

# PayPal's crypto move wins investor support for digital currencies



Susan Barreto ✉ • October 21, 2020 📖 3 minutes read



In a move that is certain to rapidly expand the use of digital currencies, PayPal has opened up its service to allow users to buy, hold and sell cryptocurrency directly from their PayPal account.

For shareholders, the move makes sense in that the COVID pandemic has already pushed consumers to rely more on contactless cards and mobile-based payments. And in the first half of next year, PayPal plans to roll out its Venmo platform internationally.

On Wednesday, the PayPal saw a bump up in trading and valuation of about 2% as the market absorbed the news. The value of Bitcoin, meanwhile, was up 7%.



Allowing customers to use cryptocurrencies when they shop at a merchant is actually a fairly big deal.

*Warren Fisher, Manole Capital*

For PayPal shareholders, such as Warren Fisher, founder and CEO of hedge fund firm Manole Capital, the move only further cements the potential of crypto.

“We aren’t surprised that PayPal and Venmo are looking to enter the crypto market, as Square’s Cash app has seen success there recently,” Fisher said. “Allowing customers to use cryptocurrencies when they shop at a merchant is actually a fairly big deal.”

Fisher specializes in investing in fintech with a unique focus on payment systems. He has found that the PayPal new crypto product allows not only for the currency to be a store of value, but also a medium of exchange, which is key for Bitcoin and others to become a full-fledged currency.

Square Cash app has done a good job of creating a crypto wallet, for the purchase, sale or storage of digital currencies, he added. PayPal’s offering is also adding a crypto wallet.

Fisher said that PayPal has 350 million active accounts, so adding these capabilities was a smart move.

“I don’t think even 10% of its customers are terribly interested in crypto, but that is still 25 million to 35 million potential clients,” he added. He suspects a rally in bitcoin will happen just as it did after Square’s \$50 million purchase of bitcoin a few weeks ago.

PayPal’s moves this week signal its plans to significantly increase cryptocurrency’s utility by making it available as a funding source for purchases at its 26 million merchants worldwide.

“The shift to digital forms of currencies is inevitable, bringing with it clear advantages in terms of financial inclusion and access; efficiency, speed and resilience of the payments system; and the ability for governments to disburse funds to citizens quickly,” said PayPal President and CEO Dan Schulman. “Our global reach digital payments expertise, two-sided network, and rigorous security and compliance controls provide us with opportunity, and the

responsibility, to help facilitate the understanding, redemption and interoperability of these new instruments of exchange.”

According to the company the mainstream adoption of cryptocurrencies has been hindered by their limited utility as an instrument of exchange due to volatility, cost and speed to transact. They say that Bank of International Settlements found that one in 10 central banks (representing approximately one-fifth of the world’s population) expect to issue their own digital currencies within the next three years.

To increase consumer understanding and adoption of cryptocurrency, PayPal is introducing the ability to buy, hold and sell select cryptocurrencies, initially featuring Bitcoin, Ethereum, Bitcoin Cash and Litecoin, directly within the PayPal digital wallet. The service will be available to PayPal accountholders in the U.S. in the coming weeks.

The company plans to expand the features to Venmo and select international markets in the first half of 2021. The service is enabled in the U.S. through a partnership with [Paxos Trust Company](#), a regulated provider of cryptocurrency products and services.

“Working with Paxo on the platform solves another hurdle,” added Fisher. “Plus it was smart to get the necessary licenses, as opposed to going the Facebook route, which avoided those.”

