Fintech Select CEO on their competitive cryptocurrency solutions for point-of-sale

Mohammad Abuleil, CEO and Director of Fintech Select Ltd. (TSXV: FTEC) ("Fintech Select") in an interview with InvestorIntel Senior Editor, Jeff Wareham discuss their pre-paid card programs and point-of-sale cryptocurrency solutions. Fintech Select has been in the financial payment services market for over 18 years, originally deploying pre-paid card programs with various organizations and government agencies. To further expand Fintech Select's financial services, they saw an opportunity to simplify the current process of buying and selling cryptocurrencies for the non-experienced consumer. Mohammad explains Fintech Select's cryptocurrency solution process is 1) a customer logs into Fintech Select's website with their information, 2) once logged in the customer links their closed loop card with their digital one, 3) when the customer goes to one of Fintech Select's point-of-sale locations they swipe the card and are be able to buy Bitcoins that will be deposited instantly into their digital wallets. He then goes on discuss the point-of-sale location network and what investors can expect to hear in the coming months.

Jeff Wareham: Fintech Select is inn point of sale and cryptocurrency. Everybody in the market is buzzing about both of those areas right now. Tell me a little bit about the company.

Mohammad Abuleil: Fintech Select has been in the market in serving its customers in financial payment services for more than 18 years. We have been deploying our prepaid card programs across multiple organizations and government parties as well. In an event, to keep expanding on the financial services that we provide, we started actually looking into expanding the point-of-sale cryptocurrency solutions and peer to peer solutions to the marketplace. The point of sale cryptocurrency actually, the idea behind it is to facilitate and simply the cryptocurrency transactions to Canadians where they can just have access at our point of sale locations to buy and sell cryptocurrency in a very fast and easy way than what exists now.

Jeff Wareham: You indicated that a lot of your clients are typically clients that are now dealing with banks. How do they come in contact with your company?

Mohammad Abuleil: Over the years the company has built a very good network of point of sale locations and retailers where we are going to try to utilize to you with this access of distribution network and retailer network. People will be going to these point of sale locations and with cash payments they can be able to buy cryptocurrency and Bitcoins in this way.

Jeff Wareham: They would be purchasing these Bitcoin cards. Is that the plan?…to access the complete interview, click here

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Blockchain – The Chains that Set You Free

In the film, “The Graduate”, the unworldly character Benjamin (played by Dustin Hoffman) is told at the cocktail party that there is one word that he should know and that word is “plastics”. We are not sure in light of plastic’s progress over the last 40 years whether that would have been the best of tips. However in this day and age, someone is more likely to sidle up to you at a party and whisper, over the tinkling of martini glasses, the words, “blockchain or “crypto-currencies”. Not quite as sexy as plastics but definitely more tongue-twisting.

In the Beginning….

… there was Bitcoin…. and it was bad. Well, at least Central Bankers didn’t like it… and neither did Jamie Dimon…. hmmm.. so it must be good..

The first distributed blockchain was conceptualised by an anonymous person or group known as Satoshi Nakamoto, in 2008 and implemented the following year as a core component of the digital currency – BitCoin – where it serves as the public ledger for all transactions. The invention of the blockchain for bitcoin made it the first digital currency to solve the double spending problem without the use of a trusted authority or central server. The BitCoin design has been the inspiration for other crypto-currencies and applications.

Distributed Ledgers

Back in our days of working in Latin America (and Turkey) it was well known that most private companies, and more than a few public companies with family dominated registers, had multiple sets of books. There would be one for the owner (i.e. the CEO), another to show the family shareholders, yet another to show the tax man and another for regulators and the exchange if the company was publicly listed. All would look quite dramatically different in the numbers they showed.

Blockchains with their distributed ledgers are the very opposite of this. Despite the fact they have multiple copies they are in fact copies of copies and should all be the same. It’s the fact that various people hold the same copies that we are supposed to have confidence in their incorruptibility.

Indeed the coding is the modern equivalent of indelible ink. Once a transaction is in the ledger it cannot be expunged, and is replicated in all the copies.

The less folksy explanation of a blockchain is that it is a continuously growing list of records, called blocks, which are linked and secured using cryptography. Each block typically contains a hash pointer as a link to a previous block, a timestamp and transaction data. By design, blockchains are inherently resistant to modification of the data.

Therefore a blockchain can serve as "an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way." For use as a distributed ledger, a blockchain is typically managed by a peer-to-peer network collectively adhering to a protocol for validating new blocks. Once recorded, the data in any given block cannot be altered retroactively without the alteration of all subsequent blocks, which needs a collusion of the network majority.

