Segregated wallets

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In a segregated model each client has her own on-chain address controlled by the custodian. The chain itself shows the client's balance, although the custodian holds the key. This is how most institutional custodians, including Swiss banks offering crypto custody and Singapore's licensed custodians serving funds, structure their service. The segregated model is costlier to operate but produces a cleaner legal result in both hubs.

In Switzerland, segregated holding falls under Art. 242a para. 2 lit. a DEBA, which covers assets held "individually" for the client and requires no attribution exercise at all. In Singapore, the segregated address supplies the certainty of subject matter that the law of trusts requires, which removes the strongest objection to treating the customer as a beneficiary. In both, the segregated address makes the client's position visible to auditors, regulators and the client herself, who can watch her own balance on a block explorer. MAS's 2023 consultation response on customer protection pushed DPT licensees toward trust arrangements over customer assets and required daily reconciliation, an approach that is far easier to evidence with segregated addresses.[1]

Feature	Omnibus	Segregated
Chain shows	Custodian's pooled balance	Each client's own balance
Client entitlement proven by	Custodian's internal ledger	The chain plus the custody agreement
Swiss insolvency release	Art. 242a para. 2 lit. b DEBA, if readily attributable	Art. 242a para. 2 lit. a DEBA
Singapore insolvency position	Depends on trust analysis and certainty of subject matter	Trust more readily established
Operating cost	Low	High (one key set per client, network fees per movement)
Typical users	Retail exchanges	Banks, fund custodians, family offices
Audit of holdings	Requires reconciliation of books to chain	Visible per client on chain

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Notes

1. MAS, Response to Feedback Received on Proposed Regulatory Measures for Digital Payment Token Services (Part 1), 3 July 2023, sections 2 and 3 (segregation of customer assets under a statutory trust; daily reconciliation; separate custody function). See Part K, Chapter II.

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