

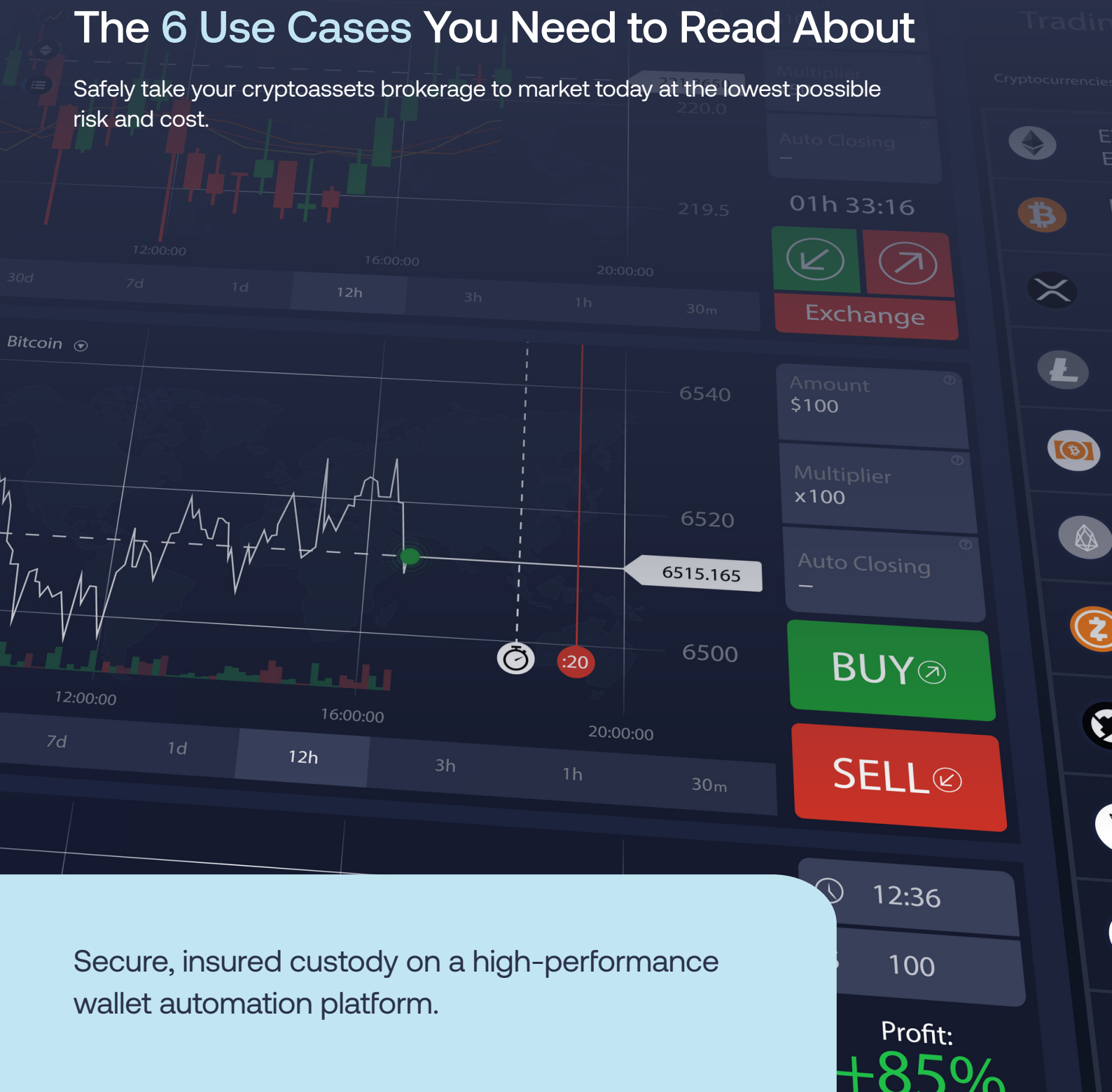


Trustology

Crypto Custody Solutions for Brokers

The 6 Use Cases You Need to Read About

Safely take your cryptoassets brokerage to market today at the lowest possible risk and cost.



