Corporate Governance Code for Gibraltar Crypto Funds

(An addendum to GFIA's Corporate Governance Code for Gibraltar Collective Investment Schemes)

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FOREWORD

In 2013 GFIA published a Code of Conduct that was meant to address best practices in Experienced Investor Funds and Private Funds. It was recognised that the legislation was very flexible and so there were areas that could be better dealt with through a code of conduct. Since then, the Code has undergone several revisions and refinements. In 2017 the Government of Gibraltar enacted legislation to regulate the DLT business. In doing this the Government expressed its commitment to blockchain technology and to the business opportunities that are associated with it. Among those opportunities are Crypto Funds. While Gibraltar's Experienced Funds legislation is very well suited to deal with this asset class, it was felt that there are areas that would benefit from guidance on best practices specific to this asset class. It was therefore decided to create a code of conduct specifically for Crypto Funds. This Code is meant to be read together with the original Code as indeed many of the principles of good guidance are universal. The Code however highlights certain challenges that may appear in Crypto Funds that will not necessarily appear in funds that invest in other asset classes.

As with the previous Code, the principle is "comply or explain". In other words, the Code is not there to say how something must be done. The Code is there to encourage the licensee to consider certain issues and, where the licensee feels that those issues are better dealt with in a different fashion, to document their thought process.

The editors and authors have done a wonderful job of putting this all together and in traditional Gibraltarian fashion with everyone working together for the common good.

No doubt the Code will be revised and expanded as crypto funds will grow in use.

I would like to thank the Minister for Financial Services and his team at the Gibraltar Finance Centre Council as well as the Gibraltar Financial Services Commission for their cooperation and encouragement in this project.

Yours sincerely,

James G Lasry

Chairman
Gibraltar Funds and Investments Association

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1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this code, the following words and expressions shall have the following meaning:

'Crypto Assets'	crypto currencies, tokens, DLT nodes, and other digital assets and value. Where: "distributed ledger technology" or "DLT" means a database system in which (a) information is recorded and consensually shared and synchronised across a network of multiple nodes; and (b) all copies of the database are regarded as equally authentic; "token" means a digital representation of value which is recorded using distributed ledger technology or any similar technology; and "value" includes assets, holdings and other forms of ownership, rights or interests, with or without related information, such as agreements or transactions for the transfer of value or its payment, clearing or settlement.
'Crypto Code of Conduct'	means this code of conduct.
'Crypto Fund'	means a Gibraltar collective investment scheme which invests in Crypto Assets or is holding Crypto Assets in its investment portfolio.

1.2 Interpretation

In this Crypto Code of Conduct:

i. capitalised terms which are not defined above shall be given the meaning ascribed to them in GFIA's Corporate Governance Code for Gibraltar Collective Investment Schemes, as amended from time to time;

ii. words importing the singular shall be deemed to include the plural and vice-versa, words importing the masculine gender shall include all genders; and

iii. references to 'persons' includes natural persons, firms, partnerships, companies, corporations, associations, organisations, foundations and trusts (in each case whether or not incorporated or having separate legal personality and irrespective of the jurisdiction in or under the law of which is was incorporated or exists).

2. INTRODUCTION TO THIS CRYPTO CODE OF CONDUCT

2.1 This Crypto Code of Conduct and the general guidance issued herein in respect of the corporate governance and the role of a Director of any Crypto Fund is strongly recommended by GFIA. This Crypto Code of Conduct is not designed or intended to supersede applicable law and regulations. It is a voluntary code that GFIA recommends to ensure that Crypto Funds operate with a high standard of ethics and corporate governance.

2.2 The Government of Gibraltar and the Gibraltar Financial Services Commission have been the drivers behind the emergence of Gibraltar as a prime jurisdiction for crypto businesses (which includes Crypto Funds). GFIA has recognised that although Crypto Assets is a new and exciting asset class, it comes with additional risks which can be mitigated through the implementation of specific processes and other good corporate governance measures.

2.3 Through the creation of this Crypto Code of Conduct, GFIA intends to help keep Gibraltar strongly at the forefront of standard setters globally within the Crypto Assets space.

2.4 In complying with this Crypto Code of Conduct, Crypto Funds should adopt a proportional approach relative to the level of risk it is exposed to with regards to Crypto Assets. For example, a Crypto Fund with a Crypto Assets price arbitrage investment strategy would be expected to take more measures to comply with this Crypto Code of Conduct than a Crypto Fund which passively invests a very small portion of its portfolio in Crypto Assets.

