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Jack Dorsey:

I said in my opening, that we see bitcoin as an extraordinary trend towards an open standard for global money transmission. What does that mean? Our reason for starting this company was to help people access the financial system as it moved to plastic cards. That has also shifted from in-person to digital commerce; and while it's much more global, it's still exclusionary, closed, and controlled by a few corporations. And it's still leaving people behind.

Jack Dorsey:

It's safe to assume that every person on this planet will eventually have some way to access the open internet. We can't make the same assumption about participation in the global financial system. In order for that to happen, we need a protocol that is native to the internet, a standard that's inclusive, trusted, and scalable to the entire population. You've likely heard that blockchain and crypto do just that. But for something as important as storing and exchanging value, we have to demand certain properties from this system.

Jack Dorsey:

We believe such a system must be open, secure, and scalable. Open ensures that the system is maximally transparent, both in its development and operation, and accessible to any individual who wishes to use or further it. Secure means that individuals hold the keys to unlocking its value and that it is resilient to all forms of attack or corruption from individuals, corporations, and states. And scalable means that these attributes grow stronger as more people use it, while minimizing the negative impact on efficiency and usability.

Jack Dorsey:

The internet requires a currency native to itself. And in looking at the entire ecosystem of technologies to fill this role, it's clear that bitcoin is currently the only candidate. It has proven resilience over a decade. Its development may feel slow relative to other candidates, but that's a result of the deliberateness required to preserve the attributes necessary for money storage and transmission.

Jack Dorsey:

A bitcoin standard is the internet standard and why we've chosen it as our focus to continue broadening access to the global financial system. Choosing to focus on a bitcoin standard forces you to change how you build. We must be just as open in our development, looking for every opportunity to strengthen its openness, security, and scalability.

Jack Dorsey:

Our first real push into this was to create a team of open source engineers and ask them to work on whatever they thought best for bitcoin. We called this team Spiral and they decided to work on Lightning, a layer-two network on top of bitcoin, which increases its transactional capacity and privacy.

Jack Dorsey:

Two years after formation, Spiral launched the Lightning Development Kit, a software development kit to help wallet developers use Lightning in the easiest and fastest way. As Block, we had no assumptions we'd ever be able to use anything the Spiral team worked on. We only expected bitcoin to be a bit stronger in some way.

Jack Dorsey:

However, after an exhaustive exploration of all technologies as cash app looked to build in Lightning payments, they chose Spiral's LDK for its technical excellence and speed to market. That's a success story I'm very proud of. Building for the open ecosystem helped our company in the long=term.

Jack Dorsey:

And so we've decided to continue building in this way as we look to fill other gaps in the market. A hardware wallet for individuals to increase access to the standard, a bitcoin mining system to further decentralize and secure the network, and TBD, a developer platform for identity, trust, and Fiat to bitcoin on and off ramps.

Jack Dorsey:

All of these will be open sourced by default, developed in the open with the ecosystem, each with a complimentary business model that block can build for a new set of customers. We believe the bitcoin standard will become the internet standard and by helping it become that, we will increase access to the global financial system in the economy and increase the potential for a business and company. We're still very early and we couldn't be more excited for what this will mean to the world. And now let's talk about Spiral with Steve.

Steve Lee:

We founded Spiral, formerly Square Crypto, in 2019 to advance bitcoin. We are a small unique team that is not directed or influenced by Block or its commercial interest. Instead, you can think of the broader bitcoin ecosystem as our customer. We believe bitcoin is more than an investment. It is the best version of money. With our help, we think bitcoin can become the planet's preferred currency. To achieve this, we build and fund free, open source projects that improve bitcoin's user experience, security, privacy, and ability to scale.

Steve Lee:

Bitcoin's values are deeply aligned with Block's mission of economic empowerment. One of Block's core principles is that anyone should have the ability to participate in financial systems easily and without discrimination. We believe that bitcoin can help deliver in this vision by allowing people worldwide to make payments efficiently, securely, and at a low cost.

