

## PUBLIC POLICY ISSUE BRIEF

### Strengthening Protections at Cryptocurrency Exchanges

**Overview:** Although the digital asset marketplace in Canada is emerging, the devastating collapse of FTX in November 2022 illustrates the need for robust internal controls and corporate governance policies at cryptocurrency exchanges. As the government examines future legal and regulatory frameworks on this topic, IIA Canada is positioned to support policy efforts designed to strengthen objective assurance over governance and control practices at cryptocurrency exchanges<sup>1</sup>.

#### Role of Internal Audit

An internal audit function, adhering to The IIA's *Global Internal Audit Standards*<sup>TM</sup>, is the organizational entity responsible for providing **independent** and **objective** assurance over an organization's risk, governance, and internal control processes.

Since internal audit is independent from management – and reports directly to the organization's governing body – it is properly positioned to enhance value and strengthen credibility with stakeholders. This role represents core investor protection designed to promote operational **transparency** and **accountability**.



#### IIA Key Objectives

**Enhance Investor Protections at Cryptocurrency Exchanges:** Requiring an internal audit function – widely regarded as an essential corporate governance best practice – at cryptocurrency exchanges will enhance investor confidence and reduce the potential for internal control failures.

**Strengthen Transparency and Accountability:** Develop an annual internal control report – produced by senior management of the cryptocurrency exchange and validated by an internal audit function – certifying the appropriateness and completeness of organizational internal controls.

**Risk Management and Auditing Expertise:** IIA Canada supports policies recognizing the need for enhanced risk management and governance processes among cryptocurrency exchanges. Since internal audit is uniquely designed and positioned to monitor the effectiveness of risk management and internal controls, IIA Canada supports policymakers by leveraging the profession's expertise on appropriate assurances processes.

For any questions regarding the internal audit profession, please contact Ryan Singh, Director, Advocacy (Canada), at [Ryan.Singh@TheIIA.org](mailto:Ryan.Singh@TheIIA.org).