2.5 Whilst navigating through this Crypto Code of Conduct, the Board of a Crypto Fund should consider whether any additional information should be included in the prospectus of the Fund, where appropriate.

2.6 GFIA recognises that each Crypto Fund will be unique and that the world of Crypto Assets is continuously developing. The Board of a Crypto Fund should monitor developments in this space, particularly in relation to risks and best practice, and periodically consider whether it should modify the manner in which it complies with this code.

3. STRUCTURE OF CRYPTO FUNDS

3.1. A Crypto Fund should be set up as an Experienced Investor Fund under the Financial Services (Experienced Investor Funds) Regulations 2012 except for in certain limited circumstances (see paragraph 3.2 below). Given the risks inherent in a Crypto Fund, it is preferable for them to be regulated by the Gibraltar Financial Services Commission in order to add a level of regulatory oversight in addition to the good practices recommended in this Crypto Code of Conduct.

3.2. Crypto Funds should only be set up as private schemes within the meaning of Regulations 130 and 131 of the Financial Services (Collective Investment Schemes) Regulations 2011 if the private scheme is created for a small group of persons who are previously known to each other and where there will be no promotion of the private scheme.

3.3. A Crypto Fund set up as a private scheme within the meaning of Regulations 130 and 131 of the Financial Services (Collective Investment Schemes) Regulations 2011 should appoint a Gibraltar administrator authorised by the Gibraltar Financial Services Commission under the Financial Services (Collective Investment Schemes) Act 2011 to hold a class V(c) licence to act as the administrator for the private scheme.

4. CORPORATE GOVERNANCE

4.1. A Crypto Fund must have effective corporate governance arrangements, including appropriate structure, processes, culture and strategies given the nature and risk associated with investing in and storing Crypto Assets.

4.2. The Board of a Crypto Fund should collectively possess the appropriate balance of skills, experience, independence and knowledge of the Crypto Assets, addressable markets, investment approach, trading and hedging strategies and risk management systems in place, to enable them to discharge their respective duties and responsibilities effectively. The Board of a Crypto Fund should possess the skillset necessary to decide, formulate and implement strategic policies.

4.3. The Board of a Crypto Fund should be familiar with the Crypto Fund's cyber security risks and vulnerabilities, including the nature of risks associated with the technologies and systems in place.

4.4. A Crypto Fund's control environment should consist of the appropriate governance and management functions, as well as the attitudes, awareness and actions of the Board with respect to the internal controls. The Directors must have sufficient collective experience and knowledge of the business and the necessary authority to detect and deal with any imprudence, dishonesty and/or other irregularities in a Crypto Fund.

4.5. A Crypto Fund may use cloud services to host its business and trading platforms, and this may be outsourced to reputable and secure cloud service providers in or outside Gibraltar, so long as the Crypto Fund can demonstrate it has adequate oversight and control over the cloud access, storage and processing.

4.6. The Board of a Crypto Fund is responsible for any outsourced function and should ensure it collectively has sufficient knowledge and experience to be able to challenge the performance and results of the service provider. If relying on the use of cloud services, a Crypto Fund should identify means of backup for such functions and contingencies should the cloud service have any downtime, become vulnerable or corrupted.

4.7. A Crypto Fund's records need to adequately reflect the value of Crypto Assets held, taking into consideration the valuation recommendations detailed in this Crypto Code of Conduct. A Crypto Fund should adopt a policy whereby the Board periodically (frequency to be set by the Board of each Crypto Fund) undertakes a reconciliation of Crypto Assets.

5. RISK MANAGEMENT

5.1. A Crypto Fund will be expected to apply appropriate risk management practices ensuring that the Crypto Fund's core processes and systems are effectively controlled, fit for purpose and that risk is managed effectively. Such practices should be designed specifically for the risks inherent with Crypto Assets, including the risk associated with high volatility Crypto Assets with unique custody and valuation related exposures.

5.2. The Board of a Crypto Fund is responsible for ensuring the effectiveness of its risk management framework, setting the risk appetite and overall risk tolerance limits as well as approving the key risk management strategies and policies. In particular, the Board of a Crypto Fund should be aware of, quantify (where possible) and monitor the risks associated with investing in and holding Crypto Assets.

