



# Blockchain and Digital Asset Service Offerings

Discussion Document

February 2022

*These materials are intended solely for management and others within the organization and should not be used by, or distributed to, anyone other than these specified parties.*

# Deloitte is a trusted advisor to the blockchain and digital asset ecosystem

Blockchain and digital assets brings unique financial statement risks for emerging disruptors, tokenized businesses, digital asset exchanges, and any other organization using the technology or investing in assets that utilize the technology. Businesses value the compelling combination of deep domain knowledge, industry specialization, skilled application of experience, and many technology and process innovations. They benefit from exclusive access to the individualized attention of skilled, experienced, and strategic blockchain and digital asset specialists. Deloitte provides targeted insights to navigate through your most urgent blockchain and digital asset issues.



## Risk, Controls and Policies

- Comprehensive assessment of business, cyber, and financial risks across product types
- Risk & control gap analysis and remediation
- Regulatory compliance effectiveness reviews
- Regulatory inventory and business impact analysis
- Key Day 1 policies



## Financial Crime & Anti-Money Laundering

- MLR Registration support
- AML process and controls assessment & optimization
- Vendor assessment & selection support
- AML policy support
- Operationalizing key AML capabilities



## Business Plan & Operating Model

- Business plan drafting
- Organizational design governance model (e.g., target operating model)
- Current state assessment against people, process and technology



## Viability Analysis for Product launch

- High-level business strategy and value proposition development
- Preferred product, operations and strategy options based on qualitative and quantitative considerations



## Program Management & Implementation Support

- Manage internal & external liaison
- Monitor program delivery and track risks and issues
- Implementation plan creation including supporting tools (e.g., RAID and decision logs)
- Project governance and communication cadence



## Licensing and Regulatory Strategy

- Identify regulatory expectations for licensing and define the “high bar” set of requirements that will drive the blueprint/operating model globally
- Regulatory engagement strategy and pre-opening exam diagnostics
- Pre-filing material development



## Internal Controls Specific to Blockchain

- Design processes and governance models for blockchain use cases
- Identify new risks and controls related to blockchain use cases
- Perform testing of the control framework for blockchain and digital assets
- Evaluate blockchain reliability



## Accounting Advisory Services for Digital Asset Transactions

- Accounting for digital asset transactions
- Draft relevant crypto-asset and blockchain disclosures
- Discuss complex accounting matters with a company’s auditors and/or regulators (e.g., when consulting with the SEC on a preclearance or responding to comment letters)



## Tax Advisory Services for Digital Asset Transactions

- Analyze current business models with recommendations around tax informational reporting requirements associated with trading, staking and financial products
- Discuss current legal entity structure and cross border transactions with an emphasis on the tax treatment.



## Audit Readiness for Blockchain and Digital Asset Transactions

- Accounting procedures, process-flow diagrams, and internal control documentation
- Reporting blockchain and digital asset activities to the Board of Directors and the Audit Committee
- Control frameworks around the blockchain transactions
- Processes and procedures to assess blockchain reliability



## IPO Readiness and SEC Reporting Services (e.g., Form S-1, Reg A+ filings)

- Public company accounting standard, disclosure, and governance requirements
- Requirements for processes and SOX and COSO risk management framework
- Complex GAAP, IFS, and SEC reporting requirements
- Special Purpose Acquisition Company (SPAC) transactions



## Organizational Restructure Advisory

- Legal entity planning
- Review of outsourcing relationships
- Contractual due diligence
- SLA documentation

# The benefit of our digital asset and blockchain experience

## Ready for what's to come

Your industry is evolving at a rapid pace. We thrive in an entrepreneurial environment such as yours and are nimble and ready to support the flexible and fast-paced nature of your business. We will be right there with you providing technical competency-based leadership to navigate what's to come:

- The proliferation of digital assets is just beginning, and each new type requires careful consideration with accounting and tax treatment among innovative new business models and financial products.
- M&A activity brings unique considerations related to intellectual property and unrecorded liabilities.
- Staking assets brings new questions around revenue recognition, basis tracking, custody, and informational reporting.

