

# Snapshot

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## Crypto asset disruptions trigger sample comments from CorpFin

The SEC's Division of Corporation Finance (CorpFin) released a [sample letter](#) illustrating comments that CorpFin staff might issue to companies about their direct and indirect exposure to the crypto asset market in light of recent bankruptcies and widespread disruption in those markets. CorpFin released the sample letter to help companies comply with their disclosure obligations under federal securities laws.

The sample letter begins with a general comment to companies regarding the disclosure of any significant crypto asset market developments that are material to an understanding of their business, financial condition, or share price.

Additionally, the letter includes a nonexhaustive list of sample comments requesting the following disclosures, to the extent material:

- Information included in the Description of Business section in a filing, such as
  - Direct or indirect impacts as a result of (1) recent bankruptcies of crypto asset market participants, including any downstream effects, and (2) exposure to other counterparties, customers, custodians, or crypto asset market participants
  - Steps taken to safeguard customers' crypto assets and respective policies if material
- Information included in the Management's Discussion and Analysis section, such as
  - Excessive redemptions or withdrawals of crypto assets or suspensions of such activities, and their potential impact on a company's financial condition and liquidity

- Financing arrangements collateralized by crypto assets that are issued or owned by the company or that are held on behalf of third parties, and whether the recent crypto asset market disruption has impacted the value of the underlying collateral
- Information included in the Risk Factors section, such as
  - Direct or indirect risk due to excessive redemptions, withdrawals of crypto assets, or the suspensions of such activities
  - Risk of reputational harm from the recent crypto asset market disruptions
  - Risk of offering products and services to customers outside the authorized jurisdictions
  - Risk of regulatory developments and the assertion of jurisdiction by U.S. and foreign regulators, both related to crypto assets and the crypto asset market
  - Risk of safeguarding crypto assets

Further, in light of the crypto asset market disruptions, companies should consider disclosing, to the extent material, (1) gaps identified by the board or management related to risk management processes and policies as well as changes made to address these gaps, (2) impacts on the value of the collateralized crypto assets, and (3) other negative impacts, such as depreciation in stock price or the price volatility of crypto assets, among others.

## Contacts



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