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Cryptocurrency | Global

Who is Still Banking Crypto Companies?

Regulators are prompting US banks to close services for crypto companies. We compile a list of known bank partnerships, but note the list is changing quickly. Without Signature and Silvergate, few choices are left. Many exchanges are already struggling to process US dollar transfers.

Signature Bank's crypto customers have until April 5th to move USD deposits elsewhere. The issue is: where do these customer deposits go if banks are discouraged from working with crypto companies? In January 2023, [136 FDIC insured banks](#) had ongoing or planned crypto asset related activities. In February the [banking regulators reiterated](#) that crypto company deposits are susceptible to unpredictable volatility and thus banks need to consider liquidity risks and perform robust due diligence. Since Signature was taken into FDIC receivership, alternative bank providers have become wary of servicing crypto companies in case their business models come under similar regulatory scrutiny.

On and off ramps between US dollars and crypto companies would typically be via ACH transfers or direct bank transfer via Fedwire. Many US exchanges have closed these offerings in recent days. Regulators have also [highlighted](#) risks related to stablecoin issuers due to their bank deposit requirements. We have researched the banking relationships of large crypto companies that handle US dollars, including as many as we could find information for. The results are shown in Exhibits 1-5, covering: 1) the banks that specific crypto companies are using; and 2) the size and type of crypto exposure of specific banks.

Those providing crypto banking services are a few smaller US banks (some are publicly listed), fintechs that use intermediary payment companies that have the bank relationship, and foreign banks. Larger systemically important banks appear to be continuing prior crypto company relationships on a case by case basis. For all the examples, we are unsure how long these offerings may continue.

If crypto companies cannot find another bank, will the USDs be moved into crypto? Possibly, but we don't see this being on a large scale or with a lasting impact on the crypto market. The industry relies on ever increasing inflows to support prices – out of fiat and into the crypto ecosystem. Many emerging economies are still supportive of crypto but will their flows be sufficient to negate the impact of tighter US regulation? Overall, we think inflows into digital assets will continue to slow, without US dollar banking relationships.

Bitcoin's price has remained steady recently as it is non-US traders that make up most of the market. Tether USD stablecoin issuance has also [continued to rise](#), with the help of Binance and Kraken, with the latter receiving a larger amount of Tether than would be expected by its trading volume.

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Banks used by crypto companies

Screening the websites and public material from major crypto companies, we have compiled a comprehensive list of banks used by these companies. [Exhibits 1-5](#) show our main results, and below are some of the takeaways.

Crypto companies have typically found it difficult to find a bank and the regulators' current approach to perceived risk in this market suggests it is going to get even more difficult. Historically, some exchanges and other crypto services have resorted to foreign providers that have links to the US banking system. Others that still struggle to find banks have been reported to resort to other means. For example [the WSJ](#) recently reported that Tether, the company behind the largest stablecoin, used false documents, shell companies and accounts in other people's names to get bank accounts. We will now go through a process of finding out what level of bank services will be allowed to continue.

Some banks are winding down crypto exposures: MCB and PVBC. Metropolitan Bank (MCB) announced in January that it plans to fully exit the crypto business (expected by end 2Q23). At the time it had 4 active crypto clients, one of which was Crypto.com, with them in total accounting for 1.5% of revenue. As of 29th March, MCB had ~\$210mn crypto deposits, around 4% of total. BankProv had \$41.2mn in digital asset-related loans in Dec 2023, \$26.7mn of which was collateralized with crypto mining machines. BankProv (PVBC) is no longer originating those loans so expects exposure to fall. A list of smaller US banks that work with crypto companies are shown in [Exhibit 1](#) - in general we think that it is becoming less likely they are willing to take on this volatile crypto related deposit base.

Crypto exchanges stopping USD deposits - looking for new providers. Binance.US stopped most USD deposit services in recent days: Apple Pay, Google Pay and ACH transfers (as they used Signature). Kraken suspended ACH deposits and withdrawals from 27th March as they used Silvergate and Plaid was no longer an option. Fedwire deposits and withdrawals are still possible via MVB Bank. These are just two examples, but there are many more.

Pushing crypto banking outside the US? Tether and [TrueUSD](#) stablecoins are reported to be using Capital Union Bank in the Bahamas to hold part of their USD reserves. Both are using offshore venues as regulated banks consider their business model to be too risky. Sygnum, a crypto bank based in Switzerland said it has had more client interest in recent weeks but it would need to link with a US bank in order to transact in USDs. So the question would be whether their US bank counterparty would be willing to continue with this business?

Will the larger banks continue to take crypto business? Various exchanges including Coinbase bank with JPMorgan and Goldman Sachs (among others). The [regulatory guidance](#) is that each bank needs to consider the volatility risks associated with the deposit base. So it could be that the larger banks such as JPM and GS have assessed that they are diversified sufficiently across different sectors, meaning they may continue to do business with crypto companies on a case by case basis. Regulators have said they

will continue to provide updates on banks engaging in crypto activities, so we will continue to keep an eye on these types of statements.

Plaid and MoonPay payment services were often used. In our research, we found that many exchanges were using Plaid to link to US bank accounts, with Plaid supporting ACH transfers. MoonPay has been used by exchange Uniswap and crypto payments service Bitpay. We are keeping an eye on the actions of these types of intermediary payment providers, to see if they decide that they can continue to serve crypto exchanges.

