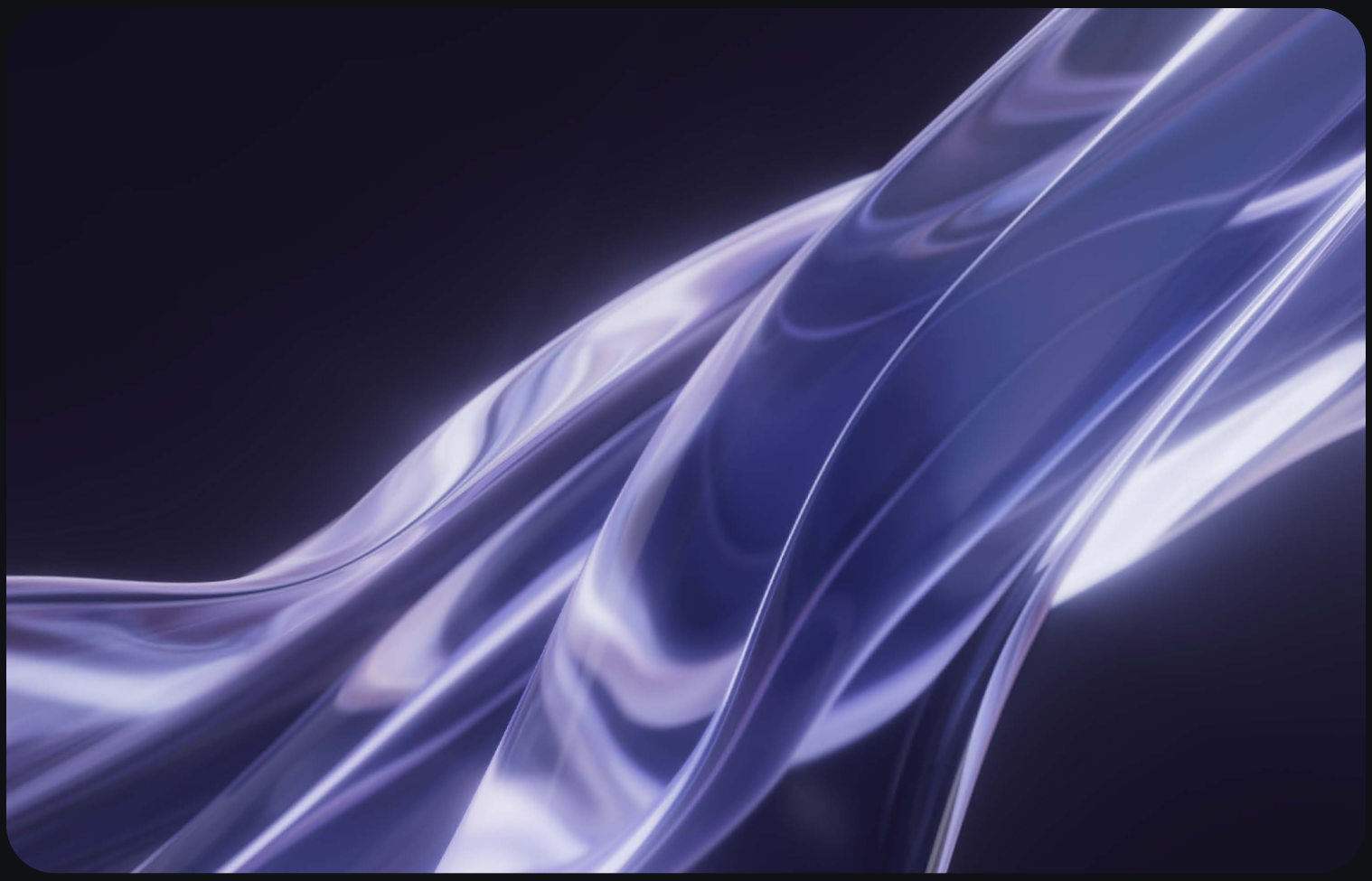


# Qualified digital asset custody for institutions

Pioneering secure and regulated custody solutions

kraken INSTITUTIONAL

**Welcome to Kraken Financial,**

This is an exciting time for cryptocurrencies and digital assets. New innovations — coins, tokens, real world assets, and cutting edge use cases — are paving the way for better ways to bank, make payments, send money and create and store wealth. For those who cannot self-custody digital assets, Kraken Financial has a bank-grade, qualified custody solution.

