

Investors to mainstream bitcoin



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When Bitcoin emerged five years ago, it was the payment system many geeks and enthusiasts had dreamed of: an international, decentralized, anonymous, and transparent virtual currency that could potentially replace inefficient traditional ones.

But even though Bitcoin remains very far from mainstream adoption, a new chapter just possibly may be dawning for the controversial currency.

Up until now, the cryptocurrency has been way too complex for most people to comprehend (feel free to explain to your family concepts like “blockchain,” “exchanges,” and “mining”). It has been tied to illegal activity.

The prominent Japan-based Bitcoin exchange called Mt. Gox notoriously imploded, destroying many traders’ holdings. Perhaps worst of all, its value spikes and plummets regularly. Would you want to sell your car in exchange for something that might be worth half as much a day from now?

As investor Andy Kessler recently wrote in the Wall Street Journal, Bitcoin participation requires “a certain faith in the benevolence of strangers.” (Not really benevolence, as miners get rewarded with bitcoins).

But instead, the general public is ambivalent at best about the virtual currency, while many Bitcoin-related startups fight an uphill battle to convince the world that it is at least comparable to its established counterparts, if not better. Some retailers are pro-Bitcoin as well.

Overstock and TigerDirect now accept it as payment.

Now, new services are emerging that may be able to offer easier, frictionless, burden-free experiences. Two weeks ago Circle launched as a free Bitcoin consumer-finance company. It will allow users to send, buy, and store Bitcoin free of charge; the business is a break from the fee-based Bitcoin consumer services that have prevailed up until now.

And three weeks ago, Cameron and Tyler Winklevoss, famous for having been portrayed in the movie *The Social Network*, disclosed that they would list a Bitcoin exchange-traded fund on the Nasdaq. The Winklevoss Bitcoin Trust aims to make investing in bitcoins as easy as buying shares of a public company.

Circle co-founders Jeremy Allaire and Sean Neville built their company aiming to instill a level of consumer confidence and trust that other Bitcoin companies lack.

For starters, instead of “buying, selling, and exchanging” bitcoins, Circle customers will engage in more familiar banking activities: making deposits and withdrawals, or sending and spending bitcoins. Those simple services—deposits, withdrawals, and storage—are free. Phone support, military-grade encryption, and insurance from theft are also standard features to inspire trust.

The Winklevoss twins, who have themselves been Bitcoin investors for some time, are also bullish on the future of the digital currency and believe there should be easier ways to invest in it. They established their fund for people who are eager to invest in the currency, but who don't want to actually own bitcoins.

Their first-of-its-kind exchange-traded fund can be bought and sold on the public markets like a stock or an index fund. Previously, people interested in trading bitcoins as an asset class had to store the currency themselves and take on the risk that goes with that.

The brothers were recently quoted saying their business will remove “ the friction of buying...while offering similar investment attributes to direct ownership”.

As experts and skeptics continue to debate the future of the controversial currency, startups like Circle and the Winklevoss Bitcoin Trust are removing barriers to entry and lowering perceived risk.

Whether they rally Bitcoin adoption or not, they certainly remove some longstanding obstacles to its viability as a consumer product. It’s likely that in the coming months new services will continue to emerge that aim to make Bitcoin mainstream.