



September/October 2023

Are Credit Unions Ready to Offer Cryptocurrencies?

Credit Union Tracker® Series

■ Read the previous edition



SEPTEMBER 2023
Credit Union
Tracker® Series

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Acknowledgment

The Credit Union Tracker® Series is produced in collaboration with PSCU, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Need to Know

Cryptocurrency's Impact on the Financial World

Few technologies have sparked more interest and controversy in recent years than cryptocurrency, which hit a [worldwide market capitalization](#) of more than \$1 trillion earlier this year. Coins such as bitcoin, ethereum and solana have become household names. Even the so-called joke crypto, [dogecoin](#), was recognized by 45% of consumers in a recent survey.

Cryptocurrency is renowned not only for its potential to create wealth but also for its dramatic fluctuations in value, which has led to much skepticism in some corners of the investment world. [Bitcoin](#), for example, once lost 30% of its value in a single day — but it has also seen comparable upward swings that have made it incredibly appealing for risk-seeking investors.

Cryptocurrency has become mainstream in recent years.



\$1T

Current [cryptocurrency](#) market cap



90%

Portion of consumers familiar with bitcoin

Need to Know

Many CU members seek cryptocurrency services from their FIs.

PSCU senior innovation strategist Lou Grilli shared in a recent PYMNTS [interview](#) that consumers frightened by a potential cryptocurrency exchange collapse, like FTX, are seeking safer crypto investment options, and credit unions (CUs) could potentially be the answer. In 2021, [federal regulators](#) gave CUs the green light to partner with cryptocurrency providers, paving the way for their entry to this dynamic market.

Financial institution (FI) customers are eager to start transacting, with 57% of cryptocurrency owners expressing interest in using their FIs for these transactions and 67% of CU members looking for more payment options. Despite consumers' enthusiasm for virtual currency, CUs have good reason to approach this trend with caution.

Consumers want cryptocurrency products and services from their FIs.



Portion of cryptocurrency owners interested in accessing their assets through their FIs



Portion of CU members that held [cryptocurrency](#) in the past year

Need to Know

CUs have been hesitant to offer cryptocurrency services.

[PYMNTS research](#) finds that 56% of CU executives are either slightly or not at all interested in providing cryptocurrency products to their members, with 66% of executives citing concerns with its volatility and 50% saying that cryptocurrency represented a relatively weak penetration of digital assets as a payment method.

CUs are also hesitant about cryptocurrency's potential for fraud and scams. This fear is well-justified: Since the beginning of 2021, some 46,000 individuals have lost an average of \$2,600 each to [crypto scams](#). CUs exploring the possibility of offering cryptocurrency services will need to take proactive measures to safeguard both themselves and their members.

CUs will
need to alleviate
cryptocurrency's
propensity for
fraud.



\$1B

Total amount lost to
[cryptocurrency scams](#) since 2021



46,000

Number of cryptocurrency scam victims
since 2021

News and Trends

Landmark Legal Ruling Triggers Cryptocurrency Ripple Effect

A recent court ruling involving blockchain startup [Ripple](#) and the United States Securities and Exchange Commission (SEC) found that XRP, Ripple's cryptocurrency, "was not necessarily a security" and is more akin to a commodity. The ruling's outcome makes XRP eligible for use in cross-border transactions, a victory for cryptocurrency enthusiasts after a three-year court battle.

