**SEC CUSTODY POLICY STATEMENT IS ‘SIGNIFICANT STEP’**

**But Global Digital Finance believes the preliminary authorisation could be extended to existing broker-dealers**

Global Digital Finance (GDF), the cryptoassets and digital finance industry membership body, has welcomed the US Securities and Exchange Commission (SEC) Policy Statement on the custody of digital asset securities by special purpose broker-dealers as a “significant step”.

But in a comment letter to the SEC, it has asked them to consider expanding this preliminary authorisation in a way that will allow existing broker-dealers to custody digital assets for their clients.

The Policy Statement enables certain special purpose broker-dealers to maintain custody of digital asset securities without being subject to enforcement action for a period of five years.

GDF believes the conditions are limiting as broker-dealers have to be only dealing in digital asset securities which excludes those dealing in traditional securities who are not exempt and says over time the two will begin to integrate.

Its statement highlighted that many major financial institutions are actively working together with technology companies and legal experts in the GDF Private Market Digitisation Steering Group to transform the private markets which are almost totally offline today.

**Lavan Thasarathakumar Director of Regulatory Affairs at GDF and Co-Chair of the GDF Private Market Digitisation Steering Group** **said**: “Whilst this is clearly a measure to mitigate risk, it can be quite damaging to the US broker-dealers seeking to embrace digital innovation in what is a competitive global landscape.”

**Jeff Bandman, Board Member of GDF commented**: “I’m reminded of a fallacy from the early days of the internet and e-commerce. Initially, there was a separation between the bricks and mortar activity a business was conducting and the activities it was conducting online.

“There was a firm belief that the two needed to remain separate. Huge investments were made on this quaint but erroneous premise. As time passed however, the two began to integrate and I have no doubt we will see something similar here.”

**Anthony Woolley, Head of Business Development at Ownera and Co-Chair of the GDF Private Market Digitisation Steering Group said**: "We have asked them to consider expanding this preliminary authorisation in a way that will allow existing broker-dealers to custody digital assets for their clients, while limiting the risks to investors and to market stability in a more effective way than relying exclusively on special-purpose broker dealers."

A recent survey of GDF members reported in the organisation’s 2020 annual report identified a lack of regulatory clarity as the biggest challenge facing the sector this year.

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**Notes to Editors**

**For further information**

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