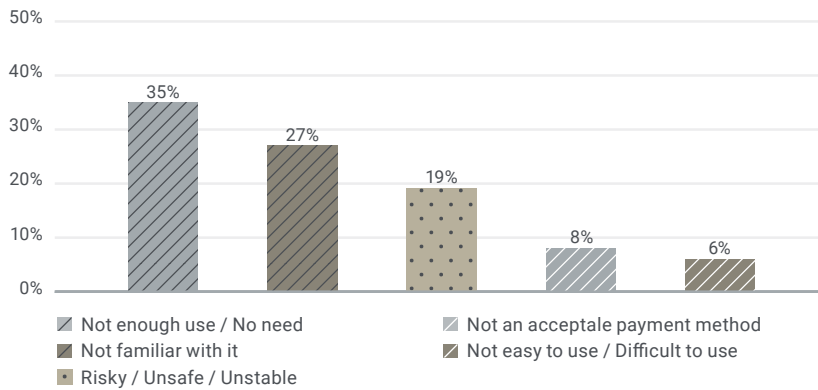
BUSINESSES WHO CURRENTLY ACCEPT VS. THOSE WHO DO NOT




When those vendors not intending to use cryptocurrency were asked for reasons why (as shown in Figure KF-23), the most frequent response was a lack of need for Bitcoin (35%), followed by a lack of familiarity (27%).

FIGURE KF-23: REASON FOR RETAIL VENDOR NOT ACCEPTING CRYPTOCURRENCY IN NEXT 12 MONTHS

BUSINESSES ANTICIPATING THEY WILL NOT ACCEPT CRYPTOCURRENCY PAYMENT FROM CUSTOMERS





Examples of verbatim comments from Canadian retail vendors reflecting their lack of need for Bitcoin use are shown below.

"No interest. No demand."

(FOOD / GROCERY VENDOR)

"There is no need for it."

(HEALTH AND WELLNESS VENDOR)

Being a global company, I just don't see the need."

(OTHER WHOLESALE VENDOR)

"Nobody wants to pay with it right now."

(OTHER RETAIL VENDOR)

"Just not enough demand for Bitcoin to be picked up as a means of payment."

(BANK DIRECTOR)

"Too early in the game; nobody seems to use it, except for a few techno guys."

(FINANCIAL SERVICES VENDOR)

"Business decisions are made based on demand and supply, risk vs reward. Current payment methods appear to be addressing the supply and demand, risk vs reward concepts and therefore I would need information to understand the impact on these concepts."

(FINANCIAL SERVICES VENDOR)



The limited use of Bitcoin is, in part, due to a deficiency in public knowledge about its attributes, and how it generally operates. For use to increase where suitable for the merchant community, respondents suggest greater educational initiatives directed by, and communicated to, all cryptocurrency stakeholders.

There is general agreement from study respondents that the principles of cryptocurrency (and its deviation from traditional currency) create a massive learning curve for many who could benefit, including both consumers and merchants. Too many have participated in Bitcoin without having a full grasp of the benefits, risks, and how the process truly works. Many others have stayed away from cryptocurrency altogether for the very same reasons. If this marketplace is to transition from an emerging industry to growth industry to mature industry, a major transfer of knowledge will need to take place, both within and outside the cryptocurrency marketplace, and be provided by a multitude of related sources.

- Those reporting on the global cryptocurrency industry observe a high level of awareness but a lower level of true knowledge.

"It attracts charlatans."

(CNBC QUOTING WARREN BUFFETT, 2019)⁶³

"... the likes of Bitcoin have been around for just over a decade now, the cryptocurrency industry is still very much in its infancy, so we certainly wouldn't expect the public to be knowledgeable on the subject just yet."

(THIS IS MONEY, QUOTING DANNY SCOTT FROM COIN CORNER, 2019)⁶⁴


"The development of crypto-assets and distributed ledger technology is evolving rapidly, as is the amount of information (both neutral and vested) surrounding it. This is forcing central banks, regulators, and financial institutions to recognize a growing knowledge gap between the legislators, policymakers, economists and the technology."

