# Custodial holding: the omnibus wallet

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In an omnibus model the custodian holds all client tokens in one or a few addresses that it controls. Client entitlements exist only in the custodian's internal ledger, which records that client A is owed 2 BTC and client B is owed 0.5 BTC out of the 1,000 BTC in the custodian's hot and cold wallets. The chain shows one holder. Every large exchange operates this way, because moving tokens between internal accounts costs nothing when it is a database update and costs a network fee when it is a chain transaction.

The omnibus model has one legal virtue and one legal defect. The virtue is operational: netting, instant internal transfers, cheaper key management, easier security. The defect is that the client's entitlement is a book entry against the custodian. If the custodian fails, the client can recover her tokens in kind only if the applicable insolvency law lets her trace her share out of the pool. Swiss law does so expressly since 1 August 2021. Art. 242a DEBA allows the bankruptcy administrator to release crypto-based assets to a client if the custodian held them "collectively for several clients" and the client's share is "readily attributable" from the custodian's records.[1] Singapore has no equivalent statute. Whether an omnibus customer is a beneficiary under a trust or an unsecured creditor depends on the terms of service

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and on the general law of trusts, including the requirement of certainty of subject matter, which Part J, Chapter II analyses through the Singapore and Hong Kong case law.

The practical test the Swiss provision imposes is whether the custodian's books are good enough. "Readily attributable" means the administrator can, from the records as kept, determine each client's share without reconstruction. A custodian whose internal ledger is complete, reconciled daily against the chain and shows a one-to-one match between client claims and chain holdings will pass. A custodian who has lent out part of the pool, run a shortfall or kept records that need forensic accounting to interpret will fail, and its clients fall into the general estate. The collapse of FlowBank in June 2024 tested the mechanism in a bank context and showed that the quality of records at the moment of failure is decisive.[2]

## Zug perspective

A founder setting up a Zug custodian can obtain insolvency protection for its clients without a banking licence, provided the custody is pure safekeeping with no right to use the assets and the records meet the Art. 242a standard. The custody agreement should state that the custodian holds the tokens for the client at all times, that the client's share is determined from the internal ledger, and that the custodian may not lend, stake or rehypothecate without a separate written instruction. The moment the agreement grants the custodian a right to use the tokens, the arrangement becomes a deposit and the Banking Act applies. FINMA Guidance 01/2026 on the custody of crypto-based assets has, since early 2026, set out FINMA's expectations for how supervised custodians document and reconcile client holdings. Its content should be read alongside this chapter.

# Notes

1. Debt Enforcement and Bankruptcy Act, SR 281.1, Art. 242a para. 2 lit. b, inserted by the DLT Act of 25 September 2020. Part D, Chapter IV examines what "readily attributable" requires in practice. ↩

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2. FINMA, media release of 13 June 2024 on the withdrawal of FlowBank SA's licence and the opening of bankruptcy proceedings. The lessons for custody are developed in Part D, Chapter IV and Part H, Chapter VII. ↩

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