

U.S. Municipal Bond Market

Crypto Abstinence: Safeguarding Public Entity Credit Quality, Taxpayer and Public Funds by Avoiding Digital Illusions

- Investing in cryptocurrencies like Bitcoin involves significant risk. This level of risk is typically not appropriate for public entities. Public entities have a fiduciary duty to invest taxpayer money or public funds sensibly in high-quality, secure, and reliable financial instruments. Cryptocurrencies do not meet this standard or most fundamental investment and risk management principles.
- Cryptocurrencies lack intrinsic value and are not backed by tangible assets. This makes them highly dependent on market perception, regulatory changes, and technological developments, rather than business or economic fundamentals.
- Crypto abstinence is a prudent approach. In 2022 the GFOA advised governments, “To abstain from accepting cryptocurrency for receivables, using cryptocurrency for payables, and investing in these products.” This advisory is still relevant and appropriate for public entities.

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Introduction

As we move into 2025, the political and regulatory landscape for cryptocurrencies is evolving, with new frameworks being established to govern their use. We may even see an increase in speculation by investors in cryptocurrencies. Despite these changes, the fundamentals of investing and the responsibility to safeguard taxpayer and public dollars remain as crucial as ever.

Public entity leaders are not missing out by refraining from the race to acquire Bitcoin or other cryptocurrencies. Even with a new regulatory framework forming, the speculative nature of these digital assets warrants caution. It is essential for public entities to remain vigilant and avoid speculative investments to ensure the prudent management of public funds.

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Cryptocurrencies do not meet most fundamental investment and risk management principles. Cryptocurrencies lack intrinsic value and are not backed by tangible assets. This makes them highly dependent on market perception, regulatory changes, and technological developments, rather than business or economic fundamentals. Cryptocurrency prices are highly volatile, and they can swing dramatically in short periods of time. This volatility and unpredictability make cryptocurrencies risky for investment strategies seeking the protection of principal, for example.

GFOA Advisory Remains Appropriate

We believe crypto abstinence is a prudent approach for public entities. Crypto abstinence refers to the practice of avoiding investment or speculation in cryptocurrencies like Bitcoin. In 2022, the Government Finance Officers Association (GFOA) published an advisory titled "[Abstain from Using and Investing in Cryptocurrency for Government Operations](#)." The advisory states, "GFOA advises governments to abstain from accepting cryptocurrency for receivables, using cryptocurrency for payables, and investing in these products." The environment has not changed since 2022, making this advisory still relevant and appropriate for public entities.

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