(COINTELEGRAPH, 2019)⁶⁵

⁶³ Kate Rooney – CNBC, "Warren Buffett says bitcoin is a 'delusion' and 'attracts Charlatans'", <https://www.cnbc.com/2019/02/25/warren-buffett-says-bitcoin-is-a-delusion.html>, Feb 2019

⁶⁴ George Nixon – This is Money, "The more you know about Bitcoin and cryptocurrencies the less convinced you are of their success", <https://www.thisismoney.co.uk/money/investing/article-7473831/Knowledge-bitcoin-cryptocurrency-decreases-confidence.html>, September 2019

⁶⁵ Anna Berman – Cointelegraph, "IMF and World Bank Launch Quasi-Cryptocurrency in Exploration of Blockchain Tech", <https://cointelegraph.com/news/imf-and-world-bank-launch-quasi-cryptocurrency-in-exploration-of-blockchain-tech>, April 2019



“So is it down to regulators to move faster to protect investors? Well, yes. But the lack of knowledge around cryptocurrencies is a significant barrier.”

(FORBES, 2019)⁶⁶

- Researchers in the banking field are finding a similar divergence between awareness and knowledge.

Bank of Canada – Bitcoin Omnibus Survey (BTCOS):

“Survey respondents with higher levels of financial literacy were more likely to have heard of Bitcoin, but were less likely to own it.”

(INVESTMENT EXECUTIVE 2019)⁶⁷

**ING International Survey – New Technologies
(ING International Survey, 2019).⁶⁸**

“Many know little about cryptocurrencies.”

“A positive outlook doesn’t mean high knowledge. When attitudes were compared to knowledge of cryptocurrencies, it was the people who knew not much or a little, who were more likely to be positive about the future use of cryptocurrencies.”

“When asked about 5 key crypto features, groups with lower or medium knowledge were more likely to demonstrate a positive attitude towards the use of cryptocurrencies, compared to the group with higher knowledge.”

- The knowledge gap extends to all stakeholders, including the merchants themselves. Suppliers to the Canadian Bitcoin industry consistently referenced the lack of merchant understanding as it related to the comparable benefits / risks of digital currency, usage options, differences between various forms of cryptocurrency, how to complete a transaction, the transaction / confirmation process and timing, and related fees.


“It’s not established and not a lot of information is available and seems like it would be complicated to set up.”

(BUSINESS OWNER)

⁶⁶ Tom Rodgers – Forbes, “95% Of Volume Could Be Wash Trading As Bitcoin Price Surges”, <https://www.forbes.com/sites/tomrogers1/2019/04/04/99-of-volume-could-be-wash-trading-as-bitcoin-takes-back-5000/#2c65451523d5>, April 2019

⁶⁷ James Langton – Investment Executive, “Bitcoin usage up, Bank of Canada finds”, <https://www.investmentexecutive.com/news/research-and-markets/bitcoin-usage-up-bank-of-canada-finds/>, November 2019

⁶⁸ ING International Survey – “From cash to crypto: the money revolution”, https://think.ing.com/uploads/reports/IIS_New_Tech_Cryptocurrencies_report_18092019.pdf, September 2019



"There is a lack of knowledge about the process to transact from everyone involved, consumers, employers and regulators."
(IT CONSULTANT)

"It's a learning experience for everyone."
(BITCOIN-ACCEPTING FINANCIAL INSTRUCTOR)

"Understanding is not correlated with awareness."
(CEO OF BITCOIN EXCHANGE)

"No one has made enough of a statement to merchants, and regulators have not wrapped their hands around this."
(WALLET DEVELOPER)

"There is a gap between the level of understanding and just what is needed."
(DIGITAL EXCHANGE EXECUTIVE)

"They don't understand the benefits, nor the difference between one digital currency and another."
(PLATFORM DEVELOPER)

"Besides investing, users must better understand with a wider lens the reasons for use."
(IT CONSULTANT)

"The most common issue the industry is dealing with is a lack of understanding."
(STRATEGIC ADVISOR)

