

**When assessing  
crypto firms, use the  
signals you know best**



# **A guide for institutions exploring potential cryptocurrency partners**

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In the olden days of finance, brokers and banks shared their phone numbers with pride. You could, the old commercials told us, call up E.F. Hutton or any other banker, and get someone on the other end of the line in minutes. This was great in bull markets and even more important when the bears were upon us.

E.F. Hutton and his ilk are gone, however, replaced by systems that are faster, better, and way cooler. But wasn't it nice to get someone on the phone when you needed them?

Now, as we enter a new phase of cryptocurrency trading, where can we get that old feeling of security and support that once defined financial institutions? Further, how do we ensure that our trades won't get lost during a bull run or squeeze? What are some things to ask when you approach a service provider?

Here are a few bits of advice to consider when approaching these new financial organizations and how to decide whether or not to trade with them.

## The financial safeguards you've come to expect

**As an institution looking for the right crypto partner, look for the financial safeguards you've come to expect.**



Enterprise-grade platform security designed to keep funds safe



Regulatory licenses that demonstrate a compliance-forward strategy



Technology that supports industry-leading uptime



Client support from crypto experts available

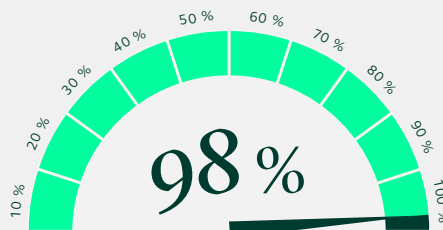
Enterprise security, regulatory compliance, platform infrastructure, and client support are some of the most important considerations any cryptocurrency firm must face. But each is vital to a well-functioning and secure trading platform. Crypto platforms were born outside of the con-

finances of traditional finance, or TradFi, and therefore the traditional expectations have often been ignored as they've grown. Now that the industry has matured, however, these considerations are back at the forefront and any exchange that fails to supply any of these solutions is to be avoided.

## Enterprise-grade platform security designed to keep funds safe

This is job one for any exchange. Before approaching an exchange to hold any currency, be it fiat or crypto, ask about their cold wallet policy. Leading firms promise (and deliver) on 98% of assets stored in cold wallets - essentially wallets that are disconnected from the Internet and are kept in storage-only mode at all times. You can think of a cold wallet as a sort of bank drop. Money goes in easily - you simply send it to a wallet address - but the cash is then kept secure at all times.

Check to see if your exchange is insured against hacking and whether or not the institution holds itself liable for any attacks. This is especially important when considering adding a white label crypto solution to your current offerings.



There are multiple attack points in the average crypto transaction, as evidenced by the well-known [IRA Financial Trust](#) hack that happened

in February 2022 and resulted in \$36 million in lost funds. Clients assessing crypto platforms should consider how assurances and coverage at multiple points in the flow of assets between the client and exchange platforms will be addressed. The buck or bitcoin stops with your exchange when it comes to wide-ranging hacks.

This brings us to crime insurance. This type of insurance provides protection against losses arising from criminal activities such as theft, embezzlement, or fraud. In the context of the crypto industry, crime insurance may cover losses resulting from computer fraud or funds transfer fraud, as well as other types of cybercrime such as hacking or phishing attacks. It may also cover losses resulting from insider

theft or other forms of employee misconduct. But not all — mature and modern exchanges offer it to clients. Some offer “crypto shield” insurance for popular coins like bitcoin, ethereum and dogecoin. It’s similar to crime insurance but protects against outside acts like hacks into wallets (both hot and cold).

Crypto exchanges have also begun seeking cloud insurance for themselves to cover losses from outages. In keeping with the evolving nature of the industry, new insurers are spinning up and offering products like technology liability and cyber insurance. Check to see what measures are available through your exchange.

Please be advised that it is essential to meticulously review the terms and conditions of any insurance policy to ensure a comprehensive understanding of what is covered and excluded.

