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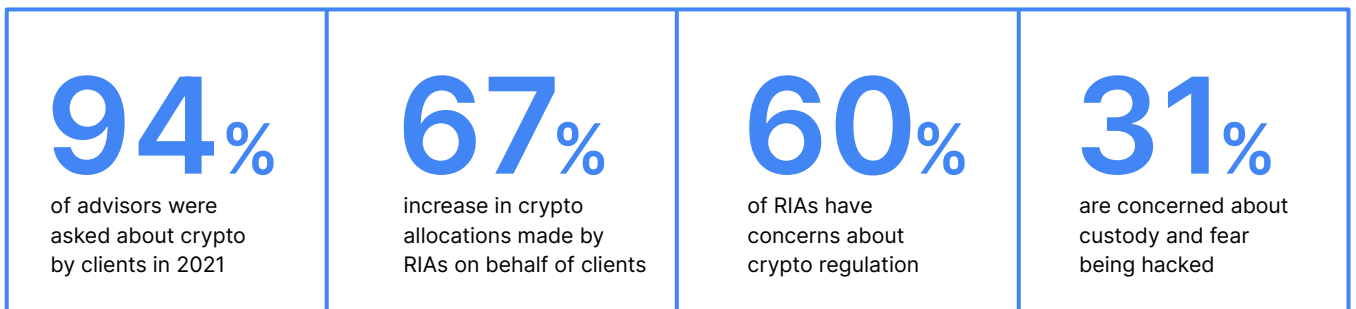
# What RIAs Need in a Crypto Partner

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## Digital assets present new opportunities for investment advisors

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

### RIAs in crypto\*



\*Bitwise

### Secure management of digital assets

RIAs 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 RIAs with multiple liquidity sources using a diverse array of exchanges and OTC desks for most favorable pricing, and allow RIAs to manage trades manually as well as programmatically.



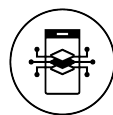
**Reconciliation & reporting:** Under SEC Rule 204-2 of the Investment Advisers Act, an RIA must keep true, accurate, and current records pertaining to digital asset transactions on behalf of their clients.

## Critical product capabilities for RIAs



### Fast, automatic settlements

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



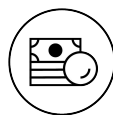
### Asset support

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



### Trading flexibility

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



### Access to liquidity

RIAs 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 RIAs?

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 RIAs:

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.

# What RIAs need in a crypto partner

## Trusted security infrastructure

RIAs 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



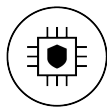
Assets segregated on-chain through permissioned vaults



Strict and strong security controls

## Digital asset expertise

RIAs 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



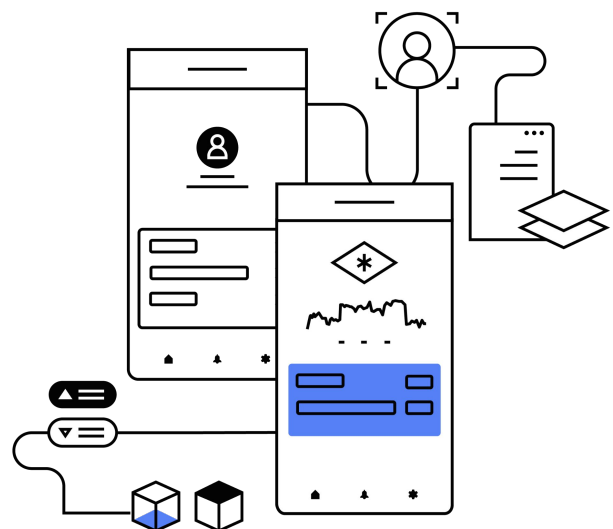
### Client authentication

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



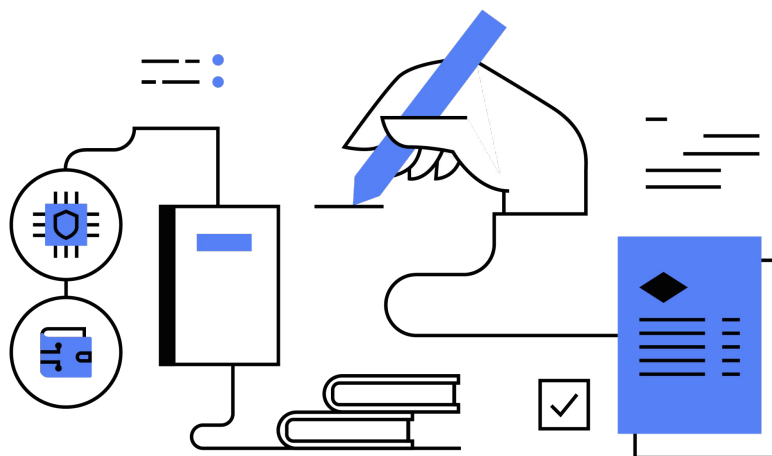
## Evaluating a crypto partner

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 an RIA to create multiple vaults with different permissions to manage deposit and withdrawal activities
- Help SEC-registered investment advisors 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 regulated crypto platform that provides institutions with integrated financial services and infrastructure solutions. With the only federally chartered crypto bank in the US, as well as Anchorage Digital Singapore, which offers equivalent security and service standards, Anchorage Digital provides institutions an unparalleled combination of secure custody, regulatory compliance, product breadth, and client service. Founded in 2017, Anchorage Digital is valued at over \$3 billion with funding from leading institutions including Andreessen Horowitz, GIC—Singapore’s sovereign wealth fund, Goldman Sachs, KKR, and Visa. Headquartered in San Francisco, California, Anchorage Digital is remote-friendly with 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).

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