

CRYPTOCURRENCES

What service providers should look out for in 2025

By Debbie Guillou, Chief Executive Officer, Artemis Fiduciaries



"Cryptocurrency platforms can now better integrate with central banks and financial institutions adopting the same standards."

Cryptocurrencies are fast cementing their role as a transformative asset class entering the financial mainstream. Trust and company service providers will increasingly find themselves supporting clients with considerable crypto assets. Those providers who take the time to learn the market, understand these assets and keep their finger on the crypto pulse will be well set to succeed.

Certain cryptocurrencies are maturing from speculative assets to foundational elements in global finance. To date, speculation in crypto has been characterised by extreme volatility, resulting in this asset class not being taken seriously by mainstream investors. However, in 2025 a number of factors may lead to accelerated adoption, including:



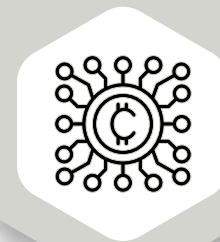
Institutional Investment

Financial institutions are increasingly incorporating cryptocurrencies into diversified portfolios, signalling their growing acceptance as a legitimate asset class.



Central Bank Digital Currencies (CBDCs)

Governments worldwide are piloting CBDCs to modernize payment systems and ensure monetary policy efficacy.



Decentralised Finance (DeFi)

Innovative platforms are offering decentralised alternatives to traditional banking, creating new opportunities and regulatory challenges.

Therefore, as we enter 2025, cryptocurrencies will increasingly integrate with traditional financial systems. For example, ISO 20022, a global messaging standard used by financial institutions, is increasingly being embraced by blockchain networks and cryptocurrency platforms. This standard facilitates the integration of digital assets with traditional financial systems, ensuring seamless, efficient transactions

Key cryptocurrencies and blockchain platforms, including Ripple (XRP) and Stellar (XLM), have actively adopted ISO 20022, enhancing their appeal to institutional users and signalling regulatory compliance.

This move aligns with the global financial industry's push for interoperability and resilience. Cryptocurrency platforms can now better integrate with central banks and financial institutions adopting the same standards. Moreover, it helps improve compliance with anti-money laundering (AML) and counter-terrorist financing (CFT) measures by making transactions more transparent and traceable.

Regulators are taking note of this increasing integration and reacting accordingly. Jurisdictions are working towards recognising this shift in crypto's greater integration and updating the rules. Clarity in regulation will bolster investor confidence while mitigating concerns about illicit activity.

A good example of emerging regulation is being developed by the OECD. The Crypto-Asset Reporting Framework (CARF) sets worldwide standards for reporting and exchanging information on crypto assets. This framework ensures greater transparency, making it easier for tax authorities to monitor cryptocurrency transactions and enforce compliance. Specifically it will mean:

- **Increased compliance burden**

Firms managing crypto-assets must ensure robust systems to collect, report and securely share data in line with CARF requirements. Non-compliance will carry reputation and regulatory penalties.

- **Operational enhancements**

Adopting advanced reporting systems will be crucial to meeting CARF's stringent requirements, especially for firms operating in jurisdictions that emphasise global regulatory alignment.

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In terms of clients, CARF will require them to accurately disclose holdings, eliminating ambiguity. However, it should also help bolster confidence in the legitimacy of their financial arrangements and investments.

Elsewhere, concerns about the environmental impact of crypto mining are pushing innovation towards energy-efficient blockchain solutions. This aligns with growing ESG considerations among HNW and UHNW clients and an anticipated tightening of the rules.

So what does this all mean for trust and company services providers? In short, this is positive news for those who recognise the opportunities this changing picture presents.

