

STATEMENT OF
BITPAY CEO ANTHONY GALLIPPI
BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY AND INTERNATIONAL TRADE AND
FINANCE
AND
SUBCOMMITTEE ON ECONOMIC POLICY
OF
THE UNITED STATES SENATE
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
“THE PRESENT AND FUTURE IMPACT OF VIRTUAL CURRENCY”

NOVEMBER 19, 2013

TESTIMONY OF BITPAY CEO ANTHONY GALLIPPI

Thank you Chairmen Merkley and Warner, and Ranking Members Heller and Kirk, and Distinguished Members of the Committees for the opportunity to speak with you today.

My name is Tony Gallippi and I am the Co-founder and CEO of BitPay. I graduated magna cum laude from Georgia Tech with a degree in Mechanical Engineering. BitPay is a startup company with sixteen full-time employees, based in Atlanta.

I appreciate the Members for their interest in the commercial and international trade uses of digital currencies, and more importantly, the opportunities for digital currencies to create jobs in America and to increase America's exports. Since Bitcoin represents the dominant market share of virtual currencies, my testimony will focus on Bitcoin specifically and not on any of the alternative virtual currencies.

Our company BitPay was started in May 2011 and we have been operating for over two years now, which makes us pretty old in the Bitcoin space. During this time we have acquired over 12,000 merchants to accept bitcoin with our service. Our merchants include many small and medium-sized businesses in every State, who accept bitcoin side-by-side with credit cards and other forms of payment.

Most online payments today are made with credit cards, but credit cards were never designed for the

Internet. Credit cards were designed in the 1950's, and they still function the pre-internet age. Last year, over 12 million people became victims of identity theft, mostly from shopping online (source: <https://www.javelinstrategy.com/news/1387/92/1>). Businesses lose over \$20 billion per year due to payment fraud (source: <http://www.lexisnexis.com/risk/downloads/assets/true-cost-fraud-2013.pdf>). The banks don't take responsibility for the fraud. If you are a business owner, it is your fault that you took a stolen credit card, even if the bank approved it. Credit Card fees are discriminatory - the highest fees are paid by the smallest mom-and-pop businesses and the lowest income consumers. Bitcoin is a cheaper, faster, and more secure payment system.

Background on Merchant Acquiring

Even though we deal with bitcoin, our business model of merchant acquiring is fairly traditional. Merchant Acquiring began in the 1950s with credit cards, and the big marketing push to get businesses to accept credit cards as payment. Over the years, companies such as First Data, TSYS, Fiserv, and others would emerge with new tools for merchants. These companies are typically not household names. They operate behind the scenes, facilitating merchant payment acceptance as a business-to-business service. Most consumers, even when making a payment through one of these service providers, don't even know that these companies exist.

Fast forward 40 years to the 1990's with the launch of the world wide web and the first web browser. Businesses could build a website to reach customers, but how could they take a payment from a web page? It was the mail-order companies who figured it out first. If they could accept a credit card over

the phone, then perhaps they could also accept a credit card over the internet. Companies like Cybersource and Authorize.net built payment gateways for processing credit cards over the internet, and today, 20 years later, credit cards are still the most widely used form of payment over the internet.

Differences between Credit Cards and Bitcoin

Credit cards are “pull” transactions. The shopper provides their account number, and secret credentials that the business can use to pull money from their account. The problem is that the same credentials to pull money one time can be used to pull money many more times - by that same business, or by anyone who has these credentials. This is the fundamental design problem with credit cards, and it is the root cause of the identity theft and fraud that we see today.

Think about that for a minute. Why would you ever give someone full access to your \$20,000 line of credit to pay them 20 dollars?

Because of this design flaw, security around credit cards is massively expensive. Apple has iTunes, with over 500 million credit card numbers stored on file. The cost and risk of securing this data is enormous. Visa alone spends \$200 million a year on fraud prevention. They are throwing big money at the problem and it is not working, because every year fraud remains very high.

In 2009, Bitcoin was invented. Bitcoin takes everything we know about the Internet, Security, and Cryptography, and builds a payment system designed for the Internet.

Bitcoin is an open standard, an open protocol, and an open source payment network. Nobody owns the network, and nobody controls the network. All of the users collectively own the network, its rules, and its ledger.

Anyone can use bitcoin or build an application on top of bitcoin. Bitcoin is much like the Internet itself, where anyone can use the Internet and build an application on top of the Internet. And because bitcoin is borderless, a business can receive a payment from China just as easily as they can receive it from someone in the same room.

