

Crypto advocates warn of new digital divide as regulators begin inquiries

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By David DiMolfetta
Market Intelligence



Participants at the Black And Latino Crypto Capitol Hill Rally on April 4.

Source: S&P Global Market Intelligence

Sam Sealey had 17 years of experience in real estate, money in the bank and credit scores in the 800s. Still, he said getting bank loans is difficult because he is Black.

And so, when he wanted to grow his wealth, he turned to blockchain and cryptocurrencies like bitcoin instead of traditional financial institutions. Blockchain — a shared, immutable ledger that helps record transactions and track assets — removes the possibility for conscious or unconscious biases to block access to capital or wealth accumulation.

"Despite having the qualifications, a lot of the legacy banking system is really built on who knows you," said Sealey, founder of cryptocurrency

education group The Stellar Global Community and head of the digital asset practice at The Digital Economist think tank in Washington, D.C. "You now have an unbiased access to a system of finance, which is revolutionary, something that we haven't seen, honestly, in the history of mankind."

Investing in cryptocurrencies can offer equal opportunities to groups of people who historically have experienced discrimination in their efforts to access legacy banking systems. Banks and regulators must launch more digital asset outreach and education to avoid creating a new digital divide between those who can access the cryptocurrency market — estimated by the White House at \$3 trillion — and those who cannot, Sealey and other advocates say.

"They can't claim to want to be inclusive if they're not talking to inclusive groups of people," said Cleve Mesidor, a former Obama-era official in the Commerce Department and a policy adviser with The Blockchain Association. "Why pretend that crypto can be revolutionary if we're not going to be revolutionary as we're building this new economy?"

Diving into the numbers

Sealey and Mesidor are part of a growing number of people of color who are turning away from legacy investment tools to embrace cryptocurrencies, non-fungible tokens and other decentralized entities. One-quarter of Black Americans, or 25%, own cryptocurrency, according to the 2022 Ariel-Schwab Black Investor Survey from asset manager Ariel Investments LLC and financial services giant Charles Schwab. This compares to 15% of white investors who own cryptocurrency.

Among Black investors under 40, the percent that own cryptocurrency jumps to 38%, versus 29% of white investors under 40.

At the same time, Black Americans are less trusting of the stock market — 30% versus 23% — and financial institutions — 28% versus 18% — compared to white Americans, the Ariel-Schwab survey found. Black investors are also less likely to feel respected by financial institutions.

Cryptocurrency: Changing Money



This story is part of a series analyzing the growth of cryptocurrency.

Other stories in the series:

Growth of cryptocurrency, stablecoins pushes regulators to ramp up scrutiny

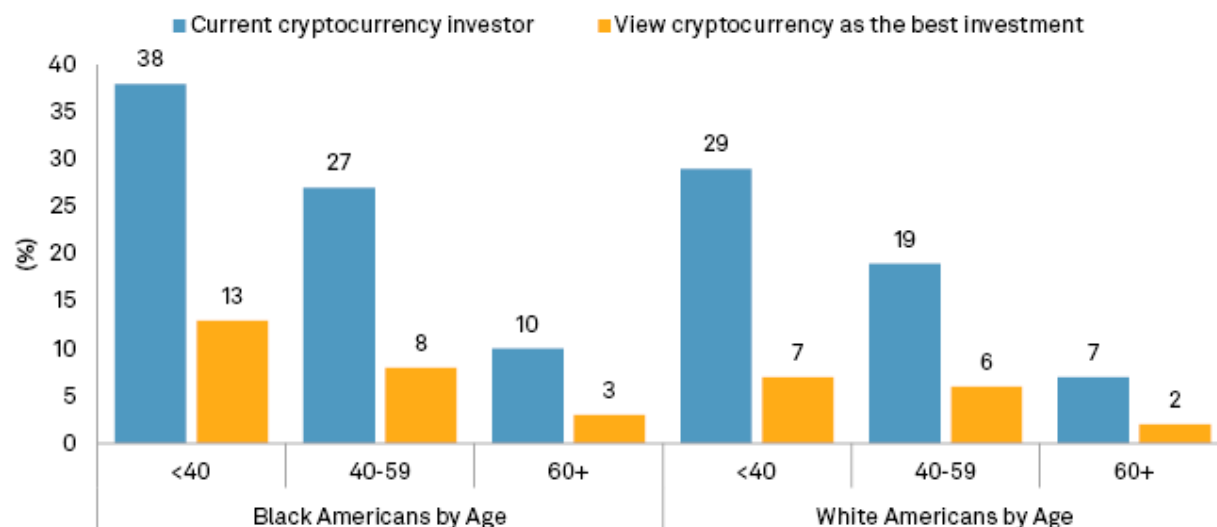
Digital currencies gain traction among central banks

Cryptocurrencies proliferate in LatAm as a refuge from economic instabilities

Crypto mining industry's greening campaign raises new questions

Cryptocurrency growing in popularity, especially among younger Black investors

% of surveyed investors who own or prefer cryptocurrencies



Data compiled April 22, 2022.

