

Building a digital assets strategy for a wholesale bank in the EU and UK

Key considerations to navigate the fast-moving landscape

Contents

Executive summary	3 – 4
Drivers of banks' interest in digital assets	5
Choosing a digital assets strategy	6
The emerging EU and UK digital assets regulatory landscape and key considerations for banks	7 – 10
Digital assets custody	11 – 12
Digital assets trade execution	13 – 14
Digital assets lending	15 – 16
Contacts	17



Executive Summary

This report

This paper follows our [Digital Assets 101 blog](#) and is intended to help wholesale banks operating in the UK and EU to develop a digital assets strategy in the context of an evolving regulatory landscape. We specifically explore the implications for a wholesale firm (including banks and custodians) serving institutional clients.

We set out illustrative use cases based on a bank offering three digital assets services: custody, trade execution, and lending.

For each service we:

- highlight existing EU and UK regulation and emerging regulatory proposals;
- highlight the significant operational and business challenges to developing and executing a digital assets strategy; and
- set out key implications and actions for a wholesale firm building its digital assets strategy.

Who is this report for?

This report is intended primarily to inform and support:

- Boards, senior management and heads of digital assets and innovation responsible for shaping a wholesale bank's digital assets strategy.
- Digital assets leads in risk, compliance, treasury and regulatory affairs teams.

1. <https://coinmarketcap.com/charts/>

2. <https://www.bis.org/publ/work1013.pdf>

3. <https://www.bankofengland.co.uk/financial-stability-in-focus/2022/march-2022>

Overview

The digital assets (cryptoassets) market has developed at pace in recent years. Between early 2020 and November 2021, the outstanding value of digital assets grew around tenfold, peaking at around \$2.9 trillion. The market capitalisation has since fallen back to around \$900 billion as of June 2022. This has coincided with a large fall in value of various digital assets and some stablecoins being unable to maintain their price peg.

Traditional regulated financial services firms – including banks – are exploring opportunities to develop their digital assets businesses alongside their existing financial services offerings. They are generally progressing cautiously. As at end-2020, the digital assets exposures of large internationally active banks were immaterial.²

The pace of growth of digital assets has captured the attention of EU and UK policymakers too. Over the next five years they will update the regulatory framework and their expectations of firms to ensure that market integrity, financial stability and consumer protection are maintained. As a first step, wholesale banks are determining what digital assets products and services to provide. Custody is a logical first move for many banks. As the Bank of England recently noted, some UK banks are seeking to offer custody in the near future.³ It is a core component underpinning a range of digital assets products and services, including trading and lending.

EU and UK banks building their digital assets strategy will need to navigate the emerging policy and regulatory landscape. Those firms developing their strategy now will likely move before the finalisation of comprehensive regulatory frameworks. Nevertheless, existing proposals give a strong indication on likely areas of regulatory focus. Banks should embed these into their digital assets risk and compliance approaches now to prepare for future regulation.

Internationally-active banks will need to consider the EU and UK digital assets regulatory landscape as part of their broader compliance strategy. Banks face a choice between developing policies and procedures locally, or a single set calibrated to the highest requirements. In the single set approach, in some instances adhering to higher standards may bring reputational benefits that outweigh extra compliance costs.

Key takeaways

As a first step, banks building their digital assets strategy should determine what products and services to provide. This should be based on a number of considerations, including how digital assets interact with their existing strategy and the type of role they would like to play in the ecosystem. Digital assets custody is already capturing some banks' attention. But as the EU and UK regulatory framework takes shape over the next five years, banks may also explore trade execution and lending.

CUSTODY

- Leverage expertise and trust, safeguarding traditional assets, but using systems and controls to safeguard digital assets on new infrastructure designed for blockchain. Banks can build the technology in-house or rely on a specialist third-party provider.
- Enhance cyber security, broader resilience and business continuity frameworks to ensure they are fit for digital assets custody.

TRADE EXECUTION

- Partner with a broad range of trading venues to obtain best results for clients since liquidity in the digital assets ecosystem is fragmented.
- Probe trading venues to ensure their processes are fit for institutional trading, e.g. probing their operating rules and financial crime controls.
- Since digital assets markets operate 24/7, ensure sufficient staff coverage to meet client trading demands outside of traditional market hours.

