DAR In Conversation: Q&A with Erin Friez

Our CEO Doug Schwenk had the chance to speak with Erin Friez, Co-Founder and COO at DAR, asking a few questions about **the proposed NYDFS guidance regarding listing virtual currencies.**

Click here to watch video highlights or scroll down to read the full transcript.

Doug: What are the NYDFS guidelines and who do they affect?

Erin: The NYDFS guidelines are a set of policies put in place by virtual currency regulators for entities that operate in the State of New York. Any virtual currency entity that operates in the state has to receive a BitLicense and must comply with these guidelines. They affect any virtual currency entity operating in the state including exchanges, custodians, and counterparties, as well as retail and institutional investors.

Doug: How do the new guidelines approach coin listing and delisting?

Erin: There are two ways entities with a BitLicense can list assets:

The first is through what's called a green list. Maintained by the regulator, the Greenlisted coins consist of assets that entities can list without prior regulatory approval. Recently, the change that came out was a pretty significant decrease in the number of assets that are on that list. The new Greenlist only maintains Bitcoin and Ethereum as well as several stablecoins - all other assets have been removed.

The second way is through a preapproved coin listing policy. Once an entity's coin listing policy has been approved by the regulator they can self-certify assets. The new proposed guidelines increase the robustness of the requirements for those policies. Reputable virtual currency entities already have some type of listing policy in place before they list an asset. They need to know:

- Can they interact with this asset properly?
- Can they custody it safely?
- What is the market behind this asset?

The new proposed guidelines increase the scrutiny these policies need to have around these assets and the process they take before they are listed. However, there are certain types of assets that cannot be approved through this process, including privacy tokens, stablecoins, and exchange tokens.

Doug: What are the best practices for listing and delisting tokens?

Erin: Entities need to keep in mind where they are getting data from. The regulators point out that governance and operational procedures should be considered for the initial listing evaluation and continue after listing. What's happening with this asset now? Is the code base being maintained? Are there new vulnerabilities we should worry about? What's happening in the market with this asset? These are important considerations for compliance as well as if they should ever decide to delist.

Doug: What are entities considering when evaluating an asset?

Erin: The key here is getting a 360-degree view of the asset. Who is the team behind the asset? What have they done in the past? What do the asset's codebase and the blockchain look like? Are there operation and market risks to consider - like custody and liquidity, or reputational and illicit finance risks? Regulators want to make sure that they understand the securities around an asset, its governance processes, and tokenomics, as well as compliance issues and other disclosures. We've seen each of these factors can have an impact on how well assets do in the market and how they interact with regulators.

A few ways to learn more:

- Read NYDFS guidance from September 2023
- Ask for an Asset Vetting Report sample