The online survey was conducted in January 2022 by Helical Research among 2,057 Americans age 18 and older with \$50,000 or more household income in 2021. The average household income of Black and white survey participants is \$99,000 and \$106,000, respectively.

Source: 2022 Ariel-Schwab Black Investor Survey

Engagement and education

"Now is the time for investment firms to engage and support next-generation Black investors, who are excited about investing," Arielle Patrick, Ariel Investments' chief communications officer, said in an emailed statement to S&P Global Market Intelligence. "There is money on the table — both for Black investors and the financial firms that serve them."

Many established institutions have already adopted crypto offerings, such as Visa Inc.'s cryptocurrency card with Crypto.com or JPMorgan Chase & Co.'s digital coin. Fidelity Investments on April 26 said it will enable 401(k) investors to have a portion of their retirement savings allocated to bitcoin.

It is critical for legacy banks to get ahead of the decentralized asset trend and lower barriers to entry for investment opportunities in crypto, such as price volatility and applying basic investing principles like dollar-cost average in crypto, said John Fletcher, an analyst with Kagan. Kagan is a media research group within Market Intelligence. He emphasized that regulatory uncertainty around digital goods makes it difficult to pin down a government framework.

Fletcher pointed to the U.S. Securities and Exchange Commission's anticipated approval of a spot bitcoin exchange traded fund, though the agency's recent approval of a futures ETF backed by the cryptocurrency could signal change in that arena soon.

Wall Street firms must diversify their talent pools, particularly in the client-facing areas of the business, Patrick said.

"People of color should feel welcome by advisors who look like them, and are eager to provide top-tier service while demystifying their offerings with more accessible educational resources," Patrick said.

A new network

While traditional financial institutions still struggle with trust and education, Sealey and others said there is a whole network of Black and Latino crypto leaders reaching out to educate and embrace new investors.

Ian Gaines, for instance, manages communications for Black Bitcoin Billionaires, a community of over 150,000 worldwide users on the Clubhouse app. The group, reaching members in Nigeria and the Caribbean Islands, is dedicated to teaching its mainly Black base about cryptocurrencies and how to build wealth on the blockchain.

Crypto entrepreneur Najah Roberts boasts a list of crypto roles. Roberts founded Crypto Blockchain Plug, a brick-and-mortar cryptocurrency exchange. She is also a founder of Crypto Kids Camp, a summer program teaching children about digital asset financial literacy.

Roberts also co-founded The Black Wall Street Wallet, a platform that educates marginalized Americans about how to invest in crypto that provides the only Black-owned crypto wallet available to investors.

She envisions expanding brick-and-mortar exchanges to American cities beyond the Crypto Blockchain Plug in Inglewood, Calif.

"We're building silicon 'hoods, so we've got to have the tools ready for our community," she said.

Widening the crypto tent

While experts applaud these efforts, they also see the need for implementing a broader standardized financial literacy education for digital asset investing.

"We don't even have that for the stock market," Fletcher said in an interview.

This is especially important given that some key demographics — namely, women and Baby Boomers — seem to remain on the sidelines when it comes to investing in digital assets.

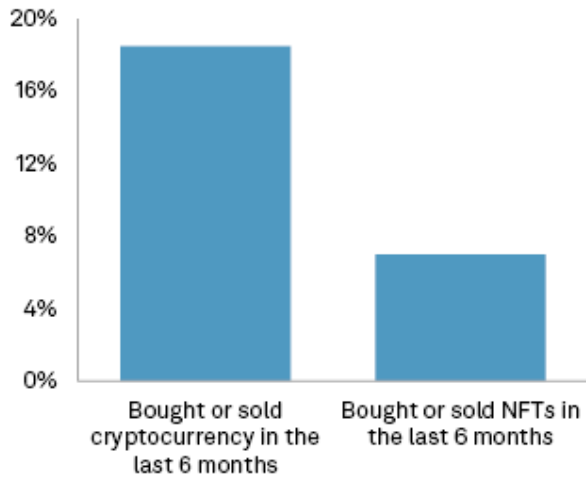


Cleve Mesidor delivers remarks at the crypto rally. Sam Sealey stands on the left.