## Regulatory licenses that demonstrate a compliance-forward strategy

Approaching exchanges is hard enough without having to worry about the vagaries of regulatory compliance, especially local laws associated with your business location. Newer, less tested exchanges often play fast and loose with regulation, choosing to only approach regulators in “easier” countries and foregoing those where further regulatory oversight is necessary.

That said, without a complete and overarching understanding of regulatory issues, an exchange is rarely worth the trouble. The more an exchange or provider is regulated, the more safety and security requirements they have in place. This means that the most mature, sophisticated, and compliant exchanges have chief compliance officers, codified compliance policies and procedures, and are subject to the Bank Secrecy Act and other applicable AML (Anti-Money Laundering) regulations.

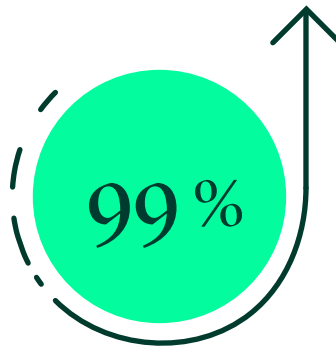
Ask questions as well. Is the exchange licensed in Europe? Asia? Does the exchange have a BitLicense to operate in New York State? How often is the exchange being granted new licenses in new jurisdictions? As both the market and regulatory landscapes evolve, the most compliant exchanges will evolve with them. That includes growing the number, and type, of licenses that allow them to do business in key geographies.

Mature cryptocurrency exchanges also tend to have sophisticated checks in place. These checks work in two ways. First, they allow the exchange to maintain absolute security while processing orders and investments. Second, it ensures that there is a locked-down procedure or nearly every customer process. For example, some firms will

use Google Forms or other off-the-shelf software to interact with clients. The moment this is done is the moment a hacker can clone the form and attempt to take your client’s private keys. It may also result in compliance actions that are costly both financially and from a reputational standpoint. Mature companies like Bitstamp are closer to traditional finance than most people think. Because they source employees from Wall Street, they engage in best practices learned from years of experience in the traditional finance space.

## Technology that supports industry-leading uptime

Some exchanges are notorious for downtimes, especially during times of crisis. Your goal is 99% uptime as anything above that number is difficult if not impossible. Pay special attention to uptimes during extreme market conditions (that is, when the market is doing particularly well or particularly poorly). You can check with your provider to see what kind of uptime they had in the preceding year and where they are trending. Remember when you do that many things can affect a site's numbers, including security threats, hardware issues, disasters man-made and natural, and power outages.



Best-in-class platform uptime

It's possible to research uptime with online resources. Some exchanges provide a status page which will maintain a running list of incidents affecting site uptime, and individual cryptocurrencies also track network uptime. Bitcoin's network, for example, [reports](#) 99.99% uptime since 2009.

If you're looking into the technical merits of an exchange you should also look into API updates and compartmentalization. APIs are the way your systems will communicate with the exchange's systems and if they fail at any time - or even slow down - you could miss a major trend. If

you're not sure what you're looking for, ask your IT crew to check out the degree of API compartmentalization at your chosen exchange in order to confirm that a failure in one part of the API - say the deposit connection - will not affect the trading API.

You can have the best technology and have the best customer support, and even the best information and wallet managers, but if something were to happen with the exchange or in the markets, having the capacity to compartmentalize and get alerts is vital.