Steve Lee:

With Spiral's efforts to improve bitcoin, we are enabling more use cases, expanding the market opportunities, and helping block reach those that are underserved in new ways.

Steve Lee:

For bitcoin to become everyday money, it needs to support instant, low cost payments and be far simpler to use. The Lighting Network is the technology that makes this possible. Yet, Spiral identified several gaps in the ecosystem where more investment was needed.

Steve Lee:

First, the development tools available for bitcoin developers have historically been quite poor. Second, there has been very little attention given to user design. We created two new open source initiatives to remedy these problems: the Lightning Development Kit, or LDK, and the bitcoin design community. Our small full-time team and network of Spiral grantees have invested a lot into both.

Steve Lee:

Our full-time engineering team exclusively focuses on LDK making it substantially easier for developers to build great Lightning-enabled bitcoin applications. 20 years ago, it could take years for a team of developers to build an application. Today's superior development tools allow a single person to create something compelling in weeks. LDK does that for building on bitcoin.

Steve Lee:

We are already seeing adoption of LDK by popular apps like Blue Wallet and innovative solutions such as Sensei. So how does our work impact Block? As Jack mentioned, earlier this year Cash App integrated with the Lightning Network using LDK making instant bitcoin transactions available to tens of millions. The Cash App team came to this decision independently, since it reduced potential years of integration time to just a few months.

Steve Lee:

As Block integrates bitcoin into more products, software built by Spiral can save them time, effort, and resources. In addition to our full-time teams' focus on LDK, Spiral's grant program has issued over 40 bitcoin grants to developers, designers, and PMs in over 15 countries. We believe this makes it the most impactful grant program in all of bitcoin.

Steve Lee:

Our grants funded security work on Bitcoin Core, strengthened bitcoin's foundation via open source projects and kickstarted the bitcoin design community, which boasts over 3000 creatives. This community has created the Bitcoin Design Guide, which is similar to Apple's Human Interface Guidelines, but for bitcoin, and is now used to improve product experiences and interoperability.

Steve Lee:

Finally, Spiral has established a credible and trusted voice in the bitcoin community. We have reached new audiences through our distinct and humorous Twitter account and creative endeavors like our short film about LDK.

Steve Lee:

Each member of our team regularly participates in the public conversation about Bitcoin's future through public speaking events, podcasts, Twitter, and various developer channels. We are also researching how women see and use Bitcoin to ensure that Bitcoin is accessible to all. Each of these

builds credibility and helps us influence Bitcoin's future. Spiral of continue contributing to the foundation of Bitcoin, accelerating it's adoption as the native currency of the internet.

Jesse Dorogusker:

Bitcoin ownership is defined by one thing, a secret key. If you don't have the key, you don't have the money. The decentralized future of financial infrastructure is built on this simple idea. Today the vast majority of the estimated 175 million global Bitcoin owners, many of whom are located in emerging economies, don't actually have their keys. Instead, they rely on custodians institutions who hold keys on your behalf, like the way most people manage most of their money today with traditional banks. Those who have access to custodial services choose to use them for convenience, concern about accidental loss and a traditional pattern of trusting banks and corporations, but custodial services like a wallet on a crypto exchange are not available to everyone. And customers are dependent on the policies, security and operational capabilities of the custodian and all the third parties they depend upon. Put simply when a custodial wallet owns your Bitcoin keys, they own the decisions about when you can access your money, how your money is kept secure, and whether you can even access their services in the first place.

