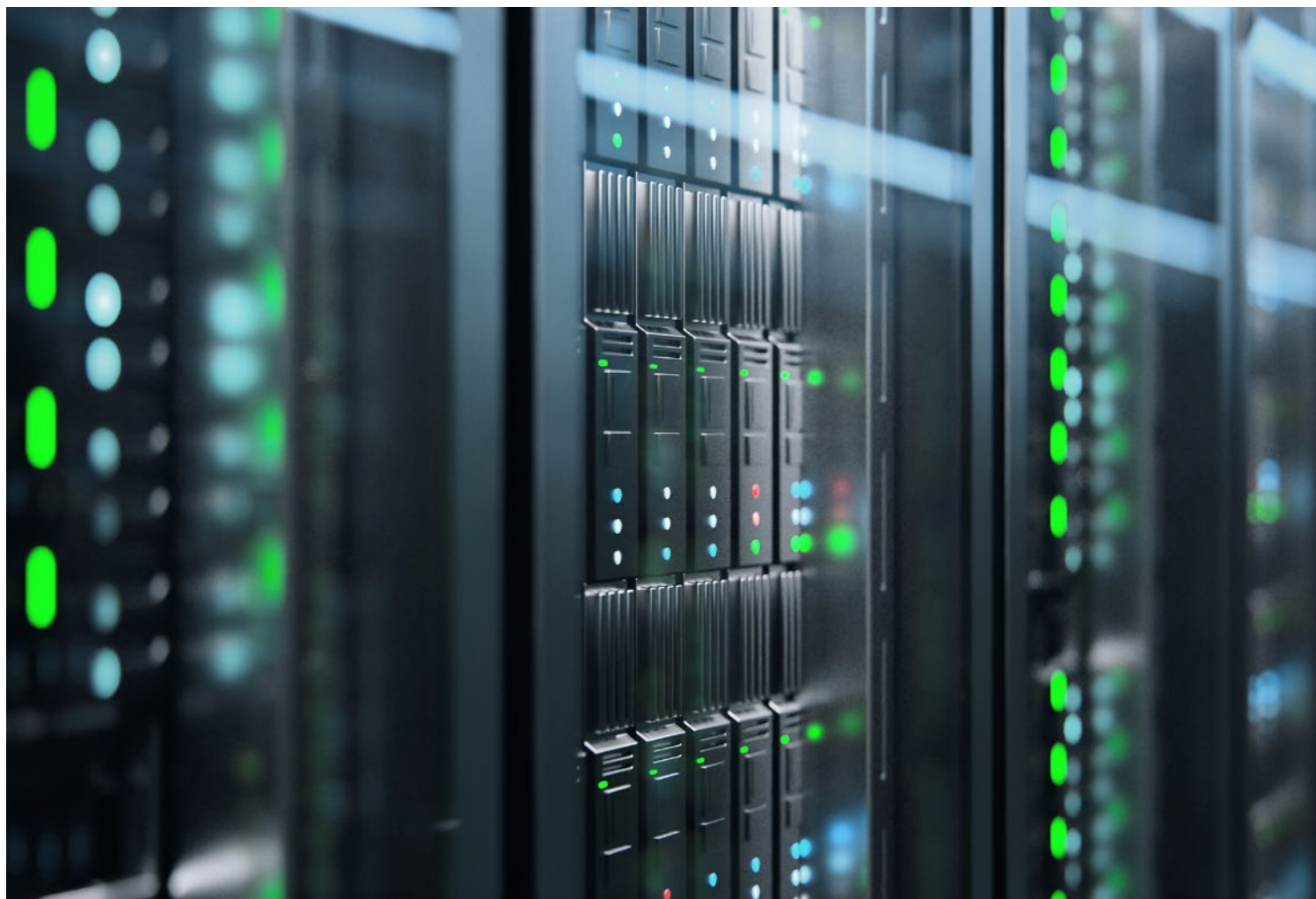




Wolters Kluwer's Expert Insights

Demystifying Bitcoin and digital assets

**An executive conversation with Thomas Grundy, Director of Advisory Services,
Wolters Kluwer Compliance Solutions**



What effects do cryptocurrencies have on financial institutions?

We recently sat down with [Tom Grundy](#) for a conversation on demystifying Bitcoin and digital assets. A former regulator and a compliance professional, Tom has over 35 years of experience as a regulator with the Office of the Comptroller of the Currency and Federal Reserve Board, a financial industry compliance professional for banking, mortgage, and fintech financial service providers, and as an advisory consultant to a wide range of clients. He shared insights on where Bitcoin could be headed and the compliance challenges facing financial institutions.

Is Bitcoin becoming a normalized currency on par with fiat currencies?

Tom: On par with fiat? I wouldn't say that – but increasingly, cryptocurrencies in general are beginning to show viability as alternative currencies. It's a bit like electric cars. If you had asked me a few years ago if they'd become widely viable, I'd have said no. But even in rural areas, electric cars and charging stations are popping up. Technology is transforming life as we know it.

The same is true for crypto. As technology and transactional infrastructure emerges, so will use cases for cryptocurrencies in everyday life. Already, some banks and credit unions are providing cryptocurrency access to customers alongside traditional product offerings. Now you can buy and sell Bitcoin through traditional banks and credit unions in partnership with trading platforms and transfer its value into cash. So, I'm not predicting the future, but it appears that Bitcoin is moving into the mainstream.

As cryptocurrencies and digital assets including Bitcoin are evolving, are they covered by existing regulations? What is the latest guidance for financial institutions?

Tom: Right, cryptocurrencies are evolving and regulatory rules explicitly addressing this asset class are lacking. But this is beginning to change. Regulatory guidance is emerging, including several important developments recently. For instance, a [joint statement](#) from the FRB, FDIC, and the OCC was released in 2021 that summarizes the work of an interagency “policy sprint” and building a roadmap for cryptocurrencies.

However, the most significant recent event to put crypto on the map is an [Executive Order](#) issued by the White House on March 9, 2022 that directs a range of federal agencies to study digital assets and prepare policy responses. This order covers a lot of ground around protecting consumers, maintaining financial stability, ensuring privacy, and even exploring the benefits and risks of developing a Central Bank Digital Currency.

For Wolters Kluwer, much of our focus is on risk and access – both of which are addressed by the Executive Order. Our goal is to help financial institutions navigate this emerging world and move ahead with confidence.

I would just add that the Executive Order, while a big move, is in many respects a beginning. The goal is to get the agencies to start thinking about how to regulate digital assets. Additional guidance is expected later in 2022. Banks should monitor regulatory developments to react in a timely manner to new rules that may be introduced.

For banks and credit unions considering offering cryptocurrency services, guidance from federal regulators regarding prior notification underscores the importance of conducting a related risk assessment. Such a risk assessment provides a documented inventory of risk-mitigating controls clearly mapped to associated risk factors. Regulators will expect supervised institutions to identify and actively manage risks associated with offering crypto-related services. For more information on the Wolters Kluwer Bitcoin Risk Assessment, explore our [solutions and services to assist your Bitcoin journey](#).



Tom Grundy is the Senior Director, U.S. Advisory Services, for Wolters Kluwer and leads a team of subject matter professionals advising financial services industry clients. He is a former federal regulator with the Office of the Comptroller of the Currency and Federal Reserve Board, has served as a compliance professional for national-level banking and mortgage providers, and is a pioneer in FinTech.

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