Its enthusiasts would reassure us that blockchains are secure by design and are an example of a distributed computing system with "high Byzantine fault tolerance". Decentralized consensus has therefore been achieved with a blockchain.

So blockchains are now good for more than just recording cryptocurrency transactions. This makes them potentially suitable for the recording of events, medical records, and other records management activities, such as identity management, transaction processing, documenting provenance, or food traceability. Makes us wonder even about the audit trails on conflict minerals.

Moneyness

It seems appropriate that having founded a research firm based upon Austrian School of Economics, and yet rarely getting to speak of it, that blockchain should bring us the opportunity to quote the school's founder, Carl Menger, on the subject of "moneyness". This concept is oft trotted out by gold's fans to decry *fiat* currencies, which they claim are being debased. The debate now raging is whether crypto-currencies have moneyness or not.

To gauge this we should look at the three key identifiers:

- Medium of exchange (which BitCoin definitely has in a rising number of transactions)
- Store of Value (more a matter of perception than anything else)
- Unit of account (do people value "things" in terms of BitCoin?)

To have moneyness one must meet all three criteria. Even hard core critics would agree the BitCoin, for instance, has the first requirement down. We would argue it has the second by having become the *fiat* currency for the shady netherworlds where people moving large quantities of (drug/gun) money are having to trust in its intrinsic value (if only transitory for as long as they hold the stock of funds in the crypto-currency).

Then there is the unit of account. This is only a heartbeat away. So far BitCoins are valued by what they are worth in other currencies i.e. "so many dollars". But when existing currencies are valued the other way around e.g. how many ringgit can you get for a BitCoin, or cars or property valued in BitCoin, then cyrpto-currencies come up with three matching fruit in the slot machine and they are off to the races (so to speak).

We awoke to the news this week that the Chicago Mercantile Exchange will shortly begin trading BitCoin futures and this prompted several thoughts. The first being, here comes legitimacy. The second being, the Fed must being having conniptions. The third being: Is this just an attempt by the big banks to get part of the action in manipulating the price of BitCoin (oh, no, not you Jamie Dimon, perish the thought)?

Conclusion

When Jamie Dimon rides in to attack BitCoin one knows that the Powers That Be are getting nervous. Fortunately Jamie is no longer regarded as the 800lb gorilla of the financial space but more of a toothless Rottweiler lapdog of the Central Bankers (to mix a few metaphors) and he has now managed to make himself the subject of chuckles whenever mention is made of crypto-currencies.

When his intervention is combined with Chinese measures to suppress BitCoins (they never control other financial bubbles) then one starts to suspect that the Chinese public (and the broader BitCoin universe of users/holders) may actually be onto something.

On a broader front the war against the public's right to transact is under attack with governments withdrawing large denomination bills and Turkey banning PayPal. The slogan for the masses should be "BitCoin will set you free". However with the CME getting in on the act, one then wonders if the institutionalization of BitCoins isn't going into turbocharged mode before crypto-currencies escape the government's grasp, particularly in the Land of the Free.

Bitcoins – An Existential Threat to Gold?

Bitcoins and gold have dwelt in different realms (or so it seemed) since the eruption of cryptocurrencies on the scene only a few years ago. First seen as a plaything of nerds and geeks and then of dubious backing and even more dubious accounting, it was easy for Gold Bugs to discount its rise and say “nothing to do with us”.

The Gold Bugs and Silver Nuts have long railed against JP Morgan and the Bilderbergers as the Great Satans undermining their favorite metals. It’s harder for them to find someone specific to stick horns on and to hand a pitchfork to in the case of the rise of Bitcoins and their existential threat to gold as a “medium of exchange” and “store of intrinsic value”. Bitcoins are an intrinsic store of no value and yet are still managing to steal gold’s clothes (and its thunder).

What Has Happened

Bitcoins have gone through quite a lifecycle in their brief existence. Values have soared and plummeted in quite short time spans. After the initial flourish their very existence was called into doubt by officialdom seeking to crack down on them via a string of arrests in relation to the Mt Gox “fraud”, most prominently one Alexander Vinnik. However the “virgin birth” of Bitcoins brought with it a scenario where it was difficult for governments and Central Bankers (and their enforcers) to cut off the head of the beast if it could not locate the head and the arrests and the subsequent survival of the cryptocurrency showed that parentage was not important and that the international enforcers were having difficulties identifying the correct DNA in Bitcoin’s original make-up.