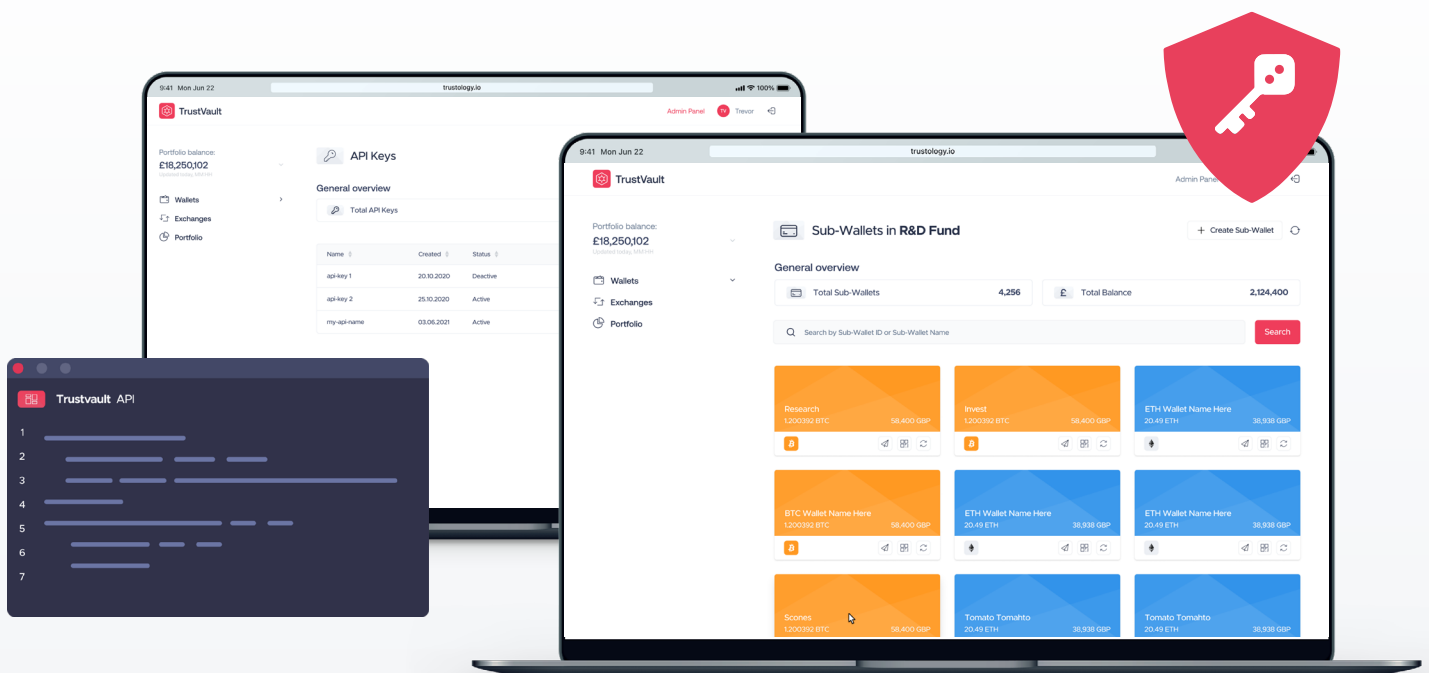
Secure, insured custody on a high-performance wallet automation platform.

Overview

More and more brokers are starting to offer crypto spot trading. And their customers expect to both fund their trading accounts and withdraw in crypto. Building the required capabilities such as a custodial wallet infrastructure and compliance monitoring tools quickly can be both a costly affair for brokers

and a challenge if they are managing thousands of customers and private keys, operating 24x7, in a regulated environment.

Here are six proven use cases driving value for our institutional clients using TrustVault today to safeguard and administer cryptoassets today.



- Use Case #1 **Accepting Cryptoasset Deposits**
- Use Case #2 **Processing Cryptoasset Withdrawals**
- Use Case #3 **Withdrawing Funds from Exchanges**
- Use Case #4 **Settling Trades OTC**
- Use Case #5 **Trading on Decentralised Exchanges**
- Use Case #6 **Earning Yield on Deposits**



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sales@trustology.io

Accepting Cryptoasset Deposits

→ Need

Brokers want to be able to easily accept BTC and ETH as customer deposits and then reconcile them against their trading accounts. However, there are several challenges to contend with here.

