

# **Summary Custody and Administration Policy**

## 1 Introduction

Novelist is a trade name of Amdax B.V. Novelist is the provider of several crypto-asset services, such as custody and administration of crypto-assets on behalf of clients. These services are subject to the Markets in Crypto Assets Regulation (**MiCAR**).

To comply with MiCAR, Novelist has drafted a Custody and Administration Policy, of which a summary is publicly available on our website, [www.getnovelist.nl](http://www.getnovelist.nl), as well as upon your request.

## 2 Scope

This summary is intended for all current and prospective clients of Novelist who receive the service of custody and administration of crypto-assets. The relationship between Novelist and its clients is governed by Dutch law, and Novelist deems the accounts used for the recording of clients' positions to be maintained in the Netherlands.

## 3 Register of positions

Novelist maintains a register of positions opened in the name of each client to show the client's entitlement to crypto-assets. Movements resulting from client instructions are recorded as soon as possible in such a register.

## 4 Custody

Client crypto-assets held in custody are legally segregated from Novelist's own assets, by incorporating a separate entity, a so-called custody company (*bewaarbedrijf*) who has as its sole purpose to hold the crypto-assets on behalf of the clients of Novelist. In this way, creditors of Novelist have no recourse against client crypto-assets, particularly in the event of insolvency. Furthermore, the crypto-assets held in custody are operationally segregated from Novelist's estate by opening wallets in the name of clients or in the name of Novelist. Novelist has no proprietary position(s) in the omnibus-wallets where the clients' crypto-assets are held, except for settlement purposes<sup>1</sup>. Novelist ensures that, on the distributed ledger, clients' crypto-assets are held separately from her own crypto-assets.

Novelist has developed an extensive software platform for managing, administering and storing crypto-assets. Third-party software applications are connected to this platform which enables Novelist to efficiently execute crypto-asset transactions out of one central system.

Novelist distinguishes between three different ways in which crypto-assets are stored:

- i. **Novelist's own custody infrastructure with the use of a third-party software application:** The vast majority of the custody and administration services provided by Novelist is by use of its own custody infrastructure. Novelist uses third-party software applications by licensing such software from a third-party. Novelist always has (exclusive) access to the private keys of the crypto-assets. The third-party software application may provide different types of storage solutions, including cold custody storage.<sup>2</sup>
- ii. **Novelist's own custody infrastructure without the use of a third-party software application:** in this setup, Novelist directly transacts with the blockchain protocol. In some cases, Novelist uses interface

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<sup>1</sup> Transaction fees are paid by the client in the respective cryptocurrency which will be deducted from the purchase price. These positions in the wallet are held in Novelist's name and will be sold periodically to be added to Novelist's estate.

<sup>2</sup> Cold custody storage refers to the offline storage of crypto-assets wallets. There is no online connection.

software solutions provided by the blockchain protocol itself to establish its own custody infrastructure and transact more easily with the blockchain. These interfaces are publicly available. There is no third-party involved with this setup; and

- iii. **with accounts held with exchanges and liquidity providers:** Novelist has accounts with exchanges and liquidity providers to hold crypto-assets of its clients. This set-up is necessary for the purpose of trading and settlement on such exchanges and LPs, and in exceptional cases to store your crypto-assets.

Novelist will keep clients' crypto-assets as much as possible within its own custody infrastructure as described under i. and ii. and will only store crypto-assets with exchanges or liquidity providers by way of exception. In the case of the latter, Novelist will only store client's crypto-assets with crypto-asset service providers authorized in accordance with MiCAR.

In accordance with Dutch financial regulation, Novelist as a financial service provider keeps all the information and accounts necessary to enable it at any time immediately to distinguish the crypto-assets held for a client from crypto-assets held for other clients and its own crypto-assets.

In the unlikely event Novelist would become insolvent, the bookkeeping of Novelist and the custody company will ultimately determine whether the client can exercise his or her rights in relation to the crypto-assets.

The custody company does not enter into any other contractual liabilities, other than those necessary for the custody of clients' assets and therefore practically cannot be declared bankrupt. Bankruptcy of any other Novelist entity has no effect on the custody company or on the client assets held by it either.

## 5 Risk measures

Apart from establishing the custody company, Novelist implemented various risk measures to protect its custody platform and to prevent losses of clients' assets. These measures consist of using multi-signature wallets, cold storage, due diligence on selecting third-parties involved in the custody of crypto-assets, diversified storage methods and dedicated compliance with rules and regulations.

## 6 Liability for loss

Under MiCAR, Novelist is liable to its clients for the loss of crypto-assets or the means of access to crypto-assets (i.e. private keys) as a result of an incident attributable to Novelist. To avoid liability, Novelist demonstrates sufficiently that its security measures and business-continuity plan are of a reasonable standard and consistently maintained. The liability of Novelist is capped at the market value of the crypto-assets that were lost when the loss occurred.

## 7 Review and changes to the summary

If material changes occur affecting this summary, an updated version will be published on our website accompanied with an explanation about the changes. The previous version will remain on our website for 3 months.