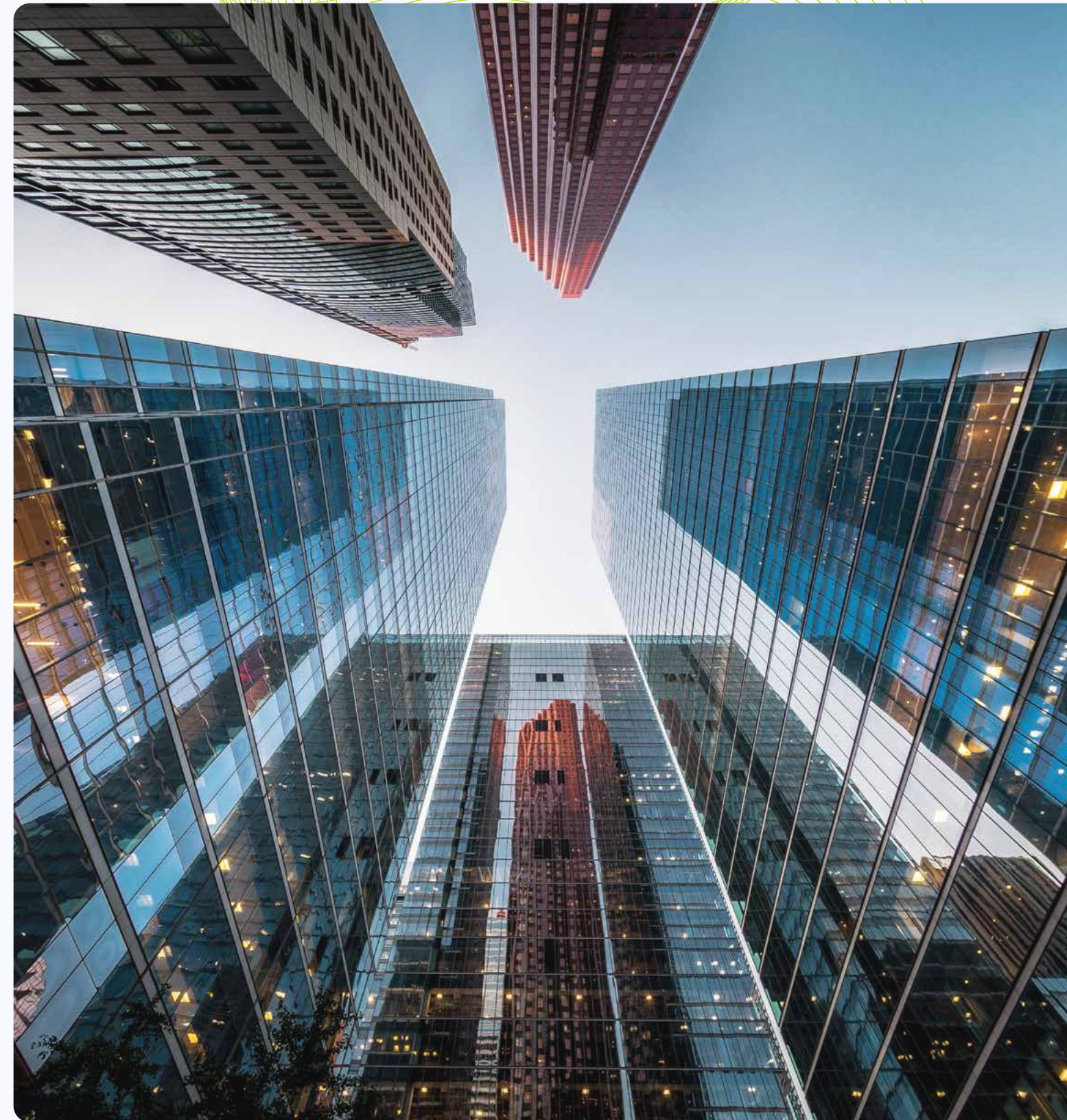
Many FIs are looking to pounce on the opportunity and begin offering XRP transactions, Ripple's general counsel Stu Alderoty told CNBC recently. XRP works as a "bridge" currency to convert one fiat currency to another when transacting across borders. It is currently the fifth-largest cryptocurrency in circulation.



News and Trends

Canada proposes new crypto holdings regulations

Cryptocurrency is a fast-changing space, and world governments are accelerating their efforts to regulate the industry. Canada, for instance, recently announced a new change to its [capital holdings laws](#) to define four different types of cryptocurrency assets, aiming to simplify FIs' approach to various cryptocurrency risks. In doing so, regulators hope to prevent Canada's FIs from meeting the same fate as some firms in the U.S., including Silvergate and Signature Bank, which collapsed last year due to cryptocurrency liquidity issues. The new regulations, which just completed the public review phase, will take effect in 2025.



News and Trends



BRANDON RUSSELL
CEO



“Concerns surrounding the storage of digital assets are growing among financial institutions, prompting a greater demand for a regulated custodian.”

WeStreet Credit Union introduces cryptocurrency capability

The Oklahoma-based WeStreet Credit Union recently became the first CU to partner with Etana Custody and CryptoFi to offer cryptocurrency trading to its members. Etana plans to roll out cryptocurrency trading at several more credit unions in the near future, marking a significant expansion of this capability. Until now, cryptocurrency trading has been predominantly limited to banks and FinTechs.

The partnership follows Nasdaq's decision to pause its digital asset custodian platform due to regulatory uncertainty. This turbulence in the cryptocurrency field raises questions about the future of FI-based trading, including the possibility of an imminent market crash.