LENDING

- Enables banks to increase revenues through lending stored digital assets and own the crypto banking relationship, attracting new clients.
- Establishing a custody solution is a key pre-requisite to ensure the security of the collateral.
- Determine which types of digital assets to allow as collateral. Banks should do robust due diligence on a stablecoin's governance to ensure it can maintain a stable value. We expect heightened regulatory activity and scrutiny around stablecoins over the next two/three years.

Banks building their digital assets strategy now will likely move before the finalisation of comprehensive regulatory frameworks, meaning their risk and compliance strategies need to be dynamic as frameworks and expectations emerge over the next five years. We highlight three key regulatory considerations for banks' digital assets strategies:

Prepare for a stringent prudential framework

Based on 2021 BCBS proposals, banks should prepare for a stringent prudential treatment for their digital assets exposures.

Leverage focus areas in regulatory proposals

Banks can leverage focus areas in existing EU and UK regulatory proposals to inform their risk and compliance approaches, helping ensure they stand the test of time.

Consider a cross-border approach to compliance

International banks should consider their cross-border approach to compliance, e.g. deploying policies and procedures developed to higher standards locally group-wide.

Building a digital assets strategy for a wholesale bank

What's driving banks' interest in digital assets?

Many global wholesale banks are exploring whether and how to complement their traditional financial services offerings with digital assets products and services. This is being driven primarily by four key trends, outlined below.

Increasing institutional interest

Current holdings are small, but institutional interest in digital assets has increased in recent years. For example as of September 2021, Fidelity Institutional Investor Digital Assets Survey suggests 23% of European 'traditional' hedge funds held cryptoassets in their funds.¹ As the Bank of England acknowledges,² as barriers to institutional interest reduce or risk appetite increases, institutional investors may look to increase exposures further and embed digital assets into their portfolios. However they will weigh-up the risks of doing so carefully, considering May/June 2022 turbulence in stablecoins and broader digital assets markets.

Increasing regulatory clarity

EU and UK policymakers are developing their long-term crypto regulatory frameworks to ensure that market integrity, financial stability and consumer protection are maintained. The emergence of these frameworks gives firms more confidence to shape their digital assets strategies.

¹ <https://www.fidelitydigitalassets.com/research-and-insights/2021-institutional-investor-digital-assets-study>

² <https://www.bankofengland.co.uk/financial-stability-in-focus/2022/march-2022>

³ <https://www.bis.org/publ/work1013.pdf>

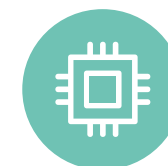
Our recent [blog](#) provides an introduction to digital assets and their underpinning technology, and the EU and UK regulatory approaches their markets and products.

Market pressure

A huge growth in customer demand, though recently tempered by market events, is driving banks to consider whether to offer digital assets products and services to their customers. For example, in recent years, institutional investors like hedge funds and other asset managers have become an increasingly important source of revenue for crypto exchanges.³ Banks are therefore considering the impact of digital assets' growth on traditional revenue sources and considering potential responses to respond to competition, weighing up both the opportunities and risks.

The emergence of institutional-grade service providers

An ecosystem of crypto native firms have emerged in recent years. Some of their offerings are well-placed to support institutional-grade digital asset offerings, for example there is significant growth in services such as AML and transaction monitoring to help traditional firms enter digital assets markets.



Building a digital assets strategy for a wholesale bank

What services are capturing banks' attention?

Across the banking value chain, new digital assets services and products are emerging. Below are some of the key digital assets services and products attracting their attention and important considerations to help banks shape their digital assets strategy.

CUSTODY	TRADE EXECUTION
The management of digital assets and private keys used to execute transactions.	Offering broker services for digital asset trading.
LENDING	TOKENISATION
Offering credit solutions to institutional clients.	Facilitating the tokenisation of traditional assets to improve liquidity and settlements.
PAYMENTS	ASSET MANAGEMENT
Developing/joining wholesale stablecoin arrangements to transform interbank payment processes.	Offering portfolios to cover both traditional and digital assets.

CHOOSING YOUR DIGITAL ASSETS STRATEGY

As a first step, banks pursuing a digital assets strategy should determine which products and services they would like to provide. A successful strategy will likely draw on the key considerations below:

INTERACTION WITH EXISTING STRATEGY

Consider how digital assets interact with their existing strategy. Banks should do a thorough and realistic assessment of their strengths and weaknesses to help inform what products and services to provide. For example, custodian banks with strong technological capabilities could start by offering custody services.

