Zand Digital Asset Custody FAQs

Section 1: General

1. What is digital asset custody, and why is it important?

Digital Asset Custody involves the framework, governance and processes of securely holding and managing digital assets, like cryptocurrencies, on behalf of an individual or institution. This is crucial for ensuring the security, regulatory compliance, and operational efficiency of digital assets. It provides a higher level of protection against theft and hacking, helps asset holders comply with legal requirements, and enables investors to confidently participate in the digital asset market. Additionally, custody services offer risk management features like insurance and disaster recovery plans, while handling the complex technical aspects of its management.

2. What are the challenges in securing digital assets?

Securing digital assets presents several challenges, primarily due to the complex nature of managing private keys and the high level of security expertise required. One major challenge is the risk of human error; losing or misplacing private keys can result in the permanent loss of assets. Phishing attacks, malware, and other cyber threats are not uncommon and can compromise security if proper precautions are not taken. Ensuring the secure storage of private keys, such as using hardware wallets or other offline methods, requires a thorough understanding of cryptographic principles and best practices. Moreover, managing digital assets demands niche expertise in a multitude of areas, including physical and cybersecurity. Lastly, custody of digital assets, like other financial instruments, is usually a highly regulated service requiring robust risk management practices, fraud risk monitoring, regular security testing, insurance coverage, as well as independent audits and attestations.

3. What is the difference between using a custodian and self-custody for digital assets?

Appointing a custodian means entrusting a specialized third-party service provider with the safekeeping, management, and security of your digital assets. Leveraging a custodian allows you to rely on your custodian's professional expertise in various areas including risk management, security, legal and compliance to handle the complex aspects of digital asset custody. However, using a custodian has an inherent counterparty exposure that needs to be considered, therefore it is important to select a regulated and trusted custodian. While contracting a custodian comes with custody and transaction fees for their professional services, it gives you a peace of mind that your assets are properly secured, allowing you to focus on your primary business activity.

Self-custody, on the other hand, offers greater control over your assets. You are the sole owner of your private keys, hence you can access your assets directly without relying on a third party. However, the self-custody model requires you to understand complex cryptographic principles

and practices, along with expertise in various areas of security. It also comes with the significant drawbacks of having to take on the full responsibility for the end-to-end management of the digital assets.

In summary, using a custodian provides enhanced security, regulatory compliance, and convenience at the cost of fees and some control. Self-custody offers greater autonomy but requires a high level of security expertise and carries significant risks.

Section 2: Products

1. What are hot and cold wallets?

These varying wallet temperatures refer to the degree of security and speed involved in the custody and execution of blockchain assets. This may include factors such as the degree or frequency of internet connectivity, firewalls, physical vaults used for storing hardware, or other security measures. The "colder" a wallet, the more difficult it is to access the private keys, and the reverse is true for hot wallets. While there are no specific definitions, a hot wallet typically refers to a simpler private key storage method that allows for near-instant transactions, making it more suited for day-to-day use. Cold wallets involve stringent private key storage and usually require human intervention to access the private keys, making them more secure and suited for long-term storage. It is important to note that there are no fixed definitions for hot or cold wallets. Users should focus on the security measures and custody structure employed.

2. How is Zand Custody different from other custodian / wallet providers?

Zand Bank Digital Asset Custody offers a combination of regulatory compliance, advanced security measures, and a client-centric approach. Here are some key differentiators:

1. **Stringent Regulatory Standards Enabling a One-Stop-Shop Service:** Zand Bank operates under stringent regulatory standards as a licensed bank under the Central Bank of the UAE (CBUAE) for banking services and is regulated by the Dubai Virtual Asset Regulatory Authority (VARA) for custody of digital assets. This ensures adherence to the highest levels of trust, reliability, and compliance with local laws and regulations specifically designed for digital assets.

2. **Dedicated Relationship Manager:** Zand's custody service offers dedicated relationship management, ensuring that you receive personalized support and prompt resolution of any concerns. Trust our experienced team to provide seamless assistance and foster a strong, reliable partnership.

3. **Strong Digital Asset Experience:** Zand's dedicated Digital Assets team leverages extensive industry experience to develop a world-class product, ensuring you

benefit from cutting-edge solutions in the evolving digital landscape. Count on us for expert guidance and innovative strategies tailored to your needs.

4. **Tailored Graphical User Interface and API:** Customized GUI that offers an intuitive user interface, comprehensive permissioning features, and robust API services. This ensures seamless integration, enhanced security, and a user-friendly experience for all your needs.

5. **Robust Risk Management Protocols:** Zand implements robust risk management protocols, including stringent AML and CTF practices, to secure your assets. Our thorough KYC process ensures secure client onboarding, while our transaction monitoring team maintains compliance with the latest blockchain regulations.

By combining regulatory compliance, advanced security technologies, and a client-focused approach, Zand Bank Digital Asset Custody provides a secure, reliable, and flexible solution for managing digital assets, setting us apart from other providers in the market.

