The Corporate Treasury Shift: Asset Allocation And The New Cryptocurrency Option, a PYMNTS report sponsored by Circle, reveals the benefits of blockchain adoption for transaction management and why corporate treasurers are increasingly choosing blockchain technology as a liquidity management tool. This survey was conducted with 250 multinational financial institutions.

JANUARY 2022

THE CORPORATE TREASURY SHIFT

ASSET ALLOCATION AND THE NEW CRYPTOCURRENCY OPTION

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The Corporate Treasury Shift: Asset Allocation And The New Cryptocurrency Option was sponsored by Circle, and PYMNTS is grateful for the company's support and insight. **PYMNTS.com** retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Virtual currencies have served as a catalyst for innovation since Bitcoin's launch in 2009, spurring digital transformation across the global payments ecosystem and affecting the way consumers and businesses manage transactions, make cross-border payments and authenticate their identities.[1] Today, many corporates are leveraging the convenience and flexibility of blockchain technology with cryptocurrencies to streamline their treasury and payments operations. PYMNTS' research reveals that more than half of multinational businesses already use blockchain technology for payments and treasury management, and three-quarters of firms operating in six or more countries use at least one type of cryptocurrency.[2]

For many corporates, cryptocurrency's unique features — such as low cross-border transaction fees and enhanced data privacy — provide treasurers with new opportunities to launch global growth strategies.

The Corporate Treasury Shift: Asset Allocation And The New Cryptocurrency Option, a PYMNTS report sponsored by Circle, explores how many organizations are turning to cryptocurrencies as a way to limit growth barriers and future-proof their innovation strategies. The Playbook is based on a survey of 250 multinational financial institutions (FIs) with operations in foreign territories, and responses were collected from April 7, 2021, to April 27, 2021.

This is what we learned.

[1] Hicks, C. The History of Bitcoin. US News and World Report. 2020. https://money.usnews.com/investing/articles/the-history-of-bitcoin. Accessed January 2022.

[2] Study: 58% of Multinational Firms Use Cryptocurrencies. PYMNTS.com. 2021. https://www.pymnts.com/cryptocurrency/2021/study-58-pct-of-multinational-firms-use-cryptocurrencies/. Accessed January 2022.

BLOCKCHAIN AND CRYPTOCURRENCY DEFINITIONS

Our study uses the following definitions for these technologies.

BLOCKCHAIN:

Decentralized distributed digital ledgers that allow for a wide range of peer-to-peer transactions in which each participant maintains a replica of shared, append-only, digitally signed transactions. Replicas remain in sync through a protocol called a consensus. Blockchains can be private, which means there are restrictions on who can execute consensus protocols and maintain shared ledgers, or public, which means they are completely open. Blockchain promises greater transparency, traceability, security and efficiency.

CRYPTOCURRENCIES:

Digital currencies supported by blockchain technology. Our study focuses on the most common forms of cryptocurrencies, including bitcoin, stablecoins — which are tied to the value of fiat currencies, such as the United States dollar — and ether, which runs on the Ethereum blockchain.

PART I:

Convenience Counts

Successful multinational firms are leveraging cryptocurrencies' unique features as a part of their growth strategies.

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PYMNTS' research shows that 58% of firms that operate in six or more markets use at least one cryptocurrency. Multinational firms' cryptocurrency usage may simply be practical and born of a desire for greater convenience, especially as cryptocurrency offers unique benefits for cross-border commerce. Following are three ways multinational firms are using cryptocurrency.

BLOCKCHAIN TECHNOLOGY AND CRYPTOCURRENCY ARE POWERING SMART CONTRACTS.

Global businesses use smart contracts to accelerate cross-border commerce. Smart contracts are programmed to identify specific conditions that require certain responses based on data stored on a blockchain. When those conditions are met, actions are automatically taken and payments may be initiated. Smart contracts are self-executing, auto-verifying codes that allow organizations to swiftly initiate and authenticate transactions at scale. An example might be an eCommerce brand onboarding a third-party supplier or manufacturer before launching a new product to avert future supply chain disruption due to slow payments or authentication processes. Blockchain technologies offer strong security, while cryptocurrencies provide swift, low-cost payments processing, meaning smart contracts can automate complex onboarding processes and remove significant uncertainty from cross-border growth strategies.[3]

[3] PYMNTS DeFi Series: What Is a Smart Contract? PYMNTS.com. 2021. https://www.pymnts.com/blockchain/2021/what-is-a-smart-contract/. Accessed January 2022.

