

The 2024 Crypto Maturity Journey

How traditional finance can adopt cryptocurrency in stages



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Over the last few years, cryptocurrency has become a mainstream asset class, with institutional investments as one factor in [boosting adoption around the world](#). In 2024, several notable developments have solidified crypto's presence in traditional finance (TradFi). Institutions such as [BlackRock](#), [Fidelity](#), and [Grayscale](#) have launched Bitcoin and Ethereum ETPs, providing a more accessible avenue for retail and institutional investors to gain exposure to these digital assets. These financial products have shifted conversations toward understanding the investment merits of crypto alongside those of traditional securities.

Moreover, the tokenization of real-world assets, such as bonds and real estate, is also gaining traction, enhancing liquidity and accessibility within financial markets. Siemens' issuance of a [\\$330 million digital bond](#) exemplifies how traditional financial institutions (FIs) are adopting blockchain for more efficient operations. While many similar institutions have already begun incorporating crypto into their service offerings, others remain in the evaluation phase.

For this reason, we've created the Crypto Maturity Journey, a resource for traditional FIs interested in offering cryptocurrency products. The Crypto Maturity Journey outlines considerations for cryptocurrency product rollout, enabling FIs to evaluate market opportunities while simultaneously addressing regulatory and compliance requirements.

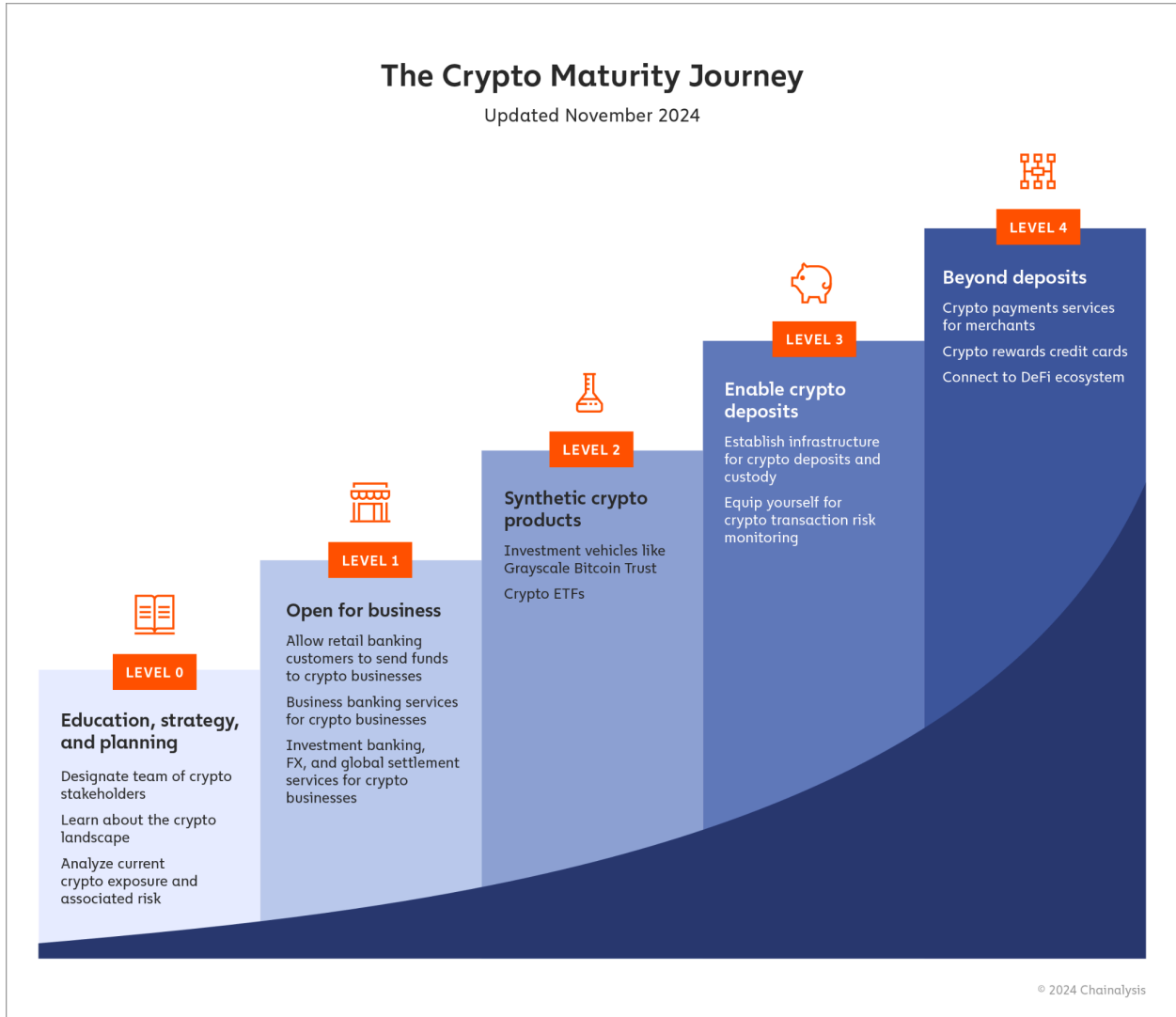
The Crypto Maturity Journey explores five typical levels of cryptocurrency adoption for FIs:

