



IOSCO Crypto Policy Recommendations Recap

Tetra's Summary of IOSCO's *Policy Recommendations for Crypto and Digital Asset Markets Consultation Report*



Tetra Trust Company

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Overview

Last month, the Board of the International Organization of Securities Commissions (IOSCO) published a 57 page Crypto and Digital Asset Consultation Report. Below, Tetra provides a summary focusing on the relevant custody considerations for your digital assets.

IOSCO is an international body, globally recognized as the standard setting organization for securities commissions, and counts Canadian provincial securities commissions amongst it's members. Canadian institutional digital asset holders should therefore make themselves aware of IOSCO's recommendations.

Key Points

- 1** Ensure Your Digital Assets are Segregated
- 2** Request Accurate and Up-to-Date Records for Your Digital Assets
- 3** Ask for a Full Disclosure of Risks Relating to Your Digital Assets

Ensure Your Digital Assets are Segregated



Recommendation 13 from the report states, "*Regulators should nonetheless require a CASP to segregate Client Assets from their proprietary assets, and place Client Assets in trust or in segregated bankruptcy remote accounts, so that they are separate and distinct from the CASP's own assets / estate.*"

Many investors rely on their digital assets to be stored by a third party, such as cryptocurrency exchanges, investment platforms, lending platforms, or custodians (collectively, crypto asset service providers or **CASPs**).

Although the assets show up on the user interface, where are the underlying assets actually held? What rights do investors have to these assets in the case of insolvency?

Without having answers to these questions, investors could lose access to their funds, and have historically lost billions in events like the FTX collapse. This is why IOSCO recommends **ensuring that your client assets are segregated from the assets of the CASP.**

Request Accurate and Up-to-Date Records for Your Digital Assets

A strong recommendation in Chapter 7: Custody of Client Monies and Assets, reads that CASPs should *"readily establish the precise nature, amount, location and ownership status of Client Assets and the clients for whom the assets are held. The records should also be maintained in such a way that they may be used as an audit trail."*

As with traditional finance, clients of digital asset custodians should not only expect **transparency on the location and ownership** of their assets, but also an **auditable trail** of exactly how these assets are held at all times.

Additionally, IOSCO recommends that CASPs create measures to support the **reconciliation of both on-chain and off-chain records**.

Not only is this useful for business purposes, if anything were to happen to either your business or your custodian, retrieving assets would be made easier with clear and detailed records.



Ask for a Full Disclosure of Risks Relating to Your Digital Assets

Among the recommended disclosures of risk, IOSCO recommends disclosing whenever, *"client assets are to be held or placed in a foreign jurisdiction and thus become subject to the client asset protection and/or insolvency regimes of that foreign jurisdiction"* and any *"risks arising from the CASP's handling or moving of client assets, whether directly or indirectly."*



With any investment, you expect to be informed of pertinent risks. This shouldn't be any different for digital assets.

Some risks especially relevant for digital assets are those arising from the assets being held in a foreign jurisdiction. When your assets or keys are held in a foreign jurisdiction or by an entity residing internationally, **there is an inherent and unavoidable level of extraterritorial risk** due to competing regulations and legal proceedings.

As well, the risks arising from handling or moving client assets should be disclosed by CASPs for further transparency.



TETRA

Trusted Digital Asset Custody

Tetra Trust Company is Canada's first and only trust company licensed to custody digital assets with a vision of enabling the institutional adoption of digital assets.

Registered as a Canadian trust company under the Loan and Trust Corporations Act (Alberta), Tetra is fiducially responsible to act in the best interests of its clients. Its operations are overseen by a Canadian regulator.

Tetra invites you to contact us, to understand how we adhere to IOSCO's recommendations, and set the standard for Canadian digital asset custody.

Contact



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Didier brings over 16 years of financial services experience, having led various leadership positions in capital markets and asset servicing. Prior to becoming CEO of Tetra, Didier spent close to a decade with the Royal Bank of Canada including Head of Canadian Custody Product for RBC Investor and Treasury Services. Didier holds a B.A. in Finance and Administrative Studies from Western University.