

## Interview: CEO of world's largest bitcoin cloud miner answers the most important questions on bitcoin mining

**In an extensive conversation with Moneycontrol, Marco Streng, CEO of Genesis Mining, the largest cloud mining company in the world, sheds light upon the cloud mining industry, its challenges and the road ahead for cryptocurrencies.**

Aug 08, 2017 06:08 PM IST

By Sidhartha Shukla



Since it first came into existence in 2009, bitcoin has threatened to disrupt financial institutions and change the meaning of money itself.

The world's first decentralized cryptocurrency aims to serve as a peer-to-peer electronic cash, making transactions possible directly between users, eliminating the need for trusted

third parties like central banks.

Bitcoin transactions are verified and registered over a publicly distributed ledger known as 'blockchain'.

Who verifies and registers these transactions? This is done through a process called mining.

Each entry is confirmed by 'miners' who have to solve a complex math problem associated with each transaction in order to be able to verify it and earn some bitcoins for the hard work.

With the passage of time, the math problems become more complex and more computational power is required to mine.

Due to this, bitcoin mining activity has increasingly become difficult to undertake. Those who do not want to invest in expensive hardware required for bitcoin or cryptocurrency mining in general, can earn some coins through cloud mining. (This activity refers to mining bitcoins using advanced hardware of companies that are set up specifically to offer this service, in lieu of a fee.)

In an extensive conversation with Moneycontrol, Marco Streng, CEO of [Genesis Mining](#), the largest cloud mining company in the world, sheds light upon the cloud mining industry, its challenges and the road ahead for cryptocurrencies.

**Could you please introduce our audience to your company, Genesis Mining?**

Cryptocurrency, which is an umbrella term for Bitcoin and Altcoins like Ethereum, Dash, Monero etc, is bound to change the way we look at money. Industry leaders like Bill Gates and Richard Branson have expressed their support for Bitcoin and Blockchain technology and Bitcoin experts like Andreas Antonopoulos believe, “It’s the Internet of Money”.

The co-founders of Genesis Mining, Marco Krohn, Jakov Dolic and I met around 4 years ago through the Munich (Germany) localBitcoins website -- back then there were no Bitcoin exchanges. We discovered we had a shared passion for Bitcoin and home mining.

We decided to set up a large GPU farm in Eastern Europe, to mine Litecoins and in the process of doing this, we pretty quickly decided to create a cloud-mining platform. We realized that not only was there a huge opportunity to open up our expertise in managing large cryptocurrency mining farms to a bigger audience but also, to ensure we stayed true to Satoshi Nakamoto’s ideals.

With our cloud-mining products, we strive to “democratize mining” and give a platform to about a million customers to participate in the cryptocurrency revolution.

Currently, we have a highly motivated team spread across 5 continents, comprised of mathematicians, investment bankers, engineers, security experts, customer support & marketing specialists (and even musicians and artists!) who have a passion for blockchain and cryptocurrency!

And, we have mining farms across the world working seamlessly to power this financial revolution.

**Genesis Mining went through a rough week recently with the attack on your hot wallet which led to daily customer payouts being delayed. Could you please share some insights into that?**

Yes, it was a very hard week for all of us, especially since our security protocols meant we had to delay mining payouts until everything was proved to be secured again. We’ve now been able to restore regular service and deliver the payouts that had been delayed.

We believe we have learned a lot and have come out stronger.

While we continue to strengthen our security measures and improve our customer support, we also believe our business fundamentals like “daily payouts” have helped us tremendously in mitigating risk.

On the night of July 21, an intrusion into one of our hot wallets (an online wallet where we temporarily store the output of our mining). We immediately thwarted this attack but had to delay our daily mining payouts, on the advice of our cyber security team which included third-party security experts.

We communicated with our customers, the technical difficulties we were facing, without compromising information that could further affect all of us negatively and we had customer support agents cancelling vacations and rushing back to work multiple shifts.

On July 26, we were in a position to share more information with our customers and we did this through a [blog post](#).

At this time, a common thread of thought that echoed throughout the company was, “We completely empathize with our customers’ fear of potentially losing hard earned money. Let us assure them and also ensure that their investment is completely safe”.

We would like to stress that through these 6 days when we temporarily halted payouts, our mining farms were continuing to mine crypto for our customers.

We restarted payouts on July 27 and using bulk payouts, have now brought the situation under control.

Through this tough week, we were humbled by the positive feedback and trust we got from most of our customers and would like to assure them that we will adopt their valuable suggestions immediately.