3. What are the features available on your Digital Asset Custody platform?

Zand's Digital Asset Custody Platform offers a suite of services and features designed to simplify the management of assets and portfolios for our clients. Key features include:

1) Multiple Blockchain Networks and Tokens: Upon setting up your account, you will immediately be granted wallet addresses for all the networks and tokens supported by Zand.
2) Effortless Statement Generation: Authorized statements are generated seamlessly.
3) Wallet Address Whitelisting: Set up approved beneficiary wallet addresses to minimize risk of erroneous transfers.
4) Comprehensive Transaction View: Gain a complete overview of transactions to address any queries you may have.

All of these features operate within a secure environment, with personalized care from your Relationship Manager (RM) to address any concerns and efficiently set up your mandates. This performance-oriented approach allows users to concentrate on their portfolios while the RM oversees all related activities within the platform.

4. What blockchain networks and tokens does Zand Digital Asset Custody support?

Please refer to the table below for the list of supported assets. Supported networks and tokens will be gradually expanded. If you have a request for specific networks or tokens to be

supported, please contact your dedicated relationship manager or email us at digitalassets@zand.ae

Network	Asset	Ticker	Token Type	Contract Address	Official Website
Bitcoin	Bitcoin	BTC	Native	N/A (native coin)	N/A
Ethereum	Ethereum	ETH	Native	N/A (native coin)	https://ethereum.org/en/
	Tether USD	USDT	Token	0xdAC17F958D2ee523a2206206994597C13D831ec7 https://etherscan.io/token/0xdac17f958d2ee523a2206206994597c13d831ec7	https://tether.to/en/
	USD Coin	USDC	Token	0xA0b86991c6218b36c1d19D4a2e9Eb0cE3606eB48 https://etherscan.io/token/0xa0b86991c6218b36c1d19d4a2e9eb0ce3606eb48	https://www.circle.com/en/usdc
	Binance Coin	BNB	Token	0xB8c77482e45F1F44dE1745F52C74426C631bDD52 https://etherscan.io/token/0xB8c77482e45F1F44dE1745F52C74426C631bDD52	https://www.binance.com/en/bnb
	Polygon	POL	Token	0x455e53CBB86018Ac2B8092FdCd39d8444aFFC3F6 https://etherscan.io/token/0x455e53cbb86018ac2b8092fdcd39d8444affc3f6	https://polygon.technology/matic-token
	OKB Coin	OKB	Token	0x75231F58b43240C9718Dd58B4967c5114342a86c https://etherscan.io/token/0x75231f58b43240c9718dd58b4967c5114342a86c	https://www.okx.com/okb
	Ripple USD	RLUSD	Token	0x8292bb45bf1ee4d140127049757c2e0ff06317ed https://etherscan.io/token/0x8292bb45bf1ee4d140127049757c2e0ff06317ed	https://ripple.com/solutions/stablecoin/

Polygon	Polygon	POL	Native	N/A (native coin)	https://polygon.technology/pol-token
	USD Coin	USDC	Token	0x3c499c542cEF5E3811e1192ce70d8cC03d5c3359 https://polygonscan.com/token/0x3c499c542cef5e3811e1192ce70d8cc03d5c3359	https://www.circle.com/en/usdc
Solana	Solana	SOL	Native	N/A (native coin)	https://solana.com/
XDC Network	XDC Network	XDC	Native	N/A (native coin)	https://xinfin.org/
	Comtech Gold	CGO	Token	0x8f9920283470F52128bF11B0c14E798bE704fD15 HYPERLINK "https://xdcscan.com/token/0x8f9920283470f52128bf11b0c14e798be704fd15" "https://xdcscan.com/token/0x8f9920283470f52128bf11b0c14e798be704fd15	https://www.comtechgold.com/
	USD Coin	USDC	Token	0xfa2958cb79b0491cc627c1557f441ef849ca8eb1 HYPERLINK "https://xdcscan.com/token/0xfa2958cb79b0491cc627c1557f441ef849ca8eb1" https://xdcscan.com/token/0xfa2958cb79b0491cc627c1557f441ef849ca8eb1	https://www.circle.com/en/usdc
Ripple	Ripple	XRP	Native	N/A (native coin)	https://ripple.com/
	Ripple USD	RLUSD	Token	rMxCKbEDwqr76QuheSUMdEGf4B9xJ8m5De https://xrpscan.com/account/rMxCKbEDwqr76QuheSUMdEGf4B9xJ8m5De	https://ripple.com/products/stablecoin/
Stellar	Stellar	XLM	Native	N/A (native coin)	https://stellar.org/

Section 3: Compliance and Legal

1. Is Zand's Digital Asset Custody service regulated?

Yes, Zand's Digital Asset Custody service is fully regulated. On top of being the first digital bank regulated by Central Bank of the UAE (CBUAE) for banking services, Zand is also licensed by the Virtual Assets Regulatory Authority (VARA) to provide digital asset custody services. These regulatory approvals underscore our commitment to security, compliance, and transparency, ensuring that your digital assets are managed with the highest standards of trust and protection.