Kraken Financial is a state-chartered bank specifically designed to custody digital assets. As a qualified custodian, Kraken Financial undergoes regular bank exams, has significant capital requirements and follows a clear regulatory framework.

Our custody solution provides cryptographically verifiable transparency. Clients retain ownership of their digital assets every step of the way.

Custody with Kraken Financial is safe, secure and tested. Move between fiat and crypto with the click of a button via our state-of-the-art platform, powered by industry-leading multiparty computation (MPC) and hardware security module (HSM) technology. Market-leading liquidity and other institutional-grade products are instantly available on the Kraken exchange.

Kraken has a proven track record of keeping client assets safe and providing world-class service. Leverage our expertise and make Kraken Financial your digital asset custody partner.

Sincerely,

Trevor Rutar

Kraken Financial CEO

# Custody: The foundation of trust in digital finance

Custody plays a pivotal role in digital finance, akin to traditional banking services for financial assets. It involves the safeguarding of private keys; if these keys are lost or compromised, digital assets can be irreversibly lost.

Kraken has been a pioneer in this space since 2011. Regulatory compliance is the cornerstone of our approach.

In 2020, Kraken was the first digital asset company in the world to receive a Wyoming Special Purpose Depository Institution (SPDI) charter, establishing a new standard for technological innovation paired with stringent regulatory adherence.

This unique position allows Kraken to offer a superior institutional custody product: a blend of security, transparency and operational efficiency unmatched in the industry.

Beyond our technological and regulatory advantages, Kraken's world-renowned, white-glove 24/7/365 support allows us to cater to the diverse and specific needs of institutional clients.

## Custody's role in digital asset ownership

An effective custody solution is vital for preventing theft or loss of digital assets. Secure custody is especially crucial for institutional investors and large-scale traders given the size of their digital holdings and their need for strict adherence to regulatory compliance standards.

As the digital asset industry continues to expand and mature, the role of custody will become increasingly central to the overall health and stability of this asset class.

# How the SPDI charter changed everything

The Wyoming Special Purpose Depository Institution (SPDI) charter made Kraken Financial possible. Established to bridge the gap between traditional financial services and the burgeoning world of digital assets, the charter created a structure that acknowledges the unique nature of digital assets while ensuring the highest standards of safety and compliance.

The SPDI charter effectively bridges the gap between traditional financial institutions and the digital asset world for two primary reasons:

**Regulatory clarity**

SPDIs provide a clear regulatory framework filling a crucial gap in the digital asset sector. This clarity is pivotal to fostering innovation while ensuring robust prudential and consumer protection measures.

**Parity with traditional finance safeguards**

SPDIs are required to meet stringent safety and soundness requirements like those demanded of traditional financial institutions for traditional financial assets.

By law, as is required of an SPDI, Kraken Financial is a separate entity from Kraken exchange. We have our own governance structure and dedicated board of directors, responsible for overseeing operations and ensuring compliance.

# Comparison with traditional banking and custody models

The SPDI charter compliments traditional models of financial institution regulation in several key areas:

### Operational transparency

SPDIs are required to maintain a high level of operational transparency with regular audits similar to the standards of traditional financial institutions.

### Asset segregation and protection

SPDIs segregate client assets from the custodian's owned assets. This segregation ensures that in the event of institutional failure, client assets are protected and cannot be claimed by creditors.

