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# Bitcoin venture opens digital payment system to jewellers

By Claire Adler



Virtual reality: Bitcoin

Buying and selling fine jewellery with Bitcoin just became easier.

This year Verichannel, which builds and operates jewellery industry digital platforms including FMX, a private trading platform for Forevermark diamonds and jewellery, entered into an agreement with Coinapult, a Bitcoin payment processing company. The agreement enables jewellery retail stores and retailers to accept Bitcoin as they would Visa or PayPal.

The company says it has had “tremendous interest” from retailers, launching its service at the JCK jewellery show in Las Vegas this week.

The retailers receive their preferred currency in their bank accounts without having to touch Bitcoins. Payments are recognised and processed nearly instantly. The advantage, the company says, is that payments cannot be reversed, unlike those made by bank transfer, credit cards, debit cards and even PayPal.

This means retailers can ship items immediately after they receive payment, and suppliers can be paid straightaway.

Jacques Voorhees, chief executive of Verichannel, says: “One of the biggest problems facing retail stores is the risk of credit card reversals and, with today’s ultra-thin margins, the percentage-based processing fee [on cards] doesn’t help.”

His father, Erik Voorhees, is a co-founder of Coinapult.

“The goal is to build technology for this industry around the advantages of Bitcoin. The family connection means it’s that much easier to work together to make sure it’s done right,” Jacques Voorhees says.

His company charges \$3 a transaction in the US. If a retailer sells a necklace for \$2,000, it receives \$1,997 in its bank account.

In this way, he says, the retailer is shielded from exchange rate volatility and never owns the Bitcoins.

When Overstock, the US retail site that sells jewellery among other items, began accepting Bitcoin in January, it took \$126,000 for 800 orders on its first day. Other jewellery companies offering Bitcoin payment include Tivol, the US jewellery retailer.

But not everyone is convinced. Bitcoin may prove attractive to buyers of luxury, but could also lead to money laundering and tax evasion. “From a retailer’s perspective, it is impossible to gauge the validity of the consumer paying with Bitcoins,” says Tobias Kormind, managing director of 77 Diamonds, an online jewellery retailer.

“If we see a surge in demand from our customers to pay using Bitcoins, we may reconsider.”

Annabelle Gauberti, founding partner of Crefovi, a law firm specialising in the creative industries, advises jewellery retailers to exercise care when selecting Bitcoin companies to process transactions. She suggests ensuring the Bitcoin company has implemented an anti-money laundering and customer compliance programme.

“Luxury houses and jewellery retailers need strong security measures and monitoring tools in place to safeguard the security and non-breachability of their Bitcoin wallets,” she says.

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## Risks remain

Bitcoin, the best known digital currency, has grabbed headlines since it was created almost five years ago, writes **Jane Wild**.

Authorities around the world fear it could be used as a tool for tax evasion and money laundering, with officials having yet to work out how to crack its anonymity, and it has been the currency of choice on websites touting illicit items such as drugs.

That lack of official supervision has not always worked in favour of its users. The Japanese exchange Mt Gox, one of the most popular places for users to store bitcoins, recently collapsed with the loss of some \$500m in customer deposits.

The failure of the site highlighted security risks posed by an unregulated, decentralised money supply that exists purely as a string of computer code.

But a growing band of entrepreneurs advocating Bitcoin's ease of use in the digital world are pushing for it to become recognised tender. They want regulation that would bring it within the mainstream economy.

Bitcoins can be bought for dollars, euros or sterling through an exchange on the internet and are stored in an online wallet. Bitcoin's big challenge now is to persuade retailers to adopt the virtual currency.

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