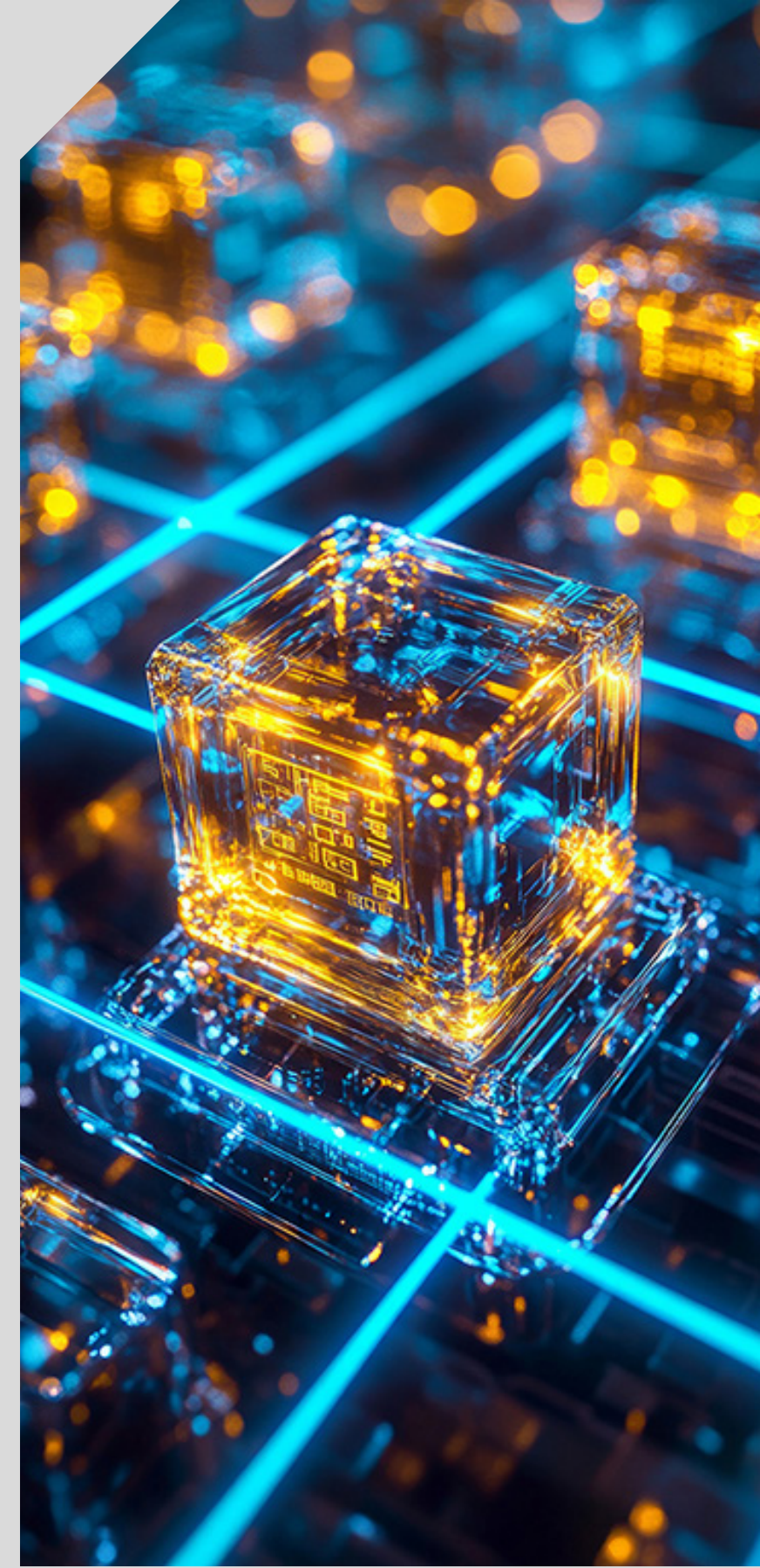
Initially, assessing the volatility of cryptocurrencies and their alignment with client risk profiles is a key consideration for managing these assets on behalf of clients. Ensuring all parties in the crypto ecosystem understand the complexities and regulatory nuances of crypto investments is crucial. Designing adaptable trust and corporate structures will address the dynamic nature of digital assets while remaining compliant with emerging international regulatory frameworks.

Next, it is important to recognise the challenges cryptocurrencies present in estate planning due to their digital nature. With stringent frameworks in place in many jurisdictions to counter financial crime and with CARF on the horizon, safeguarding clients and correctly handling reporting and tax obligations must be a priority.

Finally, providers would do well to understand how tokenisation of traditionally illiquid assets, like real estate and art, make them more liquid and offer new investment opportunities. Trust structures may need to evolve to accommodate these digital representations of value.

To manage these priorities, service providers would do well to create a network of trusted advisers. This could include crypto custodians, firms specialising in blockchain-based risk intelligence tools, tax and legal advisers who have experience in this marketplace and specialist accounting firms who understand how to account for this special asset class.

The maturity of cryptocurrencies offers both opportunities and challenges. By partnering with experts in this field, providers can navigate this environment in a robust and secure manner. Not every opportunity will be within the risk appetite of every firm and distinguishing the good opportunities from the not-so-good will prove key in 2025.



For more information

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