

“From paper to digital Poland” Program “Blockchain and Cryptocurrencies” Stream



CANON OF GOOD PRACTICES FOR ENTITIES ON THE CRYPTOCURRENCY MARKET IN POLAND

Recommendations for the Market

Edited by:

Prof. Krzysztof Piech

Lech Wilczyński

Konrad Zacharzewski, PhD

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*Opinions expressed in the following elaboration are the standing of the „Blockchain and Cryptocurrencies” Stream.
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PART ONE – INTRODUCTION

> 1. LEGAL NATURE

The set of good practices (the so-called code of good practices) adopted all around the world by representatives of various professions is not binding. The „Canon of Good Practices for Entities on the Cryptocurrency Market in Poland” (henceforth: Canon) is an expression of good will and care by its authors and addressees for a harmonious development of the digital currency branch and the legal environment. No natural person or business entity is obliged to utilize the provisions assumed. It is voluntary to utilize the said provisions. The said provisions are yet another attempt of self-regulation by the digital currency sector in care for the development of the entire market of digital currencies in Poland. The provisions are not obligatory, and they cannot constitute a basis for motioning of claims, demands, or rights.

The Canon **are recommendations developed for the purpose of their voluntary use**. The primary objective of the Canon is to **elevate the degree of trustworthiness of the participants to the market of cryptocurrencies in Poland**. The guidelines proposed in the Canon are of a minimum standard, which can and should be expanded by the participants to the market. Implementation of all or only select solutions included within the Canon results from a **voluntary declaration** by individuals from the circle of addressees of the Canon.

The representatives of the community of digital currencies, both from the professional and scientific point of view, commit themselves, within the scope of works coordinated by the Polish Ministry of Digital Affairs, to care for a successful development of the blockchain technology use market, especially the development of the digital curren-

cy and cryptocurrency market. The establishment and maintenance of the due, appropriately **high standard** of participation in social relations by professional participants to the market is a necessity meant to ensure a long-term development of the branch. That is the reason why we stipulate that the environment which is professionally related with the cryptocurrency market should include, within its current activity, the following suggestions.

> 2. AUTHORS

Back in 2016, the Polish government launched the “From Paper to Digital Poland” Program (in short often called “Paperless&Cashless” program). In July 2016, the so-called „Blockchain and Cryptocurrencies” Stream was established within the project framework. The following Canon was elaborated during the works of the said Stream, as part of the non-profit consultations with experts. A wide circle of individuals both professionally and scientifically related with the cryptocurrency industry in Poland take part in the works carried out by the Stream.

The Canon is a result of a few-months’ long work by the Stream, in which work participated all the biggest legal entities present on the cryptocurrency market in Poland. The Canon was based on a document titled „Minimum Security Standards of Bitcoin Exchange Markets” edited by Krzysztof Piech drawn up back in 2014 by the Polish Bitcoin Association and the Institute for Knowledge and Innovation based in Warsaw. It was probably the second such an attempt of self-regulation of the cryptocurrency company sector in the world.

The current version of the document has been adapted to the international standards in the area of formulation of environmental „good practices”. It contains over two times the criteria as the version of the document from 2014.

> 3. ADDRESSEES

The Canon is addressed primarily to all the entrepreneurs who are planning to or are already running a business activity in the digital currency industry (hereinafter: Addressees of the Canon). The suggestions contained within the Canon are directed to said addressees, regardless of the legal basis of their business activities, their forms, proprietary structures, registered headquarters, the amount of and the currency the share capital is expressed in, or the period the said business activities have been present on the market.

The authors of the document wish to draw the attention of the whole community to the very fact of the creation process of the document as well as, of course, to its contents. The document may be regarded as a manifesto of the representatives of the Polish cryptocurrency business community. Clients and contractors of enterprises which are planning to or are already running a business activity, especially within the scope of cryptocurrencies, should expect and demand recognition of the provision of the Canon.

