

# The banks servicing crypto in 2020 — who and how

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As of Q1 2020, only a limited number of banks are servicing the crypto, blockchain, or other alternative industries. With low appetite and the lack of frameworks, incumbent banks are leaving the ground open for niche players to take advantage. In turn, these challengers are facing high regulatory and capital barriers for entry on the one hand, but increasing demand for their services on the other.

In this report, we'll conduct a strategic analysis of the different players—both established and early stage—who have emerged offering banking provision to the crypto sector; conducting a direct side-by-side comparison of them all, as well as detailing the aspects unique to each.

We'll explore the different ways they are tackling the problems innate to servicing both crypto and crypto-adjacent companies; revealing the emerging trends and eliciting the key insights from the current players in the market.

### An explanation of the terminology used:

- 'Crypto'/'digital asset' used throughout as shorthand to describe cryptocurrency.
- 'Crypto bank'/'digital asset bank' describes an organisation providing banking to crypto companies, providing banking in cryptocurrency, or for ICOs.
- 'Crypto company' describes any organisation, e.g. a cryptocurrency exchange, whose business is driven by cryptocurrency, blockchain or similar alternative industries.
- KYC (Know Your Customer) is the process of a business verifying the identity of its clients and assessing their suitability, as a legal requirement.
- 'Off-ramp' describes turning cryptocurrency into fiat, while 'on-ramp' describes the transfer of fiat into cryptocurrency.

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## Leaders are emerging by concentrating on different customer segments

There are no banks who are yet actively serving all aspects of crypto banking—whether for businesses or individuals—or even stating that they plan to do so in the future. In fact, Barclays recently announced that it will no longer provide banking for Coinbase, the world's largest cryptocurrency exchange. Naturally, the case for smaller, younger or less known businesses, is not much different.

In this way, the current landscape of crypto-friendly banks can be understood in part by the different customer segments those banks are concentrating on serving.

This both points the direction to potential future market leaders, as it seems likely that those banks who concentrate on narrow customer segments will win, and to the more meaningful gaps in the market not currently being served by the banks assessed in this report.

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## Crypto banks are learning from traditional retail banking

Crypto banking is a microcosm of the wider crypto industry in that it is very attractive to highly technical participants who are seeking efficiency, but the focus hasn't been on serving the mass market. But that is now starting to change. Some of the best practices from traditional retail banking— both incumbent and challenger—are starting to be adopted by crypto banks.

In many cases they adopt a high-touch approach; onboarding customers gradually to more of their services, providing financial advisory services to crypto customers, and developing features based on what their customers need.

The emergent best practices making their way over to crypto-ready banks include:

1. Customer-centric approach
2. Fully digital, painless onboarding processes
3. Automated KYC and CDD (customer due-diligence)
4. High-touch customer service
5. Having an advisory role in their customers' lives

And the result is that the customer experience of crypto banking is slowly improving, as emphasised by leading players like Wirex, SEBA and Signature Bank.

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## Customer segments who struggle with retail banking are also underserved by crypto banks

As in retail banking, the emphasis in crypto banking provision is on serving individuals or larger businesses, with SMEs losing out.

As a segment, SMEs are already particularly underserved by current banking solutions, paying relatively high rates for transfers and loans, and getting access to banking with cryptocurrencies proves just as difficult.

As such, there may be opportunities to build valuable propositions to SMEs who—while not homogenous—have certain shared needs which are not being met. Additionally, there are trends emerging in parallel to crypto such as digital ledger technology (DLT) that could be enormously useful to SMEs.

SME owners traditionally struggle from a lack of time and knowledge, so the increasingly advisory role banks—crypto or otherwise—are having could prove pertinent here.

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## Market context

# The struggle to bank for crypto companies

Crypto companies find themselves in a particularly inhospitable banking environment, in part because of the regulatory hurdles retail banks themselves face in adopting new technology, but also due to the understandable fear and suspicion those banks feel about the cryptocurrency phenomenon in general.

Incumbent banks lack both the risk appetite and adequate frameworks to serve crypto customers. Additionally, some of the points of competition exchanges and others compete on—for example the ease and speed of off-ramping—are not just anathema to retail banks, but further exacerbate the volatility of cryptocurrencies.



