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Report: Crypto-friendly banks in 2023

Laurel Murphy 16h ago

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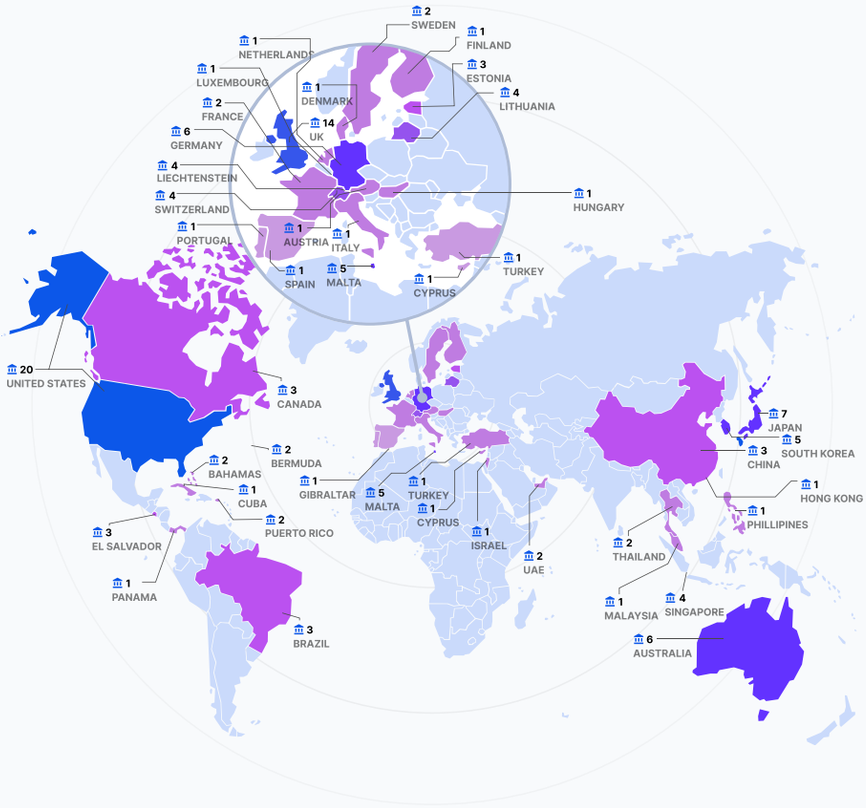
Financing the Crypto Revolution: Traditional banks are causing market anxiety (yet again) - but cryptocurrencies need them more than ever!

The geography of crypto-friendly banks



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Banking on Chaos

It's been a wild few months for banks everywhere. The demise of Silicon Valley Bank rapidly followed by the implosion of Credit Suisse sent shockwaves through the financial world. But even before the fall of the two juggernauts, crypto firms were having their own banking peril. For crypto firms, the question of banking isn't an easy one. The crypto industry is so riddled with scams and fraud that many banks don't want to take the risk of working with blockchain service providers.

Crypto businesses still need banking. Without banks, crypto businesses struggle to integrate fiat payments. On a more prosaic level, banks are still required for payroll and settling accounts. While crypto started as an effort to ditch banks as intermediaries, the rise of a regulated crypto industry means that traditional banks are now more than ever required partners.

Sam McQuade, CEO - Panterra Finance

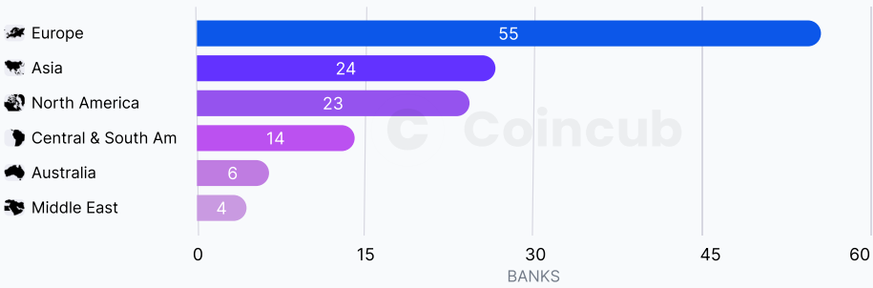
"With technology advancing faster than regulations, traditional banks have seen margin declines and consolidation for decades, so while crypto was initially a threat, it can also be viewed as one of the potential biggest future earnings contributors to the banks who are nimble and agile enough to invest in the right areas".

