

# RISK + COMPLIANCE

## DIGITAL ASSET COMPLIANCE + CONSULTING

Digital assets have grown over the years from Bitcoin in 2009 to over 22,000 types of cryptocurrencies and hundreds of thousands of non-fungible tokens. This evolution of digital assets offers both opportunities and risks to businesses. As the regulatory framework continues to develop, it creates unique risks for financial institutions that deal directly with digital assets or serve businesses dealing with digital assets. Additionally, digital assets remain a target for unsavory actors to steal or use them for criminal activity.

Our team of financial experts and certified blockchain investigators work to limit your exposure to risk in this increasingly complex area of financial regulation and crime.

### SERVICES INCLUDE:

#### **Digital Asset Service Provider BSA/AML Compliance Consulting Services**

Many digital asset service providers are required to be licensed in the states in which they operate as well as register with certain Federal regulatory authorities. Each of these regulators provides oversight according to specific regulatory requirements regarding their financial crime compliance programs.

Guidepost's experts are highly experienced in assisting traditional financial institutions as well as digital asset service providers in navigating the complexities of BSA/AML compliance and state regulatory requirements, including New York Department of Financial Services ("NYDFS") bit license requirements and annual 500 and 504 certifications.

#### **Digital Asset Tracing**

Our financial services practices team offers a variety of services for clients who need digital asset tracing or investigation.

Using strategic partnerships with digital asset tracing platforms, Chainalysis and Blockchain Intelligence Group (QLUE) in addition to open-source tools, we assist clients in identifying where digital assets have been and where they have been moved. Our team is certified to conduct cryptocurrency investigations and has had experience in conducting hundreds of traces. We have provided asset tracing services to financial institutions, law firms, and private individuals.

Services for Individuals:

If you or your loved ones have fallen victim to a fraudulent scheme involving cryptocurrency or non-fungible tokens (NFTs), knowing how to proceed can be a daunting task during a traumatic time. We are here to help.

In a typical engagement, we first need to learn about the details of the scheme and collect transactional data, such as hashes and addresses involved in the incident. Afterwards, we will conduct an initial review of the information and develop multiple courses of action for your consideration.

From there, we discuss those courses of action to determine which works best for your situation. These courses of action may include one or more of the following:

- Drafting an investigative report to your attorney, tax professional, or local law enforcement
- Providing guidance to law enforcement on how to proceed regarding your incident
- Filing a report with the Federal Bureau of Investigation's Internet Complaint Center

### **Digital Asset Transactional Due Diligence**

With the popularity of digital assets increasing so does the need for due diligence. Guidepost can provide the needed pre-transactional due diligence on a client's wallet address and assets contained in the wallet to assess whether they are linked to high-risk activities such as sanctions connections, fraud, theft, gambling, or dark-web activities.

Furthermore, we can assess the wallet's inventory to determine when the client took custody of the asset and how to determine the true source of the asset. Conducting pre-transactional due diligence can mitigate many of these risks whether it's a single transaction or a prospective relationship involving many payments. In addition, we can offer enhanced ongoing due diligence of your clients and your client's customer. Guidepost has assisted multiple clients with this type of due diligence, including asset purchases and commercial payments.

### **Digital Asset Investment Due Diligence**

Investment in digital assets and/or funds that are offering digital assets require unique due diligence skill sets to ensure that that the prospective offering is what it is purported to be. This type of investigation looks at transactions on the blockchain as well as historic transactional activity to determine if the custody, stated value, and lifespan of the digital assets match statements provided by the funds and/or owners. In addition, we will evaluate the offering's exposure to regulatory enforcement risks related to sanctions and criminal activity. Guidepost uses a number of investigative tools to investigate and validate facts about the digital assets that are offered to potential investors.

*The purpose of digital asset investment due diligence is to help prospective investors make better informed decisions about the legitimacy of the digital assets and the offering. Investment due diligence does not provide a basis to calculate the current or future monetary value of a digital asset or an investment in a fund offering digital assets. Prior to making any investments, prospective buyers should also consult with a licensed investment advisor, financial advisor or broker before making any investment decisions. Guidepost is not a broker/dealer, financial advisor or an investment advisor and Guidepost's digital asset investment due diligence service does not constitute a recommendation of any investment or investment strategy.*

## **Vendor Payment Solutions**

As digital assets grow in use, especially cryptocurrencies, vendors seeking additional payment channels for their goods and services are often concerned with the risk of accepting cryptocurrencies. Our Vendor Payment Solutions consulting services assist vendors in assessing the risks of this new opportunity as well as determine which payment platform is best suited to meet their needs. Guidepost's subject matter experts help vendors navigate the many decisions that need to be made and support them on an ongoing basis with their payment platform implementation.

## **Financial Institution Due Diligence + Managed Services**

In addition to Bank Secrecy Act and Anti-Money Laundering ("BSA/AML") compliance reviews, Guidepost offers a variety of cryptocurrency-focused solutions to financial institutions. These include:

- Enhanced due diligence of your customer or customer's customer cryptocurrency exposure
- Independent review of your cryptocurrency due diligence program
- Managed services – enhancing BSA/AML units with imbedded Guidepost personnel
- Creating BSA/AML programs to ensure compliance with regulatory requirements of the New York State Department of Financial Services (NYDFS) virtual currency license

## **RELEVANT EXPERIENCE:**

### **DIGITAL ASSET MANAGEMENT COMPANY | CONFIDENTIAL**

We were engaged by a major digital asset management company to conduct a review of their BSA/AML program. This review included evaluating their onboarding process and ongoing due diligence program. We reviewed the cryptocurrency addresses utilized by their customers to determine both their direct and indirect exposure to medium and high-risk cryptocurrency services. This information was included in a report which was presented to their state and federal regulators.

### **INVESTMENT SCHEME VICTIM | ILLINOIS, U.S.A**

We were engaged by the relative of an elder fraud victim. The victim was socially engineered into sending their life savings to multiple cryptocurrency addresses in an elaborate investment scheme. The amount stolen was significant to the victim; however, not large enough to gain the attention of federal law enforcement. Local law enforcement didn't have the technical expertise or software to initiate the investigation.

We were able to trace the funds to exchanges based in the U.S. and West Africa. Afterwards, we drafted a report discussing the flow of cryptocurrency to include the deposit addresses and transactional data. The victim's relatives provided the information to local law enforcement who were then able to initiate and further the investigation by drafting law enforcement subpoenas with the information we provided to the exchanges.

### **DIGITAL ASSET EXCHANGE | NEW YORK, U.S.A**

Guidepost has assisted one of the largest digital asset exchanges in the U.S. for more than five years. This relationship started with Guidepost assisting the exchange by imbedding a Guidepost subject matter expert as their interim CCO and assisting in the recruitment of a permanent CCO and compliance staff. We further assisted with a review and enhancement

of their BSA/AML policies and procedures, assessment of their sanctions screening tool, transfer to a new sanctions screening tool, assessing AML scenarios used, and also with their annual NYDFS 504 certification.

## **MEDIA AND ENTERTAINMENT ORGANIZATION | CONFIDENTIAL**

We assisted a media and entertainment organization by conducting an investigation regarding an allegation of a “pump and dump” scheme involving one of their public figures. Using our digital asset tracing skills, we tracked the public figure’s digital asset movements and matched them against their social media activities to develop a timeline of actions and activities before interviewing them. At the conclusion of the investigation, we prepared a report demonstrating the evidence identified.

## **PARTNERSHIPS**

Guidepost Solutions has formed strategic partnerships with leading blockchain investigative software providers to support our client engagements.

Chainalysis

Blockchain Intelligence Group

Transparent Business Solutions