

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Independent Audits and Boards of Directors in the World of Crypto

By: www.ProfitableInvestingTips.com

A lot of crypto investors bailed out during crypto winter because they lost so much money. Others got out and stayed out when they saw that crypto did not seem to follow sound business practices. As FTX was going down in flames, we speculated that regulation might have helped prevent the [FTX business collapse](#) but not the fraud that was going on. There are two things that investors typically expect from a well run company. One is an independent board of directors and the other is independent audits. Many top crypto companies do not have either. To what degree are the independent audits and boards of directors in the world of crypto?

How Safe Are Your Crypto Assets?

A survey done by *Bloomberg* sheds light on the business practices of the sixty most influential crypto businesses. They picked sixty crypto businesses that fit at least one of three criteria. The business was valued at more than one billion dollars in private fund raising, was publicly listed, or held significant influence within the crypto realm. The companies either issue tokens, are crypto exchanges, mine crypto, or are crypto analytics businesses. The basic question for each is how good is the governance and how safe are investments and/or customer assets held by the business. Companies surveyed included Binance, Coinbase Global Inc., Tether and Open Sea.

Who Audits the Crypto Books?

In the *Bloomberg* survey, 31 out of sixty crypto companies use an independent auditor. Of the other 29, 7 do not and 22 did not answer the question. Surprisingly, Binance and Bitfinex, among others, said that none of the Big Four accounting firms were equipped to work with digital asset companies or were unable to do so. This is despite the fact that Ripple, Circle, and Coinbase are audited annually by Deloitte and Anchorage Digital, Ledger, and Chainalysis are audited by EY. Mazars Group used to audit Binance and Crypto.com but withdrew last year saying that they were concerned about how the public understood their results. Neither Crypto.com nor Binance revealed if or who they are now using. While small startups rarely use independent audits, when companies reach about \$20 million in value, they typically begin this practice.

Does Crypto Have Independent Governance?

Out of the 60 companies that *Bloomberg* surveyed, 38 had independent boards with at least one non-employee member, a dozen did not answer the question, and ten had no independent board. As regulation takes hold in the EU, US, and UK crypto companies will need to have independent boards of directors if they are publicly listed. The EU will require this of all crypto operations within its boundaries. Binance is expected to have a board with at least one independent member by the end of 2023 as it seeks to meet regulatory requirements.

Why Do Directors and Audits Matter in Crypto?

Not long ago we wrote [about how crypto lost its way](#). The point of Bitcoin and the rest of the crypto world was to provide regular folks with a way to carry out financial transactions on the internet. The system was supposed to be free of middlemen and interference by governmental agencies. Unfortunately, people used crypto to launder money and to avoid taxes. This attracted the attention of law enforcement agencies. Then individuals in the crypto world found that they could create fortunes by controlling business entities like crypto exchanges, DeFi businesses, and other blockchain-associated entities.

We saw the rise of modern day robber barons who exercised the sort of centralized control that Bitcoin and the rest were meant to avoid. Then [crypto winter](#) resulted in massive investment losses. This fact more than any other brought the full force of regulation onto the crypto world. Now anyone who is going to risk their money in anything crypto wants to know that businesses are properly managed, not involved in any fraud or other hanky-panky, and that someone trustworthy is routinely auditing the books.

For more insights and useful information about investments and investing, visit www.ProfitableInvestingTips.com.

Educational Resources

**Click the links below to get your
FREE training materials.**

Free Weekly Investing Webinars

Don't miss these free training events!

<http://www.profitableinvestingtips.com/free-webinar>

Forex Conspiracy Report

Read every word of this report!

<http://www.forexconspiracyreport.com>

Get 12 Free Japanese Candlestick Videos

Includes training for all 12 major candlestick signals.

<http://www.candlestickforums.com>

Disclaimer: Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.