Crypto companies face an ongoing existential challenge to make use of banking services, which they are responding to in myriad ways.

For example, some crypto companies are paying employees, lawyers and accountants in 'stable' coins such as Tether—where the supposed stability comes from the price being tied to the value of the US dollar—and as such the off-ramping is less problematic both in terms of banking, and less susceptible to price fluctuations.

Elsewhere, there is increased lobbying for regulation: a former Morgan Stanley banker is leading efforts to introduce blockchain legislation in Wyoming that would allow for, among other things, a bank dedicated to the blockchain industry.

In the meantime, smaller banks are seizing the opportunity, such as Silvergate and Signature in the US, and Bank Frick in Europe. We will analyse the different ways they are taking the challenge on.





# An explanation of the assessment criteria

Focus Area	Why this is important
Whether the bank has begun trading outside of their original home market	Determining their likely trajectory and the pace of their expansion so far
The categories of currencies they currently support—whether fiat, existing crypto, or ICOs	To establish just how advanced their crypto banking provision is
Whether they have API-driven tech (where this was possible to determine)	To determine whether banking services can be consumed easily by tech SMEs, and be an integral part of their software ecosystem
If they have a mobile banking app for basic banking provision	To see if they are mirroring retail banks in offering a mobile banking app
If they have app-driven KYC	If they have advanced mobile banking like many retail banks, offering KYC through their app
Detailing the brand/customer-facing USP where pertinent	To determine the current and future focus area of the bank
Investigating the ownership makeup of the bank	It is relevant in determining their potential plans if they are, for example, backed by an incumbent financial institution in some capacity

# A high level analysis of the main providers of Crypto Banking



# Side-by-side comparison of the different crypto-ready banks

	Country of origin	Fiat currency banking	Cryptocurrency banking	ICO support	API-driven technology	Mobile banking app (service)	Multiple geographic operations
SEBA	Switzerland	✗	(trading, storage, structuring)	✓	Unknown	N/A	✗
Wirex	UK	Unknown	Transaction, custody, trading and liquidity, asset and wealth management	✗	Blockchain	Unknown	✓
Silvergate	US	✓	✗	✗	✓	✓	✗
Bank Frick	Liechtenstein	✓	(trading, storage, structuring)	✓	Unknown	Unknown	✓
Silicon Valley	US	✓	✗	✗	✓	✓	✓
Fidor Bank	Germany	✓	(fiat to crypto conversion)	✓	✗	✓	✓
Falcon Private Bank	Switzerland	✓	(investment, storage, fiat acceptance)	✗	Unknown	Unknown	✗
Signature Bank	US	✓	✗	✗	Blockchain	✓	✓

## Early stage digital asset banks

New players in the digital asset or crypto banking space emerge—or at least declare their plans to launch—all the time, but these early stage providers are the most worthy of note at the time of publishing (Q1 2020).





SEBA is building a progressive tech bridge between the traditional and crypto worlds. SEBA is a licensed Swiss bank combining the new financial world of digital assets with traditional banking – in a 'secure and vertically integrated setup'. It has so far raised over \$100M.

SEBA's core services include:

- Transaction Banking services for accounts denominated in both crypto and fiat
- Custody services including military-grade secure storage of crypto assets
- Trading & liquidity management for crypto assets and fiat currency
- Asset & wealth management of crypto and traditional equity products
- The full range of crypto corporate finance services (e.g. ICO fundraising advice, token design, risk management)

Above and beyond core banking services SEBA are looking to offer flagship X-Space locations for educational events and professional advice, and online forums

They plan to partner with Julius Baer to launch new digital asset services later this year. As a result of the partnership, Julius Baer customers will be able to store, trade and invest in digital assets with the use of the SEBA platform. According to the Roadmap, the Crypto Bank was set to go live in Q2 2019 which they missed, eventually launching in November of last year.

## **wirex**

The UK-based Wirex is FCA-licensed for e-money and provides 'digital money solutions' for both individual and business customers. On that latter aspect, they claim to be "the world's only licensed business account that allows payments in both crypto and traditional currency."

Additionally, they offer a contactless Wirex Visa card, available in GBP, USD and EUR, giving you the power to seamlessly spend your cryptocurrency in real life, anywhere Visa is accepted.

