

PRIMER

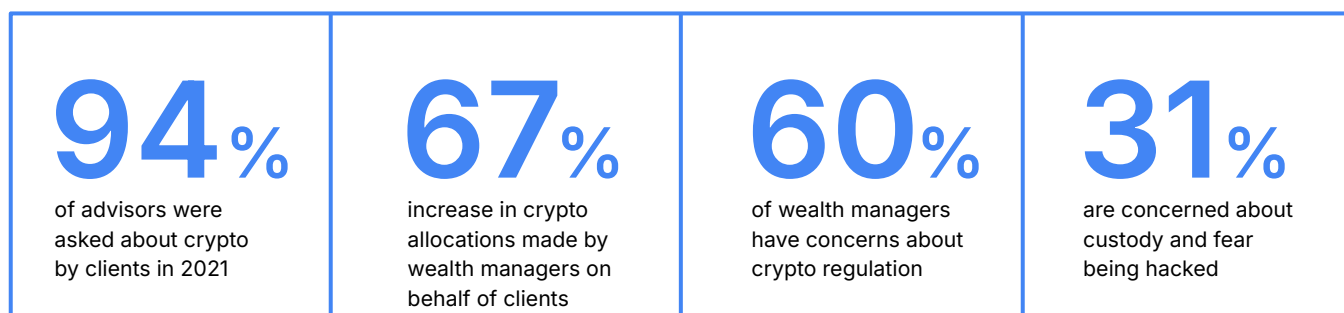
# What Wealth Managers Need in a Crypto Partner

# What Wealth Managers Need in a Crypto Partner

## Digital assets present new opportunities for wealth managers

As wealth managers enter the crypto ecosystem, they must navigate a range of topics including security and accessibility challenges. wealth managers require a partner that can provide fully integrated products, secure custody, and transparent regulatory compliance.

### Wealth managers in crypto\*



\*Bitwise

### Secure management of digital assets

Wealth managers require a sophisticated, regulatory compliant crypto partner, including:



**Secure custody:** Custody must be insured, auditable, and accountable for all client assets while not compromising security. Custody provided by a federally regulated qualified custodian provides high compliance standards.



**Trading capabilities:** A crypto partner must provide wealth managers with multiple liquidity sources using a diverse array of exchanges and OTC desks for most favorable pricing, and allow wealth managers to manage trades manually as well as programmatically.



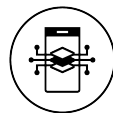
**Reconciliation & reporting:** Under SEC Rule 204-2 of the Investment Advisers Act, a wealth manager must keep true, accurate, and current records pertaining to digital asset transactions on behalf of their clients.

## Critical product capabilities for wealth managers



### Fast, automatic settlements

Whether settling in fiat or digital assets, a reliable process must be in place that reduces counterparty risk



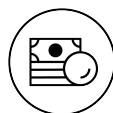
### Asset support

A platform supporting a wide range of assets for broad portfolio exposure



### Trading flexibility

Wealth managers must be able to tailor their approach to trading via a dashboard, API, or by working with experts for sophisticated transactions



### Access to liquidity

Wealth managers must have the ability to access liquidity at multiple trading venues while maintaining assets in secure custody

## Why having a qualified custodian matters

### Why is a federally chartered trust bank the right crypto partner for wealth managers?

A federally chartered bank serves as an unambiguous qualified custodian, and is held to high standards for compliance and risk management to ensure safety and soundness. Here are five reasons why a federally chartered bank best supports wealth managers:

1. Federally chartered trust banks serve as unambiguous qualified custodians, unlike state trusts which are subject to varied state-by-state standards.
2. Client assets are not commingled with company assets, ensuring that assets are never at risk of being considered part of the debtor estate in the event of bankruptcy proceedings.
3. Banks are subject to risk-based capital adequacy assessments to ensure that the bank maintains financial resilience and can be self-supporting through the sanctity of its charter.
4. Information security and resiliency in accordance to U.S. federal requirements and standards mitigates cybersecurity risk by keeping data secure.
5. The Bank Secrecy Act (BSA) requires compliance with anti-money laundering (AML) and know-your-customer (KYC) rules, including a risk-based customer identification program (CIP) and internal controls based on FinCEN regulations.