CRYPTOCURRENCY IS TRANSFORMING eCOMMERCE-RELATED MOBILE WALLET USAGE.

The mobile wallet is a relatively new payments tool that has lost popularity over the past year, with just 5% of consumers using the leading mobile wallet, Apple Pay, in stores.[4] Mobile wallet use has waned as contactless payment options have become even more effortless to use for consumers, and many contactless technologies are now included by default in modern debit and credit cards.[5] The rise of cryptocurrencies as a viable payment option has also altered mobile wallets' future, as cryptocurrency users leverage mobile wallets' convenience to shop on international eCommerce sites and send cross-border funds.[6] Incorporating cryptocurrency functionalities provides eCommerce brands with a simple workaround for significant cross-border eCommerce expansion barriers, such as requiring business-to-business (B2B) payments and refunds to be in local currencies and facing foreign exchange (FX) rate pricing concerns for products. Cryptocurrency transfers are low cost and secure, signifying that they can make it easier for consumers to shop globally via eCommerce at "local" prices while paying or receiving refunds seamlessly.

[4] Apple Pay at 7: Big Fish in a Small and Shrinking In-Store Mobile Wallet Pond. PYMNTS.com. 2021. https://www.pymnts.com/mobile-wallets/2021/apple-pay-at-seven-shrinking-in-store-mobile-wallet/. Accessed January 2022.

[5] Genter, J. Everything You Need to Know About Contactless Credit Cards. Forbes.com. 2021. https://www.forbes.com/advisor/credit-cards/contactless-credit-cards/. Accessed January 2022.

[6] Crypto Users More Likely to Use Mobile Wallets in Cross-Border Remittances. PYMNTS.com. 2021. https://www.pymnts.com/mobile-wallets/2021/crypto-users-more-likely-to-use-mobile-wallets-in-cross-border-remittances/. Accessed January 2022.

CORPORATES ARE USING BLOCKCHAIN TECHNOLOGY AND CRYPTOCURRENCY TO SECURE KYC/KYB-COMPLIANT ONBOARDING AND TRANSACTION MANAGEMENT.

Corporations with cross-border operations understand that a comprehensive onboarding process is essential for regulatory compliance under current know your customer/know your business (KYC/KYB) mandates. Blockchain technology allows organizations to authenticate users swiftly and securely, while cryptocurrency can enable organizations to speed cross-border payments, including deposits and advance payments that ensure vendors and contractors can fulfill their obligations.[7]

While PYMNTS' research shows that most multinational businesses are using at least one cryptocurrency in their business transactions, FIs are also now seeing cryptocurrency access as a part of their value proposition to corporates.

[7] New Report: Closing the Gap Between Cross-Border Crypto Demand and Access to Services. PYMNTS.com. 2021. https://www.pymnts.com/cryptocurrency/2021/new-report-closing-the-gap-between-cryptocurrency-demand-and-access-for-cross-border-businesses/. Accessed January 2022.

PART II:

