



Five Steps To Plan For Digital Currencies

payments cryptocurrencies

Summary: According to PR Newswire, digital currency's global market will grow by a compound annual growth rate of 3.5% between 2021-2026. While private digital currency adoption has surged, governments are taking note of this market and exploring central digital currencies. We provide you with the developments along with five steps to take in preparation of digital currencies.

Coins are often left behind or lost and not seen as valuable. Yet, the TSA reported gathering over \$960K in loose change left in security bins in 2018. That is a chunk of change! Knowing that may prompt you to claim those quarters and dimes (and even pennies) next time you travel.

While coins are still valuable, digital currencies are growing fast. According to PR Newswire, digital currency's global market will grow by a compound annual growth rate of 3.5% between 2021-2026. Governments around the world, including the US, are taking note, with some moving forward with digital versions of their currencies. Community financial institutions (CFIs) need to monitor developments in [digital currencies globally](#).

Centralized digital currencies. Many governments are in various stages of centralized digital currency exploration. The Fed is currently working with MIT on building and testing a hypothetical digital dollar. Meanwhile, China already has a pilot digital currency program up and running. Japan is working on a digital currency as well, with the United Kingdom and Canada exploring the idea. Cambodia and the Bahamas launched centralized digital currencies in October 2020.

Private digital currencies. There are, of course, private digital currencies already in circulation, the most famous being Bitcoin. Bitcoin now has a market cap bigger than the economies of some smaller countries. While the bitcoins of the world may be gaining popularity and value, they have no shortage of detractors who point out that these private digital currencies operate outside of government financial systems.

For example, JPMorgan Chase CEO Jamie Dimon has made it no secret that he doesn't support private digital currencies. As he recently pointed out on CNBC, traditional currencies are "*supported by the taxing authority of a country, the rule of law, a central bank.*" Government backing provides a level of confidence for financial institutions that can't be matched by private cryptocurrencies. This argument may be why centralized digital currencies (backed by governments and governed by laws) are more seriously explored these days.

Whether it's central bank digital currencies or private digital currencies, the changes to the financial system could be as profound as Amazon was for retail. Already, according to a report by the Fed, [almost 90% of the outstanding USD money supply is digital](#) vs. physically in circulation, as of May 2021. Not only should your institution continue to monitor these digital currency trends, but it may be a good time to evaluate adding digital currencies to your digital strategy.

Preparing for digital currencies

Here are five steps a CFI can take to plan for these digital currencies.

1. **Educate.** Keep your staff up to speed on digital currencies. It can be helpful to distribute a guide to cryptocurrency and digital terminology, such as [ICBA's Cryptocurrency Primer](#).
2. **Evaluate.** Evaluate customer needs and interests, and see if it is appropriate to accommodate those that already use cryptocurrency. For example, some CFIs are allowing their customers to buy crypto assets using their accounts, including a \$744MM CFI in OK.
3. **Review.** Assess and update current digital currency systems and offerings. Look at options that might meet not only the current needs of your customers, but also their future needs and those of new customers.
4. **Monitor.** Monitor regulatory developments thoroughly, paying close attention to any changes or guidelines from agencies like the IRS and the Comptroller of the Currency. Stay on top of the regulatory risks associated with cryptocurrencies, particularly private ones that are also used by cybercriminals to launder their illicit profits.
5. **Set strategy.** If you don't have a long-term digital strategy, now is the time to develop one. If you have one, take the time to review it with the latest developments and update it, as necessary.

Digital currency activity has ramped up and many financial institutions are finding themselves needing to respond. Yet, many may wait for the progress of the centralized digital currencies to jump in. We will continue to keep you posted on this evolving topic.

WHITE PAPER: FASTER INTERNATIONAL PAYMENTS

Businesses want faster international payments to help grow their business. Do you have the capabilities to support them with this? Find out more by downloading our white paper, "[SWIFT gpi: Faster International Payments](#)."

ECONOMY & RATES

Rates As Of: 07/13/2021 11:04AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.06	0.00	-0.03
1Y	0.08	0.01	-0.03
2Y	0.26	0.01	0.14
5Y	0.85	-0.04	0.49
10Y	1.42	-0.05	0.50
30Y	2.04	-0.04	0.40
FF Market	FF Disc	IORR	
0.10	0.25	0.15	
SOFR	Prime	OBER	
0.05	3.25	0.08	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.