NINA MOINI: Many people use banks or credit unions to manage their money, but soon these same institutions could help some people manage their cryptocurrency. A new law, taking effect August 1 in Minnesota, lays out the rules for financial institutions wanting to become so-called crypto custodians. Advocates for the legislation say it's an important step in ensuring local banks and credit unions stay competitive against national crypto companies. Here to talk more about all of this is Minnesota Department of Commerce Deputy Commissioner Michael Crow. Thanks for your time this afternoon, Deputy Commissioner.

MICHAEL CROW: Absolutely. Thank you for having me.

NINA MOINI: To start, I hoped you could just describe for anyone who's still fuzzy on what is cryptocurrency, if you could explain what it is, and how it's profitable.

MICHAEL CROW: Yeah, I'll try my best sense at it for the general public to understand. But it's essentially, on a blockchain and cryptocurrency, if you think about it as, it's an electronic form of an asset or payment that lives on the blockchain. So we're familiar with dollars that may transact electronically. This is simply a different rail known as the blockchain where if I own one Bitcoin, it's within that blockchain. It's a public ledger that is verified publicly for transactions to occur. And it allows me to transfer money between individuals across borders to settle instantly in relatively seamless. So it's somewhat, in a general sense, it is very similar to a digital dollar. However, what's behind the scenes is what's different. And that's the blockchain piece of it.

In terms of profitability for financial institutions in particular, just servicing through fees, allowing their customers or members to interact or host custody services, which this bill is achieving. The profitability for the institution is on the fee side because the consumer themselves, they're probably going to interact with cryptocurrency more on transactional. So whether or not they're paying, say, a gig worker in a stablecoin such as USDC, if they're using it for Uber transaction, for instance, or if they're just simply transacting a payment across borders to someone in the United Kingdom or anywhere else in the world for that matter.

NINA MOINI: I wonder how much interest you see for this in Minnesota. I think for some people, it still feels like something far away. Like, why do we even need this infrastructure for this in these crypto custodians? Where are we at in Minnesota in terms of this trend?

MICHAEL CROW: It's really difficult to say where we are at in terms of the entire state. There are some surveys that institutions in Minnesota, particularly our credit unions, have done with their membership and understanding where their membership needs are. And some of those surveys point anywhere between 25% to 33% of interest in cryptocurrency. But I think it's fair to say, too, that most consumers, or at least a good portion of consumers, they're very aware of what cryptocurrency is. And the transactions that occur out there is relatively high. So I would say the interest is fairly high, and folks who may not interact with, say, Bitcoin very often, probably have some interaction or see the interaction occurring through their apps such as PayPal or even Robinhood, Venmo, which is a subsidiary of PayPal. But I would say the interest is probably higher than what we may think.

NINA MOINI: OK. No, that's good to know. What would it take, then, for a bank or credit union to start providing these services? And how does that sort of impact everybody or I guess the economy at large?

MICHAEL CROW: Yeah. So when we're talking about the custody service, there's obviously going to be a cost to that. There has to be a program or a platform that's onboarded at the institution. There's also compliance considerations that have to be brought forward in managing a service such as that. So the ramp itself is somewhat difficult to understand right now because there hasn't been a whole lot of activity since the law just passed, and it won't go into effect until August. But there hasn't been a whole lot of activity on the localized level for our community institutions to onboard it, but I suspect that the cost would be fairly high, and that's why it's important for institutions to really gauge their membership or their customers to understand what the need or the want is from their base, and then really weigh, is it worth the cost? Is it worth the compliance effort to really onboard that?

And I think overall what we've seen is that, through some of these surveys, is that there is an interest out there, and we are aware of at least one institution who will be offering the service at some point when this law goes into effect after August 1 or on August 1, to which they're going to look at and understand what's the needs of our membership, what's it going to take to onboard it, and is it worth it? I think there are some institutions that are going to come to the consensus that it is worth it. And some that might just sit back and say, this is a little bit too expensive. Maybe we're not aware of everything that needs to go into it, and they're just going to hold steady for a bit in time at that point.

NINA MOINI: So you're saying-- has anyone given notice that they are planning to do it? You're saying you've heard of one institution, or can you say who?

MICHAEL CROW: No, I'm not going to say who. We haven't been given notice by anyone just yet. We've been given what I would say, a preliminary notice, but we will. August 1 is when the law goes into effect. So we would do an anticipated notice to come in around then. And then we'll see what happens beyond that.

NINA MOINI: And so what would you say to people who are just kind of wondering how it could reshape the overall financial landscape across the state? I mean, is this something that impacts you if you're not planning to do this, or is this something a lot of people are going to be doing maybe in 10 years? Or do you have thoughts on that?

MICHAEL CROW: From an economic standpoint, what this bill does is it provides a custody platform. So it's not a trading platform at all. We're not talking about lending against it at this point or really providing fiduciary service behind it. It's a custody aspect. So say if you owned a Bitcoin or Ethereum or a stablecoin such as USDC, what this allows these institutions to do is provide a service that instead of having their member house that asset on, say, a Coinbase or a nationally regulated institution, it allows them to provide that service to their own membership base so that a consumer Minnesotan can house their currency, cryptocurrency at their local, their pillar, their community, highly regulated industry, and keep it in-house.

The way that I tend to frame it is if you open up your banking app on your phone, in theory, you would see your checking account, your savings account, a loan account, and then possibly here, if they offer the service, you would see your crypto balance. You'd see your Bitcoin balance. But in terms of the overall economy, I don't really see much of an impact on this because it's specifically tying into custody just where your cryptocurrency is housed. It's not a transaction-related of buying and selling. That would happen on an exchange, which this is not.

NINA MOINI: Well, Michael, thank you so much for breaking that down for us. We really appreciate your time.

MICHAEL CROW: Absolutely. Thank you for having me.

NINA MOINI: Thank you. Michael Crow is deputy commissioner of financial institutions with the State Department of Commerce.