DETERMINE DESIRED ROLE IN THE ECOSYSTEM

Determine whether to focus on a small area of the digital assets market or want to offer a wider range of products and services. If the latter, determine a timeline and sequencing of products and services, considering the timing of regulatory frameworks.

UPGRADE TECHNICAL INFRASTRUCTURE

Consider how existing capabilities are aligned to the digital assets market. Digital assets offerings will require significant technology upgrades, but banks should consider leveraging support from crypto natives (e.g. sub-custodians).

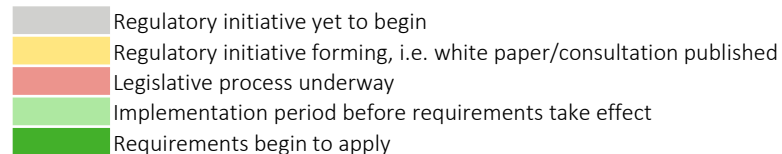
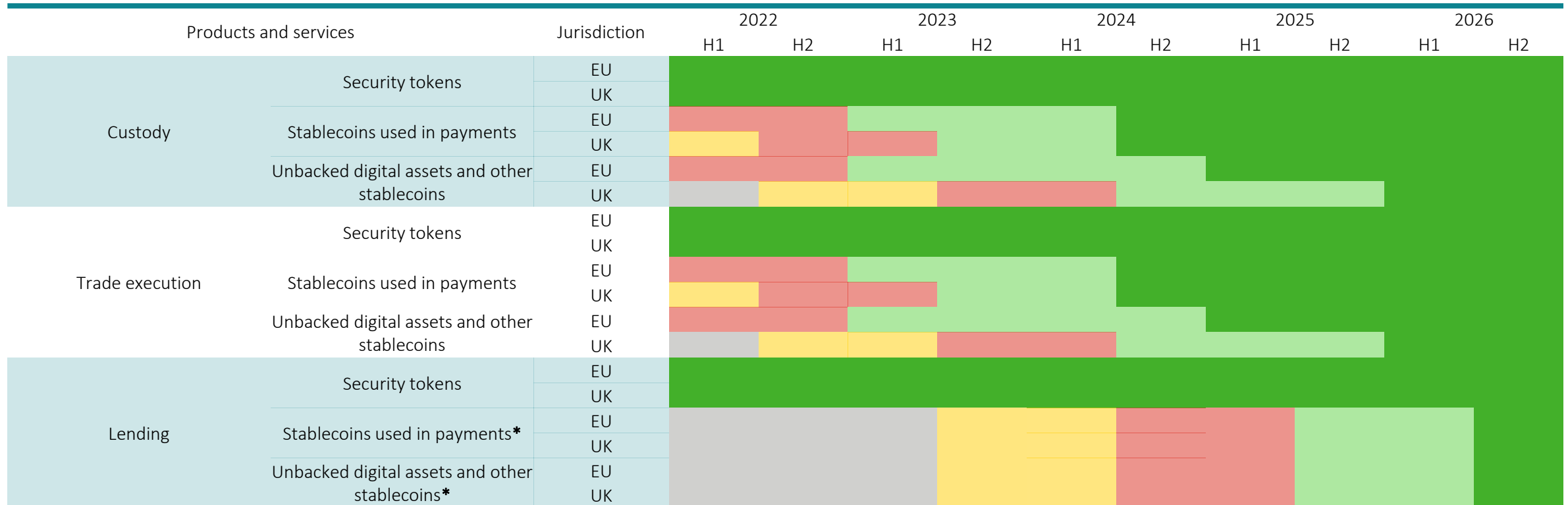
UNDERSTAND THE EMERGING REGULATORY LANDSCAPE

Track digital assets regulatory developments, both in jurisdictions in which the bank operates and ones it would like to enter, and consider implications for digital asset product and service offerings. Banks should discuss their digital assets plans with their supervisors and expect significant scrutiny. They should also consider the broader legislative and regulatory landscape (e.g. operational resilience) as part of digital assets risk and compliance approaches.

Building a digital assets strategy for a wholesale bank

The emerging EU and UK regulatory landscape

Policymakers around the world are considering how crypto markets interact with key regulatory objectives such as safety of consumers, integrity of markets, tackling financial crime, and financial stability. Over the next five years we expect EU and UK policymakers to continue to develop the future regulatory framework for digital assets. In our view, recent market developments will likely embolden and intensify policymakers' efforts, especially in stablecoin markets. This timeline provides an indicative view of when EU and UK banks can expect more regulatory clarity to help shape their digital assets products and services offerings. Banks with a global footprint should also consider emerging regulation in other jurisdictions.