Cut free of ties to any one person, or persons, the beast was freed to roam stateless and yet gaining in strength all the time, a sort of Currency Godzilla. The very statelessness has, I believe, led to this latest phase. Around the world various governments have stepped up their anti-money laundering measures with one of the futile measures being the elimination of large denomination bills. These have long been the stock in trade of smugglers, most notably in the drug world. The US and

Europe have cut lose their big denomination bills and the Indian government in a phenomenal own-goal even eliminated bills in daily use by the population without generating enough smaller bills to replace them.

As the darkweb has grown in importance it was almost inevitable (but to officialdom, surprising) that a currency would appear to oil the wheels of this new economy for buying weapons, narcotics and just about anything else that one didn't want one's government to know you were buying. Bitcoins have become the fiat currency of the netherworld. The result as we can in the chart below has been a burgeoning in the price of Bitcoins:

Some other currencies have been spawned none have gained the currency (pardon the pun) that Bitcoin have. Frankly who needs them?

Sensing the Desperation

That the well-known and esteemed Jeff Christian of the consulting group CPM should have ridden to gold's defence against the Bitcoin "threat" in late August is in itself a smoking gun. Indeed in a form of back-handed flattery he referred to it as the "ultimate fiat currency."

"I don't know anybody who believes that bitcoin is a safe-haven asset," he said in an interview with BNN. "Bitcoin is no tangible asset, it is based on the full faith and credit of anonymous people who create it on the internet, some of whom may well be criminal."

Despite this, research produced by Cambridge University in 2017 claimed that there are 2.9mn to 5.8mn unique users using a cryptocurrency wallet. That many people can't be wrong, or can they?

Paranoia and/or illegality

And well should gold feel threatened. For years the gold bugs have been claiming "we woz tricked" and that the gold supposedly backing ETFs did not really exist or, even more dastardly, was actually being used to short the gold price. This has left the door wide open for another crypto-asset to walk in and make a claim to represent itself as a fiat currency. Indeed by all accounts the fact that Bitcoins have been able to exist despite the best efforts of governments and Central banks to thwart its rise makes it an interesting alternative even to hardcore precious metals mavens who have fears of government control lurking in their subconscious. The denizens of the criminal community have also found that Bitcoins provide a good medium of exchange to get around attempts by the EU and the US to eliminate the large denomination bills that oiled the wheels of transactions in the drug trade. In a globalized world the consumers have found their ultimate globalized currency and it is not the US dollar or gold. Indeed gold's portability and physicality are its downfall in servicing the needs of the type of people who use and indeed "need" Bitcoins. Who needs a Swiss bank when one has a bitcoin wallet?

Conclusion

Gold's essential qualities of physicality and portability have long been its main selling points. While some to point to its shining attractiveness that means little for the vast mountains of the physical metal stored at Fort Knox and in the Bank of England.

The issue now is whether the Powers-That-Be, with their immense financial firepower, will be able to engineer a crisis or crash in the Bitcoin market that will send it tumbling back to earth. Such an event might revindicate forever the gold bugs. However if it doesn't happen then Bitcoins may take flight within the next year or two changing perceptions of what a fiat currency is and redefining the term "store of value" for a digital age. That would not be good for gold.

In concluding we might remind investors of Gresham's Law that says "bad money drives out good". This leaves gold bugs torn. They have spent so long decrying the debasement of fiat currencies that now when the final apogee is near and gold ready to be crowned in glory as the only true currency, along comes a digital cryptocurrency without two brass washers backing its existence and trumps gold at what they thought only gold could do best.

Euroclasm – Opportunity Knocks

At the root of the Euro crisis is one fundamental error in the dim dark past. The Germans for a long while suffered from a strong Deutschmark and so they should have because of their export miracle. So for those with long memories will recall that the launch of the euro at the turn of the New Year from 1998 to 1999 it originally traded at Euros 1.1795 to the US dollar. All well and good. This coincided with the last frenzied surge of the USD related to the tech boom that came to grief in early 2000. The Euro fell as low as 0.8225 in October of 2000.

After that event the Euro went on a tear, soaring on the back of Germany's export performance and the strength of the export economies of the likes of the Netherlands, Austria and France during the good years as Greenspan and his followers ran the printing presses and US consumers went on a spending spree for European goods.

The euro was a boon for the Germans as it diluted the effect of the strong Deutschmark (until 2008) and created a captive audience of countries whose own export capabilities had been annihilated. Had the Euro never been introduced, the Deutschmark would have soared in the early part of this century and plunged Germany into a Japanese-style high-currency, low-growth scenario. That was, and is, Germany's predicament and root fondness for the Euro experiment. A "core" Euro of only Northern European states would start soaring and bring back Germany's eternal dilemma.

