

# Welcome to our Webinar! We Will Begin Shortly. Please Note the Following:



Meeting is **recorded**



You are all in  
“Listen Only” mode

## Questions



- Questions: Make sure to unmute yourself in WebEx or by using \*6



# **ECM DIGITAL ASSETS**

## **PROACTIVE MONITORING**

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September 27, 2022

# DIGITAL ASSETS

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# ANTICIPATED GROWTH

Ownership in digital assets increasing



2022

350 million

2030

1 billion

2032

Market Cap ~  
7 trillion

# DIGITAL ASSETS

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## What is a Digital Asset?

an asset that is issued and transferred using distributed ledger or blockchain technology, including “virtual currencies,” “coins,” and “tokens.”

## Examples include:

- Cryptocurrencies
- DeFi tokens
- NFTs
- Stablecoins

## Commonly Traded:

- Bitcoin
- Ethereum
- Litecoin
- Chainlink
- Polkadot
- Aave

# INVESTMENTS

## Direct

- SMAs invested directly in tokens

## Indirect

- Invest in companies that invest in crypto
- Invest in blockchain/crypto ecosystem companies

## Funds

- Invest in crypto funds traded OTC
- Invest in registered bitcoin futures ETFs
- Invest in private funds



# INDUSTRY UPDATES

# ENFORCEMENT ACTIONS & PRESS

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- In May 2022, the SEC relaunched the agency's "Cyber Unit" as the "Crypto Assets and Cyber Unit" and simultaneously announced the creation of 20 additional positions at both its Washington headquarters and across several regional offices, nearly doubling the unit's size. The continued build-up at the SEC is particularly notable for an agency that has long asserted authority over a wide swath of digital asset transactions (which it considers to be securities under the catchall category of "investment contracts" defined by the Supreme Court in a seminal 1946 case called SEC v. W.J. Howey Co.)
- Also in May 2022, CFTC Chairman Rostin Behnam announced that the agency would add resources to allow it to pursue cryptocurrency related fraud and manipulation cases more aggressively.
- Former Employee Of NFT Marketplace Charged In First Ever Digital Asset Insider Trading Scheme - SEC Charges Former Coinbase Manager, Two Others in Crypto Asset Insider Trading Action
- Justice Department Announces Enforcement Action Charging Six Individuals with Cryptocurrency Fraud Offenses in Cases Involving Over \$100 Million in Intended Losses
- Significant Uptick in Securities Class-Action Litigation



# COMPLIANCE & GOVERNANCE

# COMPLIANCE CHALLENGES: DIRECT INVESTING

	IS THE DIGITAL ASSET A SECURITY?	RIPPLE EFFECT	CUSTODY	OTHER AREAS
1	Investment contract (Howey test)	Calculation of RAUM	Meaning of “Qualified Custodian” And Request for Comment	Valuation
2	Note	Code of Ethics Personal Trade Reporting	SEC Staff Statement on WY Division of Banking’s “NAL on Custody of Digital Assets and Qualified Custodian Status” (Nov. 9, 2020)	Liquidity
3	Evidence of indebtedness	Best Execution (use of crypto exchanges)		Manipulation
4	Other			Fiduciary Duty

# PERSONAL TRADING ISSUES

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- ❖ Preclear ?
- ❖ Getting custodian statements & technology providers
- ❖ ICOs matters
- ❖ AML issues
- ❖ Insider Trading issues



# CONCLUSION

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Regulations coming in 2023

# FIS DIGITAL ASSET INTEGRATOR

# WHICH CRYPTO EXCHANGES, DEFI PROTOCOLS, CUSTODIANS ARE WE CONNECTED TO?

FIS INTEGRATES WITH BOTH CEFI AND DEFI MARKETS TO ENSURE THE WIDEST COVERAGE

**CEFI Exchanges:** POLONIEX, BINANCE, coinbase, Bitstamp, OAX, FTX, kraken, crypto.com, LBank, BitMEX, Huobi, HitBTC, Blockchain.com, GEMINI, BITTREX