Problem

Cryptoassets like BTC and ETH do not allow inclusion of reference numbers in transfer transactions, i.e. inclusion of a memo field. And since all accounts are pseudonymous i.e. you don't know their owners identity, it is hard to reconcile transfers to specific customer deposits or payments. For brokers handling hundreds of customers and thousands of transactions 24/7, manual reconciliation becomes grossly expensive and impractical.

Additionally, blockchains do not have an alerting system for incoming transactions, e.g. no notifications. Hence, to reconcile transactions, you need to not only create a new address, but manually monitor all blockchain transactions that send funds to that address. Once a transaction is detected, the received balance can then be added for example to customer trading credit. This is not ideal for brokers with high volume trading needs as it's manually intensive and can lead to human error.

Solution

Working with a custodial wallet platform like TrustVault enables brokers to create a new address for each customer, or payment. This way any received assets can be easily reconciled against a customer or a payment. To overcome the fact that blockchains do not have an alerting system for incoming transactions for easy reconciliation, the system and platform not only creates a new address, but monitors all blockchain transactions that send funds to that address as Trustology runs its own nodes and indexers. Hence, once a transaction is detected, the received balance can then be added for example to customer trading credit. Brokers can then opt to keep the funds on that deposit address to save on transaction costs or move them to an omnibus account if it makes sense to.

As TrustVault also includes all the compliance information on inbound and outbound transactions such as risk rating and counterparty cluster information e.g. gambling, mixers, terrorist financing etc. it reduces the burden of compliance as funds can be automatically quarantined if they are detected to have direct exposure to high risk counterparties. With TrustVault, brokers can easily pre-screen transactions for direct transactional exposure risk instead of having to manually perform pre-flight checks themselves, saving them time, cost and effort.



Did you know?

TrustVault offers brokers a segregated account structure, sub-wallets and multisig rules to let teams securely share wallets and policies with unique addresses per customer, payment etc.



Processing Cryptoasset Withdrawals

→ Need

Ability to manage customer withdrawal expectations in a 24/7 operating environment such as crypto.

Problem

Manually handling requests is costly, impractical and problematic. Not only do brokers need to ensure the amount of money withdrawn is permitted i.e. there are enough funds in the account to cover the request, but also that the funds are not withdrawn to a wrong or 'suspicious' address. Funds held directly on the deposit address are easy enough to rectify. Where it becomes problematic, however, is when funds are moved to an omnibus account where brokers would then have to keep a separate private record in their own database of how much money each customer has. Furthermore, AML transaction monitoring checks must also be applied to ensure the funds aren't being routed to a 'suspicious' address. For higher value transactions, additional controls like multisig approvals and allow lists may also be required to prevent external and internal fraud. This means non-programmable end-user solutions like hardware wallets are simply not practical.

Solution

With TrustVault, brokers can provide withdrawal facilities in their own customer portal which calls TrustVault APIs whenever their customer requests a withdrawal. Withdrawals can be performed STP or via enforced multisig controls, either for all transactions or specific to transactions over a certain threshold value. Allow and deny list filters can be added to control where funds can be sent. High-risk transactions are also auto-blocked through TrustVault's automated compliance check checks utilising Chainalysis data. Brokers can also choose to add additional custom controls via webhook calls to a customised rules service, such as 'block' all transactions to gambling related addresses or enforce threshold signing limits and time-lock delays.



Did you know?

You can have additional compliance policies in place e.g. block any transfers to a gambling address. That's why, Trustology augments the TrustVault transaction alert data sent to the customer with transaction risk data.



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Withdrawing Funds from Exchanges

→ Need

A majority of trading today in crypto markets is still done OTC or on exchanges despite the significant uptick in DeFi trading since 2020. Brokers typically need to hold funds on exchanges for daily trading activity and to rebalance liquidity across exchanges.

Problem

Exchange security risk can be a problem for many brokers moving funds between exchanges to rebalance liquidity or moving funds off exchange into a third party address or on-chain custody wallet to reduce counterparty exposure to the exchange. Some exchanges have excellent security, others less so as evidenced by the numerous hacks in recent years. In some cases a single individual can steal assets off the exchange. This is not acceptable for institutions.

Solution

With TrustVault, brokers can leverage the platform's on-exchange wallets and security infrastructure that mitigates and limits such risks. Securely transfer assets with ease between exchanges such as Coinbase and Kraken, and between exchanges and TrustVault on-chain wallets.



Did you know?

TrustVault secures the API withdrawal keys and TOTP secrets on behalf of clients across any number of exchanges, and blocks withdrawal transactions that do not pass its own multisig and allow-list checks.



Settling Trades OTC

→ Need

Trade faster than blockchain without counterparty risk

Problem

Blockchain actually allows for atomic swaps, or payment-versus-payment, without intermediaries like exchanges, but only at slow speeds e.g. Ethereum has a minimum 20 second latency and maximum 15 transactions per second throughput. That simply is not performant enough to support institutional trading speeds. So like with traditional solutions, there is a need to execute trades whilst avoiding counterparty risk at a faster-than settlement rate.

Solution

TrustVault can easily connect to Layer 2 network solutions like Bosonic via APIs to tokenise escrowed funds, allowing liquidity makers and takers to trade with multiple counterparties off a single guaranteed capital pool, avoiding capital fragmentation and settlement risk. With TrustVault executing netted settlements and acting as the sole custodial wallet on both sides of the trade, brokers can look to save on transaction costs.

Did you know?



TrustVault is a high-performance custodial wallet platform to safeguard and administer cryptoassets at scale and sub-second latency, 1000 transactions per second processing time. Its customisable rules can enforce escrow directives for net settlement transactions.



Trading on Decentralised Exchanges

→ Need

Brokers need to be able to easily source more liquidity. The cryptoasset market has no commonly accepted principal exchange in each jurisdiction or territory and no one venue can do it all. As a result, sourcing liquidity can be extremely difficult for brokers as it's massively fragmented across 100s of exchanges, market-makers, traditional FX LPs, and boutique offerings. Brokers often have to work across multiple exchanges or OTC liquidity providers just to fulfil an order at the best price. DeFi presents as the next evolution in this regard.

⚠ Problem

DeFi is inherently complicated and lacking in fundamental services institutional traders value and need such as customer support, compliance and custody. Many custodians simply do not support DeFi protocols. That's because a custodian needs to be real-time, support segregated versus omnibus accounts, be capable of signing arbitrary complex smart contract transactions, and at the same time enforce compliance rules.

🛡 Solution

TrustVault's unique features offer market leading DeFi support on the Ethereum network. It is both secure yet real time, and is capable of supporting a near infinite number of segregated private keys, and together with its MetaMask fork, WalletConnect integration and APIs, it allows brokers to trade securely on decentralised exchanges, either manually via the DEX's web app, or programmatically via TrustVault APIs. At the same time, every transaction is screened for compliance



Did you know?

Every part of the transaction flow in DeFi can be configured through web hooks and you can create custom authorised manual or automated co-signers like the DeFi firewall to specify an allow-list of DeFi protocols.



Earning Yield on Deposits

→ Need

Funds sitting idly in trading accounts are very capital inefficient. Lending yield in DeFi is superior when compared to traditional financial products, offering interest in the range of 8-10%. Brokers, therefore, have an opportunity to move idle assets onto relatively low-risk protocols like Aave or Compound that allow crypto holders to earn interest on their assets. Alternatively, staking protocols offer another means to earn passive returns. Brokers can then look to pass on the interest earned on deposits to their customers or offer them better spreads as a result of yield earned.

Problem

The level of innovation, transaction types and asset variety in DeFi comes at a complexity cost for brokers. Just as with trading on DEX's, to earn yield with DeFi lending and staking protocols requires a custodian to support DeFi protocols, not just custody cryptoassets.

Solution

TrustVault can support any smart contract on the Ethereum chain, the same tools i.e. TrustVault MetaMask fork, WalletConnect integration and TrustVault APIs, can be used to deploy capital to lending protocols and stake, alongside trading on decentralised exchanges. All is secured by TrustVault's infrastructure that safeguards keys and blocks transactions that do not pass configured business and compliance rules.



Did you know?

You can secure any Ethereum DApp transaction with our MetaMask and WalletConnect integrations or our APIs.

