

New Era for Crypto-Custody

March 2020



The new crypto regulation is in place since January 2020

On 1 January 2020, the German Banking Act (KWG) was amended to extend its scope to crypto custody services.

What changes?

- Firms which provide *crypto custody services* must now obtain a license from the Federal Financial Supervisory Authority (BaFin).
- Immediate action must be the declaration of intent with the regulator (BaFin)
- Follow-Up must be the full-scale licensing with BaFin (filing until 30 Nov 2020)

Who is affected?

- The regulation concerns *any* entity that services the German market, not just German firms.
- Similar rules are expected to be soon implemented in other EU Member States.

What are the implications?

- The Licensing obligation as a financial services provider in Germany triggers organizational requirements and further regulatory obligations as well as adequation issues in several areas.

1 January 2020

- Law is amended to cover crypto custody services

31 March 2020

- Deadline for letter of intent for provisional license

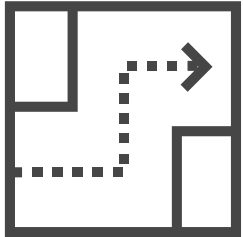
30 November 2020

- Deadline for complete application for BaFin License

Ongoing Compliance

Immediate attention is compulsory for all existing providers

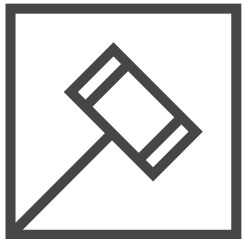
Letter of Intent is required for provisional license



Provisional BaFin License for incumbents

- ***If you do already deliver crypto custody services*** according to the KWG/BaFin definition, you must declare your intention to apply for a permanent license in order to receive a provisional license good until November 30
- BaFin must receive a letter of intent from you stating this intention ***by 31 March 2020***.

PwC will coordinate this Letter of Intent for your firm, so you can continue to focus on your business and clients.



Permanent License for registered incumbents and market entrants

- After receiving the provisional license, you must complete the formal application process with BaFin and obtain a full BaFin license application ***by 30 November 2020***.
- To this end, you must compile the necessary documentation, set up the necessary structures (incl. e.g. KYC governance structures and AML procedures) and complete all necessary activities in due time.
- Failure to submit a timely and complete application will result in penalties for you and your firm and may lead to a suspension of your business.
- ***If you do not yet deliver custody services*** according to the KWG/BaFin definition but intend to start soon, you must complete the application process and receive the BaFin license prior to starting your service.

PwC will manage the compilation of all necessary application materials and will further advise on operational integration, tax and legal implications, and ongoing compliance requirements.

Your next steps should focus on legal filing and TOM readiness

Additional implications should be considered in the meantime.

Operational Integration

You must prepare your firm for new regulatory compliance requirements.

- Target Operating Model Design
- Compliance Processes Development
- Implementation of TOM and Compliance Processes

Tax and Legal Considerations

New regulatory classifications means potential tax and legal implications.

- Impact Overview of Potential Tax-Related Regulations
- New or Adjusted Applicability of Work Place Regulations
- Advisory for TOM and Compliance Processes

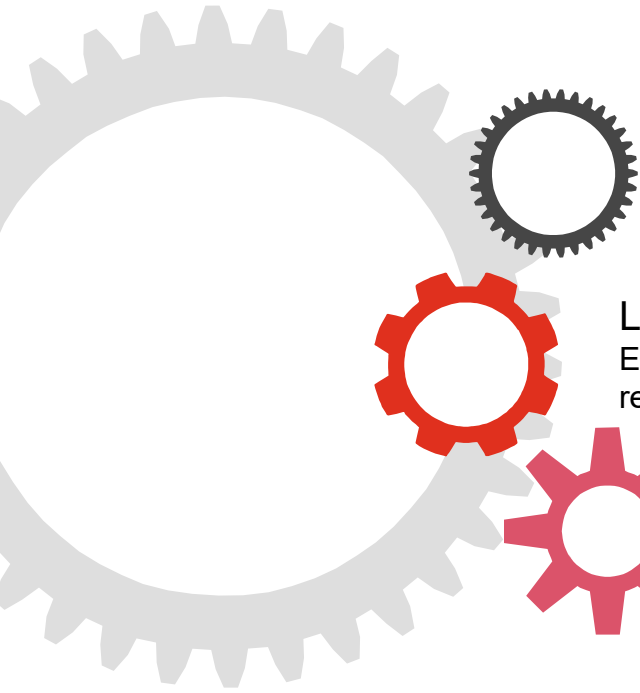
Complete Application Submission

To continue operations without penalties, one must submit a complete licensing application with BaFin.

- Preparation of License Application/Set up of a regulatory compliant business structure
- Review and Submission **by November 30 , 2020**
- Ongoing Regulatory Compliance Support

PwC can serve you for all requirements in a one-stop shop

We are your partner – from beginning to end.



Advisory

Trusted project management and advisory with respect to necessary compliance processes, operational integration, etc. We will be there to support you with the appropriate operational and compliance changes as a financial service provider.

Legal

Expert support with all regulatory requirements, application completion, and related legal implications. We will provide quick, reliable guidance with all of your legal topics, from licensing to ongoing compliance requirements and labor law.

Tax

Comprehensive overview of related tax considerations. We will evaluate any tax-related implications for you and will work together to address all concerns.

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PwC will provide you with the most comprehensive, yet tailored support needed.

Your team waits to start our common project

Reliable. Experienced. Experts.



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Thank you.

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