2. Are my digital assets in Zand Bank bankruptcy remote?

The bankruptcy remoteness of our clients' digital assets is grounded on three main pillars. Firstly, the Federal Decree-Law of the UAE, which governs financial and bankruptcy matters, stipulates that any asset held by a debtor in custody on behalf of a third party is recoverable by the rightful owner. This law also delineates the procedures for the recovery process. Additionally, Zand adheres to VARA's Custody Services Rulebook, which mandates the segregation of clients' assets, ensuring there is no commingling with Zand Bank's assets. Finally, Zand's internal policies and Custody Service Terms & Conditions explicitly state that users' assets are bankruptcy remote. These measures ensure that the bankruptcy remoteness of user assets is not only supported from a legal and regulatory standpoint but also reinforced through our policies and structure, where each user's assets are segregated into dedicated wallets, providing an additional layer of security

3. How do you ensure the security of my digital assets?

Zand Bank Digital Asset Custody stands out through regulatory compliance, advanced security measures, and a client-centric approach. Our solution uses tamper-proof Hardware Security Modules (HSMs) for banking-grade security, ensuring private keys are securely isolated. We enhance transaction security with multi-signature and Threshold Signature Scheme (TSS), using cryptographically validated workflows for transaction approval. These measures protect your digital assets against threats and manage them with the highest standards of safety and compliance.

4. Why does Zand utilize HSM in its Digital Asset Custody solution?

Zand Bank leverages the HSM (Hardware Security Module) in its digital asset custody solution to ensure the highest level of security for our clients' assets. The key reasons for this choice are as follows:

1. **Enhanced Security through Hardware Isolation:** The HSM provides a secure hardware environment specifically designed for managing cryptographic keys and performing cryptographic operations. This hardware isolation ensures that private keys are never exposed to the external environment, significantly reducing the risk of key compromise through software vulnerabilities or malware.

2. **Tamper-Resistance:** HSMs are built with tamper-resistant and tamper-evident features. They include physical safeguards such as secure enclosures and sensors that detect physical intrusion. If tampering is detected, the HSM can zeroize sensitive information, making it nearly impossible for attackers to extract private keys, even with physical access to the device.

3. **Global Security Standards:** HSMs comply with stringent regulatory standards, such as FIPS 140-2/3 and Common Criteria. This compliance ensures that our custody solution meets globally recognized security and audit standards, which forms crucial component for security.

4. **Isolation of Private Keys:** With the HSM, private keys never leave the secure hardware environment. All cryptographic operations, such as signing transactions, are performed within the HSM, ensuring that keys remain protected against external threats.

By utilizing HSM in our custody solution, Zand Bank can provide a robust and trusted environment for managing and safeguarding digital assets, giving our clients peace of mind that their assets are protected by the highest level of security available.

Section 4: Onboarding

1. Who can use the Zand Digital Asset Custody service?

The Zand Bank Digital Asset Custody service is designed to cater to a diverse range of clients who require a secure, compliant, and robust solution for managing digital assets within a highly regulated framework. Our product is available for:

- Financial Institutions
- Banks
- Corporate Clients
- Virtual Asset Service Providers (VASPs)
- Crypto or Digital Assets Exchanges
- Market Makers and Liquidity Providers

As UAE becomes a regional financial hub with robust regulatory framework for digital assets, Zand Bank pioneers the digital asset custody space with top-tier security and compliance. Whether you are in financial services, digital asset trading, corporate finance or liquidity provision, Zand's Digital Asset Custody service offers the security, compliance, and peace of mind you need to confidently manage your digital assets.

2. What are the fees associated with Zand's custody service? Do you offer discounts for large holdings?

Zand Bank offers competitive pricing for digital asset custody services, tailored specifically for corporate and institutional clients. The fees are tiered based on the amount of assets under custody and transaction volume, ensuring a fair and transparent pricing structure. This approach allows Zand to accommodate the unique needs of each client, providing cost-effective solutions while maintaining the highest standards of security and service. Please contact your Relationship Manager for specific details. If you are not yet a client of Zand, please email digitalassets@zand.ae or contact us using the form on the Digital Assets Solutions page on Zand Bank's website.

3. How can I onboard Zand's Digital Asset Custody service?

Zand Bank provides seamless and efficient onboarding experience for its valued clients. A dedicated Relationship Manager (RM) is assigned as a primary point of contact, assisting customers with all required documentation and helping with account and wallet setup. Throughout the process, the RM will be available to address any questions or concerns. When necessary, expertise from various departments, including Product and Technology, will be brought in to provide additional support.