The collapse of Silvergate bank led to customers seeking accounts at Signature Bank New York, which promptly gave up the ghost. The flaming wreckage of Silicon Valley Bank is illuminating one - the conclusion for many: the United States is no longer the best option.

Several contenders are rising up to take the US's place. Switzerland, the United Kingdom, and Dubai all have existing infrastructure to tempt crypto businesses overseas. In Asia, Singapore, and Hong Kong are tempting ports of call.

What is a crypto friendly bank and where to find them?

Fig 1: Crypto friendly bank per region



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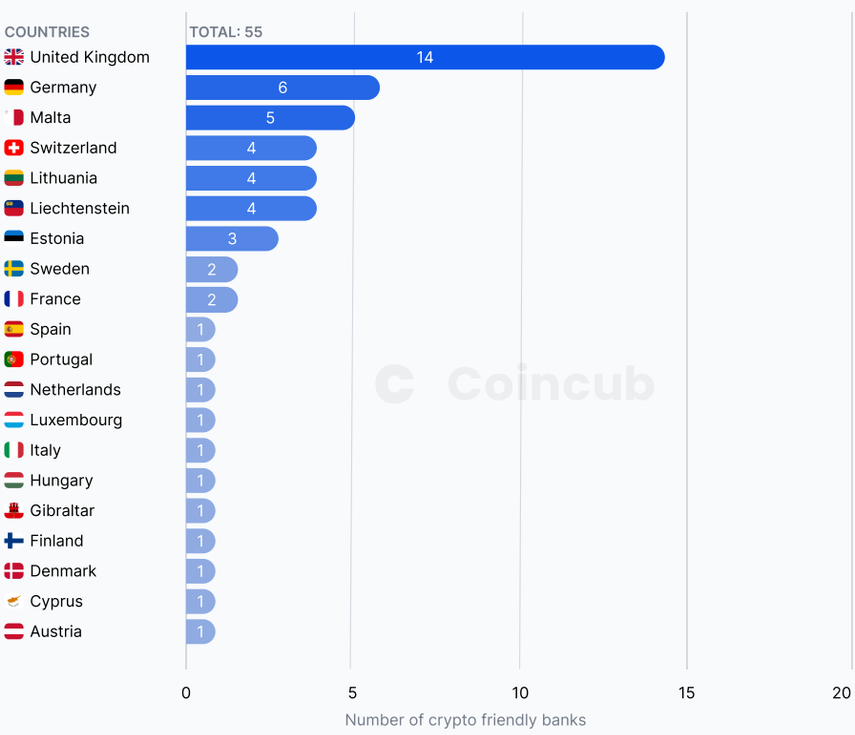
What defines a crypto-friendly bank? Legions of SEO-optimized websites tend to agree that a crypto-friendly bank is one that lets customers make large transfers to any exchange they want without asking any inconvenient questions. The really crypto-friendly banks will allow customers to purchase crypto on credit. Most advice is on the customer side, and very little information is provided for crypto businesses looking to figure out their day-to-day operations.

Let's take a look at the banking and crypto relationship around the world...

Europe



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The big picture

Europe is the world's largest crypto economy. Governments across the continent are scrambling to match regulation with demand. In the EU, the Markets in Crypto Assets (MiCA) regulation would establish a coherent regulatory regime for crypto businesses. Comprehensive legislation would be a welcome break from the type of legal 'whack-a-mole' that has characterized the European crypto market. MiCA is slated for adoption in 2023 following a vote delay. In light of the U.S. crypto banking crisis, Sygnum Bank and SEBA in Switzerland and Bank Frick in Liechtenstein are positioning themselves as successors to SVB, Silvergate, and Signature. However, other jurisdictions are competing with Europe, namely Hong Kong, Singapore, and the Middle East.