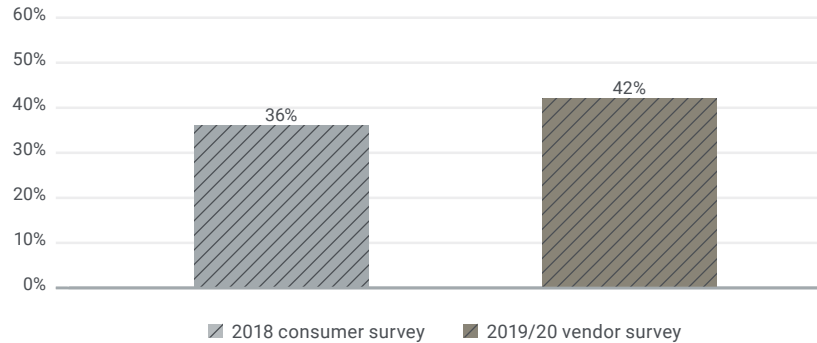
"Education is needed for advisors and for those who educate the advisors."
(DIRECTOR OF ALTERNATIVE TRADING SYSTEM)

Canadian retail vendors who do not accept Bitcoin as a payment alternative note a lack of knowledge about the benefits as a reason for not accepting it currently, and a motivating factor to begin accepting it moving forward.

As shown in Figure KF-24, more than four in ten vendor respondents identified more knowledge of the benefits of Bitcoin as a primary motivator to begin accepting, slightly higher than the percentage of consumers stating the same (based on the earlier *'Bitcoin Sentiment Tracker'* in 2018 targeting consumers).



FIGURE KF-24: 'LEARNING MORE ABOUT THE BENEFITS' AS A PRIMARY MOTIVATOR TO BEGIN USING / ACCEPTING BITCOIN VENDORS VS. CONSUMERS



- Bitcoin stakeholders in Canada believe the responsibility for educating the public and merchant sector must fall on those profiting most from the business.

"Those making money on it must promote it."

(TECHNICAL LEAD)

"Those in the know must prove to others that it works."

(DIGITAL EXCHANGE EXECUTIVE)

"The driver should be exchange vendors, backed by easy-to-use applications."

(C-LEVEL EXECUTIVE AT CURRENCY EXCHANGE)

"Education is key. It's the responsibility of the merchants."

(DEVELOPER OF CRYPTO WALLET)

"Everyone shares that responsibility, the industry association, the media, and all companies involved."

(STRATEGIC ADVISOR TO CRYPTOCURRENCY INDUSTRY)

"We're just behind other countries when it comes to education. There's just not enough urgency. More needs to come from digital exchanges and the government."

(DIRECTOR OF BUSINESS DEVELOPMENT)

"It's the responsibility of all those operating in the space."

(BITCOIN ENTREPRENEUR)

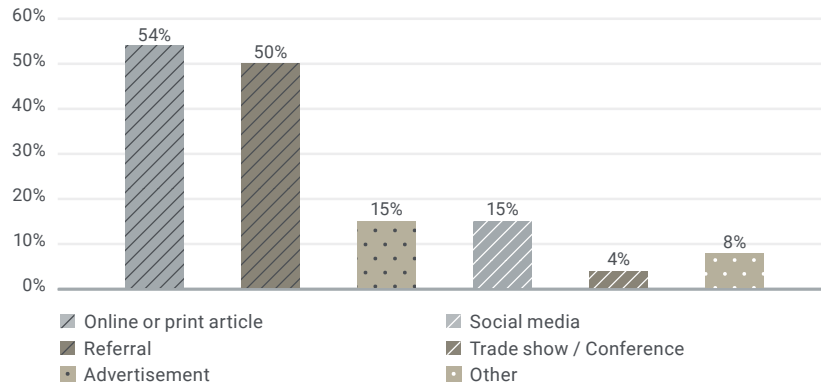
"Education must come from the businesses providing access and associations promoting that access."
(BANKING EXECUTIVE)

"More information must come from government and all those who believe in it."
(BLOCKCHAIN EDUCATOR)

Many build their knowledge of cryptocurrency passively. Study respondents commented that the methods chosen to educate the public should factor in those sources most used / received by the merchants themselves.

As shown in Figure KF-25, retail vendors primarily learn about Bitcoin through educational articles and direct referrals from others.

FIGURE KF-25: SOURCE FOR LEARNING ABOUT BITCOIN PRIOR TO ADOPTION
BUSINESSES ACCEPTING BITCOIN PAYMENTS FROM CUSTOMERS





Those merchants who choose to participate may be willing and able to leverage Bitcoin within a framework driven by industry standards and regulatory oversight.