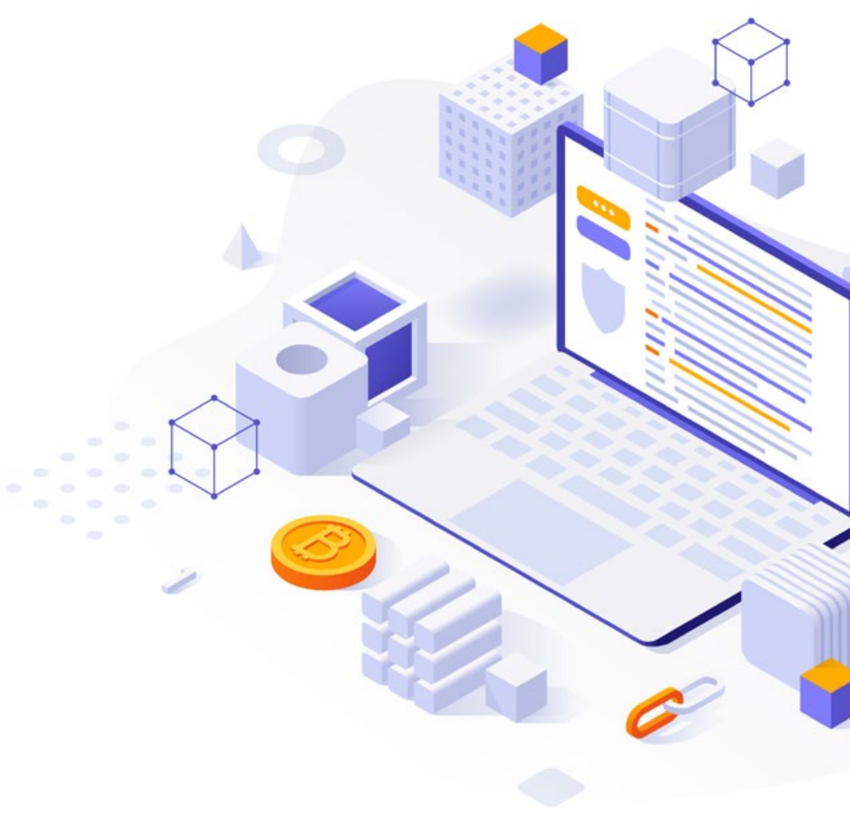
The Cryptocurrency **Imperative**

The majority of FIs now see cryptocurrency as an important option for corporate clients.

PYMNTS’ survey revealed that 61 percent of FIs consider access to cryptocurrency “very” or “extremely” important for their corporate customers, making it the most cited financial service after payment acceptance. More than 90 percent of banks believe their corporate and government customers would use cryptocurrency for both investing and transacting rather than one or the other. Following are three ways in which FIs are using cryptocurrency access to engage corporates and support their growth strategies.

SMOOTHLY INTEGRATING CROSS-BORDER BANKING INFRASTRUCTURE

New business ventures, especially those taking place across international borders, require secure banking solutions. Regional regulatory requirements vary, and multinational firms need a secure option that allows new business partners and customers to onboard rapidly and initiate trades or purchases in their local currencies on demand. Blockchain technology and cryptocurrency could allow FIs to offer clients a solution to rapidly ramp up global business operations, such as payments, user authentication and transaction management, at scale.



FACILITATING API-DRIVEN RETAIL INNOVATION

Implementing innovations that range from eCommerce mobile apps to non-fungible token marketplaces requires a robust banking infrastructure that does not sacrifice product performance for security. Cryptocurrency technology can allow corporate entities to connect new retail or B2B portals with application programming interfaces (APIs) that manage the regulatory "heavy lifting" for them, automating user authentication via blockchain technology and facilitating rapid, low-cost payments transfers to and from consumers and clients. Implementing cryptocurrency as a payment option on a global eCommerce site allows customers to pay in local currencies, for example, while utilizing blockchain technology can help organizations speed third-party vendor authentication for online marketplaces.

SCALABLE USER AUTHENTICATION

Scalable user authentication is quite different than user management and onboarding for small businesses. An influx of thousands of new users, for example, can multiply noncompliance risks exponentially for growing businesses if a comprehensive vetting system is not in place. Blockchain technology, which often utilizes two-factor authentication and immutable transaction records, allows corporates to accommodate rapid growth in transaction and user volume without sacrificing security.[8]

[8] Zand, M. How two-factor authentication works with blockchain. Security. 2021. https://www.securitymagazine.com/articles/94479-how-two-factor-authentication-works-with-blockchain. Accessed January 2022.