France

French banking authorities want to establish comprehensive crypto licensing before the 2024 start date of MiCA. Bank of France governor, Francois Villeroy de Galhau, is reading the charge by calling for obligatory licensing for digital asset service providers (DASPs). Currency no companies hold the license, which is optional. Around 60 firms are registered with the French markets authority AMF, including SG Forge, the crypto division of Société Générale, France's third-largest bank.

In 2022, another French bank, Delubac & Cie, became the first in the country to offer regulated crypto services. The bank stated in a press release that it planned to focus in part on institutions offering secure digital asset custody services to customers. This was excellent news for French crypto businesses looking for a banking partner.

Germany

Germany's crypto has been on a roll. According to Chainalysis, on chain activity skyrocketed in 2022, likely due to the decision to enforce a 0% long-term capital gains tax and allow many types of asset managers to invest in crypto. Germany's outsized growth was likely a byproduct of two recent decisions: (1) to enforce a 0% long-term capital gains tax, and (2) to allow many different types of asset managers to invest in cryptocurrencies. Chainalysis data suggests that these actions had the effect of encouraging both retail and institutional adoption.

Germany has the highest number of crypto-friendly banks in the EU. Neobanks such as N26, Fidor, vivid, and Solarisbank all provide some level of crypto services. Institutional giants are also getting in on the action. DZ Bank, Germany's second-largest lender, is partnering with crypto firm Metaco for a digital asset service.

Estonia

Estonia's quest to become Europe's digital pioneer paid off - in 2021, the Baltic nation was home to more than half of the world's registered virtual asset service providers. In 2022, Estonia did an about-face by instituting a series of regulatory crackdowns on the booming crypto industry after the Terra/Luna collapse.

In late 2022, the crypto bank Striga was the first company to be awarded a license under Estonia's newly strict regime. LHV bank allows customers to hold crypto assets and offers support for tax returns.

Liechtenstein

Sam McQuade, CEO - Panterra Finance

"Liechtenstein is home to the first bank in Europe to offer blockchain banking, thanks to Liechtenstein's early leadership with the Blockchain Act Bank".

Bank Frick is outspoken about welcoming clients who are active in the blockchain industry and have offered to assist companies looking to establish their business in Liechtenstein with incorporation accounts. The bank also offers business accounts for blockchain companies.

Mason Privatbank offers crypto custody services to high-net-worth individuals in Asia and Europe. Their parent company, Mason Financial Holdings, is based in Hong Kong; a jurisdiction with established ties to banks in Switzerland and Liechtenstein.

In 2022, LGT Bank, the world's largest private bank, announced that it was working with Swiss-based SEBA bank to set up crypto custody and brokerage services for private clients in Liechtenstein and Switzerland. LGT is also operating in crypto-friendly municipalities in Singapore and the UAE.

Malta

According to Chainalysis' Geography of Crypto report, Malta is still 'blockchain island' despite competition from the Bahamas, Bermuda, Abu Dhabi, and Dubai. Agribank has been described as "open-minded", as has a reputation for taking customers others may refuse. Paytah offers IBAN services to clients in high-risk sectors including cryptocurrency, although they have been fined in the past over money laundering breaches.

Malta has also had banking setbacks. Founders Bank positioned itself as a challenger bank dedicated to serving the tech and blockchain industries. Despite millions in funding from Binance and Polychain, Founders Bank has been awaiting regulatory approval for years now.

Switzerland

Swiss banks are famed for their discretion and stability (er, or used to be...). However, despite Credit Suisse's demise/absorption/takeover/merger etc., Switzerland is still one of the top destinations for crypto finance. The two main crypto-forward banks are Sygnum and SEBA. Sygnum is a 'crypto-native' based in Switzerland with outposts in Singapore, Luxembourg, and Abu Dhabi. In the wake of the worldwide banking crisis, Sygnum is fielding an influx of onboarding requests from international crypto firms.

