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for Financial Institutions

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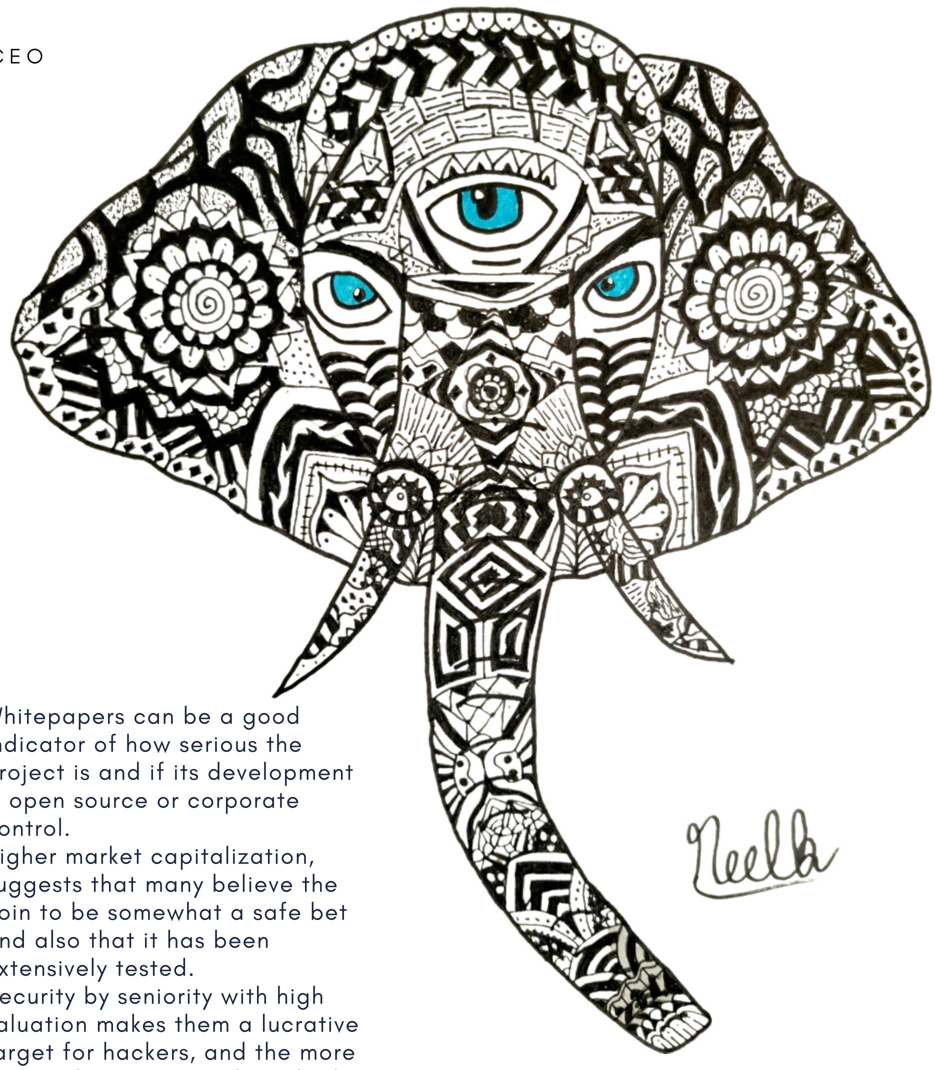

The 21 million dollar question banks must answer when formulating their blockchain strategy is deceptively simple—how far do we want to go?

Next, how much risk the bank has an appetite for? Banks stand more to lose from any unfortunate incident than a young crypto-native company, and they must act with a full realization of how much damage they can sustain.

Another question for banks, what custodial model will your institution adopt? Custody, or the ability to hold and move crypto assets on clients' behalf, is the foundation enabling banks to offer crypto services.

Ultimately, the choice is between outsourcing to a third-party provider, or self-custody, where the bank takes on the task itself.

Third-party introduces outside risks into the picture, while self-custody takes more effort of the operational theater and can require more time to implement.

Should they just give customers access to the top five most popular coins to buy and sell? Or is it an all-out advance, with access to native staking, DeFi, and everything else that blockchain has to offer?

Banks must first and foremost look at risk profile of each crypto coin. Bitcoin may offer a completely different risk level from altcoins. Banks should stick to certain principles:

- Whitepapers can be a good indicator of how serious the project is and if its development is open source or corporate control.
- Higher market capitalization, suggests that many believe the coin to be somewhat a safe bet and also that it has been extensively tested.
- Security by seniority with high valuation makes them a lucrative target for hackers, and the more time malicious actors have had to try (and, ideally, fail) to compromise it, the stronger was the initial design. This goes for both layer-1 and layer-2 protocols.
- Strategy. Banks must seek out the coins with the functions that fit into their overall crypto and corporate strategy.
- Banks need to invest time into the community behind projects they fancy, using testnets and developer community platforms.

Once the fundamentals are out of the way, banks will have to delve into concrete services, parameters and red flags to avoid.

Traditionally, financial institutions tend to venture into new spheres on their own terms and at their own pace - slow. But if they wish to remain relevant and catch up with this new digital cryptocurrency marketplace, they need to operate on the premise that time-is-of-essence.

https://www.finextra.com/blogposting/21953/a-bankers-guide-to-smart-blockchain-innovation