

Promontory offering overview

A rapidly changing digital assets landscape requires deft navigation

Advancements in technology, consumer preference, and institutional risk appetite are forcing a convergence of the traditional banking world and digital assets world. This dynamic gives rise to strategic and operational challenges that firms must navigate as regulators become increasingly active.

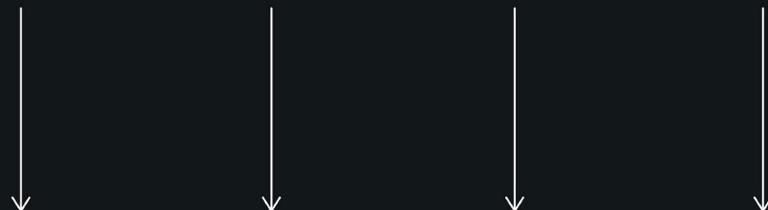
Financial Regulators are publishing guidance for banks engaging in digital assets activities and providing paths to banking charters to non-bank entities

Financial Institutions are increasingly exploring opportunities to engage in cryptocurrency custody, stablecoin issuance, and tokenization

Digital Assets Firms are expanding their capabilities and infrastructure to bring typically fiat-based services into the digital assets marketplace

Industry Working Groups and Service Providers are introducing new standards and technologies that enable more effective compliance

Financial Regulators
Financial Institutions
Digital Assets Firms
Industry Groups and Service Providers



While regulatory attention towards digital assets has increased, this involvement has not come with increased specificity of guidance.

To that end, both banks and digital assets firms must hold themselves to traditional “safety and soundness” standards related to their risk management and compliance programs.

Key risk and compliance framework considerations for digital assets

Regulatory uncertainty: US regulatory authorities have developed a patchwork of guidance for digital assets and blockchain innovation. The new digital asset class crosses regulatory boundaries between banking and securities activities and across state and federal oversight.

Risk Management and Governance: Governance structures will need to be refined to account for digital assets and blockchain specific risks. Risks vary considerably based on the underlying technology of the blockchain and blockchain support (governance, mining, etc.).

Risk Appetite: Enhance risk appetite statements and limits where necessary and implement risk policies, processes and frameworks to govern and manage financial and non-financial risk.

Record-keeping and Reporting

The pseudonymous or anonymous nature of digital assets requires extensive “off-chain” record-keeping architecture to meet federal requirements, including customer identification and verification documentation, customer records, complaints resolution, and other record-keeping and reporting considerations beyond the travel rule.

Information Security and Operational Resilience

The threat vectors and methods for safekeeping of digital assets present unique information security and cybersecurity challenges around key management to prevent the loss (or misuse) of private keys. These new digital assets-related considerations need to be incorporated into banks operational resiliency plans.

Internal Controls

Digital asset activities establish the need for dual controls, segregation of duties and accounting controls within the institution. Controls must be tailored to the risks presented by digital asset custody, with specialized auditing in place as warranted.



Liquidity Risk and Capital Planning

Digital assets can be highly volatile with low trading volume, and banks with digital assets exposure will have to account for this in their liquidity requirements. Additionally, bank custodians may be challenged to maintain sufficient liquidity to ensure timely settlement of trades between different exchanges and digital assets.