## A trusted professional services provider to the blockchain and digital assets ecosystem

Deloitte is a recognized leader in serving digital assets, blockchain, fintech, and payment sector companies. We bring together teams with diverse experience and knowledge to provide customized solutions for our clients. We serve blockchain and digital asset business models across every industry.

This includes:

- **400+ blockchain clients**
- **2,050+ Deloitte professionals serving blockchain/crypto engagements in 50 countries**
- **Serving multiple crypto/token exchanges globally** across the full lifecycle: formation, funding, operations, growth, and exit
- **Recognition as a global leader in digital fintech consulting** and financial excellence consulting by ALM Intelligence
- **Monitor regulators** and policy makers across the globe

## A dominant presence in the global financial services industry

Deloitte's global financial services industry practice consists of more than 5,000 partners, principals, and directors and over 47,000 practitioners in more than 40 countries.

Globally, Deloitte serves:

- 90% (or 112 companies) of the 124 2019 Fortune Global 500 FSI companies<sup>1</sup>
- 61 of the 62 Banking and Capital Markets companies<sup>1</sup>
- 3 of the 5-investment management companies<sup>1</sup>
- 49 of the top 50 global banks, providing audit services to 16 percent<sup>2</sup>
- 48 of the top 50 global asset managers, providing audit services to 33%<sup>3</sup>

1 Fortune Global 500 ranked list 2019 analysis, 2 The Banker, July 2018: Top 1000 World Banks: Ranking by total assets and auditor are for y/e results Sept 2017 – March 2018, 3 Willis Towers Watson, The World's 500 Largest Asset Managers. Year-end 2017 Published Oct 2018



## Benefits to you

- Stability from a strong, seasoned team with a deep bench to serve you well into the future
- Insights on the risks, opportunities, and challenges facing your business
- Connection to industry organizations and regulatory bodies
- In-depth, relevant experience that will leverage knowledge gained across the ecosystem and from all technical competencies