SEBA, another crypto-focused bank, recently expanded its operations to Hong Kong after noticing a strong appetite for crypto services. Amy Yu, the Asia-Pacific CEO, has also discussed plans to move into Singapore. SEBA is headquartered in Zug, the canton of Switzerland nicknamed 'crypto valley'. Switzerland likely isn't a destination for crypto firms fleeing the States: Sygnum bank does not onboard U.S. clients, and SEBA is wary of U.S. clients.

United Kingdom

Royal Bank of Scotland is historically eager to invest in crypto and supports customers buying crypto within a daily limit. Major crypto-friendly banks include ClearJunction, BCB Group, and Standard Chartered. Barclays has purchased a stake in crypto firm Copper even amid market instability, signifying institutional optimism in the future of crypto. Barclays previously invested in crypto services provider Elwood Technologies earlier in 2022.

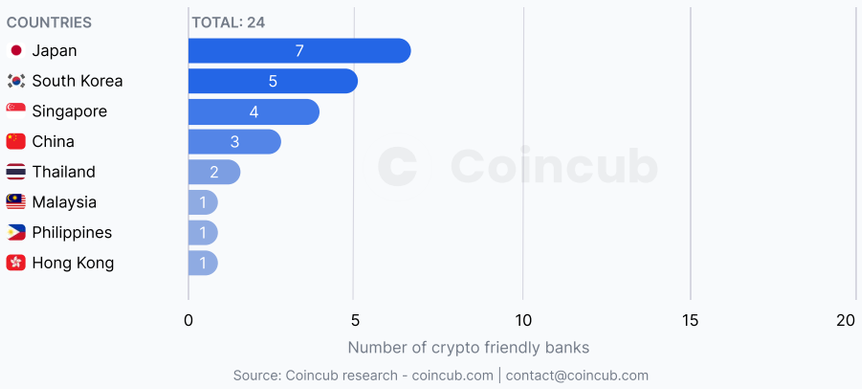
The UK is set to continue divergence from EU payment and crypto legislation. The U.K.'s Financial Services and Markets Bill (FSMB) forms the centerpiece of the Government's post-Brexit reform of the financial sector. Sunak's attempts to make UK financial services sector more competitive will entail removing certain caps on market activity. In the Commons, an amendment was made to FSMB to bring crypto under the regulatory scope of the FCA.

The FSMB has a looser definition of crypto - just a single passage, compared to MiCA's more dedicated legal instrument. The FCA, interestingly, has also updated guidance for data-based behavioral analytics in contrast to the EU's approach where only behavioral analytics rooted in physical attributes are considered adequate identifying features for customer authentication.

Concerns about fraud have led U.K. banks to block customer transactions with crypto exchanges and deny services to crypto businesses. Former chancellor Philip Hammond warned that the U.K. was falling behind Switzerland and the EU. Hammond chairs the digital asset management firm Copper, which counts U.K. bank, Barclays, as one of its major institutional investors. According to Hammond, Copper relocated from the U.K. to Switzerland in 2022 due to the slowness of the Financial Conduct Authority in renewing the firm's temporary registration.

Standard Chartered is another U.K. banking powerhouse with global reach. The bank is backing crypto custody firm Zodia as it partners with SBI Digital Asset Holdings to launch a Japan-based crypto custodian.

Asia



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Japan

In January, Japanese regulators urged their global counterparts to take a tougher approach to crypto legislation. In the wake of the Mt. Gox disaster, the Japanese government chose to regulate crypto instead of banning it, instituting a raft of consumer protections. Japan's clear regulatory environment has encouraged banks to use blockchain technology in their own operations. Japanese banks also have a history of investing in blockchain businesses. However, regulatory restrictions mean that operating a blockchain business in Japan can be more expensive.

