

Google And Goldman Back Bitcoin Startup For Small Businesses



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Veem CEO Marwan Forzely in Times Square, New York City on September 25, 2018. VEEM

Marwan Forzely has come a long way since his days at Western Union. The serial entrepreneur, who sold his previous company to Western Union to help the money-transfer giant directly connect to customer bank accounts, has raised \$25 million to cut intermediary banks out of the payment process altogether.

Instead of relying on a series of correspondents to move money between different jurisdictions around the world, Marwan's latest venture, Veem, uses bitcoin to directly connect its clients' bank accounts with suppliers and customers.

While neither counterparty is required to directly hold bitcoin, and an algorithm automatically routes transactions along the most efficient payment rails, more than half the transactions processed by Veem rely on the cryptocurrency as a replacement for correspondents.

Led by banking giant Goldman Sachs, with GV (formerly Google Ventures), Kleiner Perkins, Silicon Valley Bank, Trend Forward Capital, and Pantera Capital also participating, the investment in enterprise-payments startup Veem is primarily a move to accelerate the firm's exponential growth.

Central to the investors' interest in Veem is the built-in stickiness of the model, which has proved to be adept at turning recipients of Veem payments into Veem users. Since the San Francisco-based company raised its first round of venture capital in May 2015, it has grown from a mere 590 customers to more than 80,000 today.

As the price of bitcoin hovers around \$6,500, compared with \$300 when Veem raised its first round, the company is helping blaze the trail for next-generation bitcoin startups that give customers access to bitcoin's speed and traceability without their even knowing it.

“What's important about this round is the acknowledgement of the size of the opportunity, the size of the market, the size of the pain point that we're solving for,” said Forzley. “And it's an endorsement of the growth that we're experiencing.”

This latest strategic investment follows on a \$24 million Series B raised in March 2017 and brings the total amount raised to \$69.3 million. Lead investor Goldman Sachs made the strategic investment via its Principal Strategic Investment Group, which has been [increasingly](#) active in the blockchain space. As part of the investment, Goldman Sachs managing director Rana Yared will join Veem as a nonvoting board observer.

While Veem is not disclosing the terms of the investment or the valuation, Marwan says revenue has grown four times since the same time last year. Nondisclosure agreements prevent Veem from sharing a specific breakdown of the revenue sources, but according to Marwan a significant percentage of the company's revenue comes from integration with online accounting services like Quickbooks, Xero and Netsuite.

To maintain the exponential growth that has seen the company increase its customer base by 13,000% over the past three years, Veem has opted to focus spending from this latest round on building out new partner integrations. Meanwhile, the onboarding process itself will rely on increased automation, including built-in anti-money-laundering and know-your-customer compliance.

Increasingly, Goldman Sachs' Principal Strategic Investment Group is strategically backing blockchain companies that have the potential to improve service for the bank's clients, including enterprise software developer Digital Asset Holdings, payments startup Circle and infrastructure provider Axoni. But fellow Veem investor GV—with Google parent company Alphabet as the sole limited partner—has a much more profit-driven motive. With investments including commodities trader LedgerX and central bank alternative Basis, GV general partner Karim Faris believes Veem could be the first bitcoin startup to go public.

“We're not a strategic investor,” said Faris, who also sits on Veem's board of directors. “It's definitely not a strategic thing. It's an opportunity to create a stand-alone company and in the process make a financial return on a good exit or an IPO down the line.”

While Forzley has so far remained quiet about the possibility of going public, this wouldn't be his first time with an exit for a payments startup. Shortly after obtaining a bachelor's degree in computer science from the University of Ottawa, Forzley developed an interest in financial payments, eventually founding early online payments startup eBillme.