Bitcoin payments are “push” transactions, which are very different than credit cards. If I want to pay someone, I push them the exact amount I want to give them. The recipient does not get my account number, they do not get my secret credentials, and they do not get any permission to ever pull money from my account. Only I can push out a payment. Bitcoin works similar to email, and text messages. Text messages are a push transaction. You cannot pull an email from me or a text message from me, only I can push the message to you. Bitcoin works the same way, for payments.

BitPay is a Bitcoin Merchant Acquirer

At BitPay, our role in the bitcoin ecosystem is very close to that of the traditional merchant acquirers in the credit card space. We act as an agent of the payee, to help merchants clear and settle transactions over the bitcoin network. Merchants could accept bitcoin directly, but automating this is very difficult,

and most merchants choose to use our software and service rather than try to figure it out themselves.

BitPay has a strict Know Your Customer (KYC) policy to verify all of our merchant applications. We need to know who our merchants are and what they are selling. We only want the good actors using our service. We routinely audit our merchants, and we suspend and terminate those who violate our Terms of Use. A copy of BitPay's Merchant Terms of Use is attached in Exhibit A.

BitPay also follows all Bank Secrecy Act (BSA) guidelines to prevent, detect, and report suspicious activity. Our strict policies to comply with laws and protect our brand have earned BitPay the reputation as a leader and well-respected company in the payments space.

BitPay is not a bitcoin exchange, but we use nearly all of the bitcoin exchanges around the world to manage our own asset allocation. We do not act as a broker dealer to facilitate trades, and we also do not offer any bitcoin services for consumers. Consumers do not need to store funds with BitPay, they can simply pay the merchant invoice from whichever bitcoin wallet they choose to push the payment from. In the near future, our service will be more integrated into the merchants branding and checkout experience.

Bitcoin protects Consumers from Identity Theft

For consumers, Bitcoin is another choice of payment which is voluntary to use. One of the main reasons why a consumer would choose to pay with Bitcoin is that Bitcoin can reduce, if not completely

eliminate, the risk of the consumer becoming a victim of identity theft. Identity theft happens when a criminal gets access to the victim's account number and credit card credentials, and uses those credentials to make unauthorized purchases. When using Bitcoin, the consumer never needs to provide their identity to make a payment, so there is no identity information to steal, and no risk of identity theft. Bitcoin is a massive win for consumers, saving 12 million people per year the expense and hassle of dealing with the fallout of identity theft.

Consumers will be educated of the different ways in which they store their bitcoin. It functions more like cash, where if you lose it, it's gone. The funds are locked in the private key, which defines the ownership of the asset. Consumers can create many wallets with varying levels of convenience and security. The technology is being developed, and consumers will be educated on data security and proper data backups to ensure proper use of the technology. If consumers understand how bitcoin works, they should be allowed to use it.

Bitcoin protects Businesses from Payment Fraud

For businesses, Bitcoin can also stop the \$20 billion/year fraud problem. When your business receives a bitcoin payment, it's confirmed, and it's yours. It cannot be reversed or taken away from you.

Businesses can now reach customers in emerging markets, where they could not collect payments from before. Credit cards for online businesses don't really work beyond 8 or 10 countries, so most businesses simply choose not to sell internationally - not because their website can't reach, or their shipping company can't reach, but only because they can't take the payment.

It is the small mom-and-pop businesses that are most excited about bitcoin, and represent most of the adoption today. The businesses who accept bitcoin are now opening up new markets, and creating more exports, and more jobs in America. If the United States doesn't allow our businesses to accept bitcoin and create more jobs and exports, then countries like Germany and China certainly will.

Bitcoin's limitations

Bitcoin does have limitations that will keep it a small player in the payments space for quite some time. Compared to credit cards, Visa's payment network can handle 20,000 transactions per second, worldwide. Bitcoin can handle seven. Not seven thousand, but seven transactions per second. Today, the average rate on the bitcoin network is one transaction per second. So compared to the collective networks of credit cards, debit cards, payment cards, ACH, and wires, there are 50,000 times more transactions taking place on traditional networks than on the bitcoin network.

Bitcoin also has some limitations on its usability. The global money supply of bitcoin is worth around \$5 billion. Compare this with the global M2 money supply of around \$70 trillion, there is 15,000 times more money in the world in traditional currencies than in bitcoin.