Jesse Dorogusker:

Self custody of Bitcoin however, hasn't offered a substantially better alternative yet. Today, keeping your own keys isn't as simple as it sounds and often isn't as safe as people need. Early adopters, who hold their own keys today, rely on a complex set of apps and hardware devices that are extremely technical and hard to use. And often the only way to recover your money in case you accidentally lose your phone or hardware wallet is to rely on a 12 or 24 word secret phrase. Which we think customers will either lose over a long period of time or more likely out of fear of forgetting it, write it on a post-it note on their desk. Even today's power users have to hold their breath and hope they don't make mistakes that result in accidental loss, failure to pass it on their loved ones, or fall victim to a hack or a scam.

Jesse Dorogusker:

Our opportunity is to build a safe and easy way for regular folks to own Bitcoin and manage their money with confidence and on their own terms. To simplify ownership of Bitcoin for a broad audience, we're building a wallet. Our wallet breaks up the secret key into three pieces to reduce the stakes of losing any one piece. The three parts of the wallet are a mobile app, a secure hardware device and a self-serve recovery tool, which will help customers when they lose part of their wallet. The mobile app is the part of the wallet that customers will use to manage their money, enabling them to use the familiar interface of their phone for more frequent activity, including sending, receiving, paying, and getting paid. More than 3 billion people use smartphones. They're an increasingly important part of people's lives and the convenience of managing financial services via smartphone is compelling.

Jesse Dorogusker:

Our mobile first approach will enable us to reach a wide set of customers while staying focused on the product experiences that are most important to the future of digital money. Alongside a mobile app, we're including a hardware device that acts as a second layer of protection for larger transactions. Which means anything above a specific limit that customers decide for themselves in the wallet. Think of this like the difference between a checking account for everyday spending, where only the mobile phone is needed and a savings account for larger infrequent transactions that warrant a little more

friction in exchange for security and thus require the hardware in addition to the mobile app. And even more importantly, if you lose or replace your phone because real people do this all the time, the hardware device is the way to bring in a new phone securely. We're also including recovery tools because people lose things, forget things, and break things.

Jesse Dorogusker:

We are designing a system for regular folks. So it has to be resilient and inspire confidence even when things go wrong. The wallet will enable fast, low cost transfers to anyone in the world. And we will work with retail partners and exchanges to distribute hardware locally and help customers move between Bitcoin and local currencies. Our approach with this product is rooted in our history as a company. We understand the value of integrating hardware, software, and services, and building businesses and value models that connect with consumers. We realize that this might vary around the world and might be different from the current base of existing custodial exchange and wallet customers. We're thinking about massively growing the addressable market by building for the next 100 million Bitcoin users in as many countries as possible. And we believe there are strong and diverse business model options to explore. We can imagine selling the hardware as a standalone product, given the value it provides in both security and recovery.

Jesse Dorogusker:

The recovery tools are key to keeping funds safe over time, including over generations. So we can imagine offering a subscription service that helps customers regain access to their funds when they've lost a piece of their wallet. With a partnership ecosystem, we imagine driving trading volume to exchange partners, to earn referral revenue along with increased hardware sales, or both. Finally a user friendly, secure and resilient system for self custody of your digital money is a great foundation for all kinds of financial services we can imagine in the future.

Jesse Dorogusker:

In addition to building a broad and open ecosystem of partners, we can bring unique value to customers by connecting to existing parts of the block ecosystem. Connecting the wallet and Cash App ecosystems can drive both wallet, sales and cash app trading volume, providing 44 million Cash App actives an easy path to self custody and providing wallet customers an easy way to buy and sell Bitcoin and connect to a broader set of financial services in the markets where Cash App offers them. Building best in class, high volume, consumer hardware at block capitalizes on the decade of hardware design, engineering, manufacturing, and supply chain expertise that we have developed in the square portfolio.

Jesse Dorogusker:

We can set a high standard for the wallet as we invite the next 100 million consumers to join in. We are very excited about enabling ownership of Bitcoin on a massive global scale. The current number of Bitcoin holders does not correlate with the highest GDP countries in the world. North America ranks behind Asia, Europe and Africa. We think the future is similarly diverse and distributed. So our design strategy partnerships and country roadmap will reflect that. Self custody can be an easy option for people everywhere, especially the mainstream customers who have yet to participate, but surely will soon. Our user friendly wallet will include more people safely. A mobile app, a cloud service, and a piece of hardware, all working together to be easy and resilient for regular people. We are developing this product in the open to earn the community's trust and demonstrate our values in the code and in the design for anyone to inspect and verify. Finally...

Jesse Dorogusker:

Anyone to inspect and verify. Finally, building this wallet system among our other Bitcoin initiatives has technical, customer, and team connections at Block. This is our Bitcoin wallet.

Jesse Dorogusker:

In the traditional banking system, banks are trusted to confirm and secure a ledger of transactions. With Bitcoin, the operations and security of the ledger are distributed. A Bitcoin minor contributes mathematical computation in exchange for a financial reward. This is how transactions are settled securely and without a central authority.

Jesse Dorogusker:

Any person or business can participate in mining with a mining computer system with only specialized computation, power for the computer, and a connection to the internet. Yet, today, the barriers to entry for mining are very high. Mining systems are difficult and expensive to acquire, maintain, and operate. As a result, mining is more concentrated than distributed, more exclusive than accessible. We believe that we can build high performance mining components and a complete easy to use, cost effective system that empowers more miners to participate, leading to a more efficient and more distributed network.

Jesse Dorogusker:

As we look at the current landscape for Bitcoin mining, we see several opportunities to improve it and make it more accessible. The core technology for an efficient mining system is an application specific integrated circuit, or ASIC, that is optimized for lowest power and lowest cost Bitcoin computations. The manufacturer in sale of Bitcoin ASICs today is concentrated among just a few companies, all headquartered in one country. This concentration introduces supply and cost risks, and also amplifies geopolitical ones.

Jesse Dorogusker:

We see an opportunity to build our own Bitcoin ASIC, one that is optimized for cost, performance, and smart system integration. This ASIC will, of course, be part of any system we build. We also want to power other system ideas by making our ASIC broadly available for other system developers. Our ASICs will be available for sale, along with data sheets, reference designs, and companion software to make it work for others, all open source.

Jesse Dorogusker:

Today, the same market concentration exists among mining systems, the complete product that includes computation, power management, cooling, software, and network connectivity that tangibly empowers a minor to contribute. As a result, mining itself is also highly concentrated. Hash rate is a measure of computations per second in the Bitcoin network. According to a recent MIT and London School of Economic study, 50% of the current hash rate is controlled by the top 0.1% of minors, just 50 firms. Block can contribute here too, applying our expertise in system design, product development, and managing a global supply chain to make mining systems more available.

Jesse Dorogusker:

Success isn't solely a computational task, but offering something that's easy to get, easy to use and maintain, and simply converts power and a network connection into Bitcoin. We also see that mining systems are not yet optimized for clean energy use. With smart system integration, especially considering solar and other transient renewables, we can increase the efficient use of clean energy sources.

Jesse Dorogusker:

With the core technologies and systems we are building, we can also explore creating a distributed mining cloud service that relies exclusively on clean energy. We believe there are consumers and businesses who are interested in mining, but don't want the burden of maintaining a system themselves. We can build a simple experience to purchase a remote minor and get connected to clean industrial energy sources through Block. This allows individuals to have a stake in Bitcoin mining on a more level playing field with larger firms who have more control and access over energy sources and equipment.

Jesse Dorogusker:

Addressing all of these shortcomings will create a more durable and decentralized Bitcoin ecosystem. This also represents a sizable business opportunity for Block. We anticipate billions of dollars of mining-related capital expenditure as Bitcoin network demand increases. We are confident that Block can apply its hardware product expertise and design ethos to have substantial impact in this space.

Jesse Dorogusker:

The market for Bitcoin mining is big and growing. Mining revenue reached nearly $17 billion in 2021, up from about $5 billion in 2020. As the mining revenue opportunity has grown, miners seeking to capture a portion of this growing market have invested heavily into new equipment. According to the Luxor hash rate index, the total Bitcoin hash rate has grown 20% year-over-year and 67% over two years, and that's despite the severe supply chain challenges in this timeframe. We expect these rates will continue to increase, especially as we make new equipment available.

Jesse Dorogusker:

Building a mining system inside the Block ecosystem has unique advantages and connecting points. Block's experience in hardware product development, including all disciplines of ASIC development, product engineering, and operations, allow us to solve end-to-end problems for customers. Our design philosophy prioritizes simplicity and ease of use, which contribute to wide adoption and access. Mining requires significant capital investment, and the cost and the revenue profile is not entirely predictable. We can reduce barriers to entry with Block's lending, and underwriting experience to broaden consumer access to Bitcoin hardware, helping miners smooth cash flow and invest for growth.

Jesse Dorogusker:

Finally, miners will store their mined rewards in a Bitcoin wallet of some kind, and this creates new opportunities for distribution and integration with our Bitcoin wallet or cash app. We are excited about the opportunity to make Bitcoin mining more efficient and more distributed. That's what we're up to with Bitcoin mining.

Mike Brock:

At Block, we've been building payment systems to connect people to the economy for over 10 years. With our Square reader, we connected millions of small businesses to the payment system, enabling them to make sales in our increasingly cashless society. With Cash App, we expanded the umbrella of banking services to bring in Americans who had been underserved or completely unserved by our financial system. We've made huge strides in increasing financial access, but our efforts are limited by the very nature of our financial system.

Mike Brock:

Today, over one billion people, worldwide, still lack access to a bank account. Of these people, two thirds of them own an internet connected mobile phone, but why can't we reach them? The internet and wireless technology has given us the information infrastructure we need to serve everybody, but money and payments have not kept pace. They're still the old paradigm. The legacy payment system is layers upon layers of proverbial duct tape, hiding a fundamental truth. Final settlement of payments is slow. It is capital intensive to facilitate at large volumes. Settlement is never quite final. And this all adds up to risks that get priced into the system in the form of expensive account fees or exclusion from the system itself.

Mike Brock:

These downsides fall hardest on the most economically disadvantaged, and leave them at even greater structural disadvantage in the new digital economy. We believe a technology like Bitcoin can fundamentally change the entire nature of the global financial system for the better. So we have our legacy payment system and we have the new payment system. How do we get from the old to the new? With OnRamps. This is TVD's mission, to bridge the old to the new, navigating the maze of complexity with simplifying APIs and SDKs and filling in the miss--

Mike Brock:

It was simplifying APIs and SDKs, and filling in the missing pieces needed in the form of trust and identity.

Mike Brock:

To do this, we are building a new open source company from the ground up. We are focused on building open protocols, open standards, and open development communities to create an ecosystem of tools that all participants in the economy can benefit from. Individuals, businesses, institutions, and yes, even government. What RedHat did for Linux, MuleSoft did for SaaS. Databricks did for data science, Elastic NV has done for search, TBD can do for money, payments and identity.

Mike Brock:

The power of open source is that we get to collaborate with developers from all over the world, and with other businesses and institutions, who share our vision for a more open financial system. The open standards and open source software we are building can form a foundation for reinventing the entire suite of financial services across the block ecosystem, allowing us to expand our reach beyond our traditional markets and into a truly globalized footprint.

Mike Brock:

The great power and potential of the internet has always been the democratization of access to information. This power has unleashed a torrent of innovation and fundamentally changed our world. But the account model of the internet is broken. The way we authenticate and verify ourselves on the internet has actually become increasingly centralized.

Mike Brock:

Our identity on the internet is represented by a small handful of very large companies. This model serves the interest of centralized platforms, but it doesn't serve the interest of individuals in terms of the privacy and control they must give up or the labyrinth of passwords and logins they need to remember to manage their accounts. We need to fix this and decentralized identity is our answer to building a more inclusive digital economy.