In October 2011 Western Union bought eBillme for an undisclosed amount and Forzely joined as general manager in charge of strategic partnerships, helping to integrate his technology into Western Union for what would eventually be called WuPay. The reason for his career-long interest in payments is simple:

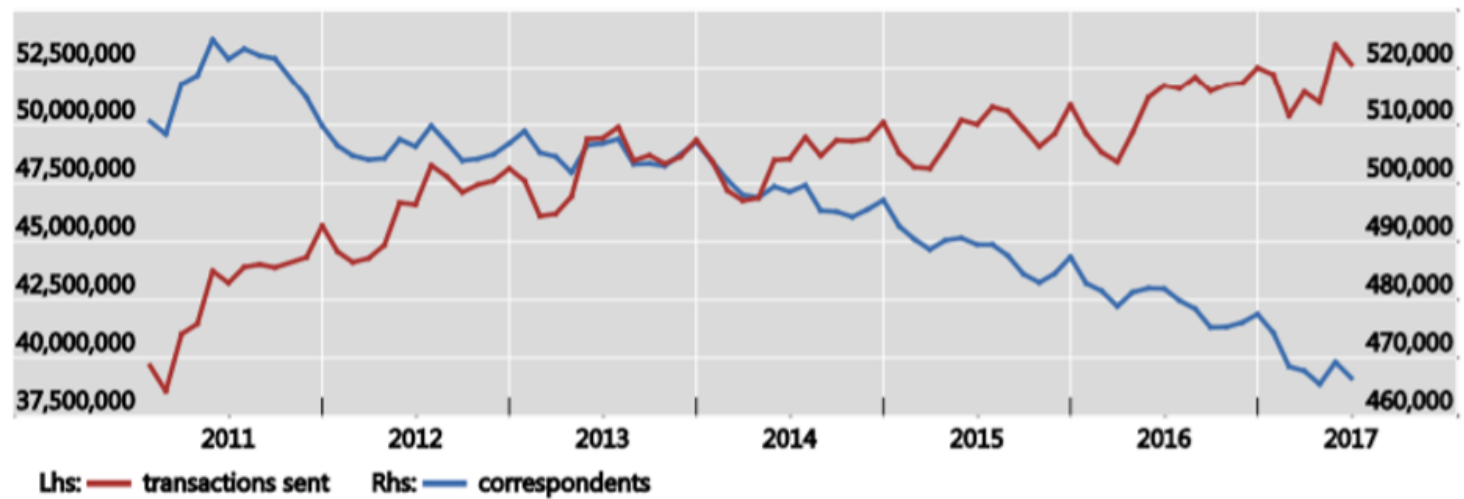
“Whatever you do in life, at the end of the day there's a payment,” said Forzley. “Payment technology is at the core of what people do and their livelihood.” If that early experiment with payments focused on making debit cards unnecessary, Veem is significantly more ambitious in targeting the massive correspondent banking industry.

To give an idea of how big the industry really is, a 2017 [report](#) from the Financial Stability Board that looks at the resilience of financial infrastructures found that there were 470,000 correspondents using the Swift bank messaging platform alone. Since 2011 however, that number has dropped by 8%, perhaps as a result correspondent mergers, lost licenses or the movement of business to Swift competitors, according to the report.

Number of active correspondents over all corridors and volume of messages¹

3-month moving average

Graph 9



¹ MT 103 and MT 202 excluding MT 202 COV.

Sources: SWIFT Watch; National Bank of Belgium.

This graphic from a 2017 Financial Stability Board report shows that even as the total number of correspondents decreases on the Swift platform, the total transaction volume is getting higher. [FSB](#)

Ironically though, even as correspondent banks face increasing competition, Swift has seen an increase in total transactions, according to the same report. Vying for that ever growing market are startups like Nairobi-based [BitPesa](#) and Veem, which seek to cut out those middlemen by replacing them with a mix of faster, more transparent bitcoin and other alternatives.

“When you reconfigure the way money moves, when you use it with a different infrastructure, you simplify the cost structure and you turn money back to the business owner, the end user,” said Forzley.

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