In 2022, Japan's largest investment bank, Nomura, announced plans for a crypto-oriented subsidiary just as it began offering Bitcoin derivatives trading. Three Japanese banks - Tokyo Kiraboshi Financial Group, Minna no Bank, and The Shikoku Bank – have announced that they will begin working on an Ethereum-compatible stablecoin. Japan's second-largest bank, Sumitomo Mitsui Trust, partnered with Tokyo-based exchange Bitbank to offer crypto custody services to institutional clients.

Singapore

Singapore is a hot area for European banks looking to open subsidiaries. Swiss-based SEBA bank has a strong presence in the city-state; excellent news for local crypto firms in need of traditional banking. While technically not a bank, Juno Bank (confusing, we know) offers high-yield checking accounts for crypto users.

Local banks are also getting involved in cryptocurrencies. In late 2022, local bank DBS announced that it would allow eligible clients to trade cryptocurrencies on the DBS digital exchange. Meanwhile, OCBC Bank has a long history of interest in crypto.

Strict legislation may prevent Singaporean banks from fully investing in cryptocurrencies. In late 2022, the Monetary Authority of Singapore (MAS) ruled that Singaporean banks are required to apply a 125% risk weight for exposure to 'riskier' crypto assets such as bitcoin and ether. According to one official, this means that "Singapore-incorporated banks are required to hold $125 of capital against an exposure of $100 to a cryptoasset like bitcoin."

China (for Hong Kong)

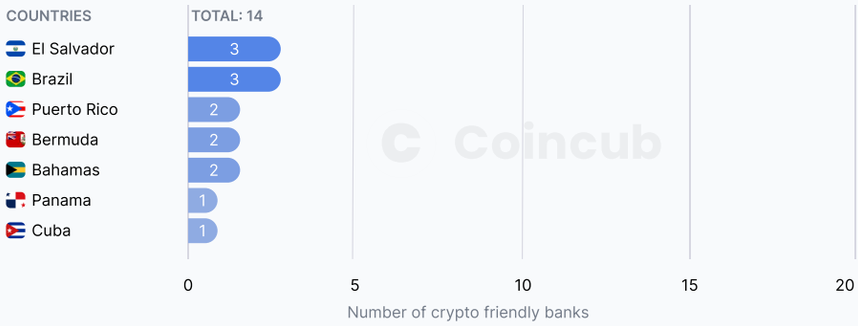
Following the ban on the mainland, Chinese banks like Bocom, Bank of China and Shanghai Pudong Development Bank are showing interest in crypto companies in Hong Kong, with Bocom and Bank of China being among the lenders considering such firms. This has resulted in a surge of companies relocating to Hong Kong after the policy shift, per Bloomberg.

South Korea

Top Korean banks Woori and Shinhan Bank announced plans to offer crypto-custody services in 2020, following in the footsteps of NH Nonghyup Bank and Kookmin Bank. For South Koreans, that meant four of the top five banks in the country offered some form of crypto services.

Recent financial probes may jeopardise Korea's crypto-friendly bank scene.

South and Central America



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Brazil

Brazil is becoming one of the crypto powerhouses of South America. Banco do Brasil, the nation's largest public bank, is now allowing Brazilians to pay their taxes with cryptocurrencies. The service is available to customers who have deposited crypo in Bitfy, a blockchain solutions startup. This arrangement will allow institutional clients to pay their taxes and carry out payroll in crypto - a massive step forward for Brazilian crypto companies.

The nation's largest private bank, Itaú Unibanco, is also taking a pro-crypto stance by announcing a planned crypto custody service slated to launch this year.

Nubank, Brazil's largest digital bank, started offering crypto trading in mid-2022; reaching 1 million customers just one month after launching the service. According to Chainalysis' Geography of Crypto report, Brazil leads in retail-level adoption of crypto. This ground-up support may provide the basis for a strong crypto-banking sector.

The Bahamas

The Bahamas continues to ramp up efforts to appeal to crypto startups despite the Caribbean nation coming under intense scrutiny during FTX's well-publicized implosion. Banks like Deltec Bank and Trust and Capital Union Bank are known partners for crypto businesses. Both have ties to stablecoin issuers. As crypto-friendly banks in the U.S. face obstacle after obstacle, banks in the Bahamas may get an unexpected windfall.