Being governed by the aforementioned presumptions, the authors of the Canon wish to express their endeavor to make addressees of the document respect its provisions within the scope of, inter alia, digital currency operation, data processing, multi-purpose application creation as well as within the scope of intermediation in digital currency trading (i.e., inter alia, cryptocurrency exchanges and payment operators).

> 4. THE MISSION

The Canon has been elaborated in order to emphasize the importance of the **high quality of services** provided by entrepreneurs who are planning to or are already running a business activity in the cryp-

tocurrency branch. To respect the basic assumptions of the Canon by its addressees is one of the additional means of making this exceptionally hi-tech branch enjoy **an adequately strong position in the Polish economy**. It is, simultaneously, an expression of evolving maturity of the branch, and of strengthening of the sense of responsibility for its development. Addressees of the Canon function in the same reality other entrepreneurs do, and that is the reason why **they deserve equal treatment. It is for that reason** addressees should – as representatives of a new and exceptionally hi-tech branch – **present themselves as trustworthy entrepreneurs** who are reliable and honest with their clients and contractors on the daily basis.

A long-term development of the blockchain and cryptocurrency technology in Poland will be easier thanks to respecting of the interests of clients and contractors of cryptocurrency entities, protection of assets and personal data entrusted to them as well as thanks to the subjection by them to their legally binding rulings issued by the public administration bodies.

Entrepreneurs within the branch declare they strive to make earnings. This declaration is also accompanied by a sense of usability of services provided to clients and contractors. The success of businesses depends on the degree of satisfaction of their clients and business partners as well as on their own ethical attitude toward their competition. Both the degree of satisfaction and the attitude translate into trustworthiness of businesses and the sense of trust given to businesses by the regulatory environment and traditional financial entities (e.g. banks). Those are the matters that are a supreme good that every entity belonging to this maturing market should care for.

The harmonious development of the branch is the basic endeavor of the entities running their businesses within that branch. It is for the purpose of

that harmonious development that those entities, as addressees of this Canon, declare their active participation in initiatives which aim at the elaboration of and adherence to the standards within the scope of interactions with the representatives of the public administration, of the exchange, for the good cause, of the information on the situation of the market (with special attention paid to anomalies and market phenomena which diverge from the norm considered to be the standard), and of the information on organizational actions and technical means which secure security of clients' and contractors' assets.

PART TWO – GOOD PRACTICES

1. ENTREPRENEUR’S STATUS

§ 1. Good Practices within the Scope of Business Activity

1. The suggested organizational form of the entrepreneur who runs a business activity within the blockchain and cryptocurrency branch is a **legal entity**.
2. If the business activity to be run is to be run in the form of the commercial law company (as a limited liability company, or as a joint-stock company), then, due to the mechanism of limiting the compensation responsibility toward creditors, the entrepreneur should take into account the need to increase the expenditure for security of the components of the wealth of his clients, and for the standard of services provided.
3. Entrepreneur who runs his business activity in the form of a cryptocurrency exchange market, a digital currency exchange, or a payment operator is advised to be in possession of own funds (available on a bank account or in the form of other liquid assets) that are equal to the **average day-night turnover** minimum. The said requirement can be met through declaring and covering of the capital in the amount determined by the regulations of the law in force.
4. Entrepreneur who runs his business activity in the form of a cryptocurrency exchange market, digital currency exchange, or a payment operator is advised to be in possession of own funds (available on a bank account or in the form of other liquid assets) that guarantee compensation of damage borne by clients, due to the loss of their funds, in the amount of at least **50% of the possibly borne damage** (the private guarantee fund).

5. Members of the boards of business entities operating in the blockchain technology and digital currency markets, as well as shareholders holding at least 25% of shares in such companies, should present a certificate of good conduct showing they were not punished by law.

§ 2. Good Practices within the Scope of Reinvestment in Security

6. The **principle of supremacy of security of the funds entrusted** over a short-term profit made by the entity.
7. **Continuous increase of the extra capital** by addressees of the Canon and spending of the funds on comprehensive securing of Clients’ funds **is considered a good tendency** that strengthