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## Navigating NYDFS' New Guidance Regarding Token Listings and Delistings

*Guidelines emphasize the importance of risk assessments for crypto assets*

The New York State Department of Financial Services (NYDFS) [released](#) guidelines concerning token listings and delistings for regulated entities.

The updated guidelines have a number of important changes, notably:

- The guidance seeks to raise standards on how crypto companies assess token risks, including risks related to fraud, price manipulation concerns, and whether or not there is enough liquidity to meet market demands.
- Similar to the previous guidance published in 2020, the updated guidance creates a framework for crypto companies to create a firm-specific self-certification policy for the listing of new coins that is subject to NYDFS' approval. Without NYDFS approval of a coin listing policy, a crypto company may not self-certify the listing of any coins.
- The guidance also requires crypto companies to develop and submit a coin-delisting policy, ensuring that the firm is able to discontinue support for a token in an orderly and procedural manner while maintaining customer protection.

### Unpacking the NYDFS Guidelines

The NYDFS' guidance requires comprehensive policies for listing and delisting tokens, and the policies must include certain minimum components, such as internal governance, risk assessments and ongoing monitoring of the assets supported by regulated firms.

A robust asset vetting approach addresses notable risk vectors including the cryptographic design choice behind the asset, the supply-demand dynamics of the token economy, and whether or not the use case of the token might have some regulatory risks, among other factors. A well defined asset vetting process matters not

merely for compliance purposes, but also provides investors with key information that can help determine their approach to a digital asset.

## Risk Mitigation

The core of a compliant coin listing policy under the new guidance is a robust Risk Assessment of each asset. Effective risk assessment tools can serve as the first line of defense in identifying assets prone to excess volatility, susceptible to market manipulation, or otherwise uncover and mitigate risks of each asset over time.

The new guidance sets forth the following factors that must be considered in a coin-listing policy: Technical Design and Technology Risk; Operational Risk; Cybersecurity Risk, Market and Liquidity Risk, Illicit Finance Risk; Legal Risk; Reputational Risk; and Regulatory Risk.

The guidance also sets forth requirements for ongoing monitoring and documentation through a well defined and governed process for listing and delisting assets. This includes the implementation of control measures to manage the risks associated with each asset supported by a regulated entity.

## The Way Forward & How DAR Asset Vetting Helps

The recent proposed NYDFS guidelines signal increasing regulation and maturity in the crypto market. To excel in the new crypto regulatory environment, understanding best practices when evaluating a digital asset can be invaluable.

Digital Asset Research's asset vetting is a robust and defined framework designed to help institutional investors identify and assess key risk factors and indicators, and provide ongoing monitoring and documentation. This serves as an industry-standard guideline for strategic risk evaluations.

[Sign up for an Asset Vetting Report sample](#) for investment or risk.