**DeFi Protocols:** Sushi, Algorand FOUNDATION, AAVE, dYdX, linch NETWORK

**Pure Custodians:** ANCHORAGE DIGITAL, coinbase, BitGo

# DIGITAL ASSET INTEGRATION (POST TRADE)

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## Transaction File

- ▶ On-Chain Transactions
  - ▶ Activities that are recorded directly on the blockchain including wallet transfers to self custody with payment and receipt done outside a centralized exchange. Includes coins earned from mining.
- ▶ On-Exchange Transactions
  - ▶ Buy/sell/convert/swap at specific trade prices/ratios. Transfers in/out. Yield from staking through a counterparty.
- ▶ Custody Transactions
  - ▶ Transfers in/out. Staking, lending, borrowing. Yield & interest from staking / borrowing.
- ▶ Secure – end to end encryption and segregated data set for each FIS client





# DIGITAL ASSET INTEGRATION (POST TRADE)

## Security File

- ▶ Securities created in ECM for the top 200 sourced coins
- ▶ Daily file
- ▶ Based on availability of prices from centralized exchange





# DIGITAL ASSET INTEGRATION (POST TRADE)

## Position File

- ▶ Normalized into common format and fields across CEX/DEX, custodial and on chain sources to be sent in a daily single file
- ▶ On-Chain, On-Exchange and Custody Positions included
- ▶ Secure – end to end encryption and segregated data set for each FIS client



# DIGITAL ASSETS TRANSACTION SCOPE

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## ..... “COIN EVENTS” ..... .....

Hard/Soft Forks

Determined by when and how fork is recognized

Airdrop

Captured through standard transaction capture from centralized exchange or custodian

Events impacting all coins on a specific blockchain

# DIGITAL ASSETS TRANSACTION SCOPE

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## “ON-CHAIN” TRANSACTIONS

Activities that are recorded directly on the blockchain

Wallet transfers to self custody

Pay/receive done outside a centralized exchange

Coins earned from mining

Captured through Ledger Explorer

Send to FIS as pay/receive with zero trade price

# DIGITAL ASSETS TRANSACTION SCOPE

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## ☰ “ON EXCHANGE” TRANSACTIONS

Buy/sell at specific trade prices

Transfers in/out

Yield from lending or staking through a counterparty

Dependent on APIs provided by Exchange, Protocol or Custodian

# ECM UPDATES

# HOW IS ECM PREPARING FOR DIGITAL ASSETS?

## Phase I:

- Create Source and meta data for the Crypto feeds
- Update database tables to allow for decimal precision
- Update UI to accommodate the decimal precision
- Update certain rules
  - Added Security Type
  - Update logic for numeric precision
- Update csv reports

## Phase II:

- Additional source
- Firm Data





**QUESTIONS FROM TODAY AND & DETAILS ON OUR  
NEXT EVENT TO KEEP THE MOMENTUM GOING!**

## **IN PERSON PEER-TO-PEER ROUNDTABLE**

**November 2 – 3, 2022**

**Henderson , NV**

Who Will Be There?

- FIS Teams
  - Executive Leadership
  - Product Managers
  - Relationship Managers
  - Customer Experience (CX/Support)
- Your Peers

# APPENDIX



# APPENDIX A – ADDITIONAL INFORMATION

## ***Digital Asset Definition:***

- ❖ SEC Staff Framework for “Investment Contract” Analysis of Digital Assets (Apr. 3, 2019)
- ❖ SEC Staff/FINRA Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities (July 8, 2019)

***Gensler Speech:*** <https://www.sec.gov/news/speech/gensler-sec-speaks-090822>

***White House Publishes First Framework for Crypto Regulation:*** <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/16/fact-sheet-white-house-releases-first-ever-comprehensive-framework-for-responsible-development-of-digital-assets/>

