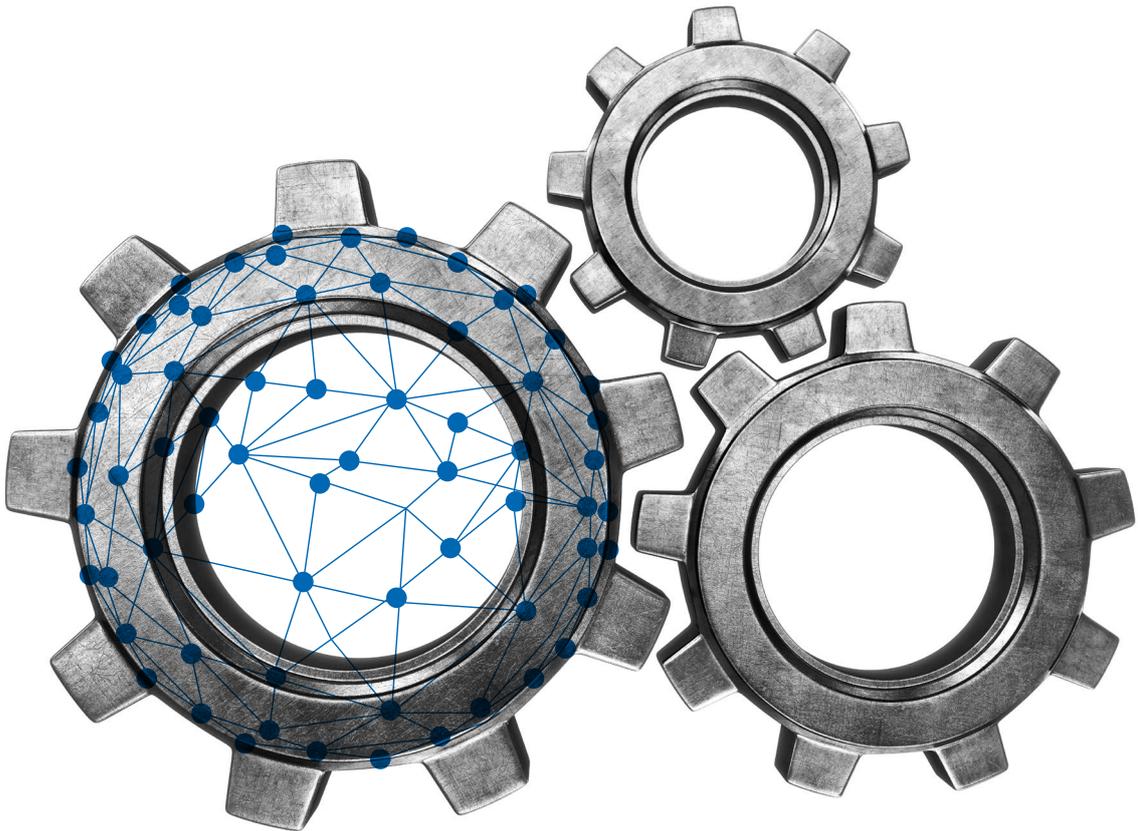


Engineering excellence

Our Financial Blockchain
and Crypto Assets group

May 2021



Engineering excellence

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Eversheds Sutherland has advised governments on defining policy and regulation, custodians on the safekeeping of crypto-assets, exchanges, traders and brokers on compliance with regulatory requirements across multiple jurisdictions and their commercial arrangements with counterparties. We advise investment fund managers and depositary banks on all regulatory matters regarding the setting up of AIFs investing in crypto-assets as well as AIFs and UCITS being issued by using blockchain technology. We have assisted global retail and investment banks on compliance with MiFID II requirements relating to trading in a range of crypto-assets, due diligence on blockchain platforms, the use of platforms (like Ripple) to accelerate FX trades and the use of DLT solutions for trade finance and global commodity transactions, as well as related tax issues. We managed the end-to-end launch of the "Covantis" platform and advised on eTradeConnect in Hong Kong. We supported Coinbase in receiving a license for offering trading and crypto custody services in Germany. Finally we have advised clients with multiple challenging and novel coin and token offerings globally and worked on the first ICO in the London Market.