Bitcoin's potential for non-monetary use

Even though it's small, Bitcoin has invented something previously thought to be impossible. Many times

when parties transfer assets to each other, they are trading a digital representation of an asset. The asset itself settles 1-3 days later. With Bitcoin, it is now possible to transfer an asset remotely, and immediately settle the transaction, with no counterparty risk. That type of instrument has never existed before.

The possibilities of this instant worldwide settlement are very interesting. And this is where the real potential for Bitcoin exists. The Bitcoin blockchain, which is the public accounting ledger of bitcoin, is a large property rights database. It can handle quadrillions of individual asset accounts, with a full chain of custody every time an asset is transferred from one party to another party.

If you want to energize the housing market, think of bitcoin. The biggest up-front costs for consumers trying to buy a home are the closing costs, which include fees for deeds, titles, stamps, title insurance, and other redundant tasks to record the sale in different recordbooks. Bitcoin can replace thousands of dollars in closing costs with a single transaction that costs 5 cents. By reporting deeds and titles on the blockchain, the information would be public record forever, for pennies, and eliminate the need for title insurance.

The property rights aspect of Bitcoin can go one-step further, to create smart property. This can be used for purchases like cars, where if a loan is attached to the car, the ownership of the car can be transferred back to the lender in case of default, or if the loan is paid off the owner would have full ownership of the car, and then they can transfer it to whomever they want..

Bitcoin Risks

Bitcoin does have risks. Criminals use cell phones, criminals use email, and criminals use dollars and banks. Many businesses like BitPay, offering innovative services on top of bitcoin, share the Committee's goals to protect consumers from fraud, and keep the criminals away from our businesses.

The Board of Governors of the Federal Reserve System acknowledged that virtual currencies "may pose risks related to law enforcement and supervisory matters," but "there are also areas in which they may hold long-term promise, particularly if the innovations promote a faster, more secure and more efficient payment system."

Bitcoin Regulation

Guidance from the IRS, Department of Treasury, Department of Justice, and SEC has all established that Bitcoins are legal, and that those dealing with them must simply follow existing tax laws and anti-money-laundering regulations.

In the 1990s when the Internet was in its infancy, Congress took a wait-and-see attitude to let the Internet develop. Where would Social Media and other free apps be today if in the 1990s we required licenses for the Internet, and taxed Internet access as if it was a Telecom?

In 1995, the National Science Foundation lifted its strict prohibition of commercial enterprise on the

Internet, and immediately companies like Amazon, Ebay, and Dell were born. Americans will benefit from a similar openness and wait-and-see approach to Bitcoin.

Bitcoin Regulation outside the United States

Bitcoin by design is borderless, like the Internet itself. Businesses using bitcoin are forming every day, at a pace not seen since the expansion of the world wide web in the 1990s. There is a tremendous amount of capital, resources and effort being spent to create innovation in finance

We don't believe that new legislation or regulation around bitcoin is needed. The rules for consumer protection and anti-money laundering already exist today.

Germany has declared Bitcoin to be "private money" and other countries are working to categorize Bitcoin and Bitcoin related services into regulatory frameworks that exist today. Bitcoin is a technology with tremendous cost savings for businesses and consumers. Bitcoin is a more secure, faster, and more affordable option for transferring funds. If America is the leader in Bitcoin technology, America will create more jobs and more exports.

Bitcoin is Disruptive

Bitcoin is a disruptive technology. Bitcoin will not replace the dollar, or the euro, or gold, but it will certainly disrupt existing financial services and their fee structures. Today banks charge many fees to

consumers: overdraft fees, overlimit fees, interest fees, application fees, monthly fees, authorization fees, processing fees, ATM fees, maintenance fees, minimum balance fees, late fees, and even fees to send your paper statement in the mail. With bitcoin, users can handle many of their daily payments needs themselves and avoid the bank fees, so banks relying on fee revenue could be impacted the most by virtual currencies.

Most IT systems used by banks and financial services today were built in the 1970s. They were designed well before the Internet and they lack many of the technical innovations that other industries use today. Bitcoin could offer immediate cost reductions and technical advancements to our financial institutions, particularly in the areas of interbank settlement, international transfers, and foreign exchange. The current 1-3 day settlement times on many types of transactions can be reduced to 1-3 seconds.

Bitcoin is a technology with tremendous cost savings for businesses and consumers. Bitcoin is a more secure, faster, and more affordable option for transferring funds. If America is the leader in Bitcoin technology, America will create more jobs and more exports.

Conclusion

In conclusion, today Bitcoin is in its infancy. It is much like the Internet in the early 1990s. Thanks to Congress's protection, the Internet was allowed to evolve and develop, and today it has greatly improved our lives.

If we look 10-20 years in the future, we will see many companies built upon bitcoin-related technology. We want those companies to be based in America, creating jobs in America, and building a revenue base and tax base in America.

The original application of the Internet was commerce, with companies like Amazon and Ebay. Over time, the killer apps for the Internet emerged, and these apps were not the original application. Search, Social Media, and Big Data are all powerful industries built on the Internet, and where would all of the free applications like Social Media be today if the early Internet was pigeonholed, overly regulated and required expensive telecom licenses?

I commend the Committee for recognizing the real, practical uses of virtual currencies and the potential future applications of this technology. Thank you for the opportunity to speak today.

Appendix A - BitPay Merchant Terms of Use

These Merchant Terms of Use (the Terms) govern your use of the products, services or any other features, technologies or functionalities (the Services) provided by BitPay, Inc. (BitPay, we, our, or us) through BitPay's website, API or through any other means. **You** and **your** mean the merchant to which we will be providing the Services and the person signing below or otherwise agreeing to the Terms on behalf of the merchant. Please read the Terms carefully; by using the Services, you agree to the Terms and confirm that you accept them.

The Services. We are a Bitcoin payment processor—we enable you to accept Bitcoins as payment for goods or services, and process Bitcoin payments that you receive from your customers. We are not a Bitcoin exchange, Bitcoin wallet, or a place to purchase Bitcoin. By using the Services, you authorize us to receive, hold and disburse funds on your behalf and to take any and all actions that we think are necessary or desirable to provide the Services and to comply with applicable law.

Registration.

Generally. In order to use the Services, you must open a BitPay account. When you open an account, we will ask you for contact information such as, for instance, your name, mailing address, phone number, email address, and website. The information that you provide at the time of account opening must be accurate and complete, and you must inform us in a timely fashion of any changes to such information. We may require additional information about you (including any person signing below or otherwise agreeing to the Terms on behalf of the merchant) such as, for instance, your date of birth, tax identification number or government-issued identification, and we may also obtain information about you from third parties, such as credit bureaus and identity verification services. We have the right to reject your account registration, or to later close your BitPay account, if you do not provide us with accurate, complete and satisfactory information.

Merchant Tiers. BitPay imposes daily transaction processing limits on merchants. When you register for a BitPay account, you will be required to select the limit (the Tier) that will apply to

your BitPay account, and to provide us with the documentation necessary to qualify for that Tier. A description of the Tiers, as well as a list of the documentation required to qualify for each, is available on our website. If your business is a High Risk category, as determined by BitPay, you will be required to qualify for the “Trusted” Tier in order to use the Services. We will not begin to process payments on your behalf until we have reviewed the documentation that you provide, in accordance with applicable law. If you wish to change to a Tier with a higher limit, you must provide us with the additional required documentation. We will not approve your request to change Tiers and permit you a greater processing volume unless and until we have reviewed your documentation to our satisfaction. Please also refer to Section 3.1, “Daily Transaction Volume; Tiers.”

Guarding your Password. You will choose a password when registering. You are responsible for maintaining the confidentiality of your password and account. You are fully responsible for all activities that occur using your password or account. Please notify us immediately of any unauthorized use of your password or account or any other breach of security. We will not be liable for any loss that you may incur as a result of someone else using your password or account, either with or without your knowledge. You may not use anyone else’s password at any time.

Prohibited Accounts. Use of the Services is subject to the laws and regulations of the United States regarding the prevention of terrorist financing and anti-money laundering. You agree and acknowledge that your use of the Services would and will comport with such laws and regulations, including, without limitation, the sanctions programs administered by the Office of Foreign Assets Control of the United States Department of the Treasury.

Your Sales.

Daily Transaction Volume; Tiers. You agree to adhere to the transaction processing limits applicable to your Tier. You agree that, if you exceed that limit, BitPay has the right to hold the

over-the-limit funds until you have provided us with the additional documentation required to qualify for the next Tier, and until we have had the opportunity to review such documents. We will take additional measures if you exceed your limit. If you are a “Trusted” merchant, you may create an unlimited value of invoices (see Section 8.1), although you will only receive payments from us up to the specified limit. If you are not a “Trusted” merchant, you may not create a value of invoices that exceeds your specified limit.

