Crisil
Coalition
Greenwich

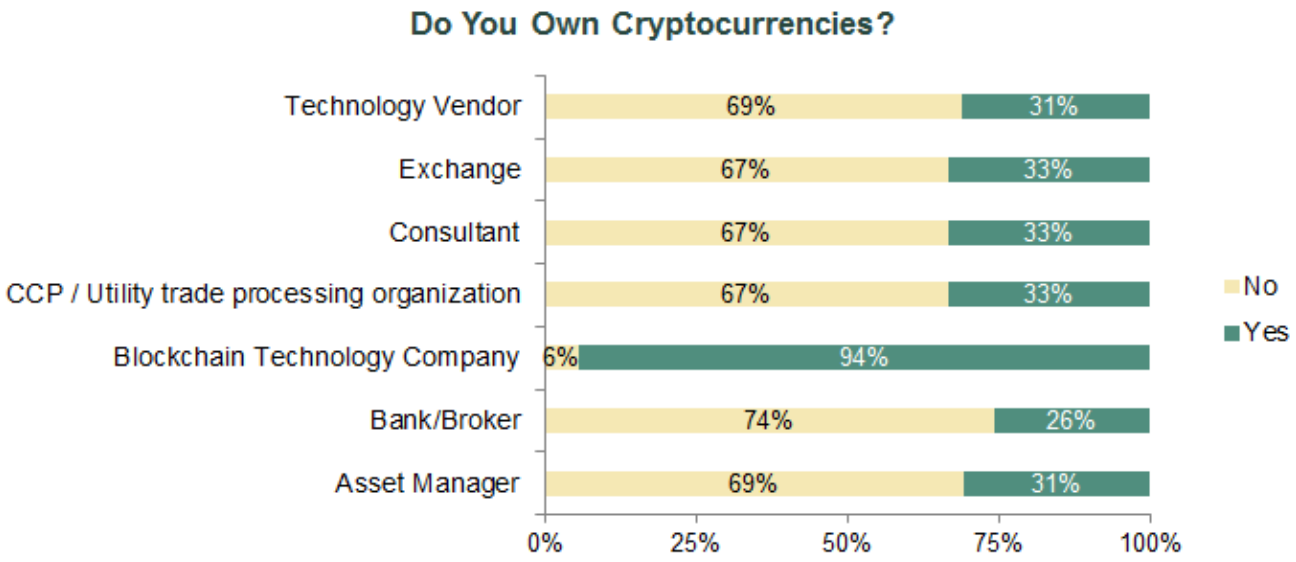
Will Banks Get Onboard with Cryptocurrencies?

October 25, 2016

When most people think of cryptocurrencies, they probably think of bitcoin. And a few might also think of Ether, the cryptocurrency that powers the Ethereum blockchain. Their next thought though, might be about one of the many scandals that have plagued cryptocurrencies since their inception: from Silk Road, to ransomware, or to the recent hacks of the Bitfinex crypto-exchange and the DAO project. Clearly cryptocurrencies have an image problem.

Although the financial services sector has embraced the underlying technology, blockchain (we estimate that the industry will spend $1bn on blockchain tech in 2016), financial companies have significant concerns about cryptocurrencies themselves. The publicly distributed nature of some of these blockchains and their perceived anonymity[i] does not align with traditional financial services where 'knowing your customer' and verifying sources of funds are vital regulatory requirements that help prevent money laundering and other financial crimes. With very few exceptions, most banks have stayed well clear of cryptocurrencies and from the startups building solutions around them.

In our recent blockchain adoption study we wanted to test how deep the distrust of cryptocurrencies ran. The answer is not as deep as you might think… We asked respondents whether they owned any cryptocurrencies and the results are shown below:



Source: 2016 Greenwich Associates Blockchain Adoption Survey.
Base = 118 respondents

In general within these financial institutions, about a third of the employees working on blockchain solutions

also owned cryptocurrencies. Within blockchain technology companies this rose to 94%. So while most financial services companies do not want to be associated with crypto, many of their employees have no such compunction.

So what would it take for banks to get on board with owning and trading cryptocurrencies? Well in fact, this has already happened. Last week, Ripple announced that R3 CEV in conjunction with 12 of their member banks had used the digital currency XRP in a trial of inter-bank cross-border payments.

XRP is the digital currency created by Ripple. Although anyone can buy or own XRP, the underlying technology and consensus algorithm is owned and maintained by Ripple. This means that, unlike other cryptocurrencies, there are no unknown 'miners' verifying transactions on the network and generating new currency tokens. This eliminates many of the concerns banks may have about using the cryptocurrency.

In cross border payments today, a correspondent bank has a network of global banking relationships and accounts that it uses when it needs to effect a cross border payment. This can be expensive and slow, especially if the payment needs to go outside the standard corridors. Ripple sees XRP as a bridge currency that can eliminate the need for banks to have numerous global 'nostro' accounts, and by leveraging distributed ledger technology, it can significantly reduce settlement times. For this to work, there needs to be liquid markets in multiple XRP currency pairs, and there are already a number of market makers providing two sided liquidity in this market.

Whether XRP takes off as a bridge currency and whether this leads to a broader acceptance of cryptocurrencies, remains to be seen. What this does tell us however, is that banks aren't completely against cryptocurrencies – if compliance concerns can be satisfied, then they are open to exploring any new technology that can reduce costs and improve workflow.

i. Technically owners of cryptocurrencies are not anonymous, but pseudo-anonymous, meaning that transactions can be tracked by referencing the public address of the user.

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their

business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when

sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.