



What is this 'Initiative Q' thing?

Frank Chung

October 30th, 2018

If you're on Facebook, you may have seen your friends or acquaintances posting this viral spam message promoting a get-rich-quick scheme called Initiative Q, "built by ex-PayPal guys".

"Initiative Q is building a new payment network," it says. "To get people to adopt it, they're giving away significant sums of their future currency to early users. They require only name, email and an invite from an existing user."

All you need to do is hand over your personal information and sign up five friends, then 10 more, who then sign up five friends and so on, in a pyramid-like structure.

A live ticker on the company's home page instils a sense of urgency - the earlier you get in, the more your allocation of "Q coins" will be worth in the future. "The next spot will be worth \$US64,000 - 3999, 3998, 3997 ..."

Initiative Q claims two trillion coins will be issued, which will ultimately be worth \$US1 each for a total pool of \$US2 trillion.

It's not exactly a cryptocurrency - although it may yet turn out to be, because it hasn't even settled on a model, much less begun developing a payment system - but like cryptocurrencies it's promising to create money out of thin air.

So what exactly is Initiative Q? Is it a scam? Founded by Israeli-born entrepreneur Saar Wilf and backed by Cato Institute economist Lawrence H. White, it does have some high-profile names behind it.

Mr Wilf, 44, co-founded transaction fraud detection company Fraud Sciences, which was acquired by PayPal in 2008. So it's not strictly correct when the company says it was "built by PayPal founders".

The website explains that today's payment systems are "old and outdated" and need to be replaced. If enough people have the "foresight" to sign up for this new payment system - which doesn't currently exist as anything more than a vague plan - it will be "like a self-fulfilling prophecy".

"As millions join, advanced payment technologies are deployed, the payment system becomes even more popular, the Q currency becomes valuable, and rewards given to early users reach their potential value," it says.

The website outlines a "road map" towards a future scenario where one "Q" equals \$US1. It's currently in the "member recruitment campaign" phase, with the payment network development not scheduled to start until mid-2019.

In its FAQ page, Initiative Q has a section titled, "Is this a pyramid or multi-level marketing scheme?" which might seem like a slightly worrying sign.

"Pyramid schemes collect money from new members and distribute it to earlier members," it says. "In contrast, joining initiative Q is completely free. So, clearly, there is no money to hand up the 'pyramid' to earlier members."

News.com.au reached out to Initiative Q to ask why it was choosing to market itself in a way that could be perceived as a scam or pyramid scheme. In an email, a spokesperson said it was a "very common marketing practice".

"We offer compensation for users who refer their friends, just like Uber, Airbnb, Dropbox and many others do," they said. "Referral marketing of an attractive offering is very effective and cost-efficient. We have not done any advertising or conducted any PR campaigns."

They said more than one million users had signed up so far and "collectively a few billion Qs have been reserved for them".

Asked whether it was premature to be assigning a future value to the currency when development hadn't even begun, the spokesperson said \$US1 was the "future value target for the Q, which the Initiative Q monetary committee will aim to maintain".

Cryptocurrency expert David Gerard, author of *Attack Of The 50 Foot Blockchain*, said while Mr Wilf appeared to have some track record building a successful business, he didn't think the idea for a currency would work.

He argues that while it's not a cryptocurrency, it "has the same smells to it" and "shares a lot of bad ideas with cryptos", particularly the insistence that existing payment technologies are somehow obsolete and the "paranoid conspiracy" that governments can't be trusted to issue currency.

Many of the technologies Initiative Q claims are distant fantasies - tap-and-pay via your smartphone, for example - are already in widespread use. "Their idea for a future payment system is what already exists in the UK and Europe," he said.

But the real risk, according to Gerard, is what might happen to your personal data.

Even though the company has a strict privacy policy and claims it won't share your information with third parties, what happens if it ends up going bust and decides to sell off its database to pay the bills?

"The big worry is the big pile of email addresses - it's a list of people who think you can get rich for free," he said. "That list would be worth a fortune to scammers. Frauds love lists like that. Initiative Q's privacy policy is very good. But what if they get sold for parts? Or - what if they get hacked? How good is their security?"

He described the email list as a "toxic waste pool".

"This sort of dangerous list is why the EU put the GDPR (General Data Protection Regulation) into place," he said.

Initiative Q's spokesperson stressed it would "strictly adhere to our privacy policy and do not sell or otherwise release personal data or contact information" in such an event.

"We don't share the data with any other third party or marketing companies and we do not spam or send commercial offers," they said.

Asked about funding sources, their cash runway and the business model, the spokesperson said Initiative Q was "currently self-funded".

"The plan is to sign up enough users such that we can overcome the 'adoption barrier' where other payment system attempts have failed," they said.

"Then we will develop the system and launch it. The revenues will come from small network operation fees, much lower than today's costs."

Gerard remains highly sceptical.

"I think they're not crooks, though building your mailing list with a pyramid-style scheme is a bit off," he said.