Invoices and Records. You must keep all records needed for fulfilling the merchandise to the purchaser and providing any post-sale support to the purchaser. If the sale of the item requires any government registration of the sale, you are responsible for such registration.

Customer Verification. You are solely responsible for obtaining any information required of those who purchase your goods or services. For instance, if applicable law prohibits a sale to persons under the age of 18 years, you must ensure that a purchaser is at least 18 years of age. Similarly, if applicable law requires that a purchaser’s identity be verified, you must verify the purchaser’s identity. We will not be responsible for your failure to adequately verify your purchasers’ identities or qualifications.

Representation and Warranties. Your use of the Services is subject to several important restrictions. Specifically, you represent and warrant to us that:

- (a) Your use of the Services will not contravene any applicable international, federal, state or local law or regulation, including applicable tax laws and regulations, and that your use of the Services will not violate the laws of the United States of America.
- (b) Your use of the Services will not relate to sales of (i) narcotics, research chemicals or any controlled substances, (ii) cash or cash equivalents, including derivatives, (iii) items that infringe or violate any copyright or trademark, (iv) ammunition, firearms, explosives, weapons or knives

regulated under applicable law, or (v) any services which compete with BitPay.

(c) Your use of the Services will not relate to transactions that (i) show the personal information of third parties in violation of applicable law, (ii) support pyramid or Ponzi schemes, matrix programs or other “get rich quick” schemes, (iii) are associated with purchases of annuities or lottery contracts, lay-away systems, off-shore banking or transactions to finance or refinance debts funded by a credit card, (iv) are associated with Money Service Business activities, as defined by the Financial Crimes Enforcement Network of the United States Department of the Treasury, or (v) provide credit repair or debt settlement services.

(d) Your use of the Services will not involve gambling or any other activity with an entry fee and a prize, including, but not limited to casino games, sports betting, horse or greyhound racing, lottery tickets, other ventures that facilitate gambling, and sweepstakes, unless you have obtained our prior approval and you and your customers are located exclusively in jurisdictions where such activities are permitted by law.

(f) You have the right, power and ability to enter into and perform under these Terms.

Our Right to Reject. We reserve the right to decline to process a sale if we believe that it violates these Terms or would expose you, other merchants, purchasers, or other parties to harm. If we reasonably suspect that your BitPay account has been used for an illegal purpose, you authorize us to share information about you, your BitPay account, and your account activity with law enforcement.

Our Right to Inspect. We may ask for permission to inspect your business location, in connection with your use of the Services or specific transactions. If you refuse our request, we may suspend or terminate your BitPay account.

Third Parties.

Your Use of Third-Party Services. In using the BitPay website or the Services, you may be

offered services, products and promotions provided by third parties. If you decide to use these third-party services, you do so at your own risk and are solely responsible for reviewing, understanding and complying with the associated terms and conditions. We expressly disclaim any liability for the third-party services and are not responsible for the performance of the third-party services or servicers.

Security. We have implemented security measures designed to secure your information from accidental loss and from unauthorized access, use, alteration or disclosure. However, we cannot guarantee that unauthorized persons will never gain access to your information, and you acknowledge that you provide your information at your own risk, except as otherwise provided by applicable law.

How we Collect, Use and Share Information. In order to provide the Services, we may share information about you and your BitPay account with third parties, including but not limited to your bank and purchasers.

Our Ownership of the Services and the BitPay Website. You agree and acknowledge that we own all right, title and interest to and in the Services, the associated software, technology tools and content, the BitPay website, the content displayed on the website, and other materials produced by and related to BitPay (collectively, the BitPay IP). You are only permitted to use the Services and the BitPay IP to accept and receive payments, according to these Terms. When you accept the Terms, we grant you a personal, limited, revocable and non-transferable license to use the BitPay IP, without the right to sublicense. You shall not rent, lease, sublicense, distribute, transfer, copy, reproduce, download, display, modify or timeshare the BitPay IP or any portion thereof, or use the BitPay IP as a component of or a base for products or services prepared for commercial sale, sublicense, lease, access or distribution. You shall not prepare any derivative work based on the Company IP, nor shall you translate, reverse engineer, decompile or disassemble the Company IP.

