



## An Update On Cryptocurrency

regulatory cross-sell cryptocurrencies

**Summary:** Cryptocurrencies continue to impact the financial industry. Some traditional financial institutions are more game than others to test the waters. But, one thing seems clear — cryptocurrencies are here to stay. We provide you with the latest update, including results seen at a community financial institution and the latest in regulatory guidance.

Did you know that babies can actually taste sweet and sour right away? Not bad, considering their main food source is pretty consistent the first few months. It is after about four months of age that their palates expand to recognize saltiness in food and drink.

Whether you are sweet or sour on cryptocurrencies, they seem to be gaining traction. Blockchain, cryptocurrencies, and decentralized finance (DeFi) are still somewhat nascent, but they have already turned into [an industry with a market cap of more than \\$2T](#), with multi-billion-dollar banking opportunities growing up around them. Though things continue to evolve on all three fronts, several financial institutions have already begun to dip their toes into one or more of these areas and are profiting from doing so.

Taking a wait-and-see approach is often a good idea, but waiting too long may put you at a competitive disadvantage. If your institution isn't ready to dive into these areas yet, Here is an update to at least keep tabs on the developments.

In a recent BID article, [Cryptocurrency Exchange Machines & Crypto Banking](#), we noted a few CFIs that have started engaging in cryptocurrency banking. One of these, an OK-based institution, was recently highlighted for its success in a Western Bankers Association webinar, "*Cryptocurrencies & Decentralized Finance -Threat or Opportunity*". The presenter, Larry Pruss, Senior Vice President at Strategic Resource Management, noted that in just its first two months of offering crypto services, this institution had already recognized unimaginable returns. "*Of the customers that they took 50Ys to grow into their customer base, they increased that by 25% over the course of two months just by offering crypto trading,*" said Pruss.

### Low barrier to entry and increased cross-selling opportunities

With a relatively low barrier to entry and a short timeframe to implement, Pruss indicated that all CFIs can do the exact same thing in as little as 60 to 90 days, through partnerships with third-party organizations. Not only is this a way to pick up new customers, but it also has the potential to build on these new relationships through cross-selling opportunities. According to the 2021 State of the US Crypto Report by Gemini exchange, there could be as many as [40MM adults that own cryptocurrency by mid-2022](#). Winning over some of those customers and cross-selling multiple services could increase an institution's profitability fairly quickly.

*"You're not too late to the party. But if you do this in a year from now, you will have missed a huge opportunity because of that first mover advantage,"* said Pruss. He pointed out that once multiple financial institutions begin moving into crypto, it won't take long for those opportunities to start shrinking.

### Regulators providing guidance

It is clear that crypto is not going to disappear, so regulations are coming. An [interagency joint statement](#) was released on November 23, 2021. "*The Board of Governors of the Federal Reserve System, Federal Deposit*

Insurance Corporation, and Office of the Comptroller of the Currency (OCC) recognize that the emerging crypto-asset sector presents potential opportunities and risks for banking organizations, their customers, and the overall financial system.” Accordingly, these agencies have been busy with interagency “policy sprints” for crypto assets. Through the joint statement, they have provided a summary of some of the sprint results and a roadmap of future activities. At the same time, the [OCC released additional clarifications on specific cryptocurrency activities](#) for financial institutions and the expected controls. More guidance is expected next year.

“Regulation’s not going to make crypto go away, it’s going to add legitimacy,” says Pruss.

The arena of cryptocurrencies is developing quickly. Some CFIs are already stepping in to reap the benefits early. But, there are still big risks. Be sure to evaluate whether these activities meet your institution’s risk-reward thresholds and make sure your regulators are not caught off guard with your plans.

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## ECONOMY & RATES

Rates As Of: 12/22/2021 06:21AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.07	0.02	-0.02
6M	0.16	0.06	0.07
1Y	0.29	0.04	0.18
2Y	0.69	0.13	0.57
5Y	1.24	0.08	0.88
10Y	1.48	0.03	0.56
30Y	1.88	0.08	0.23
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OBER	
0.05	3.25	0.07	

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