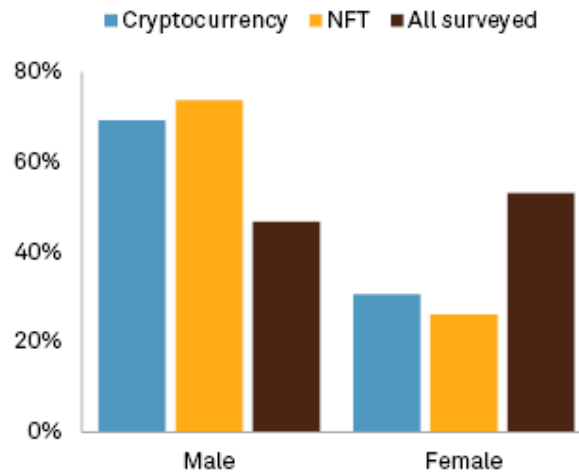
Source: S&P Global Market Intelligence

Who is buying cryptocurrencies, NFTs

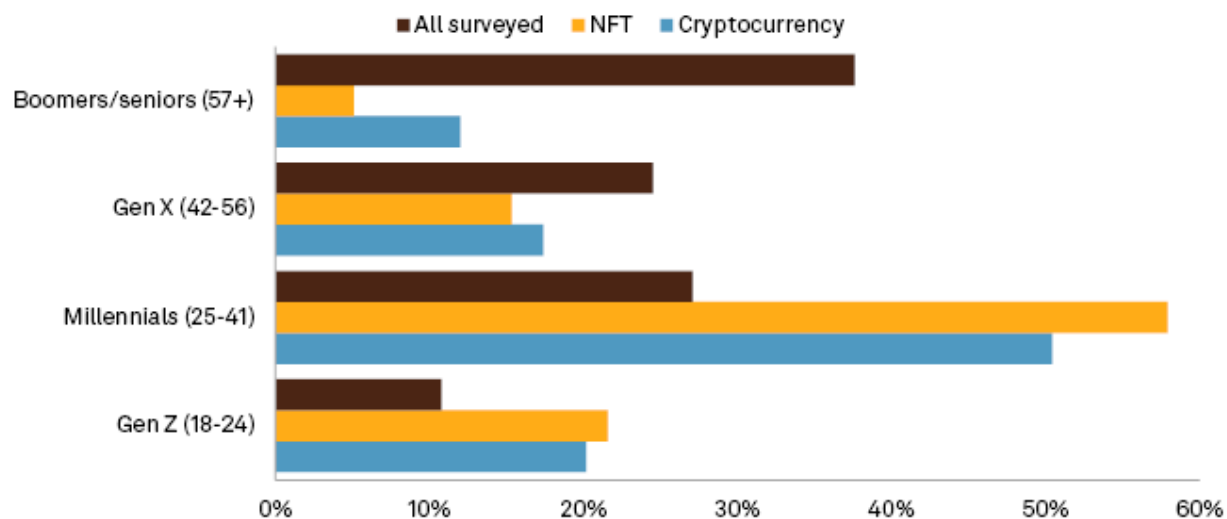
Crypto, NFT users vs. overall survey base*



Gender: Crypto, NFT users vs. total survey



Generation: Crypto, NFT users vs. total survey



* Question: Please select any of the following activities that you have engaged in during the last 6 months.

* Answer 1: Bought or sold cryptocurrency.

* Answer 2: Bought or sold non-fungible tokens (NFTs).

Base: 2,519.

Source: Kagan's U.S. Consumer Insights survey conducted in March 2022. The survey totaled 2,581 internet adults with a margin of error of +/- 1.9 percentage points at the 95% confidence level.

Kagan is a media research group within S&P Global Market Intelligence.

Only 31% of women in Kagan's March 2022 U.S. Consumer Insights survey of 2,519 adults who use the internet had bought or sold cryptocurrencies in the past six months, compared to 69% of men. The difference was even higher with NFTs, with 74% of men saying they had bought or sold NFTs, versus 26% of women.

Mesidor acknowledges that crypto may appear male-dominated for now, but she believes with digital literacy and training programs, the future of crypto includes all genders and races.

Getting inclusion right

The Biden administration's executive order laid out a "whole-of-government approach" to addressing the risks and benefits of digital assets and their underlying technology. The framework includes several tiers, including financial

inclusion.

With the White House getting involved in the digital assets landscape, the research will take some time, said Gaines of Black Bitcoin Billionaires. Most members of Congress do not have an opinion yet on cryptocurrency.

Some advocates say the government must be cautious with any new requirements, as improper regulations can stymie investments or create new barriers to entry.

"Business models have evolved, governance models have evolved," said Maria Sabando, representing the Miami blockchain community. "It's very important to take that into consideration with the regulation."

Sarah Barry James contributed to this article.

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