Advertising. By mutual consent, we may publish your corporate name, artwork, text and logo (**Merchant Content**) on the BitPay website and promotional materials to acknowledge you as our customer. You represent and warrant to us that you have the right to provide the Merchant Content to

us, and that the use, copying, modification and publication of the Merchant Content by us: (a) will not infringe, violate or misappropriate any third party copyright, patent, trade secret or other proprietary rights, (b) will not infringe any rights of publicity or privacy, and (c) will not be defamatory or obscene or otherwise violate any law.

Fees & Settlement.

Invoice Generation and Exchange Rate Guarantee. To create an invoice, you may post a request to BitPay to collect a specific amount in your local currency, such as dollars or euros, or in Bitcoin. BitPay will pull the exchange rate and provide the Bitcoin payment instructions to the purchaser. We guarantee the exchange rate to you as long as the purchaser pays within the proper time window after the invoice is created. Invoice timeout information is clearly displayed on each BitPay invoice. While we guarantee the exchange rate as long as the purchaser pays within such time window, you agree that you assume the volatility risk of your local currency or Bitcoin, as applicable. For instance, if you ask us to collect USD \$150, and the purchaser sends the payment within the time window, we guarantee you will receive exactly USD \$150, minus our fee, but do not guarantee the value of the U.S. dollar.

Fees. We charge a processing fee on all transactions. The proceeds payable to you will equal the amount of the invoice (assuming that we have received the full amount of the invoice from the purchaser), unless you agree to accept less than the amount of the invoice, minus the processing fee. We reserve the right to change our fees and will give you 30 calendar days' prior notice of any fee increase. Your continued use of the Services after we notify you of any increase in our fees constitutes your acceptance of such change. Current pricing information is provided on the BitPay website at <https://bitpay.com/pricing>.

Methods of Settlement. We will clear the payments over the Bitcoin peer-to-peer payment network and post the balance to your accounting ledger, according to your preference settings. The debits and credits to your accounting ledger are funds temporarily held by BitPay until settlement to your bank account can take place. You can receive a settlement in your local

currency, in Bitcoins, or in a mixture of both. You assume volatility risks of the currency in which you choose to be settled. If you choose to keep bitcoins, then you assume the volatility risk of the bitcoin value.

Settlements in Local Currencies. Direct deposit to a bank account in a local currency is available to merchants located in certain countries. Please refer to <https://bitpay.com/bitcoin-direct-deposit> for a list of those countries. If you wish to receive direct deposit, you must provide us with valid bank account information and keep such information current. We will send a direct deposit to your bank account to clear out your accumulated balance. Minimum settlement amounts apply; please refer to <https://bitpay.com/bitcoin-direct-deposit> for information related to minimum settlement amounts and deposit frequency.

Your Bank Account. You must provide us with written notice at least 1 business day prior to closing your bank account. If you wish to continue to receive direct deposits, you must provide us with information for a substitute bank account. You are solely liable for all fees and costs associated with your bank account and for all overdrafts. You authorize us to initiate electronic credits to your bank account at any time, as necessary to process your transactions. We will not be liable for any delays in receipt of funds or errors in bank account entries caused by third parties.

Settlements in Bitcoins. Payments in Bitcoins are sent to the Bitcoin address of your choice, at least once per calendar day. BitPay does not operate a Bitcoin wallet and funds must be moved to your wallet address.

Certain Deferrals. If we need to conduct an investigation or resolve any pending dispute related to your BitPay account, we may delay settlement or restrict access to your funds while

we do so. Additionally, we may delay settlement or restrict access to your funds if required to do so by law, court order or at the request of law enforcement.

Account Statements. On demand, we will provide you with a statement detailing your account transaction and settlement history. Should you identify an error in the statement, you must notify us of such error within 30 calendar days.

Refunds and Adjustments.

Refund Procedures. In the event that you wish to issue a refund to a purchaser, BitPay can handle this. You can decide to issue a partial refund or the full amount of the initial purchase. You can also decide whether to issue the original amount of the invoice in your local currency or in the number of Bitcoins paid. If you do not have enough funds in your BitPay account to cover the refund, BitPay may require you to deposit Bitcoins into your BitPay account to cover the refund to the purchaser. Any required currency conversion during the refund process will be calculated at a spot rate determined by BitPay, following the guidelines found here:

<https://bitpay.com/bitcoin-exchange-rates>.

Disclosure of Your Refund Policy. Merchants are required to have a clear refund policy for their customers. We recommend you refund the amount of the initial purchase in the currency in which the item was priced.

Purchaser Complaints. Purchasers filing complaints about a purchase will be forwarded to you for resolution. BitPay reserves the right to terminate accounts which receive excessive complaints.