While Bitcoin purists take pride in the notion that its network is powered by a structure with no central authority nor middleman, an opinion was echoed among merchant respondents that more consistent operational standards, support from the traditional financial sector and regulatory oversight in some form are all in order to accept the realities of the marketplace, and allow the industry to grow and mature.

- Officials overseeing other financial markets appear to accept the cryptocurrency movement, but speak to the need for further regulation within this sector.

“The evolving landscape of the industry prompts us to clarify our regulatory framework so as to better support fintech businesses seeking to offer innovative products, services, and applications in Canada.”

(LOUIS MORISSET, CHAIR OF THE CANADIAN SECURITIES ADMINISTRATORS – CSA, 2020)⁶⁹

“We must adapt to innovation, and provide clarity to the market about how regulatory requirements might best be tailored and applied to these unique business models, while maintaining investor protection.”

(ANDREW J. KRIEGLER, PRESIDENT AND CEO OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA – IIROC, 2019)⁷⁰


“We have to get to a place, in my view – just speaking for myself – we have to get to a place that we can be confident that trading is better regulated.”

(JAY CLAYTON – SEC CHAIRMAN, 2019)⁷¹

⁶⁹ Arnab Shome – Financial Magnates, “Canada Puts Most Crypto Exchange Under Securities Laws”, <https://www.financemagnates.com/cryptocurrency/regulation/canada-puts-most-crypto-exchange-under-securities-laws>, January 2020

⁷⁰ Yogita Khatri – CoinDesk, “Canadian financial regulatory authorities are considering putting in place rules for cryptocurrency exchanges in the country.”, <https://www.coindesk.com/canada-proposes-regulatory-framework-for-cryptocurrency-exchanges>, March 2019

⁷¹ William Foxley, CoinDesk, “SEC Chair Clayton: Bitcoin Needs ‘Better Regulation’ Before Major Exchange Listing”, <https://www.coindesk.com/sec-chair-clayton-bitcoin-needs-better-regulation-before-major-exchange-listing>, September 2019

- 
- Those reporting on the cryptocurrency industry comment that some form of regulation is likely to take place, if only to provide a greater level of steadiness the market calls for.

"In the short term, regulations can suppress the trading values of cryptocurrency. But in the long term, it's expected that regulations if done properly, will stabilize the market and make it a safer investment."

(THE BALANCE, 2019)⁷²

"The big question in crypto is: Can we enter a phase where it's stable? We have standards. It probably can't exist in the complete absence of regulation. That's kind of a nasty word to the cyber crypto marketplace. But, there probably – for some level of protection – needs to be some agreed regulations in national countries, but also globally."

(COINTELEGRAPH, 2019)⁷³

- Canadian suppliers to the retail industry claim there is significant pressure to operate within centralized guidelines/ requirements as there are too many longer-term obstacles otherwise.

"We won't get institutional buy in without it."

(CEO – ALTERNATIVE TRADING SYSTEM)

"Coherent welcoming is core requirement to growth."

(EXECUTIVE AT CURRENCY EXCHANGE)

"We are trying to partner with the banks and be absolutely transparent."

(C-LEVEL EXECUTIVE AT DIGITAL EXCHANGE)

"Standardized mechanisms on the backend would definitely be an improvement."


(IT CONSULTANT)

"Legal and regulatory obligations will lead to a more mature and credible industry."

(BLOCKCHAIN CONSULTANT)

⁷² Brian Edmonson – The Balance, "Can Bitcoin Regulations Make Cryptocurrency Safer?", <https://www.thebalance.com/can-bitcoin-regulation-make-cryptocurrency-safer-4173836>, March 2019

⁷³ Max Yakubowski – Cointelegraph, "Is Bitcoin a Store of Value? Experts on BTC as Digital Gold", <https://cointelegraph.com/news/is-bitcoin-a-store-of-value-experts-on-btc-as-digital-gold>, July 2019



"A central support mechanism, like a "neighborhood watch" would be a major improvement."

(BLOCKCHAIN EDUCATOR)

"Regulation will lead to more businesses involved, and open the door to more customer use."

(WHOLESALE VENDOR)

- The expectation from Canadian merchants is that evolving industry standards will allow for, and encourage, the Bitcoin (and other cryptocurrency) marketplace to further its growth and transition to a more mature form of commerce.

"Continuous advancement of infrastructure and delivery principles will lead to steady measured growth."