Blockchain technologies and cryptocurrency can unlock new efficiencies for cross-border operations: everything from simplified user authentication or global online marketplaces to fast and secure mobile payments or refunds for international customers in local currencies. Multinational businesses that are unsure of whether blockchain technology or cryptocurrency is right for their organization's long-term growth can ponder three points to determine their readiness to scale:

- **Does the organization have a robust transaction management system for cross-border transactions?** When new opportunities for global partnerships or business expansions arise, companies must be equipped to conduct business with international partners from day one.
- **Is the company prepared for full global compliance on KYC/KYB and anti-money laundering (AML) regulations as it grows?** Regardless of where the business is located, its obligations to follow regional anti-fraud and AML legislations are rooted in the nation in which its clients and customers interact with it, even if the business's headquarters are elsewhere.
- **Can the business manage a rapid scaling up of transaction volume without affecting user experience?** Payment mechanisms, as well as the apps and websites dependent on them, should not break as audiences grow. Organizations should have reliable solutions for rapid payments processing that will not produce varying results depending on a customer's region due to slow or erratic international payments processing times.

Organizations that are unable to authenticate users, manage complex transactions or comply with regulations at scale may see their business growth interrupted over time. Blockchain technologies and cryptocurrencies could provide a viable answer for concerns about scalable business growth and regulatory compliance management.

There is much more to blockchain and cryptocurrency technology than supporting business growth, however. Many corporates and FIs alike are now examining cryptocurrencies and blockchain technologies as options for asset management.

PART III:

Why Corporate Treasurers Are Turning To **Blockchain Solutions**

Cryptocurrency may provide a viable option for corporate treasurers attempting to solve problems involving liquidity and global payments structure.

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Cryptocurrencies' shift toward being viewed as a legitimate option for asset allocation would have been seen as highly unlikely a decade ago, but more than 20% of multinationals have chosen to actively hold digital currencies as an asset management tool in recent months.[9] Cryptocurrency use is also likely to skyrocket in the future, with PYMNTS' research finding that 93% of FIs believe their business clients will eventually use digital currencies for investments and transactions over time.[10]

Following are three use cases in which some multinational businesses and FIs are leveraging cryptocurrency as an asset allocation and transaction management tool.

FX RISK MANAGEMENT

Cryptocurrency values fluctuate, but their values have been less volatile than FX fluctuations at times, causing some corporate entities to use cryptocurrency as a hedge against FX risks.[11]

INSTITUTIONAL INVESTMENT

Some FIs are now using virtual currencies such as stablecoins as an available asset class for trade and investment.[12]

RETAIL TRANSACTIONS

Cryptocurrency's use as a tool to simplify transactions is not new, but the increase in consumer interest in using virtual currencies in stores is. PYMNTS' research found that nearly 60% of retail consumers expressed interest in using digital currencies to shop in stores.[13]

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[9] Crypto for Cross-Border Payments Backed By Half of Multinationals, New Study Shows. PYMNTS.com. 2021. https://www.pymnts.com/news/b2b-payments/2021/crypto-cross-border-payments-backed-by-half-multinationals/. Accessed January 2022.

[10] NEW REPORT: Capturing the Global Cryptocurrency Payments Opportunity. PYMNTS.com. 2021. https://www.pymnts.com/cryptocurrency/2021/capturing-global-crypto-payments-opportunity/. Accessed January 2022.

[11] Cheong, C. Cryptocurrencies vs global foreign exchange risk. Journal of Risk Finance. 2019. https://www.emerald.com/insight/content/doi/10.1108/JRF-11-2018-0178/full/html. Accessed January 2022.

[12] US Bank Launches Cryptocurrency Investment Services. PYMNTS.com. 2021. https://www.pymnts.com/cryptocurrency/2021/us-bank-launches-cryptocurrency-investment-services/. Accessed January 2022.

[13] Retailers Turn to Crypto, Social Commerce to Tap Gen Z Shoppers. PYMNTS.com. 2021. https://www.pymnts.com/cryptocurrency/2021/retailers-turn-to-crypto-social-commerce-to-tap-gen-z-shoppers/. Accessed January 2022.