# Initial Public Offering Experience

Technology, media, telecom, consumer, financial services companies

500+ IPOs

<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Affirm</b> 26,600,000 Shares Common Stock \$49.00 Per Share January 2022</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Upstart</b> 12,015,690 Shares Common Stock \$20.00 Per Share December 2020</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>PubMatic</b> 5,900,000 Shares Common Stock \$20.00 Per Share December 2020</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>C3.ai</b> 15,500,000 Shares Common Stock \$42.00 Per Share December 2020</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Root</b> 26,830,845 Shares Common Stock \$27.00 Per Share October 2020</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Mission Produce</b> 8,000,000 Shares Common Stock \$12.00 Per Share October 2020</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Oportun</b> 6,250,000 Shares Common Stock \$15.00 Per Share September 2019</p>
<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Datadog</b> 24,000,000 Shares Common Stock \$27.00 Per Share September 2019</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Mohawk</b> 3,600,000 Shares Common Stock \$10.00 Per Share June 2019</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Fastly</b> 11,250,000 Shares Common Stock \$16.00 Per Share May 2019</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Beyond Meat</b> 9,625,000 Shares Common Stock \$25.00 Per Share May 2019</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Avalara</b> 7,500,000 Shares Common Stock \$24.00 Per Share June 2018</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Goosehead</b> 8,530,000 Shares Common Stock \$10.00 Per Share April 2018</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Cardlytics</b> 5,400,000 Shares Common Stock \$13.00 Per Share February 2018</p>
<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Stitch Fix</b> 8,000,000 Shares Common Stock \$15.00 Per Share November 2017</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Roku</b> 15,668,000 Shares Common Stock \$14.00 Per Share September 2017</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Redfin</b> 9,231,000 Shares Common Stock \$15.00 Per Share July 2017</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Smart Global</b> 5,300,000 Shares Common Stock \$11.00 Per Share May 2017</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Foundation Building Materials</b> 12,800,000 Shares Common Stock \$14.00 Per Share February 2017</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Nutanix</b> 14,870,000 Shares Common Stock \$16.00 Per Share September 2016</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>E.L.F. Beauty</b> 8,333,333 Shares Common Stock \$17.00 Per Share September 2016</p>
<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Acacia Com.</b> 4,300,000 Shares Common Stock \$23.00 Per Share May 2016</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Pure Storage</b> 25,000,000 Shares Common Stock \$17.00 Per Share October 2015</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Ooma</b> 5,000,000 Shares Common Stock \$13.00 Per Share July 2015</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Inovalon</b> 22,222,222 Shares Common Stock \$27.00 Per Share February 2015</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>New Relic</b> 5,000,000 Shares Common Stock \$23.00 Per Share December 2014</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Lending Club</b> 57,700,000 Shares Common Stock \$15.00 Per Share December 2014</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>MobileIron</b> 11,111,111 Shares Common Stock \$9.00 Per Share June 2014</p>
<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Aerohive</b> 7,500,000 Shares Common Stock \$10.00 Per Share March 2014</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>A10 Networks</b> 12,500,000 Shares Common Stock \$15.00 Per Share March 2014</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Potbelly</b> 7,500,000 Shares Common Stock \$14.00 Per Share October 2013</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>FireEye</b> 15,175,000 Shares Common Stock \$20.00 Per Share September 2013</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Gogo</b> 11,000,000 Shares Common Stock \$17.00 Per Share June 2013</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Enphase Energy</b> 8,969,697 Shares Common Stock \$6.00 Per Share March 2012</p>	<p><b>Deloitte.</b></p> <p>Initial Public Offering <b>Yelp</b> 7,150,000 Shares Common Stock \$15.00 Per Share March 2012</p>

# A Dominant Presence in the Digital Assets / Blockchain Space

## The company we keep...

Digital Assets/Blockchain	Exchanges/Custody/Trust	Payments	Investment Management	Broker Dealer	Lending
<ul style="list-style-type: none"> <li>Algorand</li> <li>Beeple</li> <li>Block.one</li> <li>Blockstack*</li> <li>Circle</li> <li>Protocol Labs</li> <li>Ripple Labs*</li> <li>Solana</li> <li>Uniswap</li> </ul>	<ul style="list-style-type: none"> <li>BitGo*</li> <li>Coinbase*</li> <li>IEX Group*</li> <li>DTCC*</li> <li>S&amp;P global</li> <li>Fidelity</li> <li>Polysign</li> <li>Anchorage Labs*</li> <li>SBI VCTrade</li> <li>Bitbank*</li> <li>TaoTao*</li> <li>Coinage*</li> <li>GMO Coin*</li> <li>ICE</li> <li>US Regulated Exchanges**</li> </ul>	<ul style="list-style-type: none"> <li>Blackhawk Networks*</li> <li>Discover Financial Services*</li> <li>Paysafe*</li> <li>Global Payments*</li> <li>Transferwise*</li> <li>Stripe</li> <li>Square*</li> <li>Mastercard</li> <li>Visa</li> <li>PayPal</li> </ul>	<ul style="list-style-type: none"> <li>BlackRock*</li> <li>Blockchain Capital*</li> <li>Addepar*</li> <li>Interactive Brokers Group</li> <li>Northern Trust</li> <li>Oppenheimer Holdings*</li> <li>20+ Funds in the digital space (BTC, ETH, etc.)**</li> </ul>	<ul style="list-style-type: none"> <li>Apollo Global Management*</li> <li>Blackstone Group*</li> <li>KKR Capital Markets*</li> <li>Pantera</li> <li>Paradigm</li> <li>Polychain</li> </ul>	<ul style="list-style-type: none"> <li>Charles Schwab*</li> <li>Morgan Stanley*</li> <li>JPMC*</li> <li>LPL Financial*</li> <li>Affirm</li> <li>BlockFi</li> <li>CIT Group*</li> <li>Citizens Financial Group*</li> <li>Lending Club*</li> <li>MUFG*</li> <li>Oportun*</li> <li>Prosper*</li> <li>Roofstock*</li> <li>SoFi*</li> <li>Upstart*</li> </ul>

\*Clients of Deloitte & Touche LLP in the areas of financial statement audits, controls design, controls attestation, and audit readiness.