Bermuda

Jewel Bank is one of the potential options for U.S. dollar-backed banking in the wake of U.S. bank collapses. Jewel Bank received a full bank and digital asset business license from the Bermuda Monetary Authority (BMA) in 2022. Clarien, another Bermuda-based bank, markets itself to crypto startups.

Sam McQuade, CEO - Panterra Finance

"Bermuda has a long history of providing an innovative and well-regulated industry for insurance and reinsurance. It's been known as the World's Risk Capital" so it is only logical that we start to see some advancement here given the investments by some of the world's leading insurance carriers".

El Salvador

El Salvador's major crypto-friendly banking option is Chivo, the government-backed payment app. The country's primary market for cryptocurrency lies in remittances, as opposed to B2B interactions. Thanks to the adoption of bitcoin as legal tender, Salvadoran banks are incentivized to support crypto. Banco Hipotecario, one of the country's four state-owned banks, partnered with blockchain firms in 2021 to increase adoption. Salvadorans have limited access to traditional finance. Neobank n1co is attracting attention and $18m seed rounds by offering basic banking services.

The total of blockchain companies is increasing worldwide and looks to be unstoppable. Overall, in Q4, blockchain companies increased by 10.7% bringing the total worldwide to 2986. This is on the back of a less impressive 3% increase in Q3 2022.

The value of the blockchain market worldwide is expected to reach $67.4 billion by 2026 with increasing investment in blockchain solutions in cybersecurity, payments, and smart contracts. Outside of Fintech, blockchain technology is thought to be able to revolutionize the public sector, insurance, and personal identity security (pity it can't do the same for politics, but you never know).

North America

Source: Coincub research - coincub.com | contact@coincub.com

The United States

Silvergate and Signature banks were giants in the crypto industry crippled by bank runs. Interest rate hikes by the Fed contributed to the demise of both banks, and both may have served as Canaries at the 'coal face' of a broader banking crisis.

The U.S. Securities and Exchange Commission (SEC) looms large in the nightmares of many crypto entrepreneurs. Since the birth of Bitcoin, the SEC has brought over 100 enforcement actions against participants in the crypto market. Industry giants like Genesis Global Capital, Gemini, Coinbase, Binance, and Kraken face lawsuits for offering unregistered securities to investors. In the wake of FTX's dramatic collapse, the agency is cracking down on perceived irregularities in the crypto market. In February 2023, the SEC voted to increase the reach of the Custody Rule to include crypto assets.

In January, The Fed, Federal Deposit Insurance Corp., and the Office of the Controller of Currency all warned banks to keep away from crypto, which was the start of Operation Choke Point 2.0. The three banking regulators cited the high-profile failures of 2022 among other things as reasons for banks to exercise caution when dealing with crypto. Some banks didn't want to take the risk and bowed out of the sector. New York's Metropolitan Commercial Bank cited regulatory issues when ditching crypto. Some banks like First Republic and Citigroup actively avoid – or shut down – accounts involved in crypto.

The U.S. has played a key role in the worldwide crypto economy, but proposed legislation has some crypto juggernauts threatening to head for greener shores - in this case, across the Atlantic to Europe, particularly places like Germany, France, and Switzerland. In the EU, the Markets in Crypto-Assets law (MiCA) sets a stable regulatory environment for institutional crypto investors and individuals alike. Regulatory clarity is also an attractive feature for crypto businesses trying to puzzle out their finances.

However, as of the beginning of April 2023, there are still plenty of banks in the US that provide services to crypto businesses. Coinbase works with Pathward Financial (formerly known as MetaBank) and JPMorgan Chase. Other banks doing business with crypto businesses include Customers Bancorp, Western Alliance, JPMorgan Chase, and Bank of New York Mellon.