Please note this timeline is illustrative and unless stated otherwise, based on public regulatory commitments as at June 2022.

* timings based on our best estimation as at June 2022.

For a detailed breakdown of expected regulatory developments and timings at international, EU and UK level, please see our [timeline tool](#).

Building a digital assets strategy for a wholesale bank

Common regulatory considerations

Looking across the emerging EU and UK regulatory landscape, there are three key general considerations for banks' digital assets strategies. These considerations are relevant across the full suite of banks' digital assets products and services.

PREPARE FOR A STRINGENT PRUDENTIAL FRAMEWORK

Banks should consider the full prudential framework to set aside enough capital, discussing proposals with supervisors.

In the near-term, UK banks should use the PRA's interim expectations to guide their calculations. In the absence of local expectations, these could guide EU banks too.

Banks should keep their prudential treatment under review as the long-term prudential framework emerges. By the PRA's own admission, this will "likely" differ from under the current framework. Based on 2021 BCBS proposals, banks considering holding unbacked digital assets on their balance sheet should prepare for a stringent prudential treatment.

CONSIDER AREAS OF REGULATORY FOCUS IN EMERGING PROPOSALS

Banks should leverage key themes and areas of regulatory scrutiny in emerging proposals to inform risk and compliance approaches.

Embedding regulatory requirements now will help ensure banks' risk management approaches can stand the test of time as new regulation emerges and reduce risk and control upgrades once finalised frameworks emerge. For example, EU banks should embed key focus areas in the MiCA proposal in their compliance strategy. These include developing a register for clients' positions and a custody policy.

CONSIDER A CROSS-BORDER APPROACH TO COMPLIANCE

When developing a cross-border approach to governance, risk management and compliance, a bank is often faced with the choice between developing separate policies and procedures, or a single set globally, or a mix of the two.

As part of their risk and compliance strategy, international banks could consider deploying policies and procedures developed to MiCA standards in their UK arm. This may be suited to a digital assets business line that a bank operates across its jurisdictions (e.g. a global custody offering). Banks with a US footprint could also apply approaches taken to their European digital assets business, e.g. custody. The reputational risk management benefits may outweigh compliance costs. This will serve as a baseline threshold for compliance which banks can tweak once other jurisdictions' regulatory approach to digital assets (e.g. UK) becomes clearer, rather than developing policies and procedures from scratch.

In focus: digital assets
custody, trade execution
and lending



Building a digital assets strategy for a wholesale bank

How will regulation affect a bank's custody, trade execution and lending plans?

Banks building a digital assets custody, trade execution and/or lending business will need to navigate the evolving EU and UK regulatory landscape. Some regulatory frameworks and expectations will already affect banks' plans, for example financial crime rules. The EU and UK regulatory approach to digital assets will take shape over the next five years and banks need keep digital assets risk and compliance approaches under review as frameworks emerge.

UK

Does current regulation affect these activities?

- There is currently no specific digital assets custody, trade execution or lending regulatory framework in place in the UK. Banks wanting to offer these services will need to discuss proposals with their supervisors.
- But banks wanting to offer these services will need to consider the PRA's risk management and prudential framework expectations, published in its March 2022 Dear CEO Letter.
- They may also need to register with the FCA under the UK's money laundering framework and consider its expectations on regulated firms' obligations when interacting with/exposed to digital assets, published in March 2022.
- Banks may need to reflect some other rules into their digital assets plans, e.g. operational resilience and outsourcing and third-party risk management frameworks, and if servicing a security token, MiFID II and the Client Assets Sourcebook (CASS).

Will regulatory proposals affect this activity?

- Based on April 2022 UK Government proposals:
 - Stablecoins used as means of payment will come within the regulatory perimeter.
 - Later in 2022 the Government will consult on the UK's regulatory approach to a wider set of digital assets activities. This could include a wider range of digital assets (e.g. unbacked ones) but details are to be confirmed. It remains to be seen if it will address custody, trade execution and lending specifically.
- The UK's financial market infrastructure (FMI) sandbox will be up and running in 2023, helping firms test technologies including DLT to provide infrastructure underpinning markets (e.g. trading).

