

Three pathways for banks to enter the digital asset ecosystem



As demand for access to digital assets grows, banks are exploring ways to participate in this evolving ecosystem. From serving crypto companies to enabling crypto trading for customers to building proprietary trading desks, banks have three primary pathways for engagement. Each route brings different risks, opportunities, and technology needs.

Pathway 1: Serving crypto companies with traditional services

Many banks start by providing traditional financial services to crypto-native companies, such as fiat banking, lending, payments and liquidity. This approach allows banks to support the crypto economy without handling digital assets directly.

For example, some large banks now offer fiat on/off ramps—facilitating USD, EUR, or other fiat currency transactions for crypto exchanges. Others extend prime brokerage services, enabling credit, settlement, and access to liquidity for institutional crypto traders. Banks who offer foreign exchange (FX), can integrate with digital asset networks like Talos's Provider Network to offer their liquidity to a broad set of market participants.

Essentially, the bank becomes the bridge between the traditional financial system and crypto businesses. This approach lets banks leverage existing infrastructure to generate new revenue while managing risk exposure. It's a natural first step for banks that want to dip their toes into the digital asset space by providing existing services to crypto firms.

Pathway 2: Offering digital asset services to bank customers

The second pathway involves creating customer-facing crypto services, allowing the bank's own retail or institutional clients to buy, sell, and hold digital assets through the bank. This approach is

increasingly popular among regional and mid-tier banks seeking to meet client demand for crypto investing. Some banks have integrated crypto trading into their online platforms, letting customers manage crypto alongside their traditional accounts. Others have partnered with fintech firms to enable crypto trading directly from checking accounts, retaining customers who might otherwise migrate to external exchanges.

A critical and often overlooked component of this pathway is digital asset custody. While banks have long offered custody services for traditional assets, custody for crypto requires managing private cryptographic keys and secure wallets—functions that rely on specialised technology. Rather than building from scratch, many banks partner with crypto-native custody or technology providers. By combining custody with trading, banks can provide a seamless customer experience, enabling clients to buy, store, and manage digital assets within a familiar and regulated banking environment. Banks can also offer structured products, expanding their wealth management portfolios to include crypto-linked investments.

Platforms like Talos's white-label solution can help banks launch these capabilities quickly, providing a bank-branded interface, integrated order routing, and compliance checks—all while connecting to external liquidity and custody providers. This allows banks to deliver institutional-grade crypto services without the operational complexity of building and maintaining infrastructure in-house.

Pathway 3: Building proprietary digital asset trading operations

The third pathway is the most ambitious: banks trading digital assets on their own behalf, operating proprietary desks, providing over-the-counter (OTC) liquidity and/or acting as market makers. This approach is typically pursued by large universal or investment banks with existing capital markets operations.

These banks may set up internal crypto trading desks to trade Bitcoin futures, options, or spot crypto. Some have launched OTC desks to facilitate large bespoke crypto trades for institutional clients. This route brings higher complexity and risk, but also allows banks to capture trading spreads and participate directly in the digital asset markets.

Technology plays a pivotal role here. Banks need reliable, scalable systems for connectivity, execution, and post-trade processes. Rather than building entire trading stacks internally, some leverage platforms like Talos's OEMS (order and execution management system), which provides connectivity to crypto exchanges and liquidity venues, supports smart order routing, and manages settlement workflows. This lets banks run professional-grade crypto trading operations with the same rigor they apply to equities or FX desks.



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Choosing the right path

Each pathway offers a different level of complexity. Many smaller banks focus on Pathway 2—enabling crypto services for clients—while larger institutions explore Pathway 3 to expand their trading businesses. Regardless of the route, banks must navigate evolving regulations, new operational risks, and unfamiliar technology landscapes.

Partnering with proven technology providers can help banks accelerate their entry into digital assets while mitigating risks. Platforms like Talos provide modular, institutional-grade infrastructure that supports every stage of a bank's crypto journey—from client trading interfaces to institutional trading desks. Notably, Talos was named the “Best Trading and Execution Solution Provider for Digital Assets” at *The Digital Banker's* Digital Assets Awards 2024.

By aligning customer needs, compliance and technology, banks can strategically position themselves within the digital asset economy.

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