- **Level 0:** Education, strategy, and planning
- **Level 1:** Open for business
- **Level 2:** Synthetic cryptocurrency products
- **Level 3:** Enable crypto deposits
- **Level 4:** Beyond deposits

Below, we will explore in detail the components of each level.

The Crypto Maturity Journey

Updated November 2024



Level 0: Education, strategy, and planning

FIs contemplating a move into crypto often start by designating the key stakeholders for such an initiative across multiple functions, as well as the champion, an executive who will lead the charge. That individual may be someone hired from the crypto world, although external hiring can also wait until Level 1 (Open for Business), when the business is honing in on exactly how it will support crypto or launch crypto initiatives. Broadly speaking, the stakeholders you designate will fall into two groups:

1. **People who will work directly with crypto or crypto businesses**, such as investment bankers, commercial bankers, traders, corporate lenders, and wealth managers.
2. **Enterprise risk professionals who will determine what crypto offerings are possible**, such as those specializing in market risk, Know Your Customer (KYC), Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), sanctions, financial crimes and fraud, and compliance.

These lists are by no means exhaustive, but those two groups will be the most involved in the rollout of any crypto offerings. However, as those offerings materialize, they'll likely require firm-wide coordination and buy-in, along with executive support and engagement.

Once you've built your preliminary crypto team, bring them together to figure out how a move into crypto can fit into your institution's risk appetite, and identify the learning gaps you must fill to properly assess the risk of any crypto opportunities, including any compliance risks. Part of this means training the team on blockchain analytics tools, like [Chainalysis KYT](#), which leverage immutable on-chain data to quantify risk for any cryptocurrency business or user you may work with.

FIs at Level 0 may also start by learning about their current cryptocurrency exposure and measuring the resultant risk. Given [current adoption levels](#), many banks have some kind of financial ties with the cryptocurrency industry, be it through a retail banking program, multinational treasury services, or corporate lending programs. In this process banks may need to learn about the specific crypto businesses they or their customers have interacted with, and consider screening them using an industry intelligence tool like [Chainalysis's Crypto Compliance Solutions](#).

Finally, any FI interested in moving into cryptocurrency should start by learning as much as possible about the industry. There are many resources available:

- **Educational content:** Industry leaders regularly publish content that can help FIs better understand the opportunities and risks in the crypto ecosystem. Examples from Chainalysis include our [Chainalysis Academy](#) with video lessons on crypto basics, [blog posts](#) and [reports](#) featuring in-depth research, and [live webinars](#) featuring Q&As with industry experts.
- **Social media:** Cryptocurrency has one of the most active social media scenes of any industry, with Crypto X as its [focal point](#). For instance, Ethereum co-founder and crypto thought leader [Vitalik Buterin](#) regularly posts his thoughts on the latest industry happenings, as do an army of insightful online scribes, commentators, and lay investigators.
- **Community:** The crypto community is also widely accessible for live conversation, as virtually every project has its own [Discord](#) server or [Telegram](#) channel for users to come together and chat. Just one hour in an active channel can be the equivalent of hours of research into a given crypto niche. Additionally, these chats often provide opportunities for in-person meetups and networking.
- **Personalized consultations:** You can also [book time with Chainalysis experts](#) to learn both about how to better use these tools, as well as to get more information on the industry generally.