(CEO OF ALTERNATIVE TRADING SYSTEM)

"Achieving standards of practice will ensure industry players remain onsite."

(CEO OF DIGITAL EXCHANGE)

"Taxation will evolve and be streamlined to allow for Bitcoin payments to the government."

(STRATEGIC ADVISOR TO CRYPTO INDUSTRY)

- While **not** having a central regulator has been a core value (and quite possibly) a key selling point for Bitcoin, there may be a willingness from Canadian merchants to begin to operate within a standardized framework.

"The government must regulate it."

(BUSINESS OWNER)

"Regulations will help the industry mature."

(EXECUTIVE AT DIGITAL EXCHANGE)

"Clear legislation would be beneficial."

(FINANCIAL CONSULTANT)

"It should be regulated. I think we're moving in the right direction, and have to be if this Bitcoin movement is going to grow."

(FINANCIAL CONSULTANT)



*"While early adopters were all for decentralization,
new adopters could care less."*
(IT CONSULTANT)

"Some specific regulations would be helpful."
(DIRECTOR OF CLIENT RELATIONS)

*"Further industry imposed security [is required] in relation
to those individuals storing on our behalf."*
(TECHNOLOGY VENDOR)



Research Summary and Conclusion

A combination qualitative/quantitative study was conducted using multiple methods of assessment and feedback from a variety of stakeholders in the evolution of cryptocurrency, including global experts and Canadian merchants – i.e., retail vendors, cryptocurrency exchanges, and suppliers of credit or investment products/services that utilize cryptocurrency.

The purpose of the study is to gauge perceptions and attitudes and experiences (on their own and compared to the consumer sector), and to derive insight into the impact of merchant efforts on current and forecasted growth of Bitcoin across Canada.

The key findings of the study are as follows:

- At the current time, cryptocurrency is not widely accepted nor frequently used by Canadian merchants serving the retail marketplace.
- Of options publically available, Bitcoin is the most recognized and frequently traded form of cryptocurrency used for payment / investment purposes.
- The satisfaction level for merchants using Bitcoin varies considerably, depending on the role Bitcoin plays in their business and on their criteria for assessment.
- The lack of consumer demand for Bitcoin as a product / service payment option fuels the “chicken vs. egg” dilemma, pushing vendors to the sidelines in a ‘wait and see’ mode.
- Among Canadian merchants, there is a clear divide in perceptions around the safety / security of Bitcoin use dependent on past experience, or lack thereof.
- Merchant respondents are primarily bullish on the expected use of Bitcoin by Canadian businesses (and consumers), but foresee slow steady growth along the way.