Crypto companies

Exhibit 1: Crypto exchange bank partners

Company	Partner banks for USD transfers and/or deposits (or payment partner)	FDIC insured	Details
Coinbase	JPMorgan Chase, Cross River Bank, Pathward (MetaBank)	Y	US customers holding USDs have FDIC pass through insurance up to \$250k each.
Kraken	US customer: MVB Bank, Etana Custody uses BankProv, Metropolitan, BMO Harris, SynapseFi uses Evolve Bank and Trust. Int customer: Bank Frick (uses Credit Suisse and DZ Bank AG)	N	From 27-Mar-23 no longer supports ACH deposits and withdrawals, looking for a new bank partner. Deposits via Plaid no longer supported. Alternatives transfer methods still available.
Binance.US	N/A Previously Signature	N	Suspended various USD payment options such as via OCBS (One click buy/sell), Apple Pay, Google Pay, ACH transfers (as they used Signature) and via BUSD deposits.
Crypto.com	Metropolitan Commercial Bank (NY)	?	Offers USD deposits via ACH, wire transfer and Plaid.
Blockchain.com	US users: Evolve Bank & Trust International users: First National Banker's Bank	?	
Bitstamp	15 banking partnerships worldwide, including the US based MVB Bank and European banks such as LHV Bank and Gorenjska Bank that process USDs.	?	Currently in conversations to onboard United Texas Bank, Western Alliance Bank, Axos Bank, and Cross River Bank
Bittrex	Previously Silvergate. Plaid provided ACH USD transfers. No longer in the US.	N	Shut US business.
bitFlyer	N/A Previously Signature	N	bitFlyer is stopping USD withdrawals April 4th, 2023.
Bitfinex	Deltec Bank & Trust (Bahamas) Uses OpenPayd to accept USD payments	N	Tether and Bitfinex are known to have had various bank relationships over the years.
Cex.io	Unknown but use Skjern Bank (Denmark) for SWIFT, via Winners Group ApS payment processor	N	ACH and domestic wire transfer available along with various payment options like VISA, Mastercard, Skrill, Epay, Paypal, Trustly.

Source: Crypto company websites, Morgan Stanley Research. This is a non-exhaustive list, from available information.

Exhibit 2: Stablecoin issuer bank partners

Company	Partner banks for USD transfers and/or deposits (or payment partner)	FDIC insured	Details
Tether (USDT)	Deltec Bank & Trust (Bahamas), Capital Union Bank (Bahamas)	N	Cantor Fitzgerald manages a large portion of the US T-bill holdings.
Paxos (USDP)	Deposit placement networks: IntraFi Network, Reich and Tang Deposit Solutions Banks: including BMO Harris Bank and State Street Bank	Y (mostly)	Feb 2023: Paxos holds \$185.5mn in deposit placement networks operated by IntraFi Network LLC and/or Reich & Tang Deposit Solutions. Both networks have hundreds of banks for deposits allowing all to be FDIC insured.
Paxos (BUSD)	Deposit placement networks: IntraFi Network, Reich and Tang Deposit Solutions	Y	Paxos stopped minting new BUSD tokens on 21st Feb 2023.
TrueUSD (TUSD)	Capital Union Bank (Bahamas)	N	15-Mar-23: Archblock, which oversees TrueUSD reserves (~\$2bn), holds more than \$1.4bn of those funds with Nassau-based Capital Union Bank

Source: Crypto company websites, Morgan Stanley Research. This is a non-exhaustive list, from available information.

Banks

Exhibit 3: Smaller US banks working with crypto companies

Bank	Ticker	Crypto company partners	Details
Metropolitan Bank	MCB	Crypto.com, Etana Custody (used by Kraken). Previously held \$300mn for Voyager. Issues the BitPay prepaid Mastercard.	Plans to close all crypto company exposure by end 2Q23. ~\$210mn crypto deposits (4% of total), 1.5% of revenue and had 4 active crypto clients in Jan 2023.
Evolve Bank & Trust		Blockchain.com, Juno Finance, SynapseFi (used by Kraken), Mercury	Previously issued branded debit cards for FTX and BlockFi.
MVB Bank	MVBF	Kraken, Bitstamp	Partnered with NYDIG to offer MVB's fintech clients the ability to offer BTC related products.
Western Alliance Bank	WAL		Elevated deposit outflows after the closure of Signature bank. On 16-Mar-23, deposits in Technology and Innovation group were particularly affected and were less than 8% of total deposits. The bank uses TassatPay.
Cross River		Coinbase	
Choice Financial Group		Mercury (startup banking service)	
BankProv	PVBC		Issued bitcoin mining equipment backed US dollar loans: \$41.2mn outstanding in Dec 2022. Winding down this offering as no longer originating this type of bitcoin equipment loan.
Pathward (Meta Bank)		Coinbase	
United Texas Bank			In talks with Bitstamp
Axos Bank			Has integrated TassatPay
Cogent Bank		BlockSpaces	Applied for a \$100m loan from DAI but was rejected. Has said it is open to do business with crypto clients. Offers TassatPay.
Byline Bank	BY		Has integrated TassatPay

Source: Crypto company websites, Morgan Stanley Research. This is a non-exhaustive list, from available information.

Exhibit 4: GSIB large banks working with crypto companies

Bank	Ticker	Crypto company partner type
JPMorgan Chase	JPM	Crypto exchange
Bank of New York Mellon	BK	Stablecoin
Goldman Sachs	GS	Crypto exchange
State Street	STT	Stablecoin

Source: Crypto company websites, Morgan Stanley Research

Exhibit 5: Non-US banks working with crypto companies

Bank	Country	Crypto company partner type
Sygnum	Switzerland	
SEBA	Switzerland	
Deltec Bank & Trust	Bahamas	Stablecoin, exchange
Capital Union Bank	Bahamas	Stablecoin

Source: Crypto company websites, news reports, Morgan Stanley Research

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Markets

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Cryptocurrency & Thematics: Record Crypto VC Investment to Slow
Crypto QT: \$10 billion of Tether (USDT) redemptions
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Cryptocurrency: Buying a Coffee with Crypto

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