Offering cryptocurrency options to corporate clients makes sense for FIs when it adds tangible value to their clients' user experiences. PYMNTS' research showed that FIs, like corporate entities, are willing to use or offer cryptocurrencies to their clients when doing so provides tangible solutions and does not add unnecessary complexity. Forty-three percent of businesses stated that the prospect of added efficiency via the adoption of cryptocurrency or blockchain technology influences their development strategies on blockchain and cryptocurrencies, and 16% consider it the most important influence.

43%

OF BUSINESSES SAY THAT THE **POTENTIAL ADDED EFFICIENCIES OF BLOCKCHAIN** INFLUENCE THEIR STRATEGIES ON BLOCKCHAIN AND CRYPTOCURRENCY IMPLEMENTATION.

TABLE 1:

Factors informing FIs' blockchain and cryptocurrency strategies
Share of FIs that consider select factors as important or the most important when offering such services

Highest
Lowest

	Total	Most important	Important but not most important
• Strength and weakness of current internal infrastructure	25.6%	8.0%	**17.6%**
• The need to retain and attract customers	24.4%	9.2%	15.2%
• Potential for better data securuty	23.2%	7.6%	15.6%
• Access to experts with blockchain knowledge	22.8%	7.6%	15.2%
• Potential for greater profits	21.6%	8.0%	13.6%
• Potential for greater operational efficiencies	21.6%	**10.8%**	10.8%
• Current regulatory structure	21.6%	6.8%	14.8%
• Risk of new business model disruptions	21.6%	6.0%	15.6%
• Potential for capturing real-time reference data	20.8%	5.6%	15.2%
• Current decision-making impeded by misinformation	20.0%	5.2%	14.8%
• Desire to enter new market or regain lost market share	18.8%	**4.0%**	14.8%
• Risk of adopting technologies that are not understood well	17.6%	6.4%	11.2%
• Evidence that blockchain can handle the volume in real time	16.4%	6.8%	9.6%
• Buy-in of organization leaders	16.0%	8.0%	**8.0%**

Source: PYMNTS.com

TABLE 2:

Factors influencing the adoption of blockchain or cryptocurrency solutions
Share of respondents who cite select factors as affecting businesses' development of blockchain or cryptocurrency solutions

Highest
Lowest

	Total	Most important	Important but not most important
• Strength and weakness of current internal infrastructure	28.8%	**16.8%**	12.0%
• The need to retain and attract customers	22.0%	5.2%	16.8%
• Potential for better data securuty	33.2%	12.0%	21.2%
• Access to experts with blockchain knowledge	23.6%	4.0%	19.6%
• Potential for greater profits	31.6%	14.0%	17.6%
• Potential for greater operational efficiencies	42.8%	16.0%	26.8%
• Current regulatory structure	24.4%	7.6%	16.8%
• Risk of new business model disruptions	24.4%	5.6%	18.8%
• Potential for capturing real-time reference data	38.0%	10.4%	**27.6%**
• Current decision-making impeded by misinformation	16.0%	3.6%	12.4%
• Desire to enter new market or regain lost market share	18.8%	3.2%	15.6%
• Risk of adopting technologies that are not understood well	N/A	N/A	N/A
• Evidence that blockchain can handle the volume in real time	N/A	N/A	N/A
• Buy-in of organization leaders	12.8%	**1.6%**	**11.2%**

