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FAST TAKE **CRYPTOCURRENCY**

Minimizing Settlement Risk in Cryptocurrency Transactions

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Adam Hilkemann, counsel at Akin Gump, has significant experience with private equity funds, hedge funds and hybrid funds pursuing a variety of investment strategies, including real estate, venture capital, emerging markets, buyout, distressed debt, energy, macro and funds of funds.

Seeking liquidity, confidentiality and reduced slippage, large market participants have pushed the over-the-counter (OTC) cryptocurrency exchange volume to exceed, by some estimates, $12 billion daily. With settlement fees starting in the low single digits, as a percentage of trade size, and large block trades being messaged via unexpected platforms – most notably Skype – it is increasingly important for buyers and sellers to manage and minimize their settlement risk. Key protective measures include retaining reputable intermediaries via executed agreements – instead of "click-through" or oral/informal agreements – both for the arranging OTC desk and a separate and trustworthy escrow agent. Often, purported "escrow" services may be offered via an affiliated provider or through the OTC desk itself via a separate agreement (but without actual escrow of funds) and should be avoided. Unusual, changing and last-minute settlement instructions are also red flags or the mark of an inexperienced operator. *Caveat emptor.* ■