"Most of the US regional and local state and community banks are really finding it hard to offer new crypto-related customer solutions. They usually like to focus on local relationships in their communities and they just don't invest heavily in technology or think like a FinTech does when it comes to the customer experience. There are certainly opportunities within certain communities, the states of Wyoming and Utah seem to be leading on a lot of the legal regulations, so how that evolves with US federal activities is yet to be seen".

Sam McQuade, CEO - Panterra Finance

Canada

North of the U.S., Canadian crypto platforms are facing their own regulatory hurdles. The Canadian Securities Administrators published new guidance in February that gave crypto platforms a month to comply with enhanced investor protection commitments. Companies unwilling or unable to comply are expected to off-board Canadian users and prevent any others from accessing products or services. Canada is home to a number of crypto-friendly banks - however, new regulations may change this.

While many Canadian banks allow account holders to purchase crypto, few banks are able to offer solutions for crypto businesses. One notable exception is Black Banx, a crypto-oriented bank headquartered in Toronto. However, Black Banx has been plagued by allegations of fraud. Its founder Michael Gastauer was fined 17 million USD by the SEC. Canadian crypto businesses may be out of luck.

Mexico

To the south, Mexico's crypto scene is dominated by remittances - attracting multiple crypto giants all vying for a share of the market. Demand for remittance services is in turn boosting the crypto payments industry. Mexico, which has faced repeated bouts of economic turmoil, tends to favor payments in US dollars, which opens them to the consequences of the SEC's regulatory crusade.

Middle East

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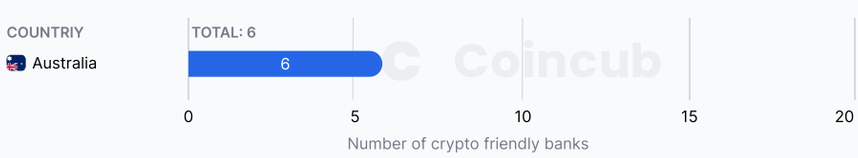
The Middle East has seen a surge in interest in cryptocurrency and blockchain technology in recent years, making up to 7% of crypto trading volumes according to PWC. Two notable crypto-friendly banks are Emirates NBD and RAKBANK, both based in the United Arab Emirates.

Emirates NBD, one of the largest banking groups in the region, has been actively exploring blockchain technology and its potential applications for some time. The bank launched a blockchain-based platform for trade finance in 2019 and has also been experimenting with using blockchain for other applications such as identity verification and supply chain management.

RAKBANK, also based in the UAE, has been more proactive in its approach to cryptocurrency. The bank has partnered with Bittrex, the US-based cryptocurrency exchange, to launch a platform that allows customers to buy and sell cryptocurrencies using their RAKBANK accounts. The platform is open to both retail and institutional investors, making it a potentially powerful tool for the growing crypto industry in the region.

Australia



Australia has seen a rise in the number of crypto-friendly banks in recent years. Among the traditional banks in Australia, Commonwealth Bank and Westpac are known to have provided services to crypto-related businesses. Commonwealth Bank has worked with blockchain-based trade finance platform, while Westpac has worked with Power Ledger, a blockchain-based energy trading platform.

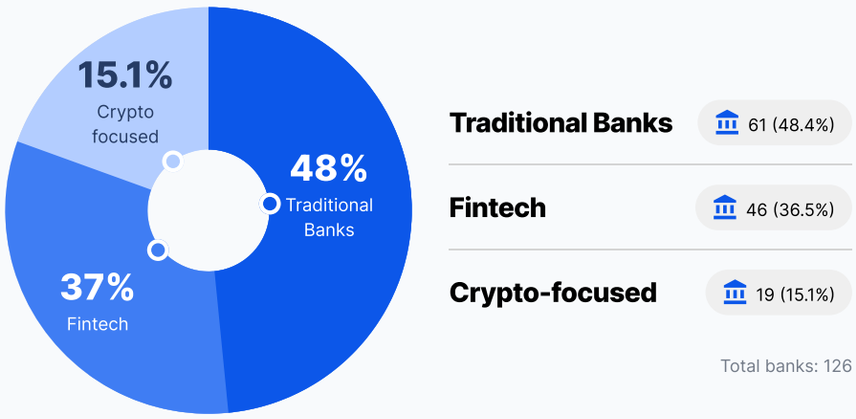
In addition to traditional banks, there are also fintech and digital banks that are friendly towards crypto, such as Judo Bank. This bank provides services to small and medium-sized enterprises and has been open to working with businesses that operate in the crypto industry.

