

Virtual Currencies: What Role for Postal Operators?

International Online Forum

“Virtual currencies : Exploring a Potential Role for Postal Operators”

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Agenda

- 1. Characteristics and challenges of virtual currencies**
- 2. Postal opportunities in existing virtual currencies**
- 3. What about a Postcoin?**

Virtual Currencies

Characteristics and their Implications

Virtual currency characteristics

- **Algorithmic money creation**
No fractional reserve
- **Peer-to-peer transactions**
- **Decentralized ledger**
- **No «backing»**
Floating exchange rate

Implications

- **Limited money supply**
No need for a central bank
- **No need for commercial banks**
and payment processors
- **Irreversibility of transactions**
- **«Fair» value?**
High volatility

Virtual Currencies

Current Challenges

Characteristics and implications

- **Limited money supply**
No need for a central bank
- **No need for commercial banks**
and payment processors
- **Irreversibility of transactions**
- **«Fair» value?**
High volatility

Virtual currency challenges

- **Who is in control?**
- **Where to buy coins?**
How to safely store them?
- **What if I make a mistake?**
- **How to protect my wealth?**

Virtual Currencies

Postal Opportunities Step 1

Virtual currency challenges

- Who is in control?
- Where to buy coins?
How to safely store them?
- What if I make a mistake?
- How to protect my wealth?

Postal opportunities

- ?
- At the post office!
On a postal account!
- ?
- ?

Great opportunities for posts to

- leverage local postal presence
- complement e-commerce

- leverage existing banking / money transmitter licenses



Postcoin

Postal Opportunities Step 2

What about the global postal network?

What about the posts' strong reputation?

Postcoin (colored Bitcoin)

Currency

Issued by network of postal operators

Variable supply, backed by «something else» (SDR, Gold,...) → Fixed exchange rate

Option for reversible transactions

Conversion to local currency through posts

Existing virtual currency (Bitcoin)