PYMNTS Intelligence

How CUs Can Meet Members' Cryptocurrency Expectations

Cryptocurrencies have become a popular choice for consumers either seeking a novel, fast-moving and potentially lucrative investment opportunity or exploring alternative payment methods to fiat currency. This interest is particularly evident among CU members, with a recent study finding that 26% of CU members hold some form of cryptocurrency.

It stands to reason that CUs could benefit from catering to this member base, and many have already taken steps to provide cryptocurrency services. This month's PYMNTS Intelligence explores what members expect from their CUs when it comes to cryptocurrency and why CUs have added cryptocurrencies to their portfolios.



PYMNTS Intelligence

CU members want more access to and control over cryptocurrency services.

Cryptocurrency owners tend to be younger and more technology-savvy than average, with a recent PYMNTS study finding that millennials are most likely to own cryptocurrency at 59%, the largest percentage of any age group. This overlaps significantly with demographics that value innovative products from their FIs, as 29% of CU members express a willingness to switch FIs to access such products. Younger consumers are far more likely to be part of this group as well.

A plurality of CU members that own cryptocurrency would prefer to stay with their FIs if they offered cryptocurrency services. According to the study, 49% of cryptocurrency owners say they are very or extremely interested in keeping their accounts with FIs that offer cryptocurrency products and services. In addition, CU members' interest in being able to monitor and manage their external cryptocurrency holdings is inching upward, rising from 18% in Q1 2022 to 19% in Q4 2022.

CU members are looking for innovative cryptocurrency services from their FIs.



49%

Share of cryptocurrency owners interested in keeping their accounts with FIs that offer cryptocurrency services



33%

Share of consumers willing to change FIs to access innovative cryptocurrency products

CUs also should consider the opinions of prospective members regarding cryptocurrency, in addition to those of existing members. PYMNTS research finds that 33% of consumers who are very or extremely interested in cryptocurrency are willing to change their FI to access innovative products, representing a huge opportunity for CUs to expand their member base.

PYMNTS Intelligence

CUs outpace traditional banks in crypto offerings.

Credit unions are ahead of their traditional bank counterparts when it comes to cryptocurrency offerings. According to a 2023 report, 5% of CUs currently offer [cryptocurrency investing services](#) to their members, while another 5% plan to introduce them in 2023. By contrast, just 1% of banks currently offer cryptocurrency, and just another 1% plan to do so this year. Fifteen percent of CU executives, meanwhile, say they are very or extremely interested in introducing innovative cryptocurrency products for members, potentially pushing current figures even higher in the future.

CUs' most valuable potential member base is the "crypto curious," according to the [Credit Union National Association](#). These individuals are interested in cryptocurrency but not to the extent that they would venture far from their comfort zone. They would be more likely to invest if their current CUs offered such services. Catering to this interest could be a gold mine for retaining members and building new revenue streams well into the future.