\*\*Privately held entities

This client list is a subset of a larger list of digital asset exchanges and service providers that cannot be disclosed due to confidentiality reasons.



### A taste of our industry thought leadership

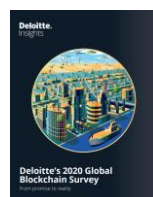
CLICK EACH THUMBNAIL TO VIEW IN DETAIL



An internal auditor's guide to blockchain



An internal auditor's guide to blockchain



Deloitte's Global Blockchain Survey



The Future of blockchain and market disruptors



WEF Agenda Article: Blockchain Reliability



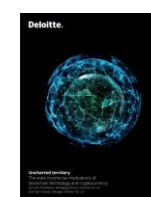
AICPA Digital Assets Practice Aid



COSO Paper on Blockchain



Corporates investing in Crypto



A tax lens on the proliferation of digital assets



Libra: Shaping the evolution of financial infrastructure



So, You Want to Be a Stablecoin Issuer?



So, You Want to Be a Crypto Bank?

Focusing on your future

# Our Experience in Digital Asset Custody

We are one global firm with an established practice and extensive experience in digital assets represented by local teams in over 50 countries

## Client Partnership Models

1. Enable new tokenized business services
2. Solve for technical complexity
3. Navigate risk and regulatory landscape
4. Provide economy of scale for managed services
5. Accelerate cultural and technical acceptance
6. Enable investor / client adoption
7. Enable business expansion and differentiation

## Advise, Implement & Operate services delivered for digital asset custodians

- Strategy and Vision
- Technology & Operations
- Risk Management
- Legal and Regulatory Compliance
- Cyber Security
- Resilience & Recovery
- Tax Optimization / Structuring
- Digital Asset Classification
- Tax Compliance
- Financial Advisory, Accounting & Controls
- Internal Audit

## Industry Examples

### DIEM™

Formerly known as Libra (Facebook)

- **Design services: cyber, payments compliance, tax, systems architecture, wallet security, resilience and recovery**
- **Internal audit outsourcing**

### GEMINI™

A regulated Trust company for digital assets with crypto brokerage and settlement solutions, stablecoin-as-a-service and NFT issuance and exchange

- **6 years**
- **Audit Bitcoin exchange**
- **Tax, FACTA, regulatory compliance, cyber security services**

### ANCHORAGE™

First federally chartered digital asset bank with platforms for digital assets finance, custody, trading, etc.

- **3 years**
- **Tax & compliance, audit, advisory support for accounting and controls**
- **Evolving partnerships**

### COINBASE™

Major digital assets exchange and custodian for retail and institutional investors; First S-1 Filing IPO April 14, 2022

- **8 years**
- **Global audit, tax, and assurance services**
- **Evolving innovations, infrastructure, 3<sup>rd</sup> parties, geographies and jurisdictions**

### MICROSTRATEGY™

Move to invest in Bitcoin as a Treasury reserve asset, as they became first public company with a material holding in a digital asset

- **Treasury, accounting, tax impacts across strategies**
- **Financial reporting, disclosures, and internal controls**

### *Other examples of where Deloitte is actively involved in shaping the new digital asset marketplace*

- Digital exchanges, fintechs & consortiums, central banks and regulators
- Payments, FX and treasury, custody, lending, settlement solutions
- Cross industry: Data management, supply chains, KYC, universal wallets
- Working groups: WEF, MIT, Fed, OCD, European Commission
- Ecosystem partners: Hyperledger, Ethereum, Oracle, IBM, SFDC