Mike Brock:

Identity verification is one of the largest intractable problems for gaining access for the financially marginalized. In the US, new immigrants, even those who are well educated and compensated, know the pain of trying to get access to financial services for the first time. Without an established record of credit, the onboarding experience is usually quite painful. Isn't it weird that the length of the credit file has something to do with how we verify identity? Does that really make sense?

Mike Brock:

The scope of this problem is immense, leaving 1.1 billion people around the world, unable to prove who they are, which is a travesty. Decentralized identity, or DID, takes the old paradigm of logins, passwords, and the increasing use of single sign-on through large centralized services, and replaces it with a secure token that you own and can be used anywhere. It creates the infrastructure for allowing reusable and verifiable credentials that can be attached to your secure, personal identity, and be used to gain access to regulated financial services in a way that's regulatory compliant, but still privacy preserving. These credentials can be proof of KYC, proof of driver's license, or any other kind of credential. Securely attached to an identity that you own and can securely prove is yours.

Mike Brock:

This isn't just about individuals. This is also meaningful for businesses that want to, but can't address large segments of the market due to the risks presented by onboarding customers with low fidelity identity data. These are tangible costs that lead businesses to exclude rather than include. Secure decentralized identity will allow businesses to serve more customers, build more streamlined customer experiences, and lower costs for businesses, and ultimately, for the customers they serve.

Mike Brock:

With decentralized identity, we have the foundation for building a truly decentralized protocol and network for connecting the world of legacy money to the world of digital money. This is tbDEX. This new protocol is the missing link to pull together three ingredients, the potential of the internet to democratize information, the power of internet native currency, like Bitcoin, and decentralized identity into an open permissionless and decentralized way to on ramp and off-ramp to and from digital currencies. But more importantly, to build the trust relationships between individuals and institutions, to lower the risks for all parties and ultimately drive transaction costs down for everyone while driving access and inclusion up. We believe tbDEX will power new ways to move money around the world, securely and in a regulatory compliant manner.

Mike Brock:

Because we're building on decentralized identity, individuals can prove their identity with one or more trusted third parties and passport that information across many different providers of liquidity all over the world, which ultimately means less risk for businesses, less risk for consumer data breaches, and actually getting closer to the elusive one click, zero friction onboarding experience that we all want. For an individual who wants to participate, they will create their own wallet, onboard their own identity, and establish the providence of that identity with a global ecosystem of trusted third parties, and ultimately, directly onboard from old money to new money.

Mike Brock:

With this new financial substrate in place, we open the possibility to reinvent the entire suite of financial services at Block for the decentralized world. With an internet native global currency, we can imagine new internationally native financial applications from Cash App to Square.

Mike Brock:

We've talked a lot about these big abstract ideas, but for us, it comes down to one important purpose, access. We believe everyone should have access to the financial system. Imagine you're one of the millions of people around the world who have been impacted by the pandemic. You've lost your job and your bank account is overdrafted. It's been closed for nonpayment, and now you can't open a bank account anywhere because it's on your record. The monthly account fee hits hard, especially when every dollar matters.

Mike Brock:

Under the new financial system, you could take your phone and create your own digital wallet to hold Bitcoin or stable coins. You can create your own digital identity and use all these different services that offer identity verification. You've created your own bank account, and you didn't have to ask permission to create it. You cash your paycheck through an online service that deposits stable coins into your wallet, using the tbDEX network for establishing trust between you and the check cashing service. You can convert your stable coin dollars directly into Bitcoin without ever leaving the wallet app because it's integrated into the tbDEX network, which provides liquidity all over the world. You can now send money to your family on the other side of the world quickly and cheaply without ever going through an intermediary.

Mike Brock:

Now you're a citizen of the new decentralized economy, as we all will be, because the future is TBD.