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S&P: Cryptocurrency Is Growing Within U.S. State Reserves And Statewide Pension Plans

Key Takeaways

- U.S. states and statewide pension plans are increasingly considering cryptocurrencies (crypto), particularly bitcoin, as a reserve investment.
- So far, 17 states either allow or have introduced legislation to allow crypto as a reserve asset and 16 are proceeding toward including crypto investments in their statewide pension trusts.
- The recent creation of crypto exchange-traded funds (ETFs) and the rapidly evolving regulatory landscape may have increased interest in crypto as an investment by helping address some associated risks.

The Regulatory Landscape Is Expanding For Cryptocurrencies

Although crypto is still a very small allocation in U.S. state reserve and pension holdings, many states are in various stages of implementing policy changes to allow the use of bitcoin or other cryptocurrencies in their general fund and/or pension trust assets. Increasing investor interest, particularly in bitcoin, and the refinement of crypto regulation in the U.S. and around the world, including stablecoins, help the market increasingly treat crypto as a legitimate investment. See "Stablecoin Regulation Gains Global Momentum," published Feb. 10, 2025, on RatingsDirect. In addition, the creation of crypto ETFs alters the risk profile of crypto to exchange the novel operational and cyber risks of direct ownership for counterparty risks comparable with those of more typical high-risk investments. Although direct ownership of crypto requires specialized infrastructure and staffing, ETFs pass much of the risk and the complicated setup to a large financial entity for a fee.

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