# Our Experience – Regulatory Engagement

Below are credentials of our work with selected clients related to regulatory engagement

## DE-NOVO CHARTER READINESS ASSESSMENT FOR A CRYPTO BANKING ENTITY

Deloitte was asked to analyze the current state of a U.S. based financial services technology company and assist in performing a bank readiness assessment and filing for a national bank charter application, FDIC deposit insurance application and FRB's BHC application. Deloitte supported bank readiness assessment by emulating aspects of the FRB's pre-inspection review. This company transacted into crypto products. Key activities completed by Deloitte include:

- Reviewed existing documents, providing an understanding of what is formally documented that may support BHC readiness
- Conducted functional interviews to further understanding capabilities and vision of specific aspects of the BHC
- Created inventory of identified gaps between the Company's existing written policies and procedures, and the agreed upon regulatory requirements and expectations of the identified target state
- Provided tactical and strategic development / enhancement recommendations relative to our understanding of the agreed upon regulatory requirements and expectations

## DIGITAL PRODUCT LAUNCH GOVERNANCE & REGULATORY INTERACTION

Deloitte supported a large U.S. based bank respond to inquiries from federal and state regulators, regarding the launch of a new digital asset product. As a first mover in this product, regulators were seeking an understanding of the activities that had been performed to-date and the impact assessments performed across the three lines of defense. Key activities completed by Deloitte include:

- Worked with bank leadership to obtain relevant documentation that had been created to-date regarding the new product
- Drafted a summary document to serve as a single source overview to organize key documentation provided to banking regulators in support of the bank's new digital asset testing and launch.
- Provided observations and recommendations to address regulatory expectations and requirements by engaging subject matter advisors (consisting of former regulators)
- Assisted in drafting the future commitments (next steps) regarding the product testing and launch and designed the bank's future governance processes that would be followed

## DIGITAL CURRENCY ENABLEMENT FOR PAYMENT PROCESSOR

An international payments processor launched a digital currency initiative to facilitate payment transactions in digital currency. Deloitte was asked to consider/evaluate different operating model options, perform a readiness assessment to make recommendations on how to meet regulatory and operational requirements, and assess different collaboration models with digital asset third party service providers. Deloitte conducted the following activities:

- Performed current state review of existing capabilities and conducted Gap Analysis for regulatory considerations from an organizational, operational and risk & controls standpoint.
- Strategized and documented the target state operating model for the payment service provider for flow of funds, including involvement of suitable counterparties.
- Developed regulatory engagement strategy

# Our Experience – Digital Asset Programs

Below are credentials of our work with selected clients in the digital asset ecosystem

## PRODUCT DESIGN & REG. STRATEGY ADVISORY

**Deloitte is working with a client in designing its digital asset product offerings including building out the target operating model** across people, process and technology and conducting a gap assessment against the target state. Deloitte is also supporting its client in evaluating the regulatory impact of the products and developing the regulatory engagement strategy for in bringing these product to market.

## REG. STRATEGY ADVISORY

We have worked with a number of crypto-native firms looking to enter the regulated financial markets space offering security tokens and other crypto derivatives. **We recently advised a crypto-native firm where our work involved supporting the client in designing and implementing its risk management frameworks** across the business and establishing 1st and 2nd line roles and responsibilities. We also supported their diagnostics for identifying and managing key risks and agreeing controls standards.

## CRYPTO TRADING STRATEGY

**We acted as a strategy partner for a cryptocurrency trading organization.** We supported a global provider of software and market solutions over a four week study and delivered a comprehensive market analysis report and launch strategy for the provider's intended offering of an integrated cryptocurrency trading platform. Armed with a clear go-to-market strategy, thorough analysis and a network of cryptocurrency exchange and broker relationships, the client was well-positioned to proceed to the next phase of their process.

