Hard forks and similar events

In order to improve their existing infrastructure, distributed ledger networks regularly undergo updates and upgrades. Some of these changes may result in the split of a single digital asset in two or more incompatible variants. Such a split is usually the result of a hard fork, which occurs when the developers of a digital asset introduce a new version of the underlying software protocol to the network, which is incompatible with the previous version. This results in two distributed ledgers running in parallel and a new digital asset being created.

Swissquote understands that forks are an important way of preserving and improving distributed ledger networks. We continuously monitor related software protocol updates and upgrades. Our goal is to ensure that our clients’ funds are safe during these events.

We will decide on a case-by-case basis how to approach and handle any hard fork. If a hard fork reaches consensus on a given distributed ledger network, the transition will go unnoticed by Swissquote clients holding that digital asset. However, if a hard fork has the potential of splitting the specific distributed ledger, we may decide to suspend trading until the affected digital assets are stable. After the hard fork takes place, we will assess the safety of the new digital asset, its liquidity and its compliance with the regulatory restrictions under which Swissquote operates. We will also evaluate if it is possible to add the new digital asset to Swissquote’s offering.

The following criteria will generally be taken into consideration when deciding whether to support the forked digital asset:

- support by a community/team with appropriate reputation, meaning that the newly created digital assets are tradable on several major reputable crypto-exchanges;
- support of the newly created digital asset by Swissquote’s storage, analytics and liquidity providers;
- strong two-way replay protection provided by the hard fork, meaning that transactions valid on one chain should not be valid on the other, and vice versa;
- presentation and review of at least two independent software (node) implementations by the network participants;
- possibility of appropriately tracking transactions in the newly generated digital assets (no privacy coins).

Due to the uncertainty of such events, there is no guarantee that Swissquote will support the introduction a new digital asset resulting from a hard fork. Security is a fundamental part of our assessment, and we will not support a digital asset which has the potential to put the safety of our clients’ funds at risk. If we decide that we are able to support the new digital asset safely, we will notify our clients accordingly.

We will apply the same policy whenever airdrops and similar digital asset allocation events take place on a distributed ledger network that is supported by Swissquote.