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Cryptocurrency: U.S. Public Finance Issuers Cautiously Consider Its Applications

Key Takeaways

- U.S. public finance issuers are showing an increasing interest in blockchain and cryptocurrency (crypto) as a new investment tool to enhance portfolio diversification, earn higher returns, and provide more efficient operations to control costs.
- Analogous to a retail consumer using a debit card for ease of electronic transfer, this technology and related innovations could aid some U.S. government entities but also introduces cybersecurity risks.
- A portfolio that includes cryptocurrency contains liquidity risk due to the high volatility of cash-out value and could affect creditworthiness because of reduced budgetary stability.
- ESG considerations include the environmental impact of high energy costs associated with blockchain operations, regulation, potential government interference, the escalated impact of possible cyber attacks, transparency, and whether companies involved in blockchain and crypto are promoting social welfare or merely seeking pecuniary benefit.

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