## FINANCIAL FORECASTING FOR CRYPTO EXCHANGE

**Deloitte provided Subject Matter Expert ("SME") advice and assistance services for a crypto exchange's FCA AML application.** The deliverables included a monthly and yearly balance sheet, income statement and cashflow over 36 months. This was all based on company provided information and this forecast formed an important part of the financial analysis documentation required to be submitted as part of the overall application for registering under the MLRs in the UK.

## UK LEGAL ADVISORY

Our lawyers have **extensive experience advising crypto businesses on a range of matters including advising and drafting an interaction model and techno-legal due diligence process**, for a tier 1 bank. We have worked on projects involving cryptocurrencies, ranging from being a customer, to JVs, to acquisitions; advice on business structure, and drafting ICO and platform terms for a 'digital sovereignty' work referral system. We also have in-depth expertise examining forthcoming regulation and guidance in the crypto area for clients including a white paper review and drafting terms and regulatory advice in relation to ICO for a 'Smart City' mobility / data / ecosystem.

## BLOCKCHAIN UK REG STRATEGY

**A UK regulator** commissioned Deloitte to assess the potential for blockchain to affect the future payments market. Over a four week study, our blockchain studio and specialist payments SMEs, **delivered a comprehensive report which provided analysis across a range of quantitative and qualitative measurements.** The client used our analysis to gain a **deep understanding of blockchain** (from cryptocurrency to traditional currency) in the payments domain, and to set internal direction in relation to ongoing strategic planning.



# Our Experience – Digital Asset Programs

Below are credentials of our work with selected clients in the digital asset ecosystem

## ASSURANCE OF LARGE DIGITAL ASSET EXCHANGE

We provided assurance to the largest digital asset exchange that trades in **cryptocurrencies, stablecoin and utility token**. We reviewed the control framework in place including the design of the architecture to trade in digital assets with real-time settlement.. We reviewed the risk management framework and policies and delivered a comprehensive **gap assessment**. We also provided insights on the best practices to manage risk related to trading in crypto assets.

## CRYPTO EXCHANGE ARCHITECTURE DESIGN

We worked with a major Singaporean bank to **design and architect a platform for crypto exchange** that supports both queue-matching and market making model, supporting multiple crypto currencies, multiple settlement methods, multiple liquidity providers and custodian and key management. We also evaluated crypto related regulations, counterparties, currencies, security and designed the custody models including managed and omnibus ones.

## CENTRAL BANK DIGITAL CURRENCY

We helped two central banks in Asia complete a proof-of concept on **Central Bank Digital Currency (CBDC)**. We also helped them proceed to the preparation phase of Commercialization and Product Development. We evaluated design considerations between account-based vs. token-based, retail vs. wholesale, one-tier vs. two tier, domestic vs. cross border. In addition, we also evaluated risk and compliance including but not limited to: **Data Privacy, AML, Monetary Policy, Market Risk and Cybersecurity**.

## DLT INFRASTRUCTURE TO ENABLE A PAN-EUROPEAN FINANCIAL TRANSPARENCY GATEWAY

We helped the European Commission in building the **European Financial Transparency Gateway (EFTG)** to pave way for an EU-wide electronic access point using **Distributed Ledger Technology** to access financial information submitted by listed firms in their respective reporting points. We provided strategic guidance on **Blockchain technology** and application development. We delivered a regulatory framework analysis report for potential integration into the **European Electronic Access Point (EEAP)**

## MAS-SGX REAL-TIME DvP SETTLEMENT

We created a **hybrid blockchain network** to integrate the Monetary Authority of Singapore (MAS) and the Singapore Stock Exchange (SGX) to reduce clearing and settlement time from T+2 to **T+0**. The scope included developing an application with **permissioned blockchain** (Hyperledger Fabric) and **public blockchain** (Ethereum). We helped reduce the liquidity requirements for multilateral clearing and settlement, eliminate the need for reconciliation and error correction

## VERIFICATION OF DIGITAL ASSETS AND FRAMEWORK FOR MONITORING THE RESERVES

We supported a digital asset company with **verifying the digital assets on the blockchain and reviewing the monitoring framework in place**. We utilized a Merkle-Tree approach that allows for efficient and secure verification of content in a large body of data. We became the **first among the Big 4** to offer **proof or origin/crypto verification services**. Our approach for this problem has become the first standard to be adopted to provide public verification to digital assets. Our work has been quoted in **several cryptographic papers** as a good example of how the future of proving solvency for the digital assets space might look like.

