

Crypto products are mimicking bank accounts

Article

What we've noticed: Crypto companies are offering high-yield products that behave like depository bank accounts.

- **Blocknom**, which said on Friday it bagged **\$500,000 in a pre-seed round**, plans to offer a depository crypto product in Southeast Asia, per TechCrunch. The fintech is accepting stablecoin deposits in return for high-yield annualized interest of up to 13%.
- In the US, **Celsius** advertises accounts that earn interest of **up to 17%**, and **Crypto.com** offers up to **14.5%**.

- UK-based **AQRU** promotes earning **up to 12% interest**.
- **Binance**, which was founded in China but doesn't yet have headquarters, offers two crypto savings products. One allows for withdrawals without time constraints with interest of **up to 20%**, and the other has lock-in periods and up to **25% annualized interest**.

Stateside scrutiny: US regulators haven't been too keen on these account-style products, which lack FDIC or NCUA protection for savers.

- **BlockFi** agreed to a **\$100 million settlement with the SEC** last month because it didn't register its accounts as lending products. It stopped offering the accounts to US customers but aims to return to the space after submitting a registration statement to the SEC.
- The SEC is also **investigating Celsius, Gemini, and Voyager**, regarding their depository products, per January 2022 report from Bloomberg. As with BlockFi, the SEC may determine these offerings need to be registered as securities.
- And **Coinbase** dropped its plans for US crypto savings accounts in September 2021 after a critical SEC response, per CNBC.

The big takeaway: While high yields may draw customers to crypto-based accounts, regulators need to ensure that the public doesn't view them as **having comparable risk to insured bank accounts**.

These accounts have no deposit protection, so interest-bearing products should be treated like other assets in the broader crypto market.

The SEC outlines that depositors' risks include:

- Companies holding the assets could fail.
- Deposits could be subject to fraud and hacking.
- Particular cryptos can lose tradeability if their markets disappear.
- Crypto markets can be illiquid and volatile.

The SEC asserts that it has broad authority over crypto, but Congress could step in and enact legislation that addresses interest-bearing crypto accounts. And other countries could also take action should these accounts gain traction, which would complicate growth plans for companies looking to play in the space.

Primary Motivation of UK/US Cryptocurrency Owners* for Buying Cryptocurrency, Jan 2022

% of respondents

	UK	US	Total
As I believe cryptocurrency is the future of money	24%	26%	25%
For the fun/thrill of crypto trading	23%	18%	21%
To diversify my assets/investment portfolio	18%	22%	20%
As a secondary source of income (i.e., crypto trading is not my main/only job)	22%	16%	19%
As my primary source of making money (i.e., crypto trading is my main/only job)	10%	14%	12%
Don't know	2%	3%	3%

Note: n=2,015 with at least 1,000 from the US and UK; 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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