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Institutional Ecosystem Links Deepen

Despite the [total market capitalisation of all cryptocurrencies](#) once again falling below USD 2 trillion, the institutional service provider ecosystem continues to expand on available services through greater numbers of partnerships.

Traditional financial institutions are leading the way. Larry Fink, CEO of BlackRock, has confirmed the world's largest asset manager is [broadly studying the crypto sector](#), focussing on assets, stablecoins, permissioned blockchains, and tokenisation. Fink also announced BlackRock has been working with Circle – issuer of the USDC stablecoin – to manage some of Circle's cash reserves. This follows news that the two companies have formed a strategic partnership after BlackRock participated in a funding round in which [Circle raised USD 400 million](#) as it looks to [apply for a U.S. federal crypto banking licence](#). Meanwhile, Goldman Sachs is reportedly looking to [partner with crypto exchange FTX](#). The wall street bank has offered to help FTX navigate US regulations regarding the exchange's plan to offer crypto derivatives. Goldman, which already offers OTC crypto options, is eager to expand its crypto footprint, highlighting Wall Street's increasing deviation from its largely anti-crypto position of previous years.

Over in Europe, Commerzbank, Germany's second largest listed bank, has become the [first major bank in Germany to apply for a crypto licence](#). The licence would allow the bank to offer exchange and custody services for crypto assets, with a spokesperson confirming the bank's crypto offerings will be aimed at institutional clients. Whitehall Capital, a UK-based loan provider, has announced a [partnership with Securitize](#), a platform for issuing and managing digital securities on the blockchain. The partnership will allow Whitehall's investors to hold their units as tokens registered on the blockchain.

Digital native providers are also making moves. Blockchain.com, a cryptocurrency financial services firm, has announced Standard Custody & Trust Company as the [custodian for the company's new institutional platform](#) – Blockchain.com Asset Management (BCAM) – which it is launching in partnership with investment manager Altis Partners. BCAM is an institutional-grade custody and settlement offering for which Blockchain.com is the underlying platform. BCAM will also offer clients a new approach to Bitcoin investing, called "algorithm-based risk-managed exposure," which aims to reduce the volatility of Bitcoin investment. Bitcoin Suisse, an institutionally-focused service provider offering custody, exchange, prime brokerage, tokenisation, and issuance services, has [partnered with Liquity](#), a decentralised finance (DeFi) borrowing protocol. The protocol allows Bitcoin Suisse to offer DeFi lending services to its clients, who will be able to use Ether as collateral to mint and borrow the Liquity Dollar stablecoin. The borrowed stablecoin can then be exchanged with any fiat currency, which will be facilitated by Bitcoin Suisse.

MetaMask has announced the [integration of four crypto custodians into MetaMask Institutional](#), the institutional version of the popular wallet. MetaMask's original offering is a self-custody wallet used to interact with the Ethereum blockchain, meaning it facilitates participation in DeFi activities. As it is self-custody, assets held in the wallet are non-custodial. In contrast, MetaMask Institutional is a custodial offering. The integration of Hex Trust, Gnosis Safe, GK8, and Parfin should provide greater security as MetaMask has replaced the use of hardware wallets with specialised custodians. MetaMask hopes this will attract institutions wanting to participate in DeFi while still maintaining institutional-grade security standards.

Crypto custody and exchange provider Coinbase is reportedly [close to completing a deal to acquire Turkish exchange BtcTurk](#) as it continues to increase its presence in developing countries. The deal, which could be worth up to USD 3.2 billion, follows last month's news that Coinbase is [set to acquire Brazilian crypto broker Mercado Bitcoin](#). Meanwhile, crypto lender Nexo has announced a partnership with Mastercard to [launch a crypto-backed payment card](#). The card, which can be used with any merchant that accepts Mastercard, will allow users to use their crypto as collateral for credit, meaning they can spend credit without having to sell their crypto. The move illustrates the growing acceptance of cryptoassets for collateral and liquidity purposes, and paves the way for future use of the model for tokenised securities.

