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BLOCKCHAIN AND CRYPTO, MEMBER EXCLUSIVE

Bankchain Briefing: Banks onboard the blockchain train

- The lawsuits and insults season is in full swing within the unregulated cryptocurrency space.
- But cryptocurrency is just one facet of blockchain technology. Tearsheet asked experts for commentary on how traditional banks are experimenting with blockchains.

LINDI MITI | JANUARY 27, 2023



So SBF is [blogging](#) on Substack to prove FTX US was always solvent. Jamie Dimon called Bitcoin a “[hyped-up fraud](#)” at Davos. Circle blames the SEC for the [botched](#) SPAC deal. And the SEC is [suing](#) Gemini and Genesis for selling unregistered securities.

The lawsuits and insults season is in full swing within the unregulated cryptocurrency space. But cryptocurrency is just one facet of blockchain technology. We reached out to Kevin R. Greene, Chairman and CEO of [Tassat Group Inc.](#), and Ian Kane, CEO & Co-Founder at [Unbanked](#), for commentary on how regulated, FDIC-insured banks have been experimenting with blockchain technology.

Big banks experimenting with blockchain tech

Last year, Western Alliance Bank, Cogent Bank, Byline Bank, and Customers Bank used TassatPay to facilitate over \$500 billion in real-time payment transactions using blockchain technology.

Tassat is a blockchain solution for commercial banks targeting B2B payments. The B2B payments space is a \$50 trillion industry and one of the most profitable sectors in the US, and yet banks are limited in their ability to send funds instantly between 9 am and 5 pm.

“Think about it: you can pay with Venmo any time of day, but if you want to make a B2B payment, you’ve got to wait until the Fed window is open. The market is ripe for modernization,” says Greene.



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Tassat created TassatPay, which it claims is the world's first blockchain-based real-time B2B payments network servicing FDIC-insured banks. It leverages private permissioned blockchain, which is only accessible to approved and authorized participants, and operates within existing US regulations.

Similarly, a handful of FDIC-insured banks formed a consortium and created [USDF](#) – a bank-issued blockchain-based token. The consortium included New York Community Bank, NBH Bank, FirstBank, Sterling National Bank, and Synovus Bank.

The USDF Consortium mints USDF tokens exclusively to represent deposits and uses them as a test case for interbank settlement. “This is just one example of how banks are leveraging blockchain. I think we’ll see many more examples like this in 2023,” says Kane.

How do these blockchain transfers occur?

Tassat tokenizes US dollar deposits. It creates a digital representation of the dollar, which gets transferred within the bank in the case of TassatPay, or across banks in the form of [The Digital Interbank Network](#). The tokens and the dollars underlying them never leave the bank.

“Unlike cryptocurrencies or stablecoins, we don’t create a currency or anything publicly tradable that has any value other than as a payment instruction within a bank,” says Greene.

Similarly, USDF represents “[tokenized deposits](#),” and is not publicly traded on exchanges. The token functions as an infrastructure layer to make bank payments more efficient. Its purpose is to help banks build on a new ledger technology — blockchain — for traditional financial services. Banks must be members of the USDF Consortium to use USDF.

The Fed’s warning

Recently the Fed, FDIC, and the OCC issued a [joint statement](#) warning banks against the crypto contagion: “The agencies are supervising banking organizations that are exposed to risks stemming from the crypto-asset sector and carefully reviewing any proposals from banking organizations to engage in activities that involve crypto-assets,” said the statement.



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The statement spooked most banks – case in point: [Signature Bank](#), which set a minimum limit of \$100K for crypto transactions.

However, according to Greene, there's a common misconception that digital assets and blockchains are the same. "The truth is that crypto is merely one drop in a vast sea of use cases for blockchain technology," he says. He argues that the current issues making crypto infamous are solvable using private permissioned blockchain.

Kane, on the other hand, reckons the Fed issued reasonable warnings. "Since crypto is a brand new asset class that leverages new technology, there will inevitably be landmines that institutions will come across," he told Tearsheet. He believes that banks using proper risk management and security procedures will benefit from adopting blockchain technology.

Perhaps the collapse caused by the crypto contagion will create more space for traditional FIs to get involved. Nasdaq CEO Adena Friedman said it best in a Barron's [interview](#): "There's a total crisis of trust in the crypto space, and that's usually an opportunity for trusted players to start to figure out how to get engaged in the right way."

Highlights from our recent coverage

[2023 predictions for crypto VCs, Bitcoin mining, and stablecoins](#)

From entire stablecoin ecosystems collapsing to multiple centralized exchanges declaring bankruptcy, 2022 was Armageddon for the crypto industry. The DOJ and SEC took no prisoners in enforcing regulations, except for SBF.

As the crypto clean-up phase ensues in 2023, it's worthwhile looking to crypto insiders, the battle-hardened survivors, for predictions: where to from here? One such crypto veteran is Ryan Selkis, CEO of Messaris, a crypto research and data analytics firm.

[Weekly 10-Q: Things did not go Goldman Sachs' way in Q4'22](#)

Goldman Sachs and Morgan Stanley posted their Q4 2022 results last Tuesday. We take a look at how the big banks performed in the final quarter of 2022.



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The bank significantly underperformed in the final quarter of 2022, and its stock dipped more than 6%. The firm made significantly less money in Q4 2022 than analysts expected — \$1.3 billion, down nearly 70% from the same period a year earlier.

Best of crypto twitter

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FTX US is solvent, as it always has been.

sambf.substack.com/p/ftx-us-balan...

or	Customer balances	Tokens	FBO bank	Corp bank	LedgerX	Corp Nov 11	Ledger
	497,323,421	484,676,723	23,918,495	90,577,638	250,000,000	90,577,638	250,000,000
	More than \$181m	181,000,000	29,400,000	235,900,000	128,400,000	114,300,000	250,000,000
or	Total bank	Wallet		Total Assets		Max Customer	Est Cu
	364,496,133	484,676,723		849,172,856		497,323,421	497,323,421
	428,100,000	181,000,000		609,100,000		497,323,421	196,576,579
or	Min NAV	Est NAV		FBO+Token-Customer			
	351,849,434	351,849,434		11,271,796			
	111,776,579	409,971,796		11,271,796			

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What we are reading

Latest on SBF

- SBF is a blogger now ([FT](#))



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Crypto contagion

- Crypto bank Silvergate reports Q4 loss of \$1 billion ([CoinDesk](#))
- Crypto lender Genesis files for bankruptcy ([CNBC](#))
- ConsenSys lays off 96 employees ([Reuters](#))
- Crypto exchange Gemini cutting another 10% of staff: report ([CoinDesk](#))

Sentiment and insights

- As crypto crashes, Coinbase bets big on Europe ([CoinDesk](#))
- Why Nasdaq's CEO still sees opportunity in crypto ([Barron's](#))
- Bank of America, JPMorgan and other banks reportedly team up on digital wallet to rival Apple Pay ([CNBC](#))
- Signature Bank halts SWIFT transactions under \$100,000 for crypto users, says Binance ([Decrypt](#))

Crypto crime

- Crypto platform Bitzlato charged with laundering more than \$700 million of illicit money ([WSJ](#))

Product launches

- Porsche NFT floor price races up following bumpy mint ([CoinDesk](#))

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