Chrono Bank is an example of a crypto-focused bank that provides digital asset management services for businesses. They offer a range of financial services tailored to crypto-related businesses, including payment solutions and access to global exchanges.

Macquarie Bank is another traditional bank in Australia that has shown interest in the crypto industry. The bank has participated in a funding round for a blockchain-based supply chain finance platform and has also invested in a blockchain-based platform for carbon credits.

The landscape of crypto-friendly banks: traditional vs. fintech vs. crypto-focused

The current landscape of crypto-friendly banks contains three groups: traditional banks, fintech and digital banks, and crypto-focused banks. The situation is evolving every day, but at the time of writing, there are 58 traditional banks that provide services to the crypto industry, 46 fintech and digital banks, and 19 crypto-focused banks. This suggests that there is a growing trend of mainstream banks adapting to the crypto industry, with both traditional banks and newer fintech players looking to capitalize on this emerging market. At the same time, crypto-focused banks are also playing a vital role in supporting the industry, providing tailored services specifically for crypto-related businesses and individuals.



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While there are still some concerns and hesitations surrounding crypto banking, there is also a growing acceptance of the crypto industry among banks. By taking steps to mitigate risk and comply with regulations, crypto-friendly banks are able to offer valuable services to businesses operating in the crypto space.

Crypto-friendly banks are still willing to provide banking services to crypto businesses, with a few exceptions. OTC traders, miners, and crypto projects are generally accepted, but some banks are hesitant to work with crypto exchanges and DAOs due to perceived higher risk. This is likely due to concerns over the regulatory and legal uncertainty surrounding the crypto industry, and the potential for bad actors to exploit the anonymity of crypto transactions.

Onboarding time for account opening can range from 1 day (in rare cases) to 2.5-3 weeks, as banks need to complete thorough KYC/AML procedures to comply with regulations and prevent money laundering. These procedures can be time-consuming and require extensive documentation, which can contribute to delays in account opening. However, the fact that banks are willing to go through this process shows that they are taking the necessary steps to mitigate risks associated with crypto.

Many US banks primarily focus on US entities, while some are considering expanding to international clients. This may be due to the complex regulatory environment in different countries, as well as concerns over the potential risks associated with working with foreign entities. However, the fact that some banks are willing to work with international clients indicates a growing acceptance of the global nature of the crypto industry.

Most banks do not directly deal with crypto, instead opting to work with fiat currencies only. However, there are some banks that offer crypto custody services and can facilitate crypto/fiat transactions, although this is typically limited to US-domiciled companies. This may be due to concerns over the volatility and regulatory uncertainty of the crypto market, as well as the potential for reputational damage if the bank is associated with illicit activity in the crypto space.

About the report

Konstantin Shulga, CEO and co-founder of Finery Markets

"As a multi-dealer marketplace for crypto business and institutions we embarked on a mission to connect them with trading partners, brokers, and banks. We have observed a growing demand from our clients for information on financial institutions that are capable of handling crypto business. This demand arose after several US banks had rapidly failed, leaving many in the industry feeling uncertain and vulnerable. This report provides crucial insights into the fragmented landscape of global financial institutions that are ready and willing to serve the

needs of the cryptocurrency industry."

Partners

About Finery Markets
Finery Markets is a leading over-the-counter multi-dealer electronic marketplace for crypto businesses and institutions, as well as an OTC trading solutions provider for crypto markets. Since 2019, the company has been serving clients and offering solutions throughout the entire trade lifecycle.

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