Since 2014, over 2 million clients in over 130 countries have made over \$2bn in transactions with Wirex. They are not an ICO company, they are backed by SBI Group and Softbank.



Key features of the Wirex account include:

- Payments anytime, anywhere, in 16 crypto- or traditional/fiat currencies i.e. SEPA, SWIFT and Blockchain payments
- An exchange between fiat and crypto (or any combination therein) at Interbank and OTC rates, without a minimum transaction limit

Wirex's permission capability includes:

- Add and save counterparty details
- Set roles and permissions on a per-account basis
- View all activity in real-time
- A partnership with Stellar

Wirex promotes two key points of differentiation:

- Accepting payments in both fiat ('traditional') and crypto currency.
- Their banking license

Their apparent future plans include:

- Revolutionise payments, bank the 'unbanked', expand access to services and facilitate the integration of the token economy.
- Become the first regulated crypto and fiat platform to release 26 fiat-pegged 'stablecoins' on the Stellar blockchain.



Finally, another early-stage player worthy of note is Silvergate. Silvergate highlight their deep understanding of regulatory compliance for digital currency exchanges, which they define as providing "innovative financial infrastructure solutions and services to participants in the nascent and expanding digital currency industry."

Their services include:

- Powerful APIs (for greater speed and automation of managing accounts)
- Real-time USD settlement solution
- ACH & Wire Cash Management

The offerings outside of the basic bank account for exchanges appear to be on a customer-by-customer basis, highlighted by their unique approach to onboarding customers:

"We like to start our relationship with exchanges by providing basic business banking services, while our compliance teams get to know each other and we evaluate whether a custodial banking relationship makes sense."

According to their published report, they closed out 2019 with over 800 crypto-related clients, totalling \$2.1 billion in assets, despite having a slight drop in deposits in Q4.



# Established digital asset banks

An analysis of the more established banks servicing crypto customers.



Bank Frick is a 'family run, enterprising bank' offering both classic and blockchain banking. Among their many products and services, they offer dedicated business accounts for blockchain companies.

They are notable as one of the few European blockchain business-focussed banks, defined as offering for "professional market participants".

Outside of banking, Bank Frick advertises that they act as an advisor on ICOs, with the claim that they have advised on about 10 ICOs.

In Q1 2020, the bank expanded its range of cryptocurrencies for which it offers trading and custodian services. Bank Frick now offers trading and secure custody of Bitcoin Cash (BCH) for professional market participants and wealthy private clients. Trading takes place within the fully regulated environment of the bank.



The Leichtenstein-based bank espouse their credentials as a pioneer in the field of banking for blockchain account management, and that this hard-won experiences has given them the necessary know-how to carry out transactions simply and efficiently.

They don't go into specific detail about their product pricing for the different services available on their website. Instead they facilitate their USP of building human relationships by providing the direct contact details of advisors at the bank.

Their other blockchain banking products include:

- Token sale banking services
- Crypto trading services
- Crypto storage
- Crypto structuring services



With a team numbering in the thousands, and a 35-year history, Silicon Valley Bank (SVB) enjoys a unique position within the banks that serve crypto customers.

This US-based high-tech commercial bank primarily provides key services such as lending to technology companies, as well as providing multiple financial services to venture capital firms, and revenue-based financing to private equity firms that invest in technology and biotechnology.

On top of this core banking provision, the bank operates venture capital and private equity divisions that themselves sometimes invest in the firm's commercial banking clients.

SVB has six global locations outside of their US home, and as their name would suggest, they state they have helped fund more than 30,000 startups.

SVB maintains a 50-50 joint venture with Shanghai Pudong Development Bank (SPDB) to provide capital to startup technology entrepreneurs, operating in renminbi to do so where applicable.

As their name would suggest, Silicon Valley Bank emphasises providing banking provision for early-stage companies, and as such segments its customer base by the relative stage of their business including:

- Startup (core banking + financial services)
- Gaining traction (cash flow management and support up to Series B funding onwards), providing support for fundraising and M&A targets in addition to banking
- Building for scale (comprehensive banking for large and or global companies), also including capital strategies and solutions, private banking and wealth advisory

SVB also operates a PE and VS arm and a private bank for high net worth individuals.





Fidor is a German digital bank and BaaS (banking-as-a-service) platform provider.