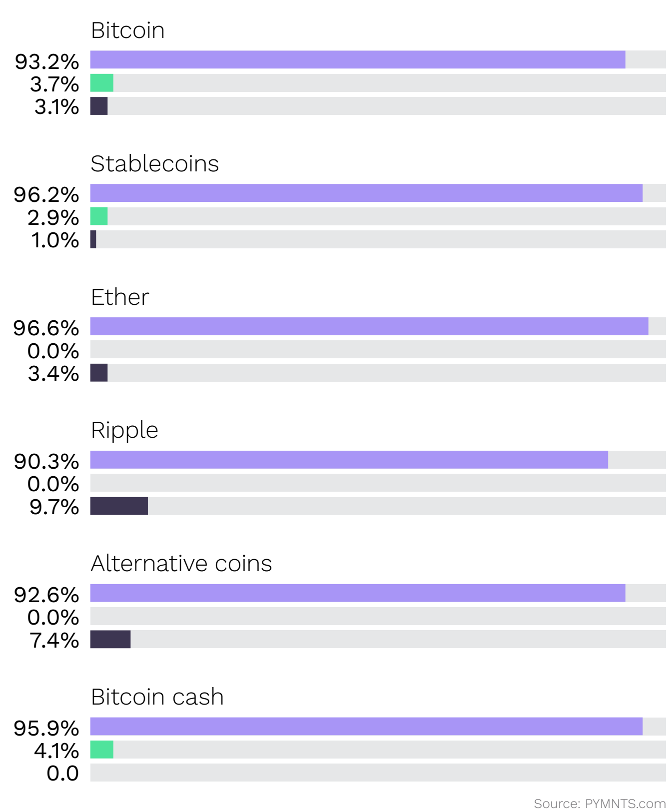
Source: PYMNTS.com

Which cryptocurrencies will corporates use in the future?

The vast majority of FIs believe that their corporate customers will use cryptocurrencies to invest and transact. Corporate customers currently use cryptocurrencies mostly to transact — except for ether. Businesses with operations spread out across a greater number of countries are more likely to use cryptocurrencies for both investing and transacting.

FIGURE 1:

FIs' perceived business uses of cryptocurrency
Share of FIs that believe businesses would use select cryptocurrencies for investing, transacting or both



Source: PYMNTS.com

Investing and transacting
Transacting only
Investing only

96%

OF FIs BELIEVE BUSINESSES **WOULD USE STABLECOINS** FOR INVESTING AND TRANSACTING

TABLE 3:

Businesses' usage of cryptocurrencies to transact
Share of businesses that use select cryptocurrencies for transacting, by number of countries in which businesses operate

Highest
Lowest

	2	3-5	6-10	10+
• Bitcoin	42.9%	64.3%	52.6%	29.4%
• Stablecoins	57.1%	47.1%	75.0%	50.0%
• Ether	**0.0%**	8.7%	14.3%	**0.0%**
• Ripple	25.0%	50.0%	25.0%	33.3%
• Alternative coins	83.3%	57.1%	**100.0%**	55.6%
• Bitcoin cash	**100.0%**	70.0%	66.7%	75.0%

Source: PYMNTS.com

PYMNTS' research found that 94% of FIs had dedicated staff to design future strategies around blockchain and cryptocurrency technologies, compared to just 54% of corporates.

CONCLUSION

Cryptocurrency and blockchain technology are relatively new but have altered the ways businesses and FIs see the future of commerce and trade. From investment to eCommerce, virtual currencies are making payments and user authentication easier for consumers, retailers and FIs seeking to remove frictions from in-store payments. Most FIs and corporations with cross-border businesses therefore see virtual currencies as a permanent part of their clients' futures and their own.

METHODOLOGY

The Corporate Treasury Shift: Asset Allocation And The New Cryptocurrency Option, a PYMNTS report sponsored by Circle, draws from surveys of 250 multinational financial institutions conducted in April 2021. Businesses surveyed operate in at least two markets and generate at least $10 million in annual revenue. The FI group was 60 percent banks and 40 percent FinTechs.

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ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

CIRCLE

Circle is a global financial technology firm that enables businesses of all sizes to harness the power of digital currencies and public blockchains for payments, commerce and financial applications worldwide. Circle is the principal operator of USD Coin (USDC), the leading dollar digital currency powering always-on, internet-native commerce and payments with a circulation greater than $42 billion and over $1.5 trillion in on-chain transactions. Today, Circle's transactional services, business accounts and platform APIs are giving rise to a new generation of financial services and commerce applications that hold the promise of raising global economic prosperity for all through the frictionless exchange of financial value. Additionally, Circle operates SeedInvest, a leading startup fundraising platform in the U.S. that has funded over $400 million online and supports a rapidly growing network of over 600,000 investors. Learn more at https://circle.com.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.