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ON BOARD FOR BITCOIN?

As more financial institutions agree to accept and settle transactions with crypto currencies, companies may need to evaluate their strategies—and be prepared to defend them to shareholders.

IN FEBRUARY, TESLA CEO Elon Musk announced purchasing \$1.5 billion in bitcoin for his company and planning to allow customers to purchase Tesla vehicles with cryptocurrencies. In an SEC filing, the company said purchasing bitcoin provided “more flexibility to further diversify and maximize returns on our cash.”

More corporate moves on bitcoin followed, with Visa and PayPal announcing plans to allow transactions on their payment networks to be settled in bitcoin, and Morgan Stanley deciding to allow its financial advisors to place clients into bitcoin funds. Other companies, including Goldman Sachs, reported considering developing some aspect of their business around accepting bitcoin and other cryptocurrencies.

PayPal CEO Dan Schulman is among the growing number of business leaders expressing enthusiasm for the potential uses of digital currencies. In fact, the company has set up an entire business unit dedicated to cryptocurrencies. “Making digital currencies, including the digitization of fiat currencies, more useful, understood and ubiquitous will go a long way to driving greater digital payment use and utility,” Schulman wrote in a recent op-ed. “The benefits are legion, particularly for businesses and consumers—presenting an opportunity to engage in cheaper, safer and more efficient transactions while meeting widespread consumer demand for the expansion of payment options.”

Visa CEO Al Kelly recently discussed his company’s digital currency strategy: “We’re trying to do two things. One is to enable the purchase of bitcoin on Visa credentials,” he told *Fortune*. “And secondly, working with bitcoin wallets to allow the bitcoin to be translated into fiat currency and therefore immediately

be able to be used at any of 70 million places around the world where Visa is accepted.”

As more financial institutions and payment companies agree to accept and settle transactions with cryptocurrencies companies should consider whether digital currencies are likely to truly go mainstream and, if so, how such a change will affect their future.



Boards can start by creating/designating a committee to study the company’s potential uses of, and benefits from, cryptocurrency.

The board and the company management team need to discuss their views on digital currencies and how the company might incorporate digital currencies into business operations. While their use may not be appropriate for every company, boards can evaluate how they might be able to use and benefit from digital currencies in the future. Such discussions can help develop a timeline for adoption, estimate the cost of transitioning to accepting cryptocurrencies and assess potential savings and financial gain from accepting cryptocurrencies.

Consider how using bitcoin as a financial tool could help the company. Musk ap-

pears to be betting on bitcoin becoming as valuable and interchangeable as gold. Some companies have followed his lead and are buying bitcoin in bulk. In February it was reported that business analytics firm MicroStrategy held 71,079 bitcoin in reserve (roughly \$3 billion at the time), and crypto-focused merchant bank Galaxy Holding had 16,402 bitcoin (roughly \$770 million at the time).

A number of companies are also experimenting with blockchain networks that use smart contracts, which will use digital currencies. Companies considering the use of blockchain technology should also weigh how digital currencies will factor into that strategy.

Anticipate change so the company is not left behind.

Sometimes boards must be open to changes they might initially oppose. At a minimum, boards should monitor the mainstreaming of bitcoin and other cryptocurrencies among their customers and

within their industry—especially among its peers. If every other company in your industry is preparing to accept bitcoin to settle transactions, it makes sense to look into preparing for the coming change as well. Alternatively, the board should prepare evidence to show investors that the rest of the industry is wrong about bitcoin adoption and offer reasons why the course that they have set is in the best interests of the company’s long-term growth. **CBM**



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