5.3. A Crypto Fund is expected to develop risk management strategies into a cohesive management framework with appropriate policies and procedures. To this end, a Crypto Fund should identify and assess its key current and potential risks, including risks to the Crypto Fund's trading and custody systems, as well as risks to investors and the reputation of Gibraltar. The Crypto Fund should formalise, document and monitor these risks both prior to launch and on a periodic basis.

5.4. A Crypto Fund's risk management framework should be aimed at creating a robust, sustainable framework that delivers an effective and efficient approach to risk management and which contributes positively to effective risk based decision-making. The framework should define clear accountability for risk management, aligning risk management to performance management as well as the Crypto Fund's strategy and objectives.

5.5. The Crypto Fund's risk management framework should assess each specific risk facing the Crypto Fund and implement appropriate controls in order to monitor, manage and mitigate these risks, ensuring that these controls are designed and operating as expected. Where any deficiencies are identified, these should be logged, reported to the Board and remediated on a timely basis.

5.6. A Crypto Fund should have appropriate management information systems and key performance and risk indicators to allow it to monitor its risks, contributing positively to effective decision making.

6. VALUATION

Introduction

6.1 'Cryptocurrencies' is often used as a blanket term for all Crypto Assets. In the following accounting analysis, 'Cryptocurrency' specifically means those Crypto Assets that constitute a peer-to-peer general-purpose medium of exchange independent of any central bank. Bitcoin,

launched in 2009 was the first and currently the largest (by market capitalization) of the Cryptocurrencies.

6.2 'Token' is an umbrella term for a wide variety of Crypto Assets. In contrast to Cryptocurrency, Tokens tend to be designed to support a more narrowly-defined, specific use case of distributed ledger technology. It is helpful to consider Ether further in terms of where we place it in the taxonomy of Crypto Assets (Cryptocurrency or Token).

6.3 Ether is the token powering the Ethereum blockchain, and although Ether is traded on public markets and has displayed price appreciation similar to Bitcoin, Ether is not intended to be a medium of exchange on a peer-to-peer network; rather it acts as the 'fuel' or 'gas' that powers the Ethereum network. At the highest level Ethereum is an open-source platform that runs smart contracts, so it is an enabler of decentralized applications built on Ethereum. It could be argued that Ether has a specific application and should thus fall under 'Tokens' as opposed to 'Cryptocurrencies'. However, the general-purpose nature of the Ethereum platform, and therefore Ether, is different to the more narrowly defined use cases seen among other Tokens. For example, Ether is widely used as a means of payment for ICO Tokens, so it has a strong role as a medium of exchange. Whilst acknowledging the technological distinction between Bitcoin and Ether, for the purposes of accounting guidance that follows, Ether would be more appropriately classified as a Cryptocurrency.

Lack of Formal Pronouncements by Accounting Bodies

6.4 To date there has not been any guidance nor rules issued by the International Accounting Standards Board ('IASB') as to how to account for Crypto Assets despite accelerating use.

6.5 The Accounting profession has largely been silent in this space, with the notable exception of the Australian Accounting Standards Board ('AASB') which submitted a paper to the IASB for discussion. To date there has been no formal pronouncements from standard setting bodies and accounting for Cryptocurrencies is not currently on their agenda, despite the market's increasingly urgent need for accounting guidance.

6.6 As there is no official guidance on accounting for Crypto Assets, consideration is required by a Board of a Crypto Fund as to an appropriate valuation policy for an investment portfolio of a Crypto Fund.

6.7 During December 2016 the AASB issued a paper entitled '*Digital currency – A case for standard setting activity*'. The AASB considered whether Crypto Assets should be measured at fair value with changes in fair value recognised in profit or loss. Furthermore, the AASB was of the view that accounting for Crypto Assets highlights a broader issue with International Financial Reporting Standards ('IFRS') with regard to there being no accounting standard that deal with investments in intangible assets or other commodity type assets that are not financial instruments or inventory. The AASB recommended that the IASB develop a standard that addresses accounting for investments in intangible assets and commodities. A weblog post on the Institute of Chartered Accountants in England and Wales ('ICAEW') entitled '*Accounting for*

Bitcoin' considered whether Crypto Assets should be measured at the fair value and questioned whether such would make sense for an entity that was an investment vehicle investing in Crypto Assets.

Classification of Cryptocurrencies

6.8 In the absence of a specific accounting standard on Cryptocurrencies, the following table illustrates the various classification options under existing accounting standards. The conclusion reached is that Cryptocurrencies meet the intangible asset criteria or inventory (in the case where the Cryptocurrency is held by a broker/dealer for trading purposes).