BSA/AML and Sanctions

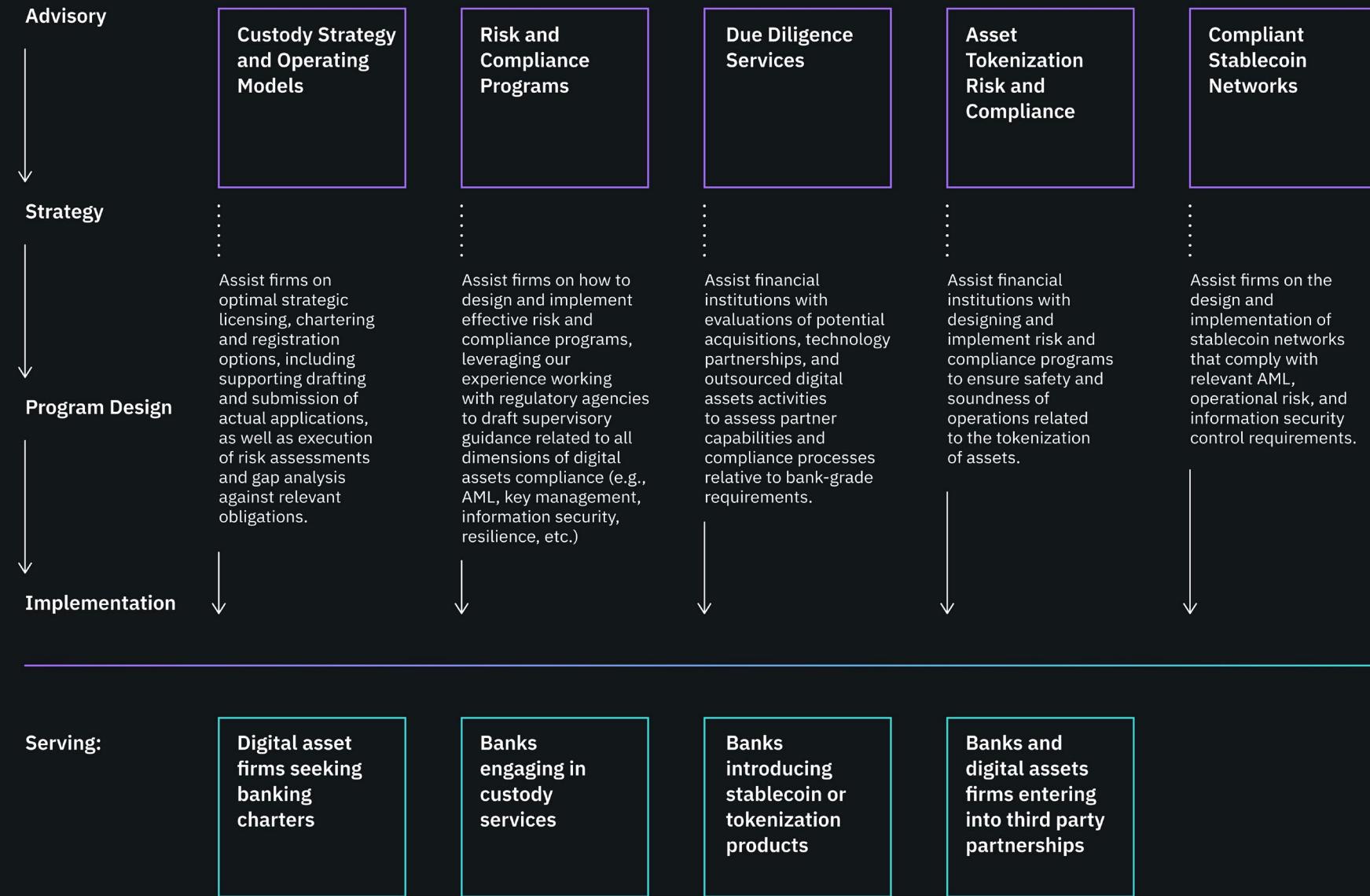
BSA/AML challenges include verifying the origin and destination of digital assets held in custody, compliance with funds-transfer record-keeping requirements, and monitoring for unusual activity. Supervisors have made it clear that the onus is on banks to meet requirements that may not be ‘native’ to blockchain-based transaction activity.

Fiduciary Risk

Banks managing cryptocurrency as fiduciaries should ensure they “keep abreast of best practices to ensure they continue to meet those heightened standards.” For example, a bank must demonstrate its approach for determining a market-clearing price for a digital asset to evidence best execution and valuation.

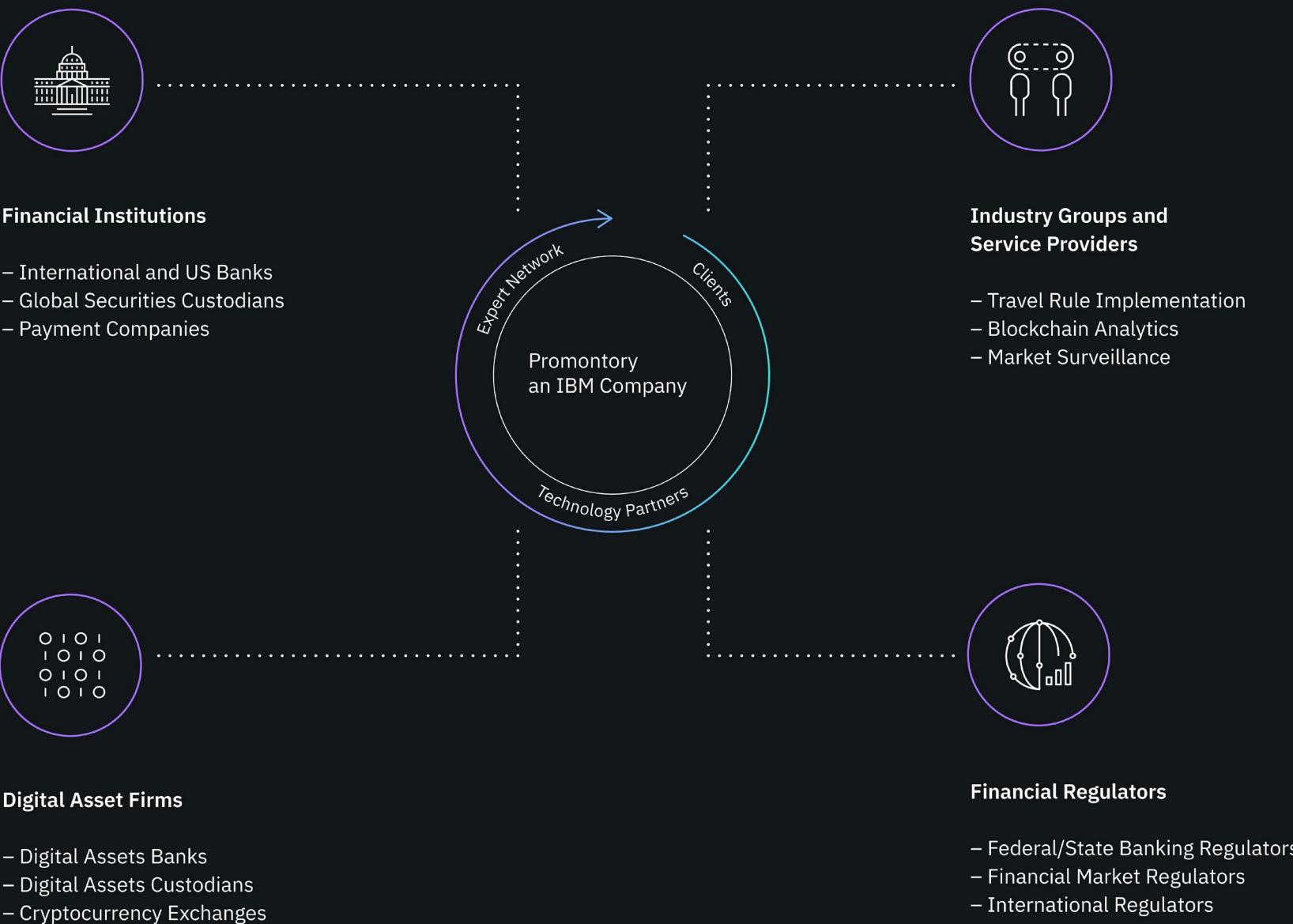
Promontory's digital assets service offerings