## Trusted security infrastructure

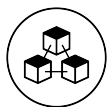
Wealth managers require crypto security that is designed to adapt, interface, and evolve with clients:



Hardware security module (HSM) private key security



Authentication using biometrics and behavioral analytics



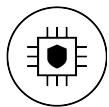
Assets segregated on-chain through permissioned vaults



Strict and strong security controls

## Digital asset expertise

Wealth managers need an institution-focused partner that offers:



### Military-grade encryption

Private keys are encrypted and held on hardware security modules (HSMs), strengthened with custom logic



### Institutional-grade security

Air-gapped, HSM-based key storage eliminates points of human error and all clients have separate keys



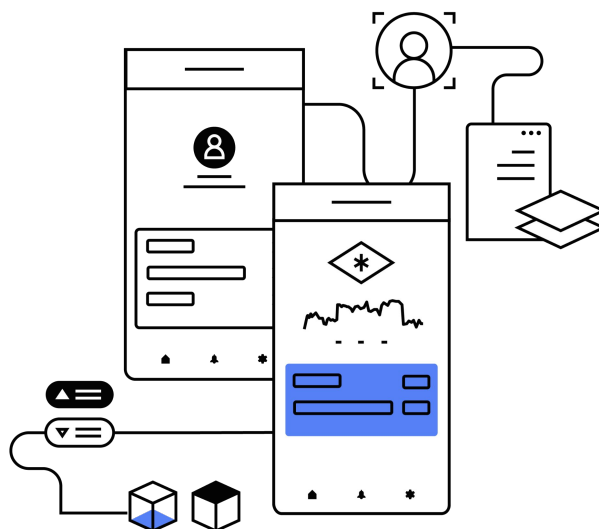
### Client authentication

Advanced identification measures ensure access is not granted to unauthorized users or bad actors



### Highest risk detection

Transaction endorsements are protected by behavioral anomaly detection, based on a collection of meaningful risk indicators



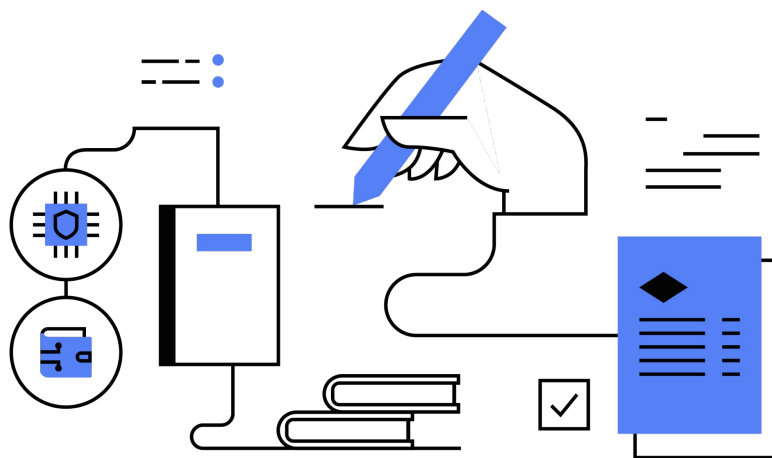
## Evaluating a crypto partner

When evaluating a crypto partner, ensure that they:

- ☐ Serve as an unequivocal qualified custodian for digital assets
- ☐ Are nationally regulated and held to the highest standards of digital asset custody, like a U.S. federally chartered bank
- ☐ Hold a banking charter from the U.S. Office of the Comptroller of the Currency (OCC)
- ☐ Meet Bank Secrecy Act (BSA) requirements
- ☐ Offer custody with separate accounts so assets are not commingled with company assets
- ☐ Keep client assets bankruptcy remote so they would not be part of a debtor estate in bankruptcy proceedings
- ☐ Generate private keys securely in hardware
- ☐ Eliminate single points of failure across multiple threat vectors to avoid security vulnerabilities
- ☐ Create unique deposit addresses to manage incoming digital asset deposits from client
- ☐ Provide secure authentication of users to ensure integrity of deposits and withdrawals
- ☐ Offer a quorum approval process that maintains security over the account, so that a single person may not unilaterally withdraw assets
- ☐ Only allow transactions to be signed with the client's consent
- ☐ Allow a wealth manager to create multiple vaults with different permissions to manage deposit and withdrawal activities
- ☐ Help wealth managers meet their obligations under federal law and custody their assets in a compliant manner
- ☐ Provide compliant reporting and reconciliation in order to mitigate cybersecurity risk and keep data secure
- ☐ Offer regular and independent auditing to ensure reliable accounting practices, so that all movement of assets into or out of custody is accounted for
- ☐ Maintain insurance coverage for crime, cyber / tech errors and omissions, general liability, automobile liability, and workers' compensation and employer's liability

## (cont.) Evaluating a crypto partner

- ☐ Provide trade execution to effectively and efficiently fill sensitive or large trades
- ☐ Offer a suite of APIs that enables the RIA to interact programmatically and build a bespoke customer experience
- ☐ Allow clients to stake proof-of-stake assets directly from secure custody
- ☐ Enable clients to participate in on-chain protocol governance while keeping their assets offline
- ☐ Allow an RIA to create a bespoke withdrawal policy that will keep clients' assets safe at all times
- ☐ Allow an RIA to create checks and balances on all withdrawal activities



## About Anchorage Digital

Anchorage Digital is a global crypto platform that enables institutions to participate in digital assets through custody, staking, trading, governance, settlement, and the industry's leading security infrastructure. Home to Anchorage Digital Bank N.A., the first federally chartered crypto bank in the U.S., Anchorage Digital also serves institutions through Anchorage Digital Singapore, which is licensed by the Monetary Authority of Singapore; Anchorage Digital New York, which holds a BitLicense from the New York Department of Financial Services; and self-custody wallet Porto by Anchorage Digital. The company is funded by leading institutions including Andreessen Horowitz, GIC, Goldman Sachs, KKR, and Visa, with its Series D valuation over \$3 billion. Founded in 2017 in San Francisco, California, Anchorage Digital has offices in New York, New York; Porto, Portugal; Singapore; and Sioux Falls, South Dakota. Learn more at [anchorage.com](https://anchorage.com), on Twitter [@Anchorage](https://twitter.com/Anchorage) and on [LinkedIn](https://www.linkedin.com/company/anchorage-digital).

Custody, settlement, staking, and governance services are offered through Anchorage Digital Bank National Association ("Anchorage Digital Bank"). Digital asset trading services are provided by Anchorage Hold LLC ("Anchorage Hold"). Agency trading services are offered in New York by Anchorage Digital NY, LLC. BitLicense #0000041. A1 Ltd. is a principal trading business. Anchorage Services, LLC ("Anchorage Services") is an NFA-registered introducing broker, NFA ID No. 0532710. Anchorage Digital Bank, Anchorage Hold, and Anchorage Services are not registered with the SEC or any state authority as a broker or dealer and are not authorized to engage in the business of the offer, sale, or trading of securities. Anchorage Digital services are offered to institutions and certain high net worth individuals in limited circumstances, and are not marketed to residents outside of the US. Certain trading services are designed and available only for institutions who meet eligibility requirements, including qualification as an Eligible Contract Participant (ECP) under the rules of the U.S. Commodity Futures Trading Commission. For institutions participating in custody, staking, or governance with Anchorage's Singapore entity, those services are offered through Anchorage Digital Singapore Pte Ltd ("Anchorage Digital Singapore"). Anchorage Digital does not provide legal, tax, or investment advice or private banking services. Holdings of cryptocurrencies and other digital assets are speculative and involve a substantial degree of risk, including the risk of complete loss. There can be no assurance that any cryptocurrency, token, coin, or other crypto asset will be viable, liquid, or solvent. No Anchorage Digital communication is intended to imply that any digital asset services are low-risk or risk-free. Digital assets held in custody are not guaranteed by Anchorage Digital and are not subject to the insurance protections of the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC).