

## Decentralized Due Diligence

ASSESSMENTS TAILORED TO THE UNIQUE TECHNOLOGICAL NEEDS OF THE DIGITAL ASSETS ECOSYSTEM



**EXPERTS WITH IMPACT™** 



### **Our Services**

FTI Technology's Blockchain & Digital Assets practice leads technology-centered due diligence assessments across the industry. We guide investors, transaction teams, crypto-native companies, strategic buyers, and traditional organizations looking to incorporate digital assets into their operations. We deliver actionable reports focused on digital risk mitigation and industry best practices by independently evaluating market position, technical and business operations, governance practices, leadership teams, and security postures.

#### **Transactional Due Diligence**

Transactional due diligence is essential for investors moving into web3 business opportunities. Our team of experts can evaluate a target's reliability, legitimacy and positioning for success. We validate and verify assets under custody and review whether the industry's best practices have been implemented across technologies and program development. Additionally, we evaluate company leadership, organizational governance, and third-party vendor programs to identify and mitigate potential risks such as regulatory non-compliance, data breaches, malicious use, and funds flow. This comprehensive assessment helps investors make informed, risk-based decisions and protect their investments.

#### Services include:

- Operational Diligence
- Technology Assessments
- Regulatory Risk and Compliance Assessments
- Custody of Virtual Assets
- Third-Party Risk Assessments
- User Evaluations

#### **Regulatory Compliance**

Cryptocurrencies and digital assets operate internationally and must comply with various regional regulations. Organizations must adhere to these laws to earn the trust of customers and regulators and avoid penalties for non-compliance. Whether organizations use digital assets for transparency, security, or efficiency, senior leaders must understand the associated risks and fulfill compliance obligations.

FTI Technology's Blockchain & Digital Assets experts have extensive experience managing complex regulatory and compliance issues on behalf of senior management and outside counsel. We understand that each organization is unique, and tailor our services to meet each client's specific obligations and risks. This personalized approach ensures that we can create, implement and enhance cost-effective and defensible programs best suited for our clients.

Our services cater to a diverse range of organizations, including emerging startups, established industry

leaders, and legal advisors seeking practical guidance for their clients.

#### Services include:

- AML and Sanctions Program Audits
- Safety, Soundness, and Prudential Risk Reviews
- Interim Senior Leadership Roles (CCO, CRO, AML Officer, Sanctions Officer)
- Transaction Monitoring and Rules Tuning
- Licensing Application Assistance
- Regulatory Examination Prep
- Product Listing Program Reviews
- Anti-Fraud Program Advisory
- Compliance Training and Education
- Remediations and Lookbacks
- Compliance Tool Integration and Optimization
- Data Maturity, Modeling, and Validation Assessments

#### Our Services (continued):

#### **Proactive Due Diligence for Maturing Crypto Entities**

The rapid development of decentralized technology is unprecedented. Adjusting strategies and pivoting to remain competitive can outpace the implementation of new controls and data management techniques. Proactive, thorough due diligence can improve a company's roadmap with built-in security, regulatory compliance, and best practices, reducing operational and financial risk as the company expands.

#### Services include:

- Layer-1 Assessments
- Virtual Asset Custody Assessments
- Governance, Staffing, and Executive Team Assessments
- Regulatory Compliance Program Roadmaps

### REPRESENTATIVE ENGAGEMENTS Layer-1 Partnership Evaluation

A major financial services company sought to gain deeper insights into a blockchain platform they were considering as a potential partner. This financial institution understood the critical importance of thorough due diligence in the blockchain and digital asset space, where operational, legal, and reputational factors can significantly impact business relationships.

#### **OUR ROLE**

FTI Technology was retained to conduct a comprehensive business intelligence assessment and due diligence of the blockchain platform. The process was thorough, aiming to identify and evaluate potential risks and vulnerabilities associated with their personnel, operations, regulatory compliance, and public perception. The team also conducted a preliminary analysis of the platform's relationships with other crypto companies that recently faced scrutiny, providing context for the client's decisionmaking process. The due diligence included detailed evaluations of the following:

- Corporate structure and governance
- Executive backgrounds and responsibilities
- Digital media presence
- Industry relationships and partnerships
- Financial health and token economics
- Technical infrastructure and blockchain performance
- Reputational risks
- Threat landscape
- Regulatory compliance and risk management

#### **OUR IMPACT**

- Our multifaceted comprehensive report meticulously highlighted strengths and areas for concern in critical areas such as corporate structure, reputational risk, adverse publicity, operational risk, governance and regulatory risks. It provided valuable information about the strengths and potential areas of concern, instilling confidence and allowing the client to assess their partnership opportunity thoroughly.
- Provided the client with crucial data to make an informed decision about the viability of the potential partnership. This essential data evaluated the long-term potential of a partnership, including a comprehensive analysis of the platform's financial health covering sources of wealth, token distribution and potential financial crime exposure.
- Provided the client with a comprehensive technical and operational risk review and opportunities. Conducted an in-depth evaluation of the blockchain performance, including analyzing downtime incidents and their impact on token prices.



#### **CASE STUDY**

FORTUNE 500 COMPANY TURNS TO FTI TECHNOLOGY'S BLOCKCHAIN & DIGITAL ASSETS EXPERTS FOR TECHNICAL AND OPERATIONAL DUE DILIGENCE IN POTENTIAL CRYPTO ACQUISITION

#### **SITUATION**

Considering acquiring a cryptocurrency exchange, a Fortune 500 company asked FTI Technology's Blockchain & Digital Assets practice to assess the target's technical and operational aspects. Acquiring a company in the cryptocurrency space requires specialized expertise and careful consideration across technical, operational and market factors. Acquiring companies must consider if the target company's technical infrastructure is resilient and meets security, privacy and regulatory requirements. Additionally, they must evaluate assets under custody and other factors determining competitive differentiation and market performance during crypto-specific acquisitions. Without experts who understand what to look for and how to analyze it, these details can be challenging to determine or measure.

#### **OUR ROLE**

FTI Technology was retained to conduct a detailed assessment and validation of a cryptocurrency exchange's maturity regarding digital asset holdings, technical infrastructure and business operations. The due diligence included a close evaluation of the following:

- Cryptocurrency operations
- Third-party vendor risk
- Assets under custody and management
- Targeted business analysis
- R&D roadmap

The team also evaluated additional competitors in the market as potential partners and targets for the client to consider as part of its broader digital assets strategy.

#### **OUR IMPACT**



Delivered a detailed report covering the target company's current strengths and gaps. The team also advised the client on recommended steps necessary to remediate gaps, which fully informed the client's dealmaking decisions and negotiations.

Provided client with a competitive business roadmap and position in the market for the various options it considered.

#### **CASE STUDY**

# FTI CONSULTING FINANCE AND CRYPTOCURRENCY EXPERTS SUPPORT GALAXY DIGITAL'S \$1.2B ACQUISITION OF BITGO

#### **SITUATION**

When Galaxy Digital sought to acquire an institutional digital asset custody, trading, and finance provider, it turned to FTI's Blockchain and Digital Assets practice for an in-depth audit of digital assets, business models and infrastructure in support of due diligence activities.

In addition to traditional due diligence in M&A transactions, it is particularly challenging but imperative to fully understand the landscape of the target company's cryptocurrency assets framework and business model in order to verify assets under custody (AUC).

#### **OUR ROLE**

FTI Technology's Blockchain & Digital Assets experts provided the client with a detailed and verified technical audit of the target company's cryptocurrency AUC, technology roadmap, infrastructure, business models and privacy and security practices.

Through a unique understanding and approach to acquisition due diligence, the team was able to quickly deliver technical, data security and operational assessments while developing an expedited path to financial due diligence based on a deep understanding of how cryptocurrency businesses monetize.

With in-depth knowledge of wallets, behavior of cryptocurrency exchanges and the operational hurdles unique to the world of blockchain, FTI Technology's experts were able to design and execute a unique strategy to confirm ownership and prove validity of AUC.

In addition to supporting the client with verifying cryptocurrency assets and infrastructure, the technical assessment included a close look at data privacy and security including risk areas that could impact the transaction. Through a detailed risk evaluation, the team helped the client identify and mitigate all potential risks in the acquisition and provided guidance for remedial actions throughout the due diligence process.

#### **OUR IMPACT**



Uncovered potential risks to privacy and data security, which were quickly remediated prior to closing the transaction. Based on findings, additional legal language was added to the agreement to protect the acquirer.

Successfully assessed strength of digital asset technology, supporting infrastructure and future growth plans for the most impactful product development roadmap and continued innovation.

Designed and executed a unique strategy to confirm ownership of controlled assets and AUC/assets under management.

## **Our Experts**



#### STEVE McNEW

Senior Managing Director and Global Lead of the Blockchain & Digital Assets Practice

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Steven S. McNew is a leading expert in blockchain and cryptocurrency forensics/analytics, enterprise blockchain implementation, and digital forensics. He has led numerous investigations into claims involving fraud or misuse of cryptocurrencies, stolen digital assets, and led asset tracing investigations into cases involving Ponzi schemes and RICO claims in class action lawsuits. He has led bankruptcy, M&A, and strategy assignments in the cryptocurrency and blockchain sector. Mr. McNew has offered expert testimony 19 times in the US and Australia, has authored numerous expert reports and is frequently published for his thought leadership in industry media.



#### MIKE CARTER

Senior Managing Director

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Mike Carter is an expert in digital assets, regulatory compliance, and financial crime investigations. Mr. Carter has extensive experience providing advisory and investigative services for financial crime matters globally, including leading compliance and risk engagements for Fortune 500 companies, assisting global financial institutions in investigations of high-risk customers and potentially suspicious transactions, and developing compliance roadmaps for TradFi and digital asset firms to address risk and regulatory compliance concerns.

#### Our Experts (continued)



PRESTON FISCHER

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Preston Fischer is a digital risk and innovation expert with a focus on blockchain and digital assets. Mr. Fischer brings more than 20 years of experience in emerging technology, innovation and digital risk management across consultancies, technology organizations, and public affairs. His expertise helps clients address risk while driving advancement and includes innovative considerations into web3 and metaverse adoption.



JESSICA DE BRIGNAC

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Jessica de Brignac is a digital risk management and intelligence expert providing blockchain and digital asset advisory services to global clients. She specializes in helping businesses navigate blockchain and digital asset innovation, risk, and growth opportunities. She supports innovation in emerging technologies, including metaverse adoption She brings more than 15 years of experience solving data-related business challenges, with expertise in legal and regulatory matters.



DAVID BRILL

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David Brill was pivotal in shaping significant milestones within the digital assets industry. As general counsel for several fintech companies, he leveraged his legal expertise and background in financial services and technology to tackle intricate regulatory, legal, and compliance challenges for global organizations and startups in the digital assets space.

Mr. Brill brings more than two decades of experience in law, strategy, operations, compliance, and enterprise risk management, honed across large financial institutions, international organizations, and startups. His guidance has been instrumental in navigating complex fintech and compliance matters, intricate litigation, regulatory hurdles, and mergers and acquisitions.





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#### About FTI Technology, a Segment of FTI Consulting

FTI Technology solves data-related business challenges, with expertise in legal and regulatory matters. As data grows in size and complexity, we help organizations better govern, secure, find, analyze and rapidly make sense of information. Innovative technology, expert services and tenacious problemsolving provide our global clients with defensible and repeatable solutions. Organizations rely on us to root out fraud, maintain regulatory compliance, reduce legal and IT costs, protect sensitive materials, quickly find facts and harness organizational data to create business value. For more information, please visit www.ftitechnology.com.

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#### **EXPERTS WITH IMPACT™**

**FTI Consulting** is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