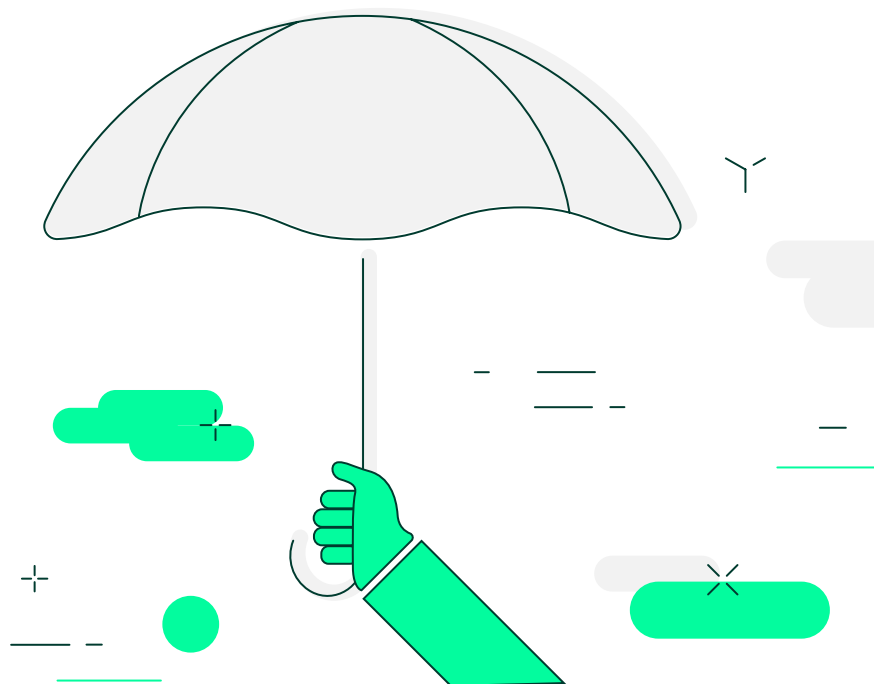
## Client support from crypto experts available

Finally, all the regulations in the world won't help if you can't contact a live person with questions or concerns. When shopping for a partner, look for the firms - large and small - that offer customer support that is accessible for both retail clients and institutional clients. Try the exchange's chat solution on their website. Ask a random question and see if you get a bot or a human.

Institutional clients expect expert, dedicated account managers in the TradFi world. Crypto is no different. For new entrants to crypto, reducing risk means being able to rely on dedicated account managers who have technical exper-

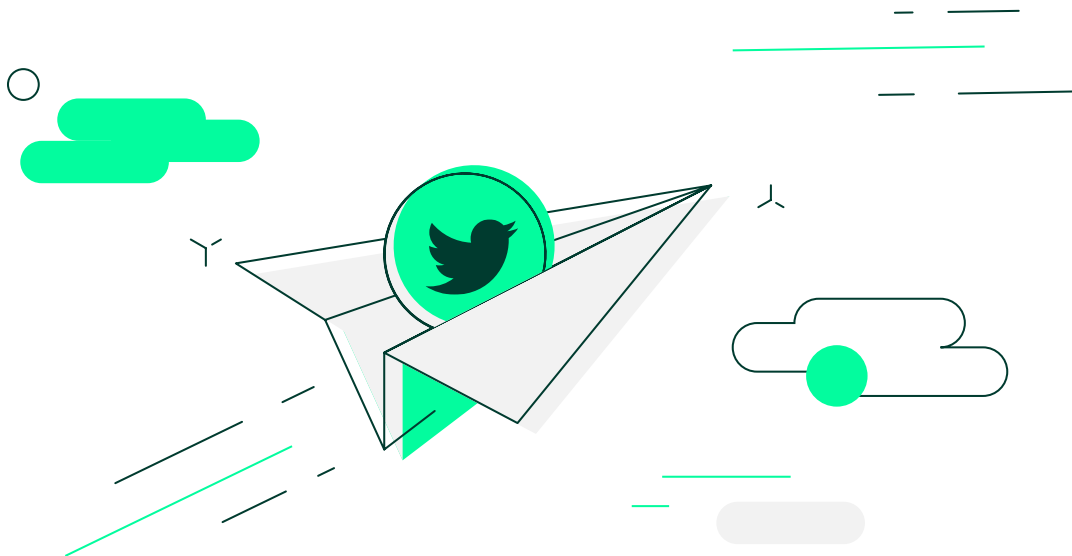
tise in crypto that can walk them through not only the technical aspects of a solution integration but also fundamental concepts such as managing your keys. In other words, demand an education alongside exemplary service.

