TECHNOLOGY PROBATE

Interview with Joel Revill, CEO of Two Ocean Trust

Technology—Probate provides information on current technology and microcomputer software of interest in the probate area. The editors of *Probate & Property* welcome information and suggestions from readers.

The co-hosts of the Digital Planning Podcast (DPP), Jennifer Zegel, Justin Brown, and I, recently sat down with Joel Revill, CEO of Two Ocean Trust. Based in Jackson Hole, Wyoming, Two Ocean Trust provides a full range of trust and investment capabilities to high-net-worth individuals and families. Additionally, Two Ocean Trust is the first wealth management platform to bridge traditional securities, alternative investments, and digital assets into a single fiduciary platform.

The Q&A below consists of selected parts of the podcast conversation with Joel and has been lightly edited for flow. Readers interested in hearing more of the conversation can find DPP's February 15, 2022, episode with Joel wherever you listen to podcasts.

DPP: Can you talk about how Two Ocean decided to position itself to take advantage of Wyoming's emergence as a state that leading in digital asset and blockchain platform development?

JR: Wyoming has long been known for being advantageously positioned in managing generational wealth, especially when it comes to trust and estate planning. And Wyoming is also known for having the lowest overall tax burden among the 50 US states. Three years ago, Wyoming Governor Mark Gordon appointed me to serve on a legislative committee, the Wyoming Blockchain Select Committee. Since the formation of that committee, the state legislature has passed a total of 24 laws that address blockchain technology and digital assets, one of the most important of which clarifies the legal status of digital assets as property within Wyoming's Uniform Commercial Code. So, there's clarity about what exactly digital assets are and how they are treated under our property laws in Wyoming. That, in turn, allowed the Wyoming Division of Banking to build a regulatory framework around digital asset activities and gave us comfort moving forward in a fully-regulated sense. Very early on we wanted to position Two Ocean in front of the unique advantages that Wyoming has to offer, in managing both traditional and alternative investments, and now with digital assets as well.

Technology-Probate Editor: Ross E. Bruch, Brown Brothers Harriman & Co., One Logan Square, 14th Floor, Philadelphia PA 19103-6996, ross.bruch@bbh.com.

DPP: Two Ocean is unique in that you are the first trust company to accept digital assets into a trust. How have you found digital assets fit into traditional estate planning for your clients?

JR: That's a great question because there's somewhat of a conflict between the self-sovereign ethos of digital assets and the basis of traditional estate planning. With traditional estate planning, three pieces must be in place to form a trust: a grantor who establishes the trust, beneficiaries, and a trustee who takes control of the trust's assets. To unlock some of these benefits of traditional trust and estate planning, the grantor must separate herself from dominion and control over the transferred assets. Control must be given to the trustee. That flies in the face of crypto being a self-sovereign asset. There is a very interesting intersection between these two worlds right now, and we are working to create solutions for our clients who subscribe to the idea that crypto is a self-sovereign asset, but who also recognize that although being your own bank can be beneficial in some ways, if they become incapacitated or pass away without a proper succession private key succession plan in place, that value could be lost forever. Helping our clients think about the self-sovereign wealth that they have created, which will last beyond their lifespan, is a fascinating exercise and what we get to do every day.

DPP: Are you seeing digital assets being used for multi-generational wealth and wealth planning strategies?

JR: We're seeing more of this, but I think it's still very early. A lot of our digital asset clients are young and, not surprisingly, not thinking as much about estate planning. But I think that though there is an inherent friction between digital assets and traditional trust and estate laws, there are inherent attributes of digital assets that lend themselves very well to preserving and growing generational wealth. Investment strategies for generational wealth tend to emulate "endowment-style investing," which seeks to invest in diverse and uncorrelated assets and grow principal balances at a rate greater than inflation. What is unique about digital assets and cryptocurrencies is that the store of value properties they possess lend themselves very well to this investment style.

The first is a limited supply. With bitcoin, for example, we know that there will never be more than 21 million bitcoins outstanding. The issuance of bitcoin is finite. It's programmed, and it can't be changed. For the next 12 months, we know that the new bitcoin issued will be less than 2 percent of the total outstanding bitcoins, and that number is going to go down until it eventually reaches zero. Contrast this limited supply against other potential investments, especially fiat currency or US dollars, where the rate of issuance of the currency has been double-digits for the last several years. The reality is your wealth is being debased over time by monetary inflation. That is what makes certain digital assets attractive. A sound money standard, like that of bitcoin, is superior for storing multi-generational wealth.

The second thing about digital assets is the persistent lack of correlation between the prices of these assets and traditional investment securities such as stocks and bonds. If you look at bitcoin relative to a 60/40 portfolio of equity and fixed income securities over the last three, five, and ten-year periods, there's a very low correlation. Specifically, there is a 0.2 to 0.3 correlation, depending on the lookback period, which means that a small allocation of bitcoin to a diversified investment portfolio can reduce the volatility of the portfolio over a long period of time. These two things—a finite and known supply and persistent lack of correlation —make a lot of sense for an asset class being considered as part of an overall generational wealth planning strategy.

DPP: Does Two Ocean have any restrictions on the types of cryptocurrency or digital assets that can be invested? For instance, are you able to custody non-fungible tokens (NFTs) at this time?

JR: We do. We work with our regulator, the Wyoming Division of Banking, put in place policies that prescribe which digital assets we can custody and therefore accept in a trust. These policies are based on minimum thresholds such as trading liquidity, market cap, and private keys that our sub-custodian technology partners can store within their technology.

DPP: How do you integrate sub-custodians with your platform? Can you talk about that process?

JR: Two Ocean Trust is the custodian of record for our clients. All the "know your client" (KYC) and anti-money laundering (AML) responsibility resides with us, as well as asset and tax reporting. For storing cryptographic key information, however, we engage with partners across the board in both traditional financial assets and digital assets to assist us with things like sub-custody of digital assets. We have multiple partners who serve as sub-custodians, storing cryptographic keys for our clients. How this specifically works is somewhat up to the client. Each of the sub-custodians we work with has its strengths, and we help our clients determine which solution is best given their needs.

DPP: Staying on the subject of KYC and AML for a moment, running these processes must be extremely difficult when we're talking about digital assets and, in particular, cryptocurrency. Can you walk us through your thinking here and how you've come to terms with it?

JR: With regards to our clients, it's no different than any other KYC/AML process that we go through. We run the same thorough background checks and continual monitoring of clients' activities that are required under the USA Patriot Act. As it relates to crypto assets, it becomes a bit more challenging. There are service providers in the marketplace who can forensically track where the crypto assets originated from before a given transaction, and we employ those services to create a sort of audit trail. This is managed as part of our regulatory oversight by the Wyoming Division of Banking, as well as a third-party audit firm that helps us to craft these policies and procedures.

DPP: Many financial institutions are very concerned about security and are hesitant to hold cryptocurrencies because of the security protocols that are necessary to protect private keys. Can you talk a little bit about what Two Ocean does to maintain the security of private keys?

JR: If I compare the security protocols that are in place around the digital assets that we manage for our clients relative to traditional securities, there is almost no comparison. The security around the digital assets is far superior in just about every way. Here's a good example to put this into perspective: for us to access one of our client's private keys, we must go through a verification process that entails multiple senior officers completing multiple biometric authentication procedures which include voice recognition, thumbprint recognition, and facial recognition. Importantly, there are no usernames, no passwords, and no human interactions involved in the authentication process—it's all done algorithmically. All cryptographic key information is stored in Hardware Security Modules (HSM) that are always offline. At no time during that transaction process are our clients' private keys ever exposed to the internet. If you contrast this to how cash or traditional securities are handled by financial institutions in the United State, it is clear which is the more vulnerable side of the business.

DPP: Because we know that technology is inherently flawed, and there is no human oversight for the algorithm that is pulling this information, do you have recovery protocols if there is a glitch in the code or some other snafu?

JR: We do. The biometric authentication algorithm can detect coercion. In all these instances, there is an override that kicks the approval out of the algorithm, and a human is brought in to verify following our policies and procedures.

DPP: Joel, thank you so much for your time today! ■