# Our Experience – Digital Asset Programs

Below are credentials of our work with selected clients in the digital asset ecosystem

## RISK AND CONTROLS ASSESSMENT FOR DIGITAL ASSETS

A crypto currency company and custodian wanted Deloitte to perform readiness assessment on their control framework for trading and holding digital assets. We have reviewed their risk management framework and policies in place to consider if risks adequately address the business model and assessed the controls for the access to the exchanges the company used. **We delivered a comprehensive gap assessment of the risks and controls related to trading crypto currency and provided recommendations on the identified gaps**

## SECONDMENT TO THE FINANCIAL CONDUCT AUTHORITY

We recently seconded a member of our financial crime team to the Financial Conduct Authority as a case manager within the registration team. Over the course of the secondment the secondee was responsible for the assessment of applications made by cryptoasset firms for registration under the Money Laundering Regulations. **Activities included the review of all collated documentation for completeness and adequacy, engaging with applicants** to request additional information and obtain clarity on information provided and provide decisions on applications.

## VASPs WITH EUROPEAN COMMISSION

Deloitte is supporting the European Commission to **provide a view of existing and available practices and means for private virtual asset services providers (“VASPs”) to collect information on users' identities at the two ends of a virtual asset transfer.** As well as a view of available technical and legal systems to share users' identities of virtual assets transfers between virtual asset providers and their relevant competent authorities, notably the Financial Intelligence Units in Member states and third-country jurisdictions. In addition, Deloitte are exploring various solutions that could be used as a database for registering users' identities and make this accessible to Financial Intelligence Units for AML purpose.

## DIGITAL CURRENCY ENABLEMENT FOR MONEY TRANSMITTER

An international payment's processor company wanted Deloitte to assist in the digital currency initiative to facilitate payment transactions in digital currency. We supported the company in conducting **Gap Analysis and Operational Readiness** informed by regulatory considerations (NYDFS BitLicense), operating model and product requirements. We have also **conducted an assessment of the potential stablecoin candidates and settlement agent**, Company is considering for its solution based on broader regulatory landscape and potential risk company's consumer and brand

## LAUNCH OF A DIGITAL ASSETS SERVICES BASED BANK

A U.S. crypto service provider wanted Deloitte to analyze its current state and assist in perform readiness assessment and filing for a bank charter application, FDIC deposit insurance application and FRB's BHC application. We supported bank readiness assessment by emulating aspects of the FRB's pre-inspection review and **provided tactical and strategic development/enhancement recommendations relative to our understanding of the agreed upon regulatory requirements and expectations**

## REGULATOR & INDUSTRY GUIDANCE (AUSTRALIA)

We have extensive experience helping Australia's regulators and industry bodies, understand emerging digital assets and technologies, including **helping Australia's AML/CTF regulator develop a summary paper for industry outlining domestic and emerging payment technologies, including cryptocurrencies, and running industry workshops in partnership with Australian regulators assessing risks and regulatory considerations of new technologies.** Deloitte Australia was also directly involved in the drafting of an Industry Code of Conduct for Blockchain Australia, and advising industry participants on the cryptocurrency exchange of the impacts of the proposed Code of Conduct, and invited to participate as founding members of the AML/CTF Committee of Blockchain Australia.



The services described here are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas. However, due to independence restrictions that may apply to audit clients (including affiliates) of Deloitte & Touche LLP, we may be unable to provide certain services based on individual facts and circumstances.