Level 1: Open for business

Once an FI has designated its key stakeholders, educated them on the cryptocurrency ecosystem, and established its risk appetite and compliance procedures, it can then more easily move into thinking about its customers. The first step is to begin supporting and interacting with cryptocurrency businesses the same way you would any other.

On the retail banking side, this means allowing customers to transact with cryptocurrency businesses that fit their risk appetite. Historically, FIs could not make those assessments accurately for retail banking

customer exposure nor for other crypto business counterparties, due to a lack of standardized regulatory frameworks, reliable data sources, and transparency in crypto market activities, which created challenges in effectively evaluating risk. But with tools like our [Crypto Compliance Solution](#), many FIs have successfully amended their processes to properly assess the risk for individual crypto businesses and grow their exposure to the sector in a safe and regulated way.

Crypto-friendly banks can also begin taking on cryptocurrency businesses as clients. Notably, BankProv (formerly Provident Bank), one of the oldest banks in the U.S., now [offers services tailored specifically to crypto businesses](#), including USD-denominated accounts and crypto-to-fiat conversions. Banks like [Ally Bank](#) and [Monzo](#) also allow customers to link their accounts to external cryptocurrency exchanges, reducing friction between crypto and TradFi, and making it easier for users to manage their crypto holdings alongside traditional assets.

There are many more services FIs can offer cryptocurrency clients. In 2018, for instance, JP Morgan Chase (JPMC) and Goldman Sachs [advised](#) Coinbase on going public via direct listing. More recently, Coinbase turned to M&A specialist [Architect Partners](#) for advisory services in its [acquisition of derivatives exchange FairX](#), following Architect's [own merger](#) with crypto-native investment bank Emergent. Many cryptocurrency businesses have now grown into global operations and also need foreign exchange (FX) services, as well as more robust global settlement mechanisms. As the cryptocurrency sector grows, its needs are becoming more sophisticated, which means increased opportunities for traditional FIs to provide services that have traditionally been reserved for non-crypto clients.

Architect's acquisition of Emergent underlines another key need: in order to move into cryptocurrency, FIs need crypto expertise. Luckily, this can usually be accomplished through targeted hiring rather than an all-out acquisition. Building out one or several digital assets teams means recruiting seasoned crypto experts across key domains, such as compliance, security, and other specific services the firm wants to offer.

Level 2: Synthetic cryptocurrency products

Once a bank has become comfortable working with cryptocurrency businesses, it may want to help both retail and institutional customers gain exposure to cryptocurrency markets. However, that doesn't mean it has to accept cryptocurrency deposits or hold crypto on customers' behalf. Instead, FIs can offer synthetic, cryptocurrency-based investment products that allow customers to capture some of cryptocurrency's upside without actually accepting crypto deposits.

In 2024, [Bitcoin ETPs](#) became a groundbreaking tool for offering crypto exposure. Among the most prominent ETPs are BlackRock's iShares Bitcoin Trust (IBIT) and Fidelity's Wise Origin Bitcoin ETP (FBTC), both of which hold Bitcoin. Likewise, [Ethereum ETPs](#) have gained traction. Major funds like VanEck and Ark Invest's Ethereum ETPs were launched in 2024, allowing investors to indirectly hold ether, the Ethereum network's native token. Given that Ethereum and [smart contracts](#) play a crucial role in decentralized finance (DeFi), these ETPs offer a straightforward way to invest in the blockchain's growth.

Looking ahead, there's potential for ETPs on other blockchains, such as Solana. While Solana-specific ETPs have not yet been approved, investors can already gain exposure through products like [Grayscale's Solana Trust](#) (GSOL). As Solana's blockchain ecosystem continues to expand, it's likely that more ETPs will emerge to meet growing investor demand.

