

Custody: who is actually holding it, and what that means if they fail

"They said my funds are in secure custody. Is that meaningful?"

Only if you know which kind. 'Custody' covers arrangements ranging from a regulated trust company with audited segregated accounts to a man with a spreadsheet. The word alone tells you nothing.

Self-custody

You hold the key. Nobody can freeze or seize it, and nobody can help you. If you lose the key, the money is gone permanently — not locked, gone. If someone obtains it, the same.

Exchange custody

You have an account at a company like Coinbase or Kraken; they hold the keys and owe you a balance. You have a counterparty — someone you can sue, and someone regulators can examine. You also have their risk: if the company fails or is dishonest, you are a creditor. Several large exchanges have failed exactly this way.

This is the arrangement most people are actually in, and it is the arrangement in which a theft is most recoverable, because the funds are inside a company that can be compelled.

Qualified custody

A regulated trust company or bank holds the assets under a specific licence, with client assets segregated from the firm's own, independently audited, and usually insured to a stated limit. This is what institutions require. It is a legal status with a named regulator, and you can verify it.

A firm claiming 'institutional-grade custody' without naming the custodian, the regulator, and the licence is describing an aspiration. Ask for the custodian's name and then contact that custodian independently, using a number you found yourself.

OTC desks

Over-the-counter means a trade arranged directly between two parties rather than on a public order book — used for large sizes, because a very large order on an exchange moves the price against you. Real OTC desks exist and are ordinary infrastructure.

A real desk onboards you first: identity verification, source-of-funds documentation, a signed agreement, a named settlement path. You receive a trade ticket with the asset, quantity, price, settlement date and method. Settlement is simultaneous or escrowed — the two legs exchange together, or a neutral third party holds both until both arrive. A real desk never asks you to send funds first to an address in a chat message.

'OTC desk' is a favourite phrase of fraud operators precisely because it sounds sophisticated and explains why the trade is not happening somewhere you could verify it.

How this gets used against people

The word 'custody' is used to transfer your sense of safety from a regulated institution onto an unregulated one. So is 'escrow', 'trust account', 'segregated', and 'insured'. Each of these is a specific legal arrangement with a specific verifiable path behind it — or it is a word in a sentence.

What you can check yourself

- Ask: who specifically is the custodian, under which licence, in which jurisdiction? Then verify with the custodian

directly.

- Ask what happens to your assets if the platform becomes insolvent. A real firm has a documented answer.
- 'Insured' means an underwriter, a policy number, and a stated limit. Ask for all three.

Published free by BlockchainFraud.org. Generated Fri, 16 Oct 2026 08:19:45 GMT.

Disclaimer

This document is general information about how cryptocurrency systems and common frauds work. It is not legal advice, not financial advice, and not a substitute for either. Nothing in it guarantees or predicts the recovery of any funds.

BlockchainFraud.org charges a flat fee stated in advance and never a percentage of any recovery. We will never contact you unsolicited offering to recover funds, and anyone who does should be treated as a likely recovery scam.