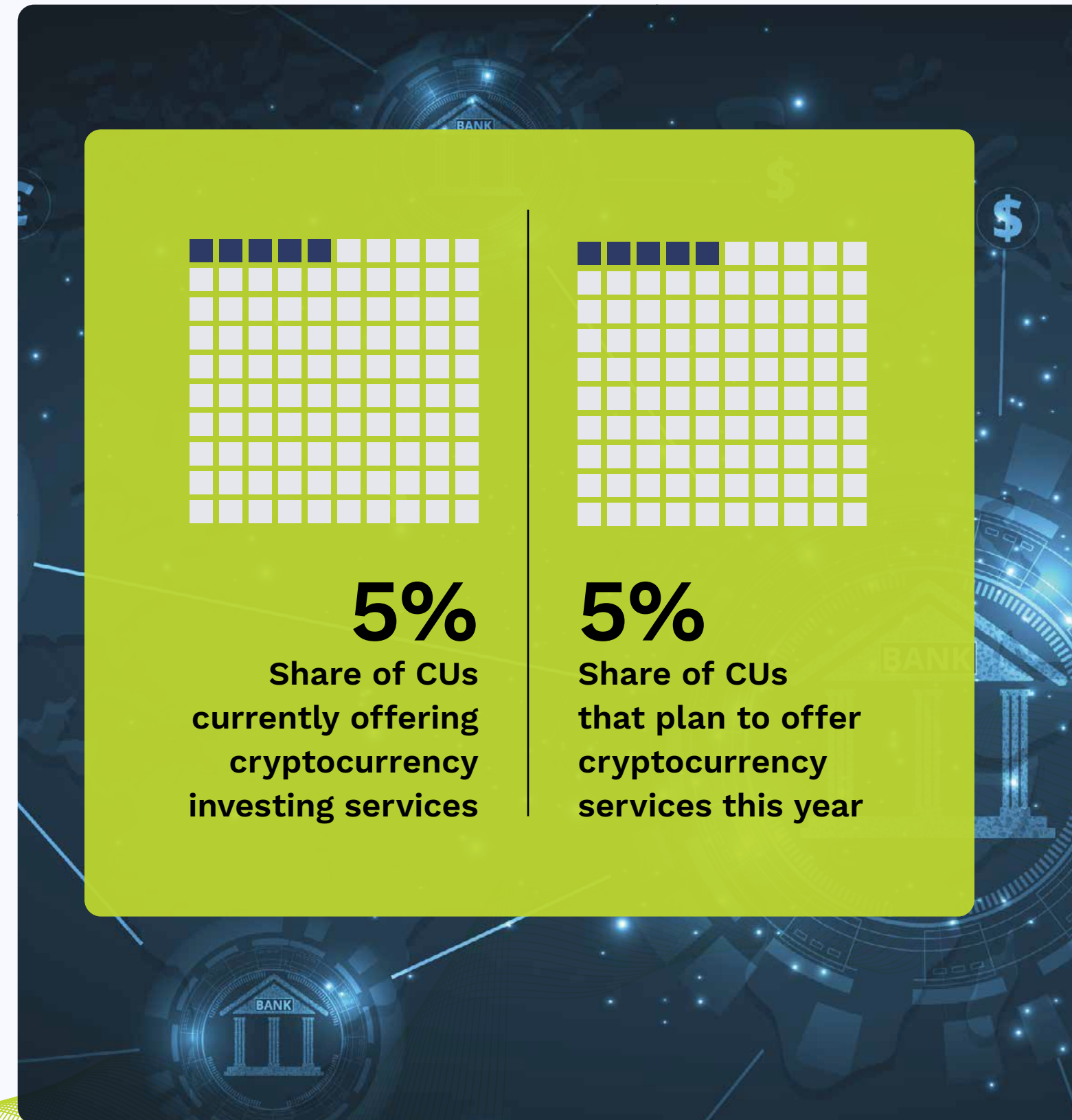


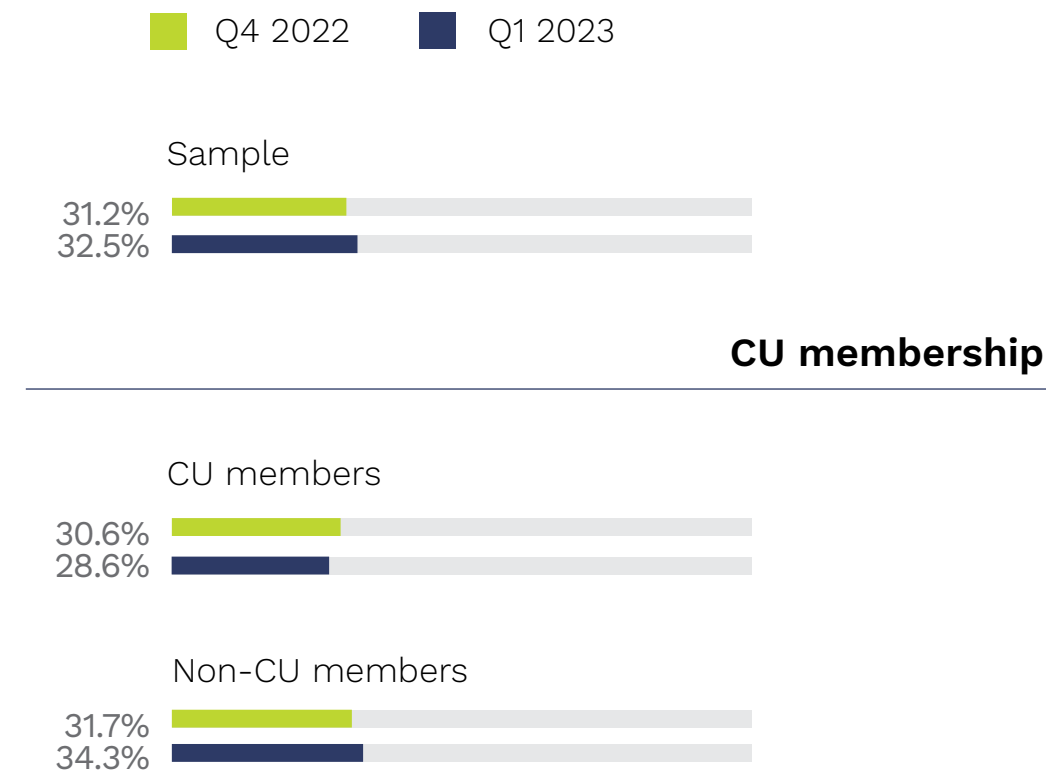
Chart of the Month

Three in 10 Consumers Hold Cryptocurrency Assets

Cryptocurrency ownership rates have fluctuated over the past several years as cryptocurrency’s value ebbs and flows. Currently, 31% of consumers hold some form of [cryptocurrency asset](#). This includes CU members, who, notably, are more likely than average to have increased their cryptocurrency holdings over the past year: While ownership rates among non-CU members dipped by 3% in 2022, the proportion of CU members owning cryptocurrency grew by 2%. CUs should take note of this growth and explore cryptocurrency transaction services for their members.

Crypto’s influence among consumers

Share of account holders who held cryptocurrency in the 12 months prior to being surveyed, by demographic.



Source: PYMNTS Intelligence
Bridging the Cryptocurrency Divide — Why Members Want Access, Why Credit Union Executives Resist, April 2023
N = 4,282: Complete responses, fielded Oct. 17, 2022 – Nov. 17, 2022

Key Findings

01

CRYPTO CURIOSITY

Few technologies have sparked more interest and controversy in recent years than cryptocurrency, with coins such as bitcoin, ethereum and solana becoming household names.



\$1T

Current cryptocurrency market cap

02

FIs FOR CRYPTO SERVICES

CU members are eager to start leveraging their FIs to transact with cryptocurrency.



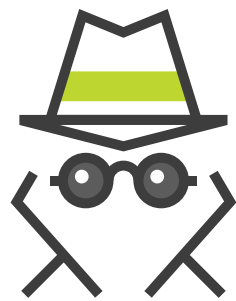
57%

Portion of cryptocurrency owners interested in accessing their assets through their FIs

03

CRYPTO HESITANCY

Many CUs are hesitant about cryptocurrency's investment volatility, as well as its potential for fraud and scams.



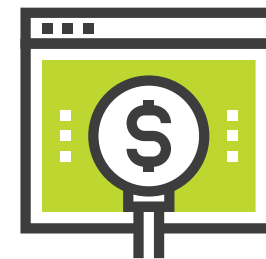
\$1B

Total amount lost to cryptocurrency scams since 2021

04

MEMBER LOYALTY

A plurality of CU members who own cryptocurrency would prefer to stay with their FIs if they offered crypto services, but many are willing to switch.



33%

Share of consumers willing to change FIs to access innovative cryptocurrency products

What's Next

Cryptocurrency Market Projected for 17% Annual Growth Through 2028