Level 3: Enable crypto deposits

At Level 3, banks give customers direct access to cryptocurrency markets, allowing them to deposit digital assets and potentially even custody them on their behalf. In 2024, we have seen that, while only a handful of traditional FIs have embraced this step, growing retail and institutional customer interest is pushing more banks toward enabling crypto deposits.

Luckily, FIs aren't navigating this landscape alone. Partnerships with crypto-native firms enable banks to outsource the technical complexities of holding digital assets. BNY Mellon provides a great example with the [2022 launch](#) of its own digital assets custody solution. Instead of building out the entire platform itself, BNY Mellon partnered with digital asset security firm Fireblocks to get the infrastructure they needed. Likewise, rather than building a transaction monitoring tool from the ground up, BNY [integrated with Chainalysis](#) software, using our product suite to get real-time transaction monitoring, view live risk information on crypto firms their customers might interact with, and investigate suspicious activity. These relationships enable FIs to launch crypto solutions faster and with fewer resources invested up front, while also tapping into crypto-native expertise.

Level 4: Beyond deposits: Complex products, DeFi, and more

Not many FIs have gone beyond accepting deposits in their adoption of cryptocurrency, but that doesn't mean it's unheard of. For example, Fidelity has expanded its custody services to allow institutional clients to pledge [Bitcoin as collateral in DeFi-based loans](#), while SEBA Bank continues to [partner with DeFi-native firms](#), such as [DeFi Technologies](#). DeFi is perhaps the fastest-growing, most exciting area of cryptocurrency, and businesses operating in the space can use [Chainalysis Address Screening](#) to automate the customer screening process.

Payments are another area where crypto adoption is advancing. Visa continues to lead this space, recently expanding its [stablecoin settlement capabilities](#) to allow USDC transactions with merchant acquirers. Similarly, JPMC's [JPM Coin](#) continues to enable payments for commercial transactions, further integrating blockchain into traditional banking.

Good times ahead

With cryptocurrency becoming increasingly mainstream, banks are recognizing the ways it can help their customers while driving revenue and trying to incorporate it into their larger strategies. While this may seem daunting at first, the Crypto Maturity Journey shows that banks can adopt cryptocurrency in a structured, incremental fashion that allows them to test and improve their offerings at each step of the way.

The key is determining the right types of products and services to build out at each step, which is made easier by crypto's inherent transparency. With the right tools, FIs can put blockchain-based transactional data in dialogue with their own proprietary records, observe how funds flow between different types of wallets and services, and use these data to inform business decisions on what kinds of cryptocurrency services make the most sense for their desired customer segments. From there, it's a matter of hiring the right people or partnering with the right crypto-native businesses to build out the necessary infrastructure and compliance tools for new cryptocurrency offerings.

Chainalysis enables financial institutions to move into crypto with confidence

Whether you're just starting to discuss what crypto could mean for you or ready to plunge headfirst into DeFi, Chainalysis has the right tools to help any FI work with digital assets. Here are a few we referenced in this report:

[Chainalysis Reactor](#): The investigation software that connects cryptocurrency transactions to real-world entities.

[Chainalysis Compliance Solutions](#): On-chain risk and transaction data for every cryptocurrency business.

[Chainalysis KYT](#): Real-time transaction monitoring for all cryptocurrency assets.

[Chainalysis Address Screening](#): Automated, customizable rules to prevent high-risk users from connecting to your DeFi protocol.

Chainalysis offers a suite of [compliance solutions and services](#) to help traditional FIs navigate the complex regulatory and compliance landscape. To learn more about how we can support your efforts to embrace new opportunities in crypto, [book a demo](#).



Building trust in blockchains

About Chainalysis

Chainalysis is the blockchain data platform, making it easy to connect the movement of digital assets to real-world services. Organizations can investigate illicit activity, manage risk exposure, and develop innovative market solutions with deep blockchain data insights. Our mission is to build trust in blockchains, blending safety and security with an unwavering commitment to growth and innovation.

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