Promontory is uniquely positioned to help clients at any point along the complete spectrum of digital assets activities and will bring to bear established approaches, methodologies, frameworks, and tools to help clients achieve their strategic, business, and risk management and compliance goals.



Promontory's unique experience and network in digital assets

Promontory professionals operate at the forefront of innovative developments in the digital assets industry. We do so by maintaining a robust network of clients, technology partners, expert advisors, helping write groundbreaking regulation, and advising financial institutions and digital asset firms on implementing best practices.

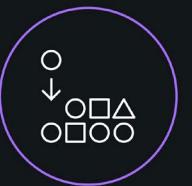


Promontory's differentiators

Promontory delivers a winning combination of subject matter experts in digital assets, bank licensing and chartering, relevant regulations, and a depth and breadth of compliance expertise.

Digital Asset Expertise

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Promontory has in-depth expertise in digital assets and how to address the unique risk and compliance challenges.

We know how to build right-sized risk and compliance programs to support digital assets activities.

Bank Licencing and Charting

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Promontory has a strong history of helping financial institutions with licensing and chartering, including institutions focused on digital assets.

Promontory has recently helped Anchorage and SoFi gain bank charter approvals, and we are supporting several others in process.

Regulatory Expertise

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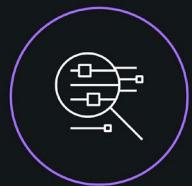


Promontory has a deep understanding of bank regulations and how they apply to digital assets firms.

We are the only firm to have drafted in-depth supervisory guidance specific to digital assets.

Risk and Compliance

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The depth and breadth of our risk and compliance expertise is unmatched.

Promontory has a deep bench of SMEs in Risk, Financial Crimes Compliance, Information Security, Business Continuity, Consumer Compliance, Fiduciary Compliance, Digital Assets Custody etc.

Speed and Agility

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The combination of our digital assets expertise, knowledge of regulatory expectations, deep experience in licensing process, and breadth of risk and compliance experts allows us to accelerate the licensing process.

We can begin immediately and deploy digital assets experts.

Curious about blockchain for digital assets?

Learn more →

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Contact us today



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Managing Director

Head of FinTech & Digital Assets Practice

Julian leads Promontory's Fintech and Digital Assets practice, where he advises financial institutions, fintech and digital asset firms and regulatory agencies on risk and compliance strategy and implementation. He has over 20 years of international banking and payments experience. Prior to working with Promontory, Julian worked at VISA where he held various leadership positions in Risk Management, Finance, Strategy, and Treasury. Most recently, as Global Head of Enterprise Risk Management, Julian was responsible for VISA's risk governance and risk management framework, and he led risk due diligence for over \$3 billion in closed M&A transactions. He also led Risk Strategy formulation during VISA's merger and IPO process. Julian has extensive experience with US and international regulators. Prior to VISA, Julian worked in international corporate banking at American Express Bank.

Julian holds a B.S. in Finance from the University of Florida, and is fluent in English and Spanish, and proficient in Portuguese.

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