Classification		**Rationale**
Cash	✗	Due to the lack of widespread use as a medium of exchange in every day transactions.
Cash equivalent	✗	Due to the failure of the *'insignificant risk of changes in value'* test imposed by IAS 7.
Financial asset	✗	As they are not cash, not equity, and are not a contractual right of any kind (IAS 31.11).
Commodity (inventory)	?	IAS 2 valuation model (lower of cost and net realisable value) is incompatible in most cases (except in the case of commodity broker dealers who measure inventories at fair value less costs to sell).
Intangible asset	✓	Meet the definition of IAS 38 of an intangible asset. It is an asset without physical substance (as it exists only within the distributed ledger) and it is identifiable (as units sub-divisible to an atomic level are capable of being separated and sold).

Measurement of Cryptocurrencies

6.9 IAS 38 requires the use of the cost model. The revaluation model for the subsequent measurement is available for intangible assets for which an active market is available.

6.10 Given that there is an active market for most Cryptocurrencies, the revaluation model would be available and arguably provides more relevant information than the cost model. The standard notes that '*some intangible assets may experience significant and volatile movements in fair value*', highlighting the fact that this standard is written to address intangible assets used in the course of business, not necessarily held for trading or resale.

6.11 The IAS 38 revaluation model calls for fair value changes through other comprehensive income to the extent there is a surplus and through profit or loss to the extent there is a deficit revaluation balance. There is no recycling of revaluation surplus through the profit and loss.

6.12 Given the current speculative nature of Cryptocurrency, this treatment of gains and losses may provide less relevant information about performance than that of a debt financial asset

at fair value through other comprehensive income or any financial asset at fair value through profit or loss.

6.13 In conclusion, while IAS 38 would appear to be the default accounting treatment for Cryptocurrencies, it is questionable whether it provides for the most meaningful presentation of performance for this type of asset.

Fair Value Measurement

6.14 Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions (IFRS 13:15).

6.15 Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability (IFRS 13:24).

6.16 A fair value measurement for a non-financial asset takes into account its highest and best case use (IFRS 13:27).

6.17 Taking a Cryptocurrency fund invested in Bitcoin as an example, fair value is an exit price (what you could realise for the asset at the reporting date). The first step is to determine what the principal market is. Is there a principal market for Bitcoin? Principal market is defined as the one with the '*greatest volume and level of activity for the asset or liability*'. One view is that Bitcoin's principal market is the exchange with the highest volume and level activity that has adequate security and is legally compliant/regulated. Where the Board concludes that Bitcoin has no principal market because there is no clear exchange with consistent volume and activity advantages, then in the absence of a principal market, the exit price in the most advantageous market could be used. The most advantageous market is the '*the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transportation costs*'. There are two views/options as follows:

(i) most advantageous market is the exchange with the highest net exit price (net of transaction costs) quoted in the entity's functional currency, or

(ii) most advantageous market is the exchange with the highest net exit price (net of transaction costs) quoted in any currency (based on spot exchange rates for the foreign currency to the functional currency).

6.18 Boards should document clearly which accounting policies have been selected and how they have established their fair valuation process. Boards should also ensure that the valuation process is applied consistently at reporting dates unless facts/circumstances dictate that a different approach is appropriate.

Conflict of interests

6.19 The Board of a Crypto Fund should note that, given the uncertainties surrounding the valuation of Crypto Assets (as discussed in this section 6), there may be instances where charging fees on a percentage basis results in a conflict of interest if the receiver of such fee can influence the valuation of the Crypto Fund's Crypto Assets in any way. If any such conflicts exist, these should be set out in the relevant Crypto Fund's prospectus under the '*Risk Factors'* and *'Conflicts of Interest'* sections.

Prospectus Disclosure

6.20 Shareholders in a Crypto Fund should be made aware that there are currently no accounting standards as to how Crypto Assets should be valued and that Crypto Assets are neither financial instruments nor fiat currencies. Shareholders of a Crypto Fund should further be informed that Crypto Assets are not supported by any central Governmental organisations nor are there any Governmental databases that value Crypto Assets.

6.21 Disclosure should be clearly stated within a Crypto Fund's prospectus as to the valuation policy adopted in respect of Crypto Assets. The Board of a Crypto Fund should ensure any change in the valuation policy, and the related impact, is adequately notified to investors.