### Full-reserve banking; prohibition on lending

SPDIs operate on a full-reserve basis, meaning they must hold unencumbered liquid assets valued at not less than 100% of their clients' deposits. Contrast this with the fractional-reserve system common in traditional finance, where only a fraction of client deposits are required to be held on reserve. Moreover, SPDIs cannot make loans.

### Digital asset expertise

SPDIs were created specifically for digital assets. Kraken has been an industry leader since 2011. Built on that foundation of expertise, Kraken Financial offers tailored services unique to digital assets that traditional banks can't match.

# The Kraken Financial difference

With its combination of advanced features, stringent compliance standards and award-winning account management team, Kraken Financial offers institutions a unique qualified custody solution for the digital asset vertical.

## Key technological features of our custody solution

### Segregated account model

Kraken Financial's segregated account model contrasts sharply with traditional finance's omnibus account models, providing superior transparency and auditability. By maintaining each client's assets separately, there is no commingling of funds and clearly delineated asset ownership.

### MPC technology

Permitting the distribution of key generation and signing processes across multiple parties, MPC technology significantly reduces single-point-of-failure risk. Approval quorums ensure that Kraken Financial's custody services adhere to the highest industry standards. The distributed nature of MPC enhances the security of asset transactions, making unauthorized access or asset misappropriation extremely difficult.

### Advanced security via HSMs

HSMs offer a highly secure environment for key management and cryptographic operations, crucial for protecting against external threats and unauthorized access.

### Advanced encryption and security protocols

Robust firewalls, intrusion detection systems and state-of-the-art data encryption standards provide comprehensive protection against cyber threats.

All Kraken Custody accounts enforce mandatory login via two-factor authentication using the most secure methods.

# Custody education and communication

### Award-winning, 24/7/365 service

Kraken's Account Management team offers expert assistance around the clock, facilitating timely decision-making in a market known for volatility and rapid movements. This dedicated service team is available at all times for all needs, streamlining operational aspects from account setup and management to transaction processing.

### Client onboarding resources

To assist clients in navigating the complexities of digital asset custody, we offer comprehensive educational resources. These include personalized onboarding sessions, ensuring account setup goes smoothly and that all your initial questions get answered.

### Monthly vault statements

Combined statements provide detailed insights into your various digital asset and fiat account holdings. Organized by vault and asset type, you can efficiently track your assets, manage your portfolios and stay informed about asset performance.


## Enquire now to access Kraken Financial's qualified crypto custody solution

Get started

www.kraken.com/institutions/custody

Services are provided by Kraken Financial,
a Wyoming-chartered Special Purpose Depository Institution.

Kraken Financial is not an FDIC-insured bank and deposits are neither insured by nor subject to the protections of the FDIC.

# Kraken Institutional offers the full suite of institutional crypto tools

Whether it's deep liquidity for high-volume trading, reliably low latency and high uptime or sophisticated data for market analysis, our offerings are driven by a single question: How can we provide the best digital asset experience for you?

The full suite of services offered by Kraken Institutional and integrated with qualified custody span a wide range, all designed to provide a comprehensive suite of tools for institutional success.

### Digital asset spot and futures trading*

Access the crypto market with deep liquidity, unrivaled connectivity and industry-leading security and compliance.

### Fast, reliable API access

We offer baseline WebSocket API latency of 2.5ms and the ability to handle over a million requests per minute, along with 99.9% uptime. Other API connectivity options include REST and FIX 4.4, integrated with real-time and historical market data.

### OTC services*

Execute large spot and derivatives orders off the open Kraken exchange with our premium, personalized service. Access deep liquidity and minimal slippage for competitive execution and settlement services.

### Institutional staking*

Earn rewards while retaining control of your funds and keys with Staked, Kraken's non-custodial staking platform. Benefit from simplified reporting, designed for institutions.

*Geographic restrictions apply

# An enduring partnership for the future

Choosing Kraken isn't just selecting a service provider. It's choosing a partner that is committed to delivering the industry's most comprehensive and advanced digital asset solutions — specifically designed for the world's most sophisticated and influential investors.

