



CASE STUDY

Rescuing a €20 Million Crypto Overestimation
for an EU FinTech Company

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BACKGROUND

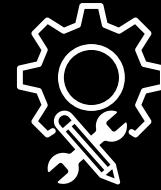
A European FinTech company, operating under an Electronic Money Institution (EMI) licence since 2019, had grown into a well-established player in the payments sector with over €1.5 billion in annual processing volume and an average annual growth rate of 18%.

The company provided SEPA, SWIFT, and ACH account services through a network of correspondent banks and intermediary partners, and the company had built a strong reputation across the EU.

By 2024, the shareholders considered expanding beyond fiat payment services by introducing a crypto wallet and OTC (over-the-counter) trading desk to the existing platform. The intention of the crypto wallet was to offer clients a seamless way to hold, convert, and trade crypto assets, aiming to increase user retention and diversify revenue streams. The OTC trading presented an opportunity to earn commissions and spreads on matched trades and also increase the usage of the existing fiat payment services by offering settlement accounts for the crypto trading activities.

Before committing significant capital, the board engaged PSP Angels to conduct a full feasibility study evaluating the strategic, financial, operational, and regulatory implications of the proposed expansion. The project was analysed through user experience, compliance, financial impact, technology, security, and long-term scalability.

SYNTHESIS



User Experience (UX)

Internal surveys and market benchmarks (aligned with Chainalysis 2025 Global Adoption Index showing 8-12% EU fintech engagement) suggested that 20-25% of existing clients would likely adopt a built-in crypto wallet for stablecoin transactions, while 8-12% expressed interest in OTC trading services. Adding these services would enhance the platform's attractiveness, improve client retention, and create a more comprehensive financial product suite.

However, integrating crypto also introduced friction points such as additional KYC procedures, enhanced due diligence, and longer onboarding flows. Estimates showed that onboarding time could increase by 25-35%, which could temporarily lower conversion rates. Nevertheless, the potential for increased ARPU (average revenue per user) by 12-18% outweighed the friction costs over the long term.

SYNTHESIS



Compliance

The most significant challenge identified was regulatory.

MiCA came fully into force across the EU by December 2024, and introduced a unified regime for crypto services, requiring companies offering wallets, trading, or other crypto-related services to obtain a Crypto-Asset Service Provider (CASP) licence. This requirement applied even to firms already holding EMI licences, meaning the assumption that an existing EMI licence would be sufficient was incorrect.

Since the company already held an EMI licence and met the minimum capital requirements of €350,000, under EMD2 (Directive 2009/110/EC, Article 4) this amount satisfied MiCA's CASP thresholds (€50,000–€150,000 per Annex IV, Article 67), enabling focus on non-capital costs.

Therefore, the cost of CASP authorisation expenses only had to involve legal advisory, application preparation, and procedural filings was estimated between €40,000 and €70,000. Although, **transitional challenges, such as varying national interpretations of MiCA, could cause procedural delays and costs of €20,000–€40,000. Additional annual compliance and blockchain analytics costs were projected between €60,000–€80,000.**

The most viable path forward was to apply for a full CASP licence in a jurisdiction that offered both a fast-track procedure for existing EMIs and a realistic approval timeline before the end of the transitional “grandfathering” period (1 July 2026).

SYNTHESIS



Financial Impact

The initial business plan projected incremental revenues of **€20–25 million annually from crypto wallet and OTC services, with net margins between 60–65%**. The internal projections assumed that a large portion of the company's existing SME client base would shift a significant share of their treasury and settlement flows into stablecoin rails and high-margin OTC conversions from day one, while not considering the extra costs which came hand in hand with the increased risk and cost due to the higher risk activity.

PSP Angels' analysis showed that while these figures were achievable in a high-adoption scenario and at a more matured product stage, they were too optimistic for the first few years. In reality, revenue growth would likely align with SME demand for stable crypto solutions, meaning adoption could be slower and more gradual.

With only around 10–12% of European fintech users adopting crypto services in 2024 (per Chainalysis report), **actual revenues in the first year could range between €2.8 million and €4.5 million, with net profits between €1.4 million and €2 million**.

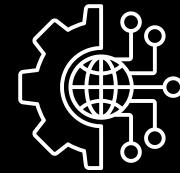
Banking costs were also expected to rise significantly. Many correspondent banks and payment partners were reluctant to service companies involved in crypto activities, which could lead to higher transaction fees, additional reporting obligations, and enhanced fraud prevention requirements.

Admin costs linked to crypto-specific AML procedures, transaction monitoring, and customer reporting were expected to add €300,000–€500,000 annually. Additionally, OTC trading would require hedging systems and oversight costing €50,000–€100,000 annually.

Despite these added costs, the revenue potential remained attractive.