Account Termination.

Your Right to Close Your Account. You may close your BitPay account at any time. You will still be obligated to us for any fees incurred before the closure and we will remit to you funds not yet paid to you and associated with pre-closure sales. If your account balance is below our documented minimum transfer amount, you may be responsible for any transactions fees that may be incurred in the funds transfer.

Our Right to Close or Suspend Your Account. We may terminate these Terms and close your account, at our discretion, upon notice to you via email or phone communication. We may also suspend your access to the Services if we suspect that you have failed to comply with these Terms, pose an unacceptable fraud risk to us, or if you provide any false, incomplete, inaccurate or misleading information. We will not be liable to you for any losses that you incur in connection with our closure or suspension of your account.

Effect of Account Closure. If your BitPay account is closed, you agree: (a) to continue to be bound by these Terms, (b) to immediately stop using the Services, (c) that the license provided under these Terms shall end, (d) that we reserve the right (but have no obligation) to delete all of your information and account data stored on our servers, and (e) that we shall not be liable to you or any third party for termination of access to the Services or for deletion of your information or account data.

Indemnification. You agree to indemnify BitPay, its affiliated and related entities, and any of its officers, directors, employees and agents from and against any claims, costs, losses, liabilities, damages, expenses and judgments of any and every kind (including, without limitation, costs, expenses, and reasonable attorneys' fees) arising out of, relating to, or incurred in connection with any claim, complaint, action, audit, investigation, inquiry, or other proceeding instituted by a person or entity that arises or relates to: (a) any actual or alleged breach of your representations, warranties, or obligations set forth in these Terms; (b) your wrongful or improper use of the Services; (c) the products or services sold by you through the Services, including but not limited to any claims for false advertising, product defects, personal injury, death or property damage; or (d) any other party's access or use of the

Services with your account information.

No Warranties. WE PROVIDE THE SERVICES ON AN “AS IS” AND “AS AVAILABLE” BASIS, AND YOUR USE OF THE SERVICES IS AT YOUR OWN RISK. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, WE PROVIDE THE SERVICES WITHOUT WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED (INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT). WITHOUT LIMITING THE FOREGOING, WE DO NOT WARRANT THAT THE SERVICES (AND OUR WEBSITE): WILL OPERATE ERROR-FREE OR THAT DEFECTS OR ERRORS WILL BE CORRECTED; WILL MEET YOUR REQUIREMENTS OR WILL BE AVAILABLE, UNINTERRUPTED OR SECURE AT ANY PARTICULAR TIME OR LOCATION; ARE FREE FROM VIRUSES OR OTHER HARMFUL CONTENT. WE DO NOT ENDORSE, WARRANT, GURANTEE OR ASSUME RESPONSIBILITY FOR ANY PRODUCT OR SERVICE OFFERED OR ADVERTISED BY A THIRD PARTY THROUGH THE SERVICES OR THROUGH OUR WEBSITE, AND WE WILL NOT BE A PARTY TO NOR MONITOR ANY INTERACTIONS BETWEEN YOU AND THIRD-PARTY PROVIDERS OF PRODUCTS OR SERVICES.

Limitation of Liability. IN NO EVENT WILL WE BE LIABLE TO YOU OR ANY THIRD PARTY FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES OR ANY LOSS, THEFT, DISAPPEARANCE, OR DAMAGES FOR LOST PROFITS, LOST REVENUES, LOST DATA OR OTHER INTANGIBLE LOSSES THAT RESULT FROM THE USE OF, INABILITY TO USE, OR UNAVAILABILITY OF THE SERVICES, REGARDLESS OF THE FORM OF ACTION AND WHETHER OR NOT WE KNEW THAT SUCH DAMAGE MAY HAVE BEEN INCURRED. IN NO EVENT WILL WE BE LIABLE TO YOU OR ANY THIRD PARTY FOR ANY DAMAGE, LOSS OR INJURY RESULTING FROM HACKING, TAMPERING, VIRUS TRANSMISSION OR OTHER UNAUTHORIZED ACCESS OR USE OF THE SERVICES, YOUR BITPAY ACCOUNT, OR ANY INFORMATION CONTAINED THEREIN. IN NO EVENT WILL OUR LIABILITY FOR ANY DAMAGES ARISING IN CONNECTION WITH THE SERVICES EXCEED THE FEES EARNED BY US IN CONNECTION WITH YOUR USE OF THE SERVICES DURING THE 6 MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO THE CLAIM FOR LIABILITY. THE FOREGOING LIMITATIONS OF LIABILITY SHALL APPLY TO THE FULLEST EXTENT PERMITTED BY LAW IN THE APPLICABLE JURISDICTION.