Consultation with the Crypto Fund Auditor

6.22 Given the lack of formal pronouncements by accounting bodies and/or accounting standards as to the accounting treatment of Crypto Assets it is important that the Board of a Crypto Fund consult with its auditor in order to ensure that the auditor agrees with the valuation policy adopted by the Crypto Fund.

6.23 Consultation with the auditor should be done prior to the establishment of the Crypto Fund in order to avoid a '*problem in waiting*' in the event that the auditor does not agree with the valuation policy adopted by the Crypto Fund.

7. SAFEKEEPING AND SECURITY

General

7.1. A Crypto Fund will need to ensure that adequate arrangements are in place for the safekeeping of its Crypto Assets. A Crypto Fund may have, at one point or another, its Crypto Assets stored in:

(i) cold storage – which refers to wallets on hardware storage devices that are kept offline and not connected to the internet (out of the reach of hackers) and where the user holds the private key(s) and/or backup seed words to the hardware device;

(ii) hot storage – which refers to the use of online wallet providers, or self-hosted wallets that are connected to the internet, where the user holds the private key(s); or

(iii) soft storage – which refers to keeping Crypto Assets in a trading account at an online crypto exchange or service provider where the user does not hold the private key(s) of the wallet.

7.2. Custodian banks are generally unable to hold Crypto Assets on behalf of the Crypto Fund in any type of storage described in paragraph 7.1 above. Crypto Funds will therefore need to seek alternative methods to store its Crypto Assets whilst still applying the principles of safety and security.

7.3. The Board should adopt a written policy which sets out the safekeeping arrangements for the Crypto Assets. This policy should contain information which wallets the Crypto Fund will use, who will have access to the private keys, the multi-party authorisation arrangements (if applicable), what physical safes will be used and what proportion of the Crypto Assets will be kept in hot, cold or soft storage (as applicable). The policy should be proportionate to the type and amount of Crypto Assets held by the Crypto Fund and should consider the risks of theft and also unrecoverable loss of access along with all other identified risks.

Multiparty Authorisation

7.4. A Crypto Fund should ensure that every wallet in which it keeps its Crypto Assets is either a multi signature wallet or uses some other appropriate multiparty authorisation whenever possible. Where multiparty authorisation is used, if practical, the second authorisation should be by a person who is independent of the Crypto Fund's investment function and, ideally, be someone based in Gibraltar. If multiparty authorisation is not used by a Crypto Fund as part of its Crypto Asset safety and security policy, the Directors should document in its policy why multiparty authorisation has not been used and state the alternative policies adopted by the Crypto Fund in order to keep the Crypto Assets safe and secure.

7.5. For the avoidance of doubt, the placing of orders on a crypto trading account may be executed by a single person. It is in respect of the transfer of Crypto Assets, in and out of wallets, where the Board of a Crypto Fund must require multiparty authorisation as described in paragraph 7.4 above.

Security

7.6. The Board of a Crypto Fund should remain alert to the threat of hackers and cyber theft. Only the required amount of Crypto Assets should be kept in hot or soft storage at any point in time. All Crypto Assets which are passively held, or which will not be used for trading, should be kept in cold storage. In each case, the safekeeping of the private keys is of paramount importance. The Board of a Crypto Fund should implement adequate processes to keep private keys secure under multiparty arrangements.

7.7. The Board of a Crypto Fund should make adequate arrangements to keep the Crypto Fund's cold storage device in a secure physical safe and location. The Board should consider using more than one cold storage device and more than one physical safe if necessary. Access to the physical safe should also follow a multiparty arrangement.

7.8. The Board of a Crypto Fund should routinely and securely backup its digital wallets so that wallets may be restored where a physical device is lost, stolen, or malfunctions, thereby preventing potential loss of assets. Wallets should be encrypted and stored under password protected files. Crypto Funds should be aware that multi-signature wallets may have security flaws and take appropriate risk mitigating precautions where multi-signature wallets are employed. Where appropriate, Crypto Funds may wish to consider generating a new wallet address for each new outward payment. The Board of a Crypto Fund should implement adequate processes to keep any back-up keys, words or phrases secure under multiparty arrangements.

7.9. The Board of a Crypto Fund should carry out adequate checks on the way that API keys set up with Crypto Asset exchanges are managed and controlled. The Board may consider restricting the permissions under such API keys and revoking and creating new keys on a periodic basis.