Digital Asset Developments



Australia's Prudential Regulation Authority (APRA) has laid out [guidelines and a roadmap](#) for the regulation of the crypto asset industry. The paper identifies different prudential activities and risks associated with digital assets. The activities include investment in crypto assets, lending activities linked with crypto assets, crypto assets issuance, crypto assets services for customers, and partnering with technology and other companies. The risks focus on capital management, investment risk, operational risk, and other risks, which can include liquidity management, market risk, and disclosure requirements. Australia was one of the earliest countries to launch an infrastructure upgrade programme by looking to replace its ailing clearing and settlement system CHESSE, operated by the Australian Securities Exchange, with a Distributed Ledger model (project still ongoing, expected to launch this year). However, its guidance on crypto assets has been somewhat lacking until the more recent Consultation Paper 343, issued by the Australian Securities & Investments Commission in July 2021, which looked for feedback from the market on crypto assets and custody risks associated with ETPs. Thomas Murray's response to that consultation was [published in October 2021](#). Under the new guidelines, firms will be expected to undertake a comprehensive risk self-assessment and implement a due diligence framework which it will be required to complete before it can engage in any digital asset activities. Similar to Virginia's crypto bill (see below), firms will be required to consider outsourcing arrangements and third party dependencies, and as such firms will be required to adhere to the principles and requirements of Prudential Standard CPS 231 Outsourcing or Prudential Standard SPS 231 Outsourcing when relying on a third party in conducting activities involving crypto-assets. APRA has set a target of 2025 to implement these regulations.



On Monday, the US State of Virginia approved a bill that permits [state-chartered banks to custody crypto](#). Virginia is part of a growing number of states that are rolling out legislation to support the activity, and follows on from the [Office of the Comptroller of the Currency's \(OCC\) Interpretive letter](#) of July 2020, which permitted national and state-chartered banks to provide cryptocurrency custody services on behalf of its customers at a federal level. In addition to the OCC's notes – which at the time focused primarily on Anti-Money Laundering Supervision and the Bank Secrecy Act – Virginia's bill [HB 263](#) goes a step further by describing the types of custody that can be offered as well as the risk management activities a bank must undertake to successfully support crypto custody. In short, banks are permitted to act in a fiduciary capacity (exclusively holding a customer's private keys) or in a non-fiduciary capacity as a [bailee](#), meaning that it is able to take possession of client assets without having legal ownership of them, with the client still able to maintain control over their private keys. Banks will be required to undergo a self-assessment to evaluate their ability to support the activity, and to implement a risk management framework and operational control measurements to mitigate any risks associated with digital assets. Licensed banks would also be required to maintain a service provider oversight programme in order to monitor third party dependencies, something that Thomas Murray is actively engaged in supporting.



The Office of the Comptroller of the Currency (OCC) has [issued a consent order against crypto custody and exchange provider Anchorage Digital](#). The OCC claims the bank has failed to adopt and implement a compliance programme that adequately covers Bank Secrecy Act/anti-money laundering (BSA/AML) requirements and has therefore violated related laws and regulations.

News Links



[BitLicensed Crypto Firms Ordered to Pay Annual Assessment Fees in New York](#) (CoinTelegraph)



[Brazilian Senate Announces Incoming Approval of the 'Bitcoin Law'](#) (CoinTelegraph)



[Ukraine Bans Bitcoin Purchases with Local Currency Amid Martial Law](#) (CoinTelegraph)



[Indian Crypto Exchanges' Volume Plunges Down as 30% Tax Goes into Effect](#) (CoinTelegraph)



[Australia's First Bitcoin ETF Could Attract \\$1 Billion After Launch Next Week](#) (CoinTelegraph)



[Terra's LUNA Surges 17% as UST Becomes Third Largest Stablecoin](#) (CoinDesk)



[Isle of Man Licenses GBP-Pegged Stablecoin Firm](#) (Finextra)



[Crypto Firm Tether to Further Reduce Holdings of Commercial Debt in Stablecoin Reserves](#) (CNBC)



[Kraken Awarded Crypto Trading License in the United Arab Emirates](#) (CoinTelegraph)

Key:

Regulation 

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CBDC Corner

[Boj Central Bank Digital Currency Phase 1 Proof of Concept Report](#) (Bank of Japan)

[Japan to Model Digital Yen Tests on Sweden's Approach, Not China's](#) (The Japan Times)

[Brazil Says It Will start Its Pilot Test for a CBDC in Q4 2022](#) (in Portuguese; slide 39) (Central Bank of Brazil)

[Russia's Central Bank to Run Real-World Pilot of Digital Ruble in 2023: Report](#) (The Block)

[Iran Will Not Allow Crypto Payments, Prepares to Pilot Digital Rial](#) (Bitcoin.com)

[Exploring the “CBDCness” of the Digital Sovereign Yidindji Dollar](#) (The Global Fintech Intelligencer)

[DTCC's Project Lithium to Assess Implications of CBDC on Market Infrastructure](#) (Finextra)

[BIS Releases Study of CBDCs and Their Role in Financial Inclusion of the Unbanked](#) (Cointelegraph)

[Monetary Policy and Financial Stability Implications of Central Bank Digital Currencies](#) (VoxEU)