What we can offer you



- **An award winning crypto-assets practice** - that prides itself in coming up with practical yet principled solutions for our clients, drawing on our understanding of the crypto-assets industry through the work that we have done for leading financial institutions, custodians, exchanges, traders and platform providers



- **Deep subject matter knowledge** - in blockchain, crypto-assets, funds and securities services businesses including extensive knowledge of depositary and custodian business lines, advising several of the leading international securities services businesses across the globe



- **International reach** - lawyers in all major finance centres (including London, Berlin, + New York, Luxembourg, Dublin, Hamburg, Zurich, Shanghai, Hong Kong and Singapore) perfectly positioned to guide our clients through the patchwork of regulation and support on commercial negotiations

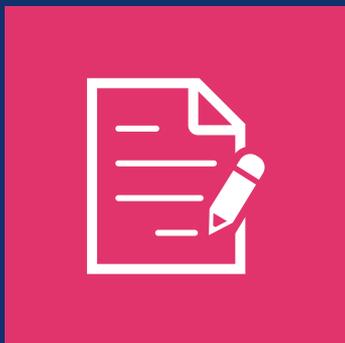


- **Breadth of experience** - advising participants across blockchain ecosystems; our clients include token developers, platform and service providers, custodians and depositaries, exchanges and wallet providers, brokers, traders and funds, and international financial institutions in their engagement with counterparties in all markets



What we advise on

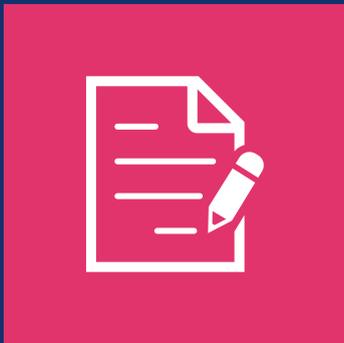
- **Legal issues arising out of custody of crypto-assets**
- establishing custody models to support the safekeeping of crypto-assets and the custody and transactional infrastructure needed. This includes advising on issues arising out of the use of wallets, private keys, and the security of assets, as well as helping clients with issues surrounding segregated vs. omnibus custody models and settlement procedures. We have advised on a number of crypto-asset custody agreements and have advised a number of custodians on the legal and regulatory issues arising in respect of the custody of crypto-assets, particularly in relation to the interaction with existing regulatory regimes, such as the AIFMD and UCITS Directives
- **Crypto-asset regulatory classification and structures**
- we pioneered the only categorisation system driven by function of asset rather than legal form. This makes it particularly useful in implementing local standards in a globally consistent manner. A rigorous analysis and understanding of the features of each particular asset is central to developing a consistent framework to support crypto-assets in a compliant manner
- **Security interests** - the mechanisms and legal implications of taking security over crypto-assets and using them as collateral. Our award winning practice advising on these issues in the “traditional” custody space means we are particularly well-placed to help clients apply traditional principles to new technology models to protect their business interests
- **DeFi, lending, staking, liquidity mining** - use cases and legal implications for using and providing services in connection with decentralized finance (DeFi). We can support in assessing the constantly evolving DeFi use cases, such as lending, staking, liquidity mining etc., for providers who want to offer such DeFi services and provide the necessary legal documents
- **Commercial agreements** - governing interactions between counterparties, revenue sharing arrangements, allocation of risk and liability, exclusivity and non-competes, joint-ventures, co-branding, sourcing, platform and software development and penetration testing
- **Global KYC and AML** - requirements that apply to crypto-asset custodians, including how large international banks can adapt and use their current systems and controls to achieve compliance in this new asset space. We can help with analysing requirements, customer and counterparty ID account monitoring and suspicious transaction reporting, record keeping and due diligence
- **Cyber-security and risk mitigation** - our cyber-security and technology lawyers work in conjunction with our award winning crypto-assets team to advise clients on the best way to protect assets and reduce potential liability stemming from cyber risk and business practices such as forking and airdropping. We can deliver bespoke training to business lines and at board level to support firms in ensuring understanding throughout the business of the specific risks relating to crypto-asset activities
- **Smart contracts and AI** - as businesses move towards innovative ways of recording transactions and agreements, we are well placed to advise businesses on how smart contracts and machine learning can be used to facilitate and automate processes, reduce risk and to achieve greater efficiency and cost savings