Hold times or, in modern parlance, the time between your first interaction via a platform (be it messaging, Telegram, phone, or even Twitter) and reaching a human should be at maximum 60 seconds. This is the expected standard in most telehelp situations and banks and exchanges aim for that 60 second hold time as a gold standard.



Ask your provider about hold times. According to [research](#), customers in the United States wait an average of 17.4 minutes on the phone for customer service even though their average willingness to wait is far lower at 6 minutes. In addition, while 69% prefer to talk to a live agent by phone, 54% prefer email and 46% prefer live chat. In other words, the more points of contact, the better. Check to see if you can ping your exchange on multiple platforms because when circuits get overloaded you want to be sure you have access to help over your preferred method of communication, be it by phone, Telegram, Signal, Slack or email.

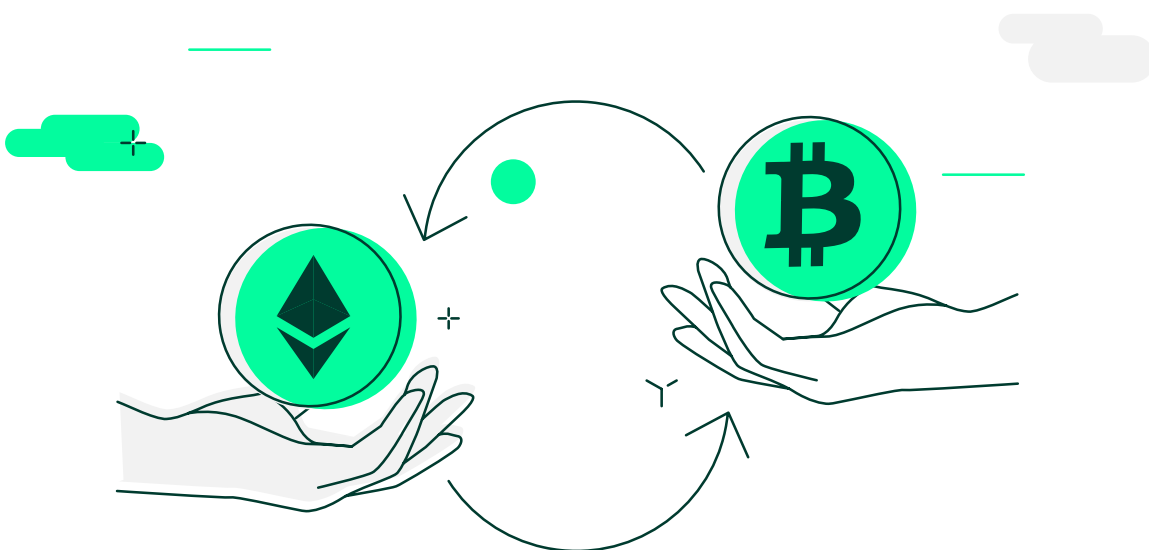
You need around-the-clock access to helpful and technically savvy representatives. Demand this of your exchange partners at all times and if your partner does not provide this service, look somewhere else. There are resources you can access to research a site's customer service record, but be aware that they can be subject to "review-bombing" by a small number of customers, leading to negative ratings of client services that don't accurately reflect the typical user's experience.



## The good news

Now that we've explored the general requirements for any crypto exchange, here's the good news: most mature, well-regulated institutions often excel at many if not all of the aforementioned factors. That said, you should prepare a checklist when approaching any exchange partner and assess which specific risk factors are at play in any one exchange. Perhaps regulation isn't top of mind for an exchange or there is no uptime guarantee. Decide which corners you can cut and choose accordingly.

Many exchanges don't cut any corners and all it takes is a slow and careful analysis of their offerings to choose one over another. Pick an exchange that does everything we described well and you'll be in good hands, just like you were way back when your broker was a phone call away.



## Get in touch

Want to learn more?

[bitstamp.net/institutional-trading/](https://bitstamp.net/institutional-trading/)

## Get in touch

Need help?

Let's talk! Send an email to  
[partners@bitstamp.net](mailto:partners@bitstamp.net)

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