EU

- At EU-level, there is currently no digital assets custody, trade execution or lending regulatory framework in place. Banks wanting to offer these services will need to discuss proposals with their national competent authority.
- Banks may need to register with their national competent authority under the Fifth Anti-money Laundering Directive.
- Their plans may need to reflect some other rules, e.g. the upcoming Digital Operational Resilience Act, and if servicing a security token, MiFID II.

- The EU's MiCA will create a framework for servicing digital assets, including custody and firms that execute orders on behalf of third parties. However lending is not covered in the initial proposal.
- MiCA will include rules specific to these services as well as general requirements for all digital assets service providers. The initial proposal focussed on areas including prudential safeguards, outsourcing, complaint handling and governance.
- CRD-authorized banks won't need another authorisation to provide digital assets services under the MiCA, based on initial proposals.
- The EU's DLT Pilot is expected to go-live in 2023, helping firms develop DLT-based market infrastructure for key capital markets processes (e.g. trading, settlement).

Building a digital assets strategy for a wholesale bank

Custody services



CUSTODY

Digital assets custody is the management of digital assets and private keys used to execute transactions – it is a core component of the digital assets economy. Growing numbers of institutional clients are seeking ways to provide custody and use digital assets. Traditional banks can leverage and build on experience safeguarding traditional assets (e.g. stocks, bonds etc.). However, the infrastructure and processes required to offer custody for digital assets differ significantly from traditional bank custody models and pose new risks.

Case study: Bank A's in-house digital assets custody offering

Bank A decides to manage custody in-house within their organisation, using Cloud-hosted software. The Bank installs a specialist third-party's custody software for cold key storage on the Bank's private Cloud.



Bank A hires a crypto native to build a custody solution in-house. Management of custody, hardware and software is the responsibility of Bank A once set up.

The in-house custody product is installed to manage storage of assets and maintain or update hardware, software and governance.

Bank A's clients can deposit and transfer digital assets. Bank A provides performance and regulatory reporting, and transaction support.

An in-house custody model can be expensive and takes the longest to implement. This is because banks need to build the infrastructure themselves or white-label a third-party product and integrate it with existing systems.

However, in the long-term, building an in-house solution can act as a base on which banks can launch a range of digital assets products and services. These include lending assets held in custody to generate returns.

Case study: Bank A's third-party custody offering

Bank A outsources its custody infrastructure to a specialist sub-custodian. The sub-custodian provides access to shared, secure infrastructure. Banks can focus on integrating their existing technology stack with the sub-custodian's systems, helping to launch their digital assets offering quicker.



Bank A opens an account and transfers digital assets into a third-party custodian's vault.

The sub-custodian secures Bank A's clients' digital assets using private keys under their control.

Bank A can manage its digital assets and governance through a dashboard and permissioned access.

The sub-custodian has a direct relationship with the bank. The bank has a direct relationship with the end clients and is responsible for segregating its clients' assets on their books.

Banks should ensure that, where necessary, sub-custody arrangements meet the requirements and expectations of EU and UK outsourcing and third-party risk management frameworks. Robust vendor due diligence and oversight is key. Banks will also need to ensure they can step in (legally and operationally) to gain control of clients' digital assets in case of sub-custodian failures.



Building a digital assets strategy for a wholesale bank

What does the EU/UK approach to custody regulation mean for a bank's digital assets strategy?

Digital assets bring unique technical and operational challenges which banks need to manage.

One key challenge is updating systems and controls to safeguard digital assets – these need to be built on new infrastructure designed for blockchain. This requires the enhancement of existing cyber security, operational resilience and business continuity frameworks.

Banks moving now will need to comply with certain regulatory requirements and expectations. For example, they will need to register with their relevant national competent authority under EU/UK money laundering frameworks. In certain Member States banks will need to consider digital assets custody frameworks and guidance. For example in Germany, digital assets custody requires a licence under the German Banking Act (KWG).

Key considerations for banks

DECIDE HOW TO BUILD TECHNICAL INFRASTRUCTURE

Update back-office systems to provide custody of digital assets based on blockchain. There are two options to build this infrastructure, although the in-house option will likely only be feasible for banks with bigger technology budgets:

1. **build in-house**; exploring leveraging a specialist technology provider (as set out in the case study), avoiding the need to build new systems from the ground up on their own; or
2. engage a **sub-custodian**, also avoiding the need to build new systems from scratch.