Our experience

Our relevant global experience includes advising:

- a JV entity set up by **6 of the largest players in the global commodities industry** on the design, build and operation of the “Covantis” platform for the post-trade execution of global commodities. We advised the consortium from day 1 to launch, including agreements with ConsenSys for the design and build of an Ethereum-based platform, the set-up of the JV company, all anti-trust clearances and Ts&Cs with platform participants
- **a major US financial institution** on an agreement with **Ripple Labs** and **two major European banks** for the settlement of FX trades on the Ripplenet platform
- **Coinbase**, a major global crypto exchange on its application to the German Financial Services Regulator (BaFin) in May 2020. This was the first of application by a crypto exchange in **Germany**. We advised on all related matters including crypto custody, AML, KYC, remuneration policies, outsourcing agreements, IT and operational resiliency
- We advised WENN on the regulatory framework for offering **KODAKCoins** in **Germany**. At that time there was no regulatory framework for Initial Coin Offerings. Our work influenced BaFin policy
- We advised **M.M.Warburg & CO** a German based private bank on investment in tokenised debt securities of Vonovia
- a **virtual bank in Hong Kong** in relation to the issuing of a stablecoin (backed by gold and fiat currency deposits), including advising on the launch of a platform for trading of the stablecoin
- the first **ATMs** for cryptocurrency in the UK
- **two Asian regulators** on the design and implementation of legislation to regulate cryptocurrencies and other assets (as well as the deployment of their “fintech sandbox”)
- **seven banks in Hong Kong** (including HSBC) in relation to the launch of eTradeConnect – a DLT based trade finance platform. Our team negotiated and finalised the platform service agreement signed by each of the seven banks with HKTFPCL and advised on the governance framework and all agreements between banks and corporate clients
- a **global maritime consortium** on the use of a permissioned blockchain platform to streamline supply chain logistics and provide seamless and controlled access to data across key stages of the “supply chain journey”. The “first of its kind” transaction involved ports, carriers and shipping companies who participated as node operators and members in the digital consortium. Members were located in Hong Kong, China, Taiwan, Singapore, UAE, France and Germany
- an **international bank** (based in Asia) in relation to a “proof-of-concept” blockchain solution to facilitate FX transactions between 9 other international banks
- various **blockchain technology** companies operating in Hong Kong, Singapore and Malaysia on “best practice” private key / cryptography management, including in relation to hot and cold storage options, single sig vs multi-sig wallets
- a **global fintech company** (based in Hong Kong) in relation to its digital payment wallet (leveraging blockchain technology) for use in Hong Kong, China and Malaysia
- **cryptocurrency exchange operators** in Hong Kong, Singapore, Malaysia and Malta in relation to the implementation of their respective operations



- transactions, including gold-backed tokens registered on a blockchain on the terms establishing access to the **Chinese blockchain-based exchange** for the buying and selling of finance instruments by a consortium of seven banks
- a **global bitcoin mining company** on its intra-group company arrangements to effect its OTC and exchange operations
- a **crypto-currency exchange** in dealing with the SFC in order to obtain initial views on the regulatory status of its business, including hosting ICO launches
- **KINESIS** (a global monetary system) on the regulatory classification of and legal requirements for a yield-bearing digital currency based on physical gold and silver
- a **FCA Sandbox FinTech cohort member** on all aspects of their authorisation to arrange and issue a crypto asset-backed bond where entitlement is registered using distributed ledger technology
- a **top-five retail broker dealer** with respect to US federal and state registration, licensing and compliance issues with respect to the launch of a cryptocurrency trading subsidiary
- a **venture-backed cryptocurrency issuer** on state registration, licensing and compliance issues with respect to the launch of a new stablecoin
- a **German depositary bank** on all regulatory matters under the AIFMD for providing depositary services to an alternative investment fund investing in crypto assets. This includes all related matters regarding crypto custody, AML, and contractual relationships with a German based crypto exchange
- an **NFT issuance in the music industry** for a German blockchain company
- a **German crypto custodian** on outsourcing partnerships and crypto custody services for banks entering the crypto-assets market



“As a Swiss blockchain development company looking to enter the MENA region, we wanted to work with a Tier 1 international law firm with a strong local footprint and very specific domain expertise; asset tokenization. For those reasons, we’ve decided to work with Eversheds’ TMT team as part of ES Disrupt, and our experience has been phenomenal. Since the start of our engagement, we’ve enjoyed the luxury of tapping into Eversheds’ international network, having worked with blockchain experts based in London, as well as partners in other jurisdictions where we needed input.”

Talal Tabbaa, COO, Co-Founder, Jibrel Network





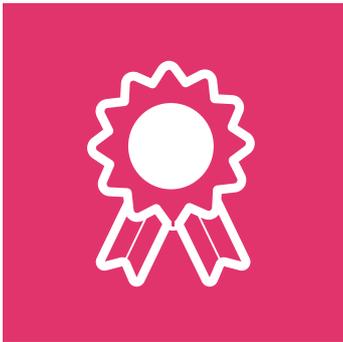
- five firms through the FCA Sandbox including **Nivaura** on becoming one of the first entities in the UK to become authorised as a blockchain business
- **ResonanceX** on a new platform that enables end-to-end automation of structured products using blockchain asset custody
- **2030 Limited** on the regulatory and corporate aspects of offering equity tokens
- a **Middle Eastern bank** on a series of blockchain IT SaaS contracts
- a **French investment bank** on the use of blockchain in the context of trade finance, letters of credit and post-trade reconciliation
- a **Hamburg headquartered bank** on Security Token Offerings
- a **Berlin headquartered bank** on the use of DLT in portfolio management services
- **Brickblock** on the license application for providing crypto custody services in Germany
- the first **UK manager** to be authorised by the FCA to manage a crypto fund
- setting up a **UK cryptocurrency exchange** for both utility and security coins
- the first successful **UK-based ICO** with the Centre for Citizenship Enterprise and Governance
- on the **Namahe ICO** and a bank holding client money in relation to the Telegram ICO

“

“It has been a breath of fresh air to work with lawyers that can cut through the fog that many people seem blinded by regarding around anything “blockchain” or “crypto” related.”

Jay Goss, Aston Currency Management





Legal 500 (2019/20)

(Band 1 Ranking for Fintech)

Chambers Global 2019

(Ranked for Financial Services)

Runners up at the

City AM Crypto Awards 2020

Named **'Best Law Firm'** at the HedgeWeek European Awards 2020

Shortlisted for the Financial Times Innovative Lawyer Awards Europe 2019 for the second successive year in a row in the category **'Innovative in legal expertise'**
Commended in the Financial Times Most Innovative Law Firms 2018

Our Banking and Finance team were ranked **'Highly Commended'** at the **British Legal Awards** (Legal Week) 2018 for their work on the first successful UK ICO

Winners of Legal Services Innovation Award of the British Legal Awards 2017 and shortlisted in four other categories



hedge**week**

EUROPEAN AWARDS 2020

WINNER

Best Law Firm



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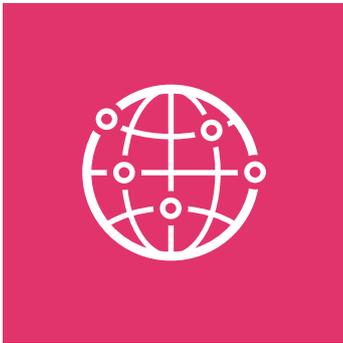
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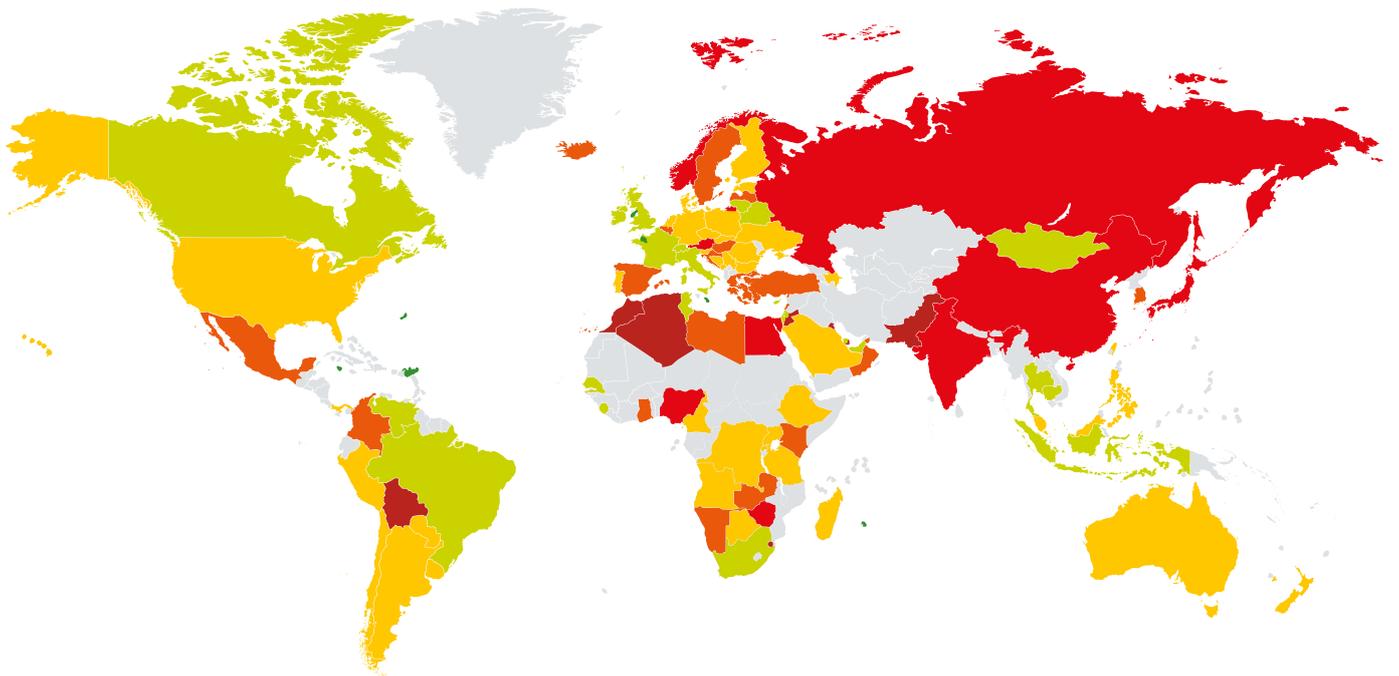
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Attitudes of financial regulators towards cryptoassets/cryptocurrencies



- Very positive
- Positive
- Neutral
- Negative
- Very negative
- Banned/Illegal
- Unknown

Disclaimer: This overview is based on the current understanding of the advisors in the various countries and is potentially subject to change. It is not legal or other advice and should not be relied upon as such. You must consult with professional advisors before taking any steps which might expose you to legal risk.



“

“Strong expertise and experience working on the buy side of non-contentious regulatory advice, with a presence in this field growing out of the firm’s enduring strength in the asset management space. Impressive size and scope enabling the team to handle issues of every size and scale, including fintech regulations, capital requirements and a diverse range of other regulatory matters. Notable experience advising on regulations affecting new and developing technological aspects of the market, including robo-advisory and cryptocurrency services.”

Strengths: A client values that the practitioners in the team “are very responsive, stay on top of the facts and have provided excellent support and guidance.”

Chambers Global 2019
(Ranked for Financial Services)



“Pulling together lawyers from its technology and financial services sector groups, Eversheds Sutherland’s offering consists of a largely London-based team, supported by experts from its US, European and Asian offices. The firm is regularly consulted by regulatory authorities in the UK and abroad, often on matters relating to cryptoassets. The legal teams work closely with Eversheds Compliance Consulting [now part of Konexo], its specialised compliance business unit.”

Chambers Global 2019 (Ranked for Fintech)

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