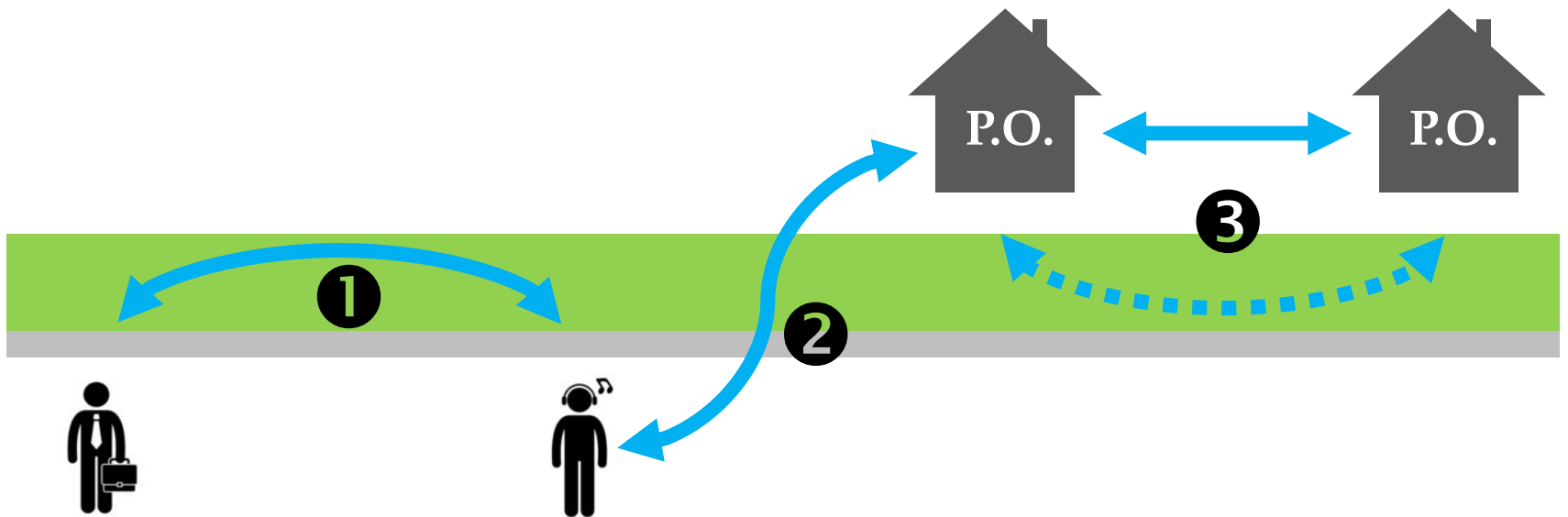
Protocol

Peer to peer transactions

Distributed ledger

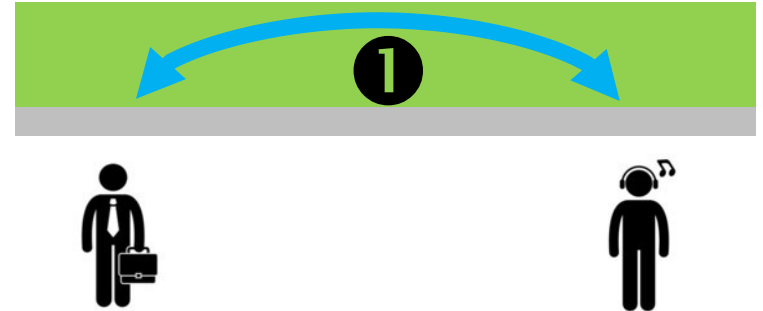
Resilience through large size of the network

Postcoin Transaction Types



Postcoin

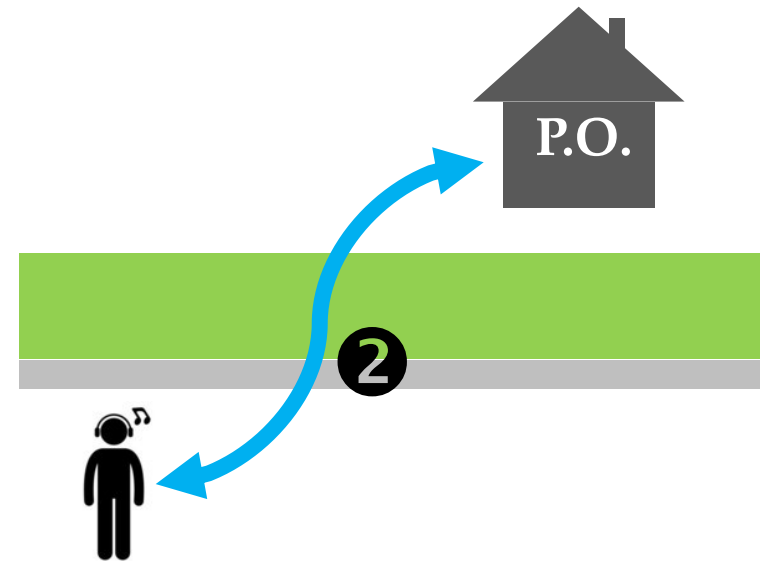
① Peer to Peer Postcoin Transaction



- Transaction in Postcoin
- No post involved
- Irreversible
- «Fixed» value of the transaction

Postcoin

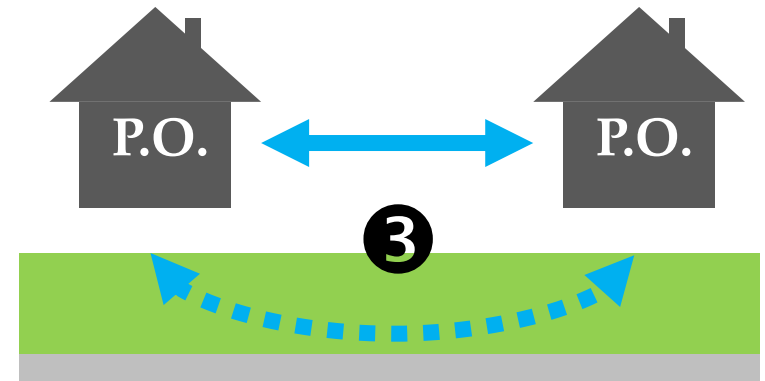
② Currency Exchange



- Exchange Postcoin for local currency at «fixed» rate
- Keep Postcoin on account or withdraw to own wallet

Postcoin

③ Post to Post Transaction



- Transaction in Postcoin between posts (nationally or internationally) on customers' behalf
- Transaction on the Bitcoin blockchain (irreversible) or
- Transaction off the blockchain, directly between posts (possibly reversible)

Conclusion

- Virtual currencies offer great opportunities. However, there are still obstacles for widespread usage.
- Bitcoin as a currency and a payment system does not need institutions. However, there is a role for trusted parties.

Posts could fill this role as an interface between virtual currencies and the physical world by leveraging their local presence and their global network.

- Bitcoin as a protocol is flexible and can be extended.
Posts could add their own color to the system (“Postcoin”) by leveraging their reputation and using their existing regulatory status.
- Business opportunities for posts include
 - exchanging Bitcoin and/or Postcoin for local currency over their counters or online
 - safely storing Bitcoin and/or Postcoin
 - enabling remittances at low price by connecting with each other.

About Swiss Economics

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- Located in Zürich, Switzerland
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- Formed by professors and researchers at the most prestigious universities in Switzerland
- Broad experience in giving economic advice to corporate and public-sector clients using state-of-the-art economic methods
- Regular contributions to international conferences and journals on topics in applied economics

Thank you!

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