The problem for Greece, Ireland and Portugal was that what low tech industries they had were crushed by the rising exchange rate. Textile manufacturers faded in the face of cheaper Chinese competition while German machine tool makers essentially had no competition. The Euro eventually attained it's all-time high l of 1.6037 in July, 2008 in the wake of the U.S. sub-prime mortgage crisis that led to the collapse of Lehman Brothers in September of that year. By that stage Portugal, Greece and Spain had been turned into economies built upon a nefarious combination of tourism and building booms while Ireland was a wonderland of tech company tax-dodging and riotous overbuilding until 2008 when it returned to its historical role as exporter of the destitute young (another factor in common with Greece).

Argentina and Greece – Parallel Paths

It is useful to look at the two interesting currency "works in progress" at the moment, and these are Argentina and Greece. I won't give a long disquisition here but… the British Foreign Office has now warned holidaymakers to take a lot of cash in euros, enough for several days, on their summer trips.

The clear message here is that Grexit may be imminent and when it comes a total paralysis of the Greek banking system might ensue with ATM cards AND credit card transactions ceasing to function. Speculation has also included rumours that in such a situation the state might start issuing IOUs which would become the "new drachma" and a medium of exchange. All this reminds us of the pseudo-currency BoCones (*Bonos de consolidacion*) that became a widespread means of exchange in the wake of the 2001 meltdown. The government of the largest province (Buenos Aires) paid its suppliers with these who then used them to pay their own taxes and utility bills and around and around they went with civil servants using them to pay their bills and eventually becoming a parallel currency in the whole community.

This was Gresham’s Law at work where bad money pushes out good. Frankly Greece adopting something like this would be the “soft” way of breaking in a new currency. After all, Greece and Argentina have followed parallel paths since the start of the 19th century with defaults and devaluations being meat and drink to the both of them.

That brings us to the current state of things in Argentina. Curiously BoCones are not the pseudo-currency of choice any more, Bitcoins are. Yes, apparently Bitcoins are becoming a favored means of exchange. We suppose it’s the spread of the internet and the fact that no provincial government in Argentina would dare fly in the face of Cristina Fernandez de Kirchner by issuing BoCones-like instruments again. Things are also different in that it’s not exactly an internal meltdown going on and inflation is steadily rising but not soaring. Now it is primarily foreign exchange restrictions and the heavy burden of taxes and levies that are driving the desire to transact certain barter-like transactions in the latest fiat pseudo-currency. Little does the man in the street in Argentina realise that Bitcoins are having their own swoon at the moment.

So it could be out of the frying pan into the fire. However, one might speculate that if Greece goes over the edge then Bitcoins might have to duke it out with “new drachmas” printed on toilet paper for the affections of the Greek public (and the visiting tourists) over the summer season.

Conclusion – PIIGs Might Fly

My observations on this subject are not merely academic as I rode the Argentine roll-coaster from 1989 until its bitter end in 2001. Defaults however are not new and not confined to Argentina (or Greece) alone. Malaysia instituted capital controls during the meltdown of 1997 and it was years before these were eased. The key difference is that Greece is in the Euro mechanism and its ejection or departure sets all sorts of precedents. For a start Cyprus, which is a “client” of Greece (and had its own banking crisis in 2013 that was barely contained) would definitely be an “odd-man-out” if it stayed in the Euro mechanism when the economy with which it is symbiotically connected departed.

Other European states that have had dodgy finances in recent years might be tempted to go NOT by the traumatic treatment Greece has had meted out to it but rather if Greece experiences a strong economic rebound post-departure. If Greece for instance was rocking and rolling again in three years from now, with its debt wholly or partially cast into the dustbin of history and the drachma back in full force then envious eyes would be turned by the Italians, Spanish and Portuguese who have long suffered from an overvalued Euro crushing their footwear and textile industries to the benefit of the Chinese and the Germans.

While I discussed Bocones/IOUs and Bitcoins as temporary alternatives that would be all they would be. Greece staying as a half-in/half-out participant in the Euro mechanism would be combining all the disadvantages and none of the advantages. A return to the drachma would be inevitable and indeed welcome. If I had been the Greek finance minister I would have had an enormous mountain of these printed and waiting in an aircraft hangar somewhere. However the mere whiff that such a stockpile of crisply minted bills existed might have accelerated things even faster than they have moved already. And that might not have been a bad thing with the all-important tourist industry seeing cancellations numbering tens of thousands per day. Greece needs a medium of exchange and it is quite clearly NOT the Euro if the circulation of them has dried up.

So will it be drachmas, euros, IOUs or Bitcoins? To paraphrase Gresham, let the worst currency win!