The rise of CUs implementing new cryptocurrency initiatives could bring significant returns over the next five years if the current market growth persists. Experts predict that the global market size for cryptocurrency could grow at a compound annual growth rate (CAGR) of about 17% between 2023 and 2028. It should be noted, however, that cryptocurrencies are known for their rapid and dramatic fluctuations in value, and cryptocurrency exchanges could potentially evaporate without warning, just as FTX did last year. CUs exploring cryptocurrency options should make contingency plans for short-term changes if they want to reap the success of long-term growth.

“Wider acceptance by consumers of cryptocurrencies as a payment mode and investment vehicle is growing. The use of debit cards affiliated with crypto exchanges and the increasing volume of crypto flowing into decentralized finance (DeFi) platforms — offering higher returns — are gaining traction and adding yet another dimension to the traditional payments landscape.”



VLADIMIR JOVANOVIC
VP, Innovation and R&D



About

PYMNTS
INTELLIGENCE

PYMNTS Intelligence 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.



PSCU, the nation’s premier payments CUSO and an integrated financial technology solutions provider, supports the success of more than 2,400 financial institutions and processes nearly 7.7 billion transactions annually. Committed to service excellence and focused on continuous innovation, PSCU’s payment processing, fraud and risk management, data and analytics, digital banking, strategic consulting and real-time payments platforms, along with 24/7/365 member support via its contact centers, help deliver personalized, connected experiences. The origin of PSCU’s model is collaboration and scale, and the company has leveraged its influence on behalf of credit unions and their members for more than 45 years. Today, PSCU provides an end-to-end, competitive advantage that enables credit unions to securely grow and meet evolving consumer demands. For more information, visit pscucorp.com.

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