The banking aspect (which includes a current account with a MasterCard debit card) has been available to customers in Germany and the UK for the last four years, but due to 'uncertainties surrounding the UK market', they have decided to retreat to their domestic market, withdrawing the product and service offering in the UK on 15 September 2019.

Their BaaS solution helps create digital banks with their digital banking platform (fidorOS). fidorOS is available to retailers, startups, banks, insurers, developers and transport companies.

Fidor offers corporate accounts for cryptocurrency companies, as part of its 'Cryptocurrency-as-a-Service offering'. This is a two-fold product:

- Fidor ICO Account - an account that supports ICOs and companies looking to deliver their own ICOs
- Fidor Exchange Account - an account that interacts with cryptocurrencies

Fidor's focus on these two distinct—and typically underserved—customer segments bring their USP into focus.

In addition to targeting these customer segments, Fidor's banking services offering also include crypto banking, meaning the conversion of crypto into fiat.

They offer a pay-as-you-grow business model and have provided banking services to Kraken since 2014, handling the processing of most of its EUR denominated transactions.

Fidor has two key pillars of differentiation: the fact that like SVB it is one of the world's oldest "fintech banks", and that this therefore means it has a good understanding of what businesses in this sector require in banking provision.



Falcon is a Swiss-owned private bank founded in 1965 that now offers crypto banking services as well as crypto-ready investment services.

The bank positions itself as a technologically innovative private bank, using the language "Agile Private Bank" to describe themselves, while still emphasising their investment credentials, as is common to traditional banks.



Falcon's cryptocurrency solutions include:

- Investment in Bitcoin, Bitcoin Cash, Ether, XRP, Stella Lumens and Litecoin as assets
- The ability to purchase, storage, sale of crypto assets
- The acceptance of fiat money resulting from the sale of crypto assets

Falcon's key benefits focus on the legitimacy of the solutions they offer:

- Falcon performs a due diligence process on all cryptocurrencies to ensure that the blockchain assets are legitimate
- Crypto assets are shown in the official securities account statement. This can be used for the tax declaration
- Crypto assets are held in personal wallets and accounted for as separate assets (as are other securities)
- Crypto assets are held in the bank's own wallet solution, which has been audited by an independent company



Signature Bank of New York is one of the few US banks that offers deposit accounts and corporate debit cards to cryptocurrency startups, but like SVB, its services aren't exclusive to crypto.

Signature maintains a blockchain-based Signet system (i.e. a blockchain-based payment platform) through which it has onboarded more than 100 clients. It is attracting non-crypto related businesses as well.

Signature says it will soon begin offering US banking services to licensed fintech firms, including crypto startups that have struggled to acquire banking services in Bermuda. This includes 66 startups already incorporated in the country.

### Staying narrow, and learning from the best in retail banking, are key to winning

At time of writing (Q1 2020), crypto companies still struggle to gain access to core banking services and financial advice. There are only a limited number of post-launch banks servicing the industry, but they are learning lessons quickly from the trends emerging from the retail banking space.

Meanwhile, new players are emerging all the time, and they stand to gain by concentrating on narrow customer segments and serving them well, with robust technology, delightful customer experience, and providing the security and advice needed by what are frequently smaller and newer companies in what is an exciting, but temperamental ecosystem.

## Why we conducted this research

The research covered here, and the resulting insights garnered are typical of one aspect of our work at Elsewhen. As part of our end-to-end approach to digital strategy we frequently conduct comparisons of vendors operating in the same space as a client.

This is typically part of due-diligence in the initial 'discovery' phase for a new financial services proposition, or as part of a programme of work in an ongoing relationship with a partner. Depending on the nature of the programme, we would look at different players—incumbent and emerging—and would explore the vendors' brand positioning, technology stack, approach to design, UX, and frequently all of the above.



# We are a digital product consultancy based in London

We help companies tackle new market realities, pinpoint new business possibilities and surpass new customer expectations.

We specialise in the financial services, data, healthcare, banking and insurance sectors, blending strategy, design and engineering into one seamless process.

As part of our strategic and due diligence work for our clients, we provide relevant market analysis for their sector and business, of which the insights collected in this report are typical.

More of our insights can be found on our [blog](#).

If you're interested in learning more about Elsewhen and how we can help your business [drop us a line](#).

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# Thank you.