In the long run, we also believe that this will bring us closer to our customers and we hope, increase their trust in us.

**Where do you see the Bitcoin or the cryptocurrency industry heading in the coming years?**

The world of cryptocurrencies is evolving rapidly.

First of all, the high risks taken by the innovators in the industry have paid off in many ways, and we are perhaps still at a pre-early adopter stage. There is still a lot of opportunity for investors who would like to invest in cryptocurrencies.

Not only are there many awe-inspiring stories of successful, innovative Bitcoin and blockchain companies and but also, the knowledge eco-system around the industry has reached a certain level of maturity.

Secondly, governments are taking the Bitcoin industry more seriously. The Japanese government has legalized Bitcoin as a form of currency; the American and German governments allow Bitcoins to be traded as an asset-class and India, according to multiple rumours, is about to legalize and/or regulate Bitcoins.

All this points us in the direction of Bitcoin, or one of the other cryptocurrencies (aka Altcoins), gaining wider acceptance not only as a 'store of value' but also as a currency within the next 5-10 years.

There are also exciting times ahead for smart contracts, token technology based apps (DApps) like Augur for prediction markets, Golem for distributed computing and second-layer technologies like lightning.

### **Where do the mining businesses fit into the future?**

Mining and proof-of-work will continue to power some major cryptocurrencies like Bitcoin. It is the backbone of the "trustless trust network". Miners play a key role in securing the network and verifying transactions: like auditors.

With our experience in building and running large-scale, energy-efficient computing farms at an attractive price point, we also see ourselves engaged deeply in the cloud computing revolution. There are a few interesting applications in the works!

### **How risky is cloud mining?**

Cloud mining per se isn't risky.

What is important is that there is awareness among customers regarding how mining in general and cloud mining in particular, works. In this regard, there are many positives we have been observing lately. More and more people are not only aware of the risks involved with mining companies who

promise fixed returns but have also researched about which cryptocurrency they'd like to mine and what kind of diversified mining portfolios they'd like to build up.

Having said that, the lack of regulation in the industry and the exponential rate of growth is leading to some unethical players exploiting their customers' trust.

A related disturbing trend is the emergence of various Bitcoin funds which promise to invest in non-existent mining capacity and startups.

A lot of these players are essentially Ponzi schemers who guarantee impossibly high fixed returns.

To fight back against this and to protect our customers and our industry, we are constantly taking initiatives to educate both our current and potential customers about how an investment in mining and our cloud mining product works and, how to spot a Ponzi scheme.

We are a regular presence at various conferences, correspond regularly with journalists and media publications, and also live stream images from our [mining farms](#). We also enforce a daily payout system, which not only differentiates us from Ponzi schemes but also ensures there's very little incentive for potential hackers.

### **After the halving last year, is Bitcoin mining still profitable in 2017?**

For sure, block reward halving and difficulty level increases, have made mining harder.

However, this is where both our experience and expertise gained over the past 4 years comes in handy.

There are a few different factors that help us remain profitable:

1) Economy of scale enables us to keep costs low. We have mining farms across 4 different continents with Enigma, our largest farm in Iceland rivaling the world's second-largest supercomputer based on pure brute-force computing strength.

2) A highly streamlined supply chain, where we have strong long-term partnerships helps us to react quickly and efficiently to the massive demands which we are currently seeing.

3) We have over the years negotiated good deals with energy companies and are firmly focused on using renewable energy.

4) On top of this, we are also working with chip manufacturers to deliver custom solutions.

5) We also offer “100% uptime guarantee” for our customers and we are able to deliver on our promise by switching pools and using state-of-the-art Mining farm management software called [Genesis HIVE](#) which we have developed in-house.

6) Our multipool technology further boosts profitability for our customers by switching between different coins, depending on their profitability. Our deep experience with Altcoin mining helps with this.

So all-in-all, despite the halving last year, we believe we have the systems in place to maximize profitability for our customers.

Bitcoin is regularly referred to as “Digital Gold” in the media and this is an apt analogy. As difficulty to mine increases, the value of Bitcoins will continue to increase and inefficient players will get filtered out.

### **How many cryptocurrencies can be mined from your platform and with the recent boom in altcoins what plans do you have for the future?**

Apart from Bitcoin, we offer a range of other cryptocurrency mining options. The altcoins we mine are Ethereum, Litecoin, Dash, Monero and Zcash.

We started off 4 years ago with GPU-based Altcoin mining and Altcoins retain a special place in our hearts.