Miscellaneous.

Taxes. You are responsible for determining any and all taxes assessed, incurred, or required to be collected, paid, or withheld for any reason in connection your use of our software and services (Taxes). You also are solely responsible for collecting, withholding, reporting, and remitting correct Taxes to the appropriate tax authority. We are not obligated to, nor will we determine whether Taxes apply, or calculate, collect, report, or remit any Taxes to any tax authority arising from any transaction.

If in a given calendar year you receive (i) more than \$20,000 in gross amount of payments and (ii) more than 200 payments, BitPay will report annually to the Internal Revenue Service, as required by law, your name, address, tax identification number (such as a social security number, or employer identification number), the total dollar amount of the payments you receive in a calendar year and the total dollar amount of the payments you receive for each month in a calendar year.

Privacy Policy. Please see our Privacy Policy for information regarding how we collect and use information. The Privacy Policy is part of these Terms, so please make sure that you read it.

Assignment. You may not transfer or assign these Terms, or any rights granted by these Terms. You agree and acknowledge that we may assign or transfer these Terms.

Severability. Should any provision of these Terms be determined to be invalid or unenforceable under any law, rule, or regulation, such determination will not affect the validity or enforceability of any other provision of this Agreement.

Waivers. Our failure to assert any right or provision in these Terms shall not constitute a waiver

of such right or provision, and no waiver of any term shall be deemed a further or continuing waiver of such or other term.

Entire Agreement. These Terms, including the Privacy Policy referenced herein, represent the entire understanding between us and you with respect to the matters discussed. Headings are included for convenience only, and shall not be considered in interpreting these Terms.

Notices. You agree to accept communications from us in an electronic format, and agree that all terms, conditions, agreements, notices, disclosures or other communications that we provide to you electronically will be considered to be “in writing.”

Governing Law; Arbitration. These Terms will be governed by and construed in accordance with the laws of the State of Georgia without reference to conflict of law or choice of law provisions, and applicable federal law (including the Federal Arbitration Act). If a disagreement or dispute in any way involves the Services or these Terms and cannot be resolved between you and us with reasonable effort, the disagreement or dispute shall be resolved exclusively by final and binding administration by the American Arbitration Association (AAA), and will be conducted before a single arbiter pursuant to the applicable Rules and Procedures established by the AAA. You agree that the arbitration shall be held in the State of Georgia, or at any other location that is mutually agreed upon by you and us. You agree that the arbiter will apply the laws of the State of Georgia consistent with the Federal Arbitration Act, and will honor and agree to all applicable statutes of limitation. You agree that, unless prohibited by law, there shall be no authority for any claims to be arbitrated on a class or representative basis, and arbitration will only decide a dispute between you and us. Arbitration proceedings must be initiated within 1 year after the disagreement or dispute arises. If any part of this Arbitration clause is later deemed invalid as a matter of law, then the remaining portions of this section shall remain in effect, except that in no case shall there be a class arbitration.

Amendment. We may update or change these Terms from time to time. Except as otherwise provided in these Terms, we will notify you of any changes by electronic mail or by posting a link to the amended Terms on our website. If you continue to use the Services after we provide notice of such changes, your continued use constitutes an acceptance of the amended Terms and an agreement to be bound by them. If you do not agree to the amended Terms, you must close your BitPay account and discontinue your use of the Services.

Force Majeure. Neither you nor we will be liable for delays in processing or other nonperformance caused by such events as fires, telecommunications, utility, or power failures, equipment failures, labor strife, riots, war, nonperformance of our vendors or suppliers, acts of God, or other causes over which the respective party has no reasonable control; provided that the party has procedures reasonably suited to avoid the effects of such acts.

Survival. The provisions of Sections 2.2, 3.3, 3.4, 4.2, 5, 6, 7, 8.1, 8.5, 8.7, 8.8, 9 (including all subsections), 11, 12, 13, and 14.7 shall survive the termination of these Terms.

You agree that the person signing below has the authority to sign the Terms and to bind you, and you acknowledge and agree that you: (a) have read and understand the Terms; (b) intend to form a legally binding contract; and (c) will abide by all the Terms.