7.10. A Crypto Fund may use third parties like outsourced custodian wallet providers, however the Board must be satisfied that the outsourced custodian has appropriate security systems and procedures in place to protect the respective Crypto Assets.

7.11. Crypto Funds should avoid keeping all fiat or Crypto Assets on an exchange, making the fund fully susceptible to that entity's counterparty risk. Where Crypto Assets are kept on an exchange, the Board should be aware of the exchange's underlying infrastructure, governance, security systems and processes in order to make a reasonable assessment as to the protection of the Crypto Fund's assets. The Board should consider jurisdictional risk of the exchange, as regulation in this sector continues to develop across international jurisdictions.

7.12. Crypto Funds should carry out stress tests to ensure its Crypto Assets are protected in extreme conditions. For example, the Board of a Crypto Fund could consider, among other possible scenarios, what would happen in the event that something unforeseen happens to one of the signatories, if a private key is lost, if a hardware storage device is compromised or if access to a vault is lost. The Fund may also wish to engage a third party cyber security firm to assist with the stress tests.

8. TRADING CRYPTO ASSETS

8.1. Where possible, Crypto Funds should trade and transact on regulated exchanges and markets or bilaterally with known counterparties. Crypto Funds should not trade through unknown counterparties or platforms.

8.2. The Board of a Crypto Fund should monitor protocol developments, where relevant, of any particular Crypto Asset held by the Crypto Fund and consider what actions to take in the event

of a hard fork of a Crypto Asset or an 'air drop' where further Crypto Assets are deposited to a Crypto Asset's wallet address without the consent or request of the private key holder of that wallet.

8.3. The Board of a Crypto Fund should consider and document what actions shall be taken in the event where any Crypto Asset is capable of exercising voting rights or other decision making action on any protocol.

8.4. The Board of a Crypto Fund should be aware of and monitor Crypto Assets which entitle the holder to claim and collect benefits, whether as a masternode or otherwise. The Board of the Crypto Fund should ensure that such benefits are identified, claimed and accounted for in a timely basis.

8.5. When trading and storing Crypto Assets with an online service or online exchange market, Crypto Funds should employ two factor authorisations with a second device; making use of U2F (universal second factor) or TOTP (time-based one-time password) to secure its account. Two factor authorisations may include fingerprint verification, biometrics verification, text messages with a code, or services such as Google Authenticator.

9. LIQUIDITY MANAGEMENT

9.1. The Board of a Crypto Fund should note that there may be instances where a Crypto Fund has a diverse Crypto Asset portfolio with varying degrees of liquidity (and respective price certainty). For example, a Crypto Fund may hold Bitcoin that is highly liquid and other Crypto Assets which may be illiquid. If such Crypto Fund was open-ended, the Directors should be careful to ensure that redemption requests are not satisfied via the selling of the Crypto Fund's liquid investments leaving behind its illiquid investments (which may unfairly benefit and prejudice the redeeming investors over the remaining investors).

10. ANTI-MONEY LAUNDERING

10.1. A Crypto Fund must have systems in place to prevent, detect and disclose financial crime risks such as money laundering and terrorist financing. In particular, Crypto Funds should address the risks relating to holding and dealing Crypto Assets.

10.2. Crypto Funds may receive *in specie* subscriptions in the form of Crypto Assets. The Directors of such Crypto Funds will need to determine the provenance of such Crypto Assets by implementing appropriate measures to trace the history of the Crypto Assets. Such function may be carried out internally or be outsourced to a specialist service provider.

10.3. Redemptions paid *in specie* in the form of Crypto Assets should be processed with caution in order to address the risks relating to any such transaction facilitating money laundering and/or terrorist financing.

11. INSURANCE

11.1. The Board of a Crypto Fund should try to obtain insurance cover to protect the Crypto Fund against cyber theft. At the time of writing of this Crypto Code of Conduct, such insurance is very difficult to obtain but insurance underwriters are getting more comfortable with providing insurance cover in this space. The Board of a Crypto Fund should monitor and keep abreast of developments with regards to obtaining such insurance cover. If appropriate insurance policies become available, the Board of a Crypto Fund should look to purchase such cover.

12. AMENDMENTS TO THIS CRYPTO CODE OF CONDUCT

12.1. This Crypto Code of Conduct may be updated and amended from time to time as may be decided by GFIA acting through its technical committee, subject to the approval of the GFIA executive committee.

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