Despite the current [GPU shortages in the industry](#) our long term strategic partnerships with hardware manufacturers and R&D initiatives to build proprietary graphics cards that are optimized for mining, allows us to ramp up rapidly.

Some of our largest current farm build-outs are GPU focused and we have an exciting announcement to make, in the near future!

### **What is the return on investment in cloud mining?**

As a cryptocurrency mining company which actually mines with real farms minting crypto coins, we at Genesis Mining never commit to a fixed ROI because Bitcoin and altcoin mining depends highly on the prices and difficulties of the coins you mine and this, cannot be predicted.

We recommend all our clients to do their own research and do their own profitability calculation. There are websites like [coinwarz.com](http://coinwarz.com) which help one do this.

We find it encouraging that our refusal to commit ROI (or fixed returns), in fact gains us the trust and respect of our customers. What we do guarantee though, is to keep pushing the boundaries of crypto mining world and offer best-in-class returns to our customers.

**The government is trying to regulate cryptocurrencies in India. What are your suggestions in this direction?**

First of all, we fully welcome it!

Over-regulation in the early stages of any technology usually stifles innovation but with Bitcoins gaining in popularity, there is definitely a need for limited regulation in order to protect the consumers.

While we are moving out of the “innovators stage” and into the “early adopter stage” of the Bitcoin industry, the profile of the typical customer is changing and although educational and awareness related initiatives help, the government could play key role.

Steps like mandating KYC, AML and CFT procedures, setting up a certification system to counter fraudulent companies which engage in MLM and Ponzi schemes and a strong consumer protection system for grievance redressal, are all the need of the hour.

We are confident that as the conversation around this grows, there will be more positive ideas which will come up. We have some very smart minds working on this from both sides - DABFI, a self-regulating body comprising of leading Indian Bitcoin companies like Zebpay, Unocoin and Coinsecure and represented by **Nishith Desai Associates**, is at the forefront of this effort and we completely support their initiatives.

**Since the start of 2017 cryptocurrencies have witnessed a crazy rally, many say that they are in a bubble right now? Do you think that this price appreciation is a result of herd mentality?**

There is no perfect or safe answer to this question we reckon because by the time this interview is published, the crypto markets might have turned a little bearish or gone on a wild upswing.

While the buzz around cryptocurrency is definitely playing a role, we also think it's a natural progression of the cryptocurrency ‘technology-market’ acceptance arc. There is a lot more

awareness and excitement regarding our young industry and there is still tremendous headroom for growth - over time, this will bring down volatility.

Drops in price often bring in new investors which ends up increasing the number of people using Bitcoin which drives value right back up.

**How will the Segwit2x update impact the cloud mining industry? Is Genesis mining in favour of Segwit2x or not?**

Segwit2x is a good idea and we will support it (we signed the New York Agreement). It allows for increasing the block size further (via hard fork) and thus allows more people to use Bitcoin at lower prices. This type of on-chain scaling is needed until 2nd layer technologies (such as lightning network) are available for everyone.

We advise our customers to be careful in the days preceding and following any potential change. As a company, our stand is aligned to our customers and the industry's interests. And therefore, our focus is both to secure the Bitcoin network, and serve our customers' wishes.

With this in mind, we will always ensure that our customers retain the ability to make their own choice.

**You have recently forayed in the India market as well, how has been the experience and any thoughts you would like to share with our audience or people who plan to venture in the world of cryptocurrencies?**

We are highly focused on the Indian market and we've had some great experiences over the last year or so - the community is rapidly growing.

Over the past year, we have focused to increase awareness and trust – both in the technology behind Cryptocurrencies like Bitcoin, Ethereum, etc. and, in Genesis Mining, as the world's leading and most reliable cloud-mining service provider.

Another key focus has been to meet our customers in-person at various forums.

We recently organized a conference – the first Edition of BlockSpeak in Mumbai and Bangalore to help people understand the basics of Bitcoin, cryptocurrency mining and, to also help like-minded people get together.



We work closely with pioneers in the industry like [Bitcoin expert] Sunil Aggarwal who recently released an interesting book on Bitcoin and blockchain called Bitcoin Magnet to educate people in India about the technology involved. Genesis Mining also recently partnered with industry leaders like Zebpay to bring Andreas Antonopoulos to Mumbai for an exciting talk about Bitcoin and Blockchain technology, which was a huge success.

We are also holding a [BTCC conference](#) in Mumbai on August 10th where our keynote talk will focus on the basics of Mining and Altcoins and also, high-volume investment opportunities in this space.