Under favourable market conditions and with gradual user adoption, total revenues were projected to grow to €18–22 million by year three, with a breakeven point between 2.5 and 4 years, aided by OTC's reduced exposure to market volatility compared to internalised trading models.

SYNTHESIS



Technology

Adding crypto services significantly increased the technical complexity of the platform. Integration with third-party providers for wallet infrastructure, blockchain analytics, and OTC trade execution would require new APIs, reporting modules, and reconciliation tools. Developing and testing these systems could extend the implementation timeline from the originally estimated six months to 9-12 months.

Using a white-label crypto solution could reduce development costs but would introduce dependency risks, as any outages or security incidents on the provider's side could disrupt core services.



Security

Security requirements for crypto custody and transaction processing are fundamentally different from those for fiat payments. New protocols for key management, cold storage, multi-signature authorisations, and smart contract monitoring would be essential.

Insurance premiums for crypto-related activities were projected to rise by 40-60% due to increased attacks on crypto custody and trading platforms in 2025. These risks would necessitate ongoing investment in cybersecurity infrastructure, staff training, and third-party audits.

SYNTHESIS

Growth and Scalability

Expanding into crypto services would position the company to capture a share of one of the fastest-growing financial sectors, particularly as OTC trading aligns with SME demand for stable crypto solutions. With global crypto market capitalisation already at ~€3.6 trillion in September 2025 and projected to reach €4.5–6.5 trillion by year-end, the long-term growth potential remained strong. Breakeven could occur between 2.5 and 4 years, particularly as OTC trading aligns with SME demand for stable crypto solutions.

However, the SME-focused nature of the company's client base, which prioritises stability over speculative trading, meant that OTC revenue would align with SME demand for stable crypto solutions



CONSOLIDATED FINANCIAL IMPACT



Category	Year 1 Estimate	Year 3 Estimate	Notes
Revenue (Crypto Wallet + OTC)	€2.8m - €4.5m	€18m - €22m	Growth aligned with SME adoption and stablecoin demand
Net Profit (after operational costs)	€1.4m - €2m	€8m - €12m	Net margin grows as onboarding friction stabilises
CASP Licensing and Legal Costs	€40k - €70k	-	One-time authorisation cost
MiCA Transitional Delays	€20k - €40k	-	Depends on jurisdictional interpretation
Annual Compliance + Blockchain Analytics	€60k - €80k	€60k - €80k	Ongoing
Crypto AML, Monitoring, Reporting Admin	€300k - €500k	€300k - €500k	Ongoing admin overhead
OTC Hedging Infrastructure and Oversight	€50k - €100k	€50k - €100k	Ongoing
Banking Cost Increase due to Crypto Activity	+15% - +25% on current partner fees	+20% - +30% total uplift	Crypto activity increases risk scoring
Insurance Premium Increase	+40% - +60%	+40% - +60%	Due to crypto custody and trading exposure
Technology Build and Integration	€250k - €400k (one-time)	-	API, wallet infra, analytics, OTC modules

Total recurring costs were projected between €410,000–€680,000 annually, with one-time setup costs around €310,000–€510,000. Revenue projections ranged from €2.8–€4.5 million in year one and €18–€22 million by year three.

FINAL ASSESSMENT



The original project plan underestimated the financial, regulatory, and operational complexity of launching crypto services. By 2025, MiCA had created a more predictable environment, and because the company already held an EMI licence and satisfied minimum capital requirements, the additional burden of CASP authorisation was far less significant than initially assumed. Even so, new compliance, operational, and banking challenges required strategic planning and a phased approach.

The feasibility study identified critical misjudgements in the initial strategy, including assumptions of seamless EMI-crypto integration, underestimation of procedural hurdles, and reliance on overly optimistic revenue forecasts

PSP ANGELS RECOMMENDATION

PSP Angels designed and executed a two-phase bridge strategy which rescued the crypto initiative and turned it into one of the company's highest-ROI projects:

Phase 1 launched a fully compliant euro-stablecoin wallet and on/off-ramp under the existing EMI licence. Despite conservative provisioning for every conceivable extra cost and banking risk (enhanced monitoring, surcharges of up to +0.2% on crypto flows, legal opinions, insurance uplift, and tech integration), Phase 1 alone delivered €1.8–€2.4 million net profit in the first 12 months while providing damage control to the core banking relationships via segregation of the traffic and enhanced compliance tools and processes.

Phase 2 used the positive cash flow from Phase 1 to fund and secure the full CASP authorisation in parallel. BTC/ETH custody and the OTC desk were activated the day the licence was granted (Q3 2026), with a warm, revenue-generating client base already in place.

This structure eliminated the original €16–21 million revenue overestimation and delivered a final project IRR above 50%.



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