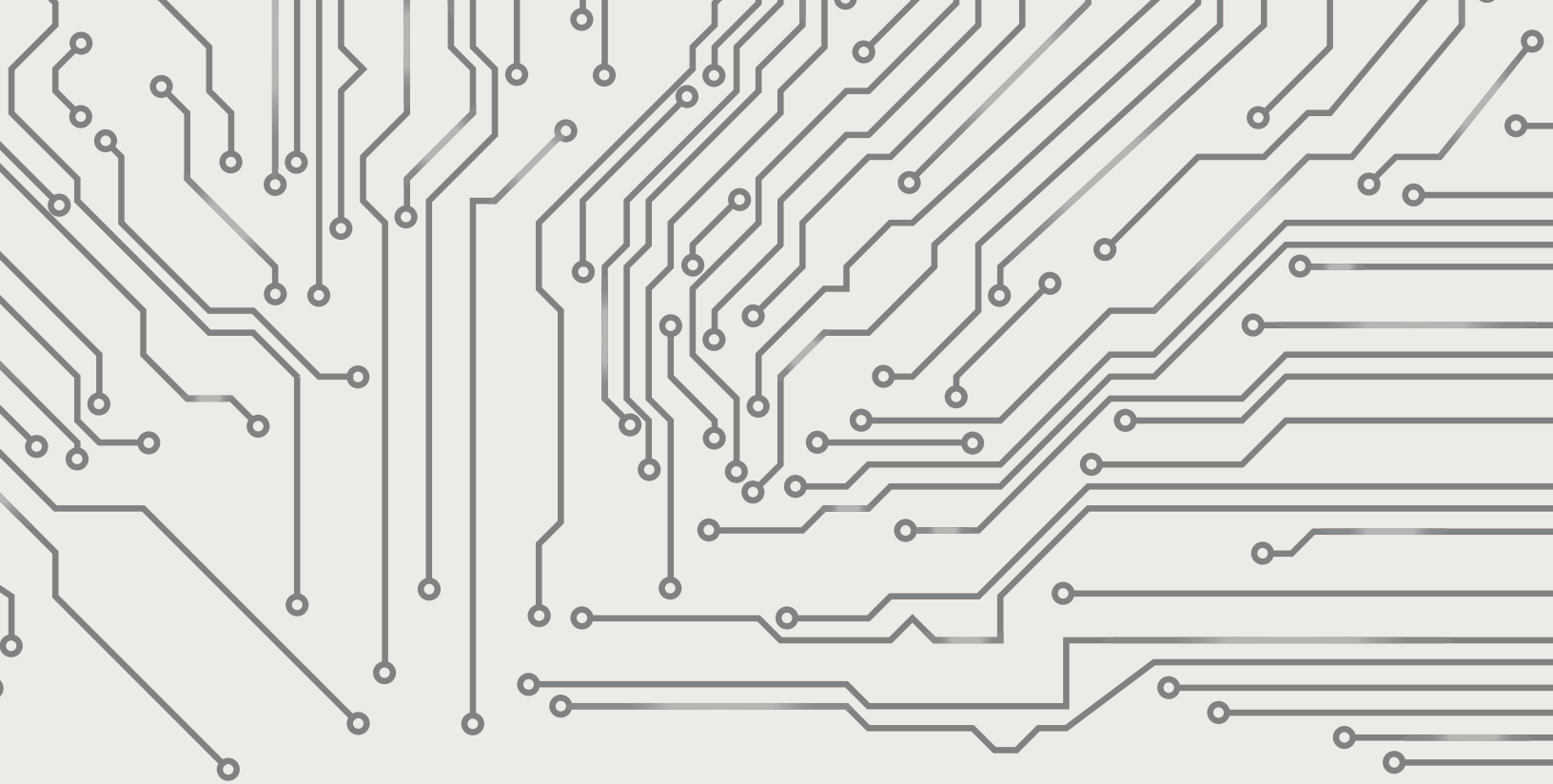


- As use of cryptocurrency evolves and further options are introduced, merchant respondents expect Bitcoin to remain an industry leading choice that complements, rather than competes with, traditional currency.
- Merchant usage of Bitcoin may expand through various innovative products and services related to investing / expense management / lending, rather than through one-off payments to retail vendors.
- There are core obstacles to Bitcoin adoption in the merchant marketplace that respondents report are presenting a significant challenge to growth of the industry, and likely won't be overcome in the short or medium term.
- The limited use of Bitcoin is, in part, due to a deficiency in public knowledge about its attributes, and how it generally operates. For use to increase where suitable for the merchant community, respondents suggest greater educational initiatives directed by, and communicated to, all cryptocurrency stakeholders.
- Those merchants who choose to participate may be willing and able to leverage Bitcoin within a framework driven by industry standards and regulatory oversight.

In summary, while Bitcoin arrived on the scene to great fanfare and promise, it has no doubt gone through booms, doom and gloom. While significant issues still persist, this form of cryptocurrency and all those associated with it have withstood the challenge, developed a strong foundation, and settled in with more realistic expectations.

Over time, respondents predict Bitcoin will remain an industry leader in cryptocurrency, and only be furthered by the growth of other cryptocurrency options. Through growth / maturity-inducing improvements and enhancements to the operational process, the use of Bitcoin by merchants is expected to grow slowly and steadily, more than likely in different ways than originally projected or intended. Merchants believe Bitcoin will likely act as a core complement to traditional currency rather than a substitute, offering an alternative option for consumer and merchant investments, expense management, or lending.

Operating friction in many forms will need to be reconciled along the way, as well as overcoming the bumps and hurdles presented by those more entrenched in supporting traditional currency. As well, those merchants who can potentially benefit from Bitcoin will need to be sufficiently educated about how it functions prior to including it as a component to its everyday operations. However, respondents foresee the industry being primed to evolve from the original utopian idea of a totally decentralized peer-to-peer cryptocurrency system to one that operates within a more standardized framework overseen by some to-be-determined regulatory arrangement.



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