

Current's 'hybrid' DeFi approach could help win over younger customers

Article

The news: US neobank **Current** plans to incorporate elements of [decentralized finance \(DeFi\)](#) into its consumer-focused lineup by rolling them out on a “**hybrid finance**” basis, per an American Banker feature.

A tech overview: DeFi enables consumers and companies to engage in peer-to-peer (P2P) transactions without going through financial institution (FI) intermediaries, [per](#) an

Investopedia primer.

- Instead, the technology **relies** on blockchain recordings and stablecoins to support activities.
- Traditional banking activities fall under what is **called Centralized Finance**.

Current is pursuing a blend of both, known as “hybrid finance,” American Banker said. This approach is designed to expose customers to aspects of both DeFi and traditional banking.

- The neobank could use this approach to offer **above-market interest rates on savings accounts**, even greater than the 4.00% APY **now offered** on amounts up to \$6,000.
- Interest that Current gets from staking enables it to offer this rate, the publication notes. “Staking” involves contributing crypto holdings to validation processes in exchange for collecting interest, **per** CoinMarketCap.

Customer experience: Current **developed its own banking core** and also **collaborates with DeFi network Acala**, which already gives it the technological building blocks for hybrid finance, American Banker noted.

Its hybrid approach lets Current introduce DeFi elements that are easier to use than standalone DeFi would be, per a pair of American Banker interviews.

- Co-Founder and Chief Technology Officer Trevor Marshall said, “We can bring better outcomes to everyday Americans without [them] having to go through the burden of understanding what these pieces of technology are.”
- Cornerstone Advisors Director of Fintech Alex Johnson said that the neobank’s approach means users would benefit from DeFi’s upsides—pointing to savings—while “doing it in a safe, stable, easy-to-interact-with way.”

Johnson said it’s rare for a neobank to **offer a hybrid approach**. He was only able to recall one example of a challenger doing so, which could help Current stand out from other challengers, he noted.

The opportunity: Hybrid finance could help shore up Current’s competitive standing with younger consumers. It **started out** as a teen-focused neobank before branching out, and **says** its average customer age is 27.

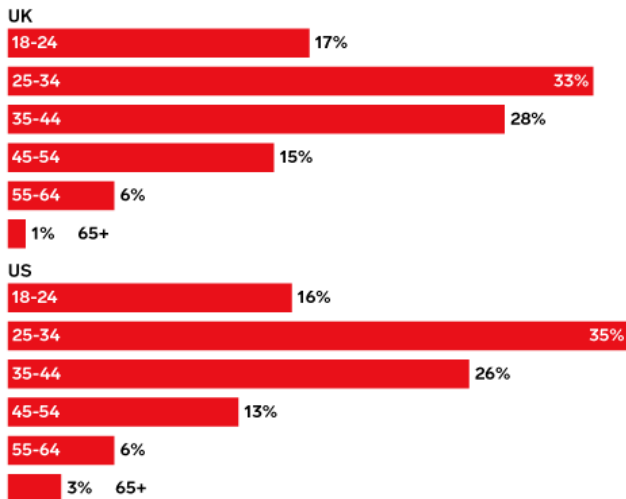
- Younger US consumers make up a slight majority of crypto ownership when it’s measured by age group, **per** a recent Paysafe study conducted by Sapio Research. It found an ownership

rate of 16% for 18 to 24 year olds and 35% for 25 to 34 year olds; together, they add up to 51%.

- The neobank can market hybrid offerings to its target demographic and push for retention of its existing customers. Current can also position hybrid finance as a more accessible way to provide attractive investment returns.

However, the neobank will need to handle hybrid finance with care: Crypto products that behave like depository bank accounts, but **lack protection** from the FDIC or NCUA, have **drawn regulatory scrutiny**. Current will need to engage proactively with regulators and clearly communicate to customers the risks that hybrid products pose compared with traditional products.

UK/US Cryptocurrency Owners,* by Age, Jan 2022
% of respondents in each group



Note: n=2,015 with at least 1,000 each from the UK and US; numbers may not add up to 100% due to rounding; *includes current and former cryptocurrency owners
Source: Paysafe, "Inside the crypto community: Plotting the journey to mass adoption" conducted by Sapio Research, Jan 11, 2022

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