ENHANCE RESILIENCE FRAMEWORKS

Across each option above, enhance existing cyber security frameworks, broader operational resilience and business continuity frameworks. They should be reviewed, stress tested and updated on a regular basis. In the sub-custodian model, banks should consider their ability to gain control of digital assets in the event of sub-custodian failures and liability to clients.

ENHANCE CUSTODY CONTROLS

For example, including:

- **Financial crime**: establish an AML/CFT program, including sanctions compliance. Banks will need to understand their digital asset client base, including their source of funds and monitor their transactions. Banks can leverage third-party blockchain monitoring solutions to monitor transactions.
- **Private key management**: monitor emerging cryptographic techniques and embed them into their custody solution to protect clients' digital assets.

USE SOC REPORTS AND ISO CERTIFICATIONS

These can differentiate a bank's digital assets custody business, signalling that it has strong controls aligned with industry best practices, helping to attract institutional investors that expect high levels of assurance.

RISK ASSESSMENT OF NEW DIGITAL ASSETS

Decide which digital assets to custody, assessing the unique risks each type brings. This will help banks determine whether to offer custody only for certain types of digital assets and how to structure their custody and risk management solutions. Banks should map out what regulation could apply and update this regularly (e.g. custody of security tokens will be captured by traditional securities frameworks).

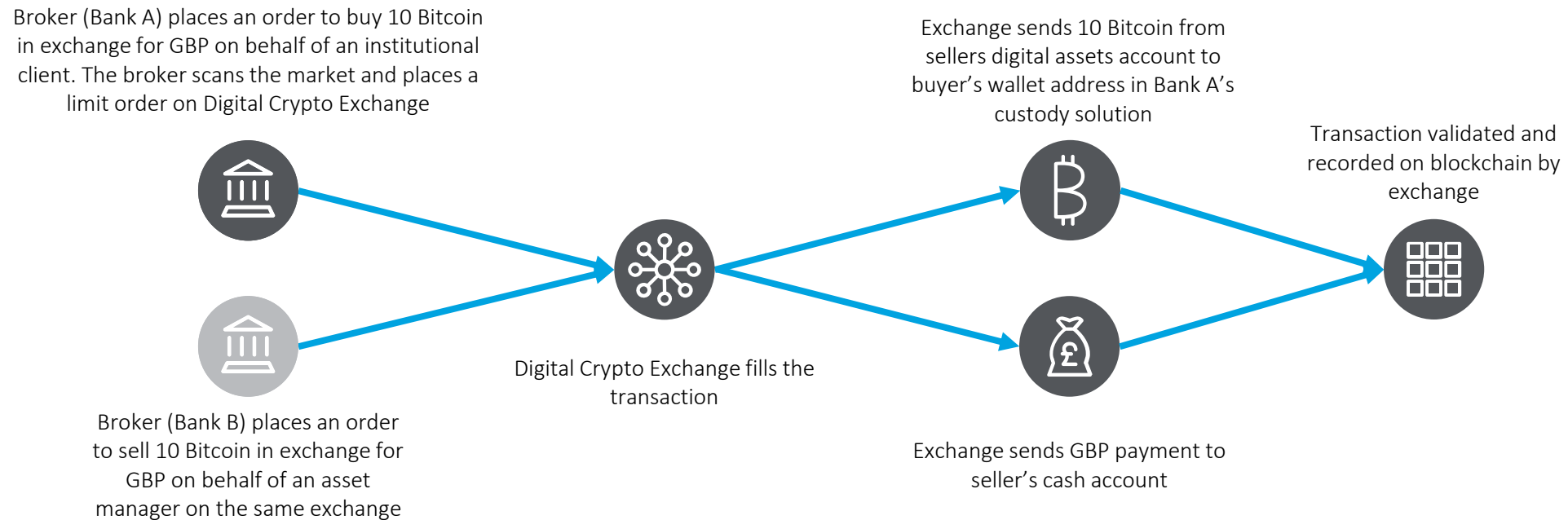
Building a digital assets strategy for a wholesale bank

Digital assets trade execution

Banks could offer brokerage services for trading of digital assets. To ensure trading is fair and efficient, they will need to put infrastructure and processes in place to ensure transparent pricing, liquid markets, open access and pre- and post-trade transparency. We expect banks' interest in digital assets trade execution to increase once long-term EU and UK regulatory frameworks become clearer. The ECB suggested that EU banks are interested in offering trading services once the EU MiCA framework enters into force and there is increased regulatory clarity.¹

Case study: Bank A offers digital assets trade execution services

Bank A offers Bitcoin and Ether spot trade execution services on an agency basis. Institutional clients deposit their digital assets in Bank A's digital assets custody solution. Bank A partners with a number of institutional-grade trading platforms. When a client wants to buy or sell Bitcoin, Bank A's broker seeks the best deal with partner platforms.



1. https://www.ecb.europa.eu/pub/financialstability/fsr/special/html/ecb.fsrart202205_02~1cc6b111b4.en.html

Building a digital assets strategy for a wholesale bank

What does the EU/UK approach to trade execution regulation mean for a bank's digital assets strategy?

Banks can leverage experience trading in traditional financial instruments. But – as with custody – digital assets trade execution brings unique risks to manage.

For example, ensuring best execution for clients in digital assets markets can be challenging since liquidity is fragmented across more than 500 exchanges.¹ To find the best trade conditions for clients, banks should partner with a range of exchanges and leverage tech-enabled solutions to find optimum pricing.

But banks should do thorough due diligence on partner exchanges to ensure they are fit for institutional trading. Key areas of focus include the exchange's operating rules and resilience.

Key considerations for banks

MAP OUT EXISTING REGULATION THAT APPLIES	For example, if arranging deals in security tokens, banks will need to consider securities frameworks (e.g. MiFID II). Applying these traditional frameworks to digital assets may be difficult. For example, UK banks will need to put in place infrastructure required to meet reconciliation requirements under CASS 6, meaning that they will need to integrate DLT and traditional systems.
PARTNER WITH A RANGE OF EXCHANGES	This will help ensure best execution for clients, since liquidity in digital assets markets can be limited and fragmented. Key criteria banks should consider include the scope of digital assets products offered by an exchange and its fees.
BUILD SMART ORDER ROUTING	Connect to partner exchanges to improve liquidity and discover best prices for clients. Banks should ensure they have robust governance and risk management over AI models that underpin smart order routers.
DUE DILIGENCE ON PARTNER EXCHANGES	To ensure they are institutional-grade. They should probe the platform's operating rules, e.g. to understand their processes to ensure fair and orderly trading (e.g. pricing mechanisms, grounds for suspending listings), and financial crime rules to ensure the platform has robust controls. They should also ensure they are comfortable with the platform's operational resilience, including under market stress.
EXECUTION POLICY TO ENSURE GOOD OUTCOMES FOR CLIENTS	Establish an execution policy to allow banks to obtain best possible results for clients. This should include a focus on price, costs and speed. They will need to make clear their execution policy outside of traditional market hours, since crypto markets operate 24/7.
ENSURE SUFFICIENT STAFF COVERAGE	If serving clients outside of traditional market hours, banks will need to ensure sufficient coverage across front-office, compliance and other key functions (e.g. IT support) to manage digital asset trade lifecycles.

1. <https://coinmarketcap.com/>

Building a digital assets strategy for a wholesale bank

Lending

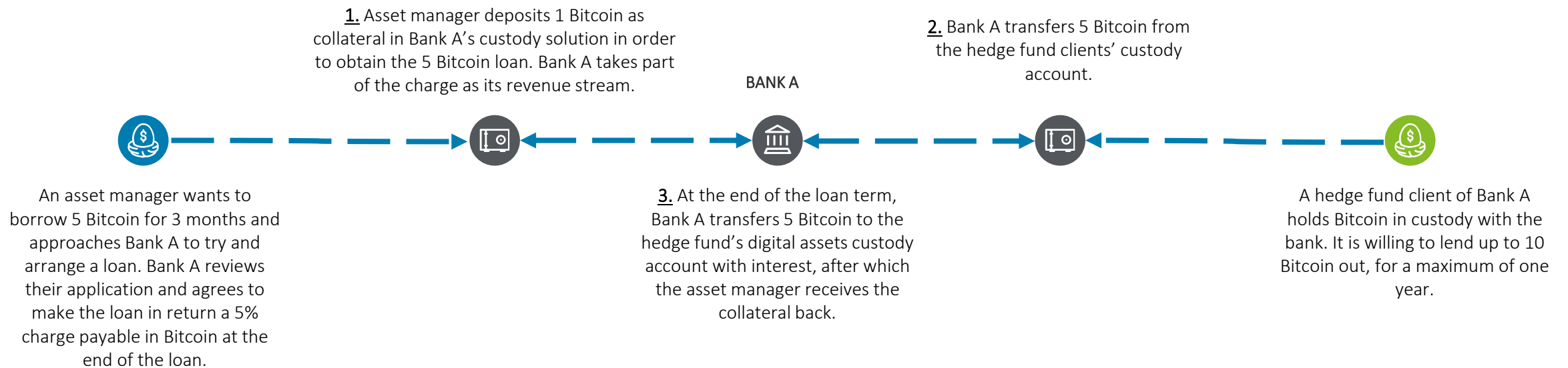
Banks could also offer financing solutions to institutional clients, e.g:

- provide fiat currency loans to clients against the digital assets they hold in custody; and
- help clients generate returns on the digital assets they hold in custody by connecting them with borrowers.

Banks will weigh-up the risks of offering lending services carefully, especially in light of recent market developments. We expect them to consider lending at later stages of their digital assets strategy once there is more clarity on the shape and timing of any EU/UK tailored digital assets lending framework.

Case study: Bank A's digital assets lending offering

Bank A offers its digital assets custody clients the opportunity to lend out the Bitcoin they hold in custody. It lends Bitcoin out to another institutional client, to support its leveraged trading strategy.





Building a digital assets strategy for a wholesale bank

What does the EU/UK approach to lending regulation mean for a bank's digital assets strategy?

Digital assets lending could be attractive to institutional investors who want to generate yield on their digital assets held in custody.

Banks building a lending business now will move before comprehensive regulatory frameworks are finalised. As of June 2022, EU/UK proposals do not address these areas specifically.

Defining an approach to collateral risk management is a key first step for banks building a lending business, especially because of the volatility of some digital assets. Even if accepting stablecoins as collateral, banks will need to ensure they are confident in the arrangement's ability to maintain a stable value.

Key considerations for banks

CONSIDER TRADITIONAL LENDING AREAS OF FOCUS IN DIGITAL ASSETS CONTEXT

Whatever the final shape of long-term digital assets regulatory frameworks, traditional areas of supervisory focus will remain and will need thinking through in context of the unique risks that digital assets pose. These include counterparty credit and underwriting risks, financial crime controls, safety and soundness concerns, collateral volatility and the creditworthiness of the borrower.

DEVELOP AN APPROACH TO COLLATERAL MANAGEMENT

Banks need to respond to the new/enhanced risks posed by holding digital assets as collateral. Key considerations include:

- determine which digital assets to allow as collateral;
- ensure the bank has a legally enforceable charge over digital assets held and impose restrictions on the borrower's ability to use the collateral during the term of the loan;
- build systems to monitor the value of the collateral and if it falls below a certain threshold, request additional collateral from the borrower;
- conduct robust due diligence on stablecoins accepted as collateral, in particular on its stabilisation mechanism and governance to ensure confidence in the arrangement's ability to maintain a stable value;
- leverage custody solution to ensure security of the collateral during the loan to prevent theft, protecting private keys; and
- develop processes and systems to return the collateral and private keys securely at the end of the loan term and ensure any interest/receivables are recorded and distributed.

Contacts



Suchitra Nair

Partner

EMEA Centre for Regulatory Strategy

snair@deloitte.co.uk



Ed Moorby

Partner

Risk Advisory

emoorby@deloitte.co.uk



Ben Thornhill

Senior Consultant

EMEA Centre for Regulatory Strategy

benjaminthornhill@deloitte.co.uk



Mustafa Kanchwala

Senior Manager

Risk Advisory

mkanchwala@deloitte.co.uk

Key contributors

With special thanks to the following for their contribution:

Amir Kia

Director

Risk Advisory

akia@deloitte.co.uk



CENTRE *for*
**REGULATORY
STRATEGY**
EMEA

The Deloitte EMEA Centre for Regulatory Strategy (ECRS) leads Deloitte’s thought leadership in relation to regulatory change, which continues to pose a complex set of challenges for the financial services industry.

What we do

- Offer a strategic view on the potential outcomes of regulatory change.
- Bring together Deloitte experts from a range of different disciplines to develop a distinctive point of view the strategic impact of regulation.
- Provide insights and challenging perspectives to the market and our clients.
- Maintain regular dialogue with regulators, industry experts and clients

The evolving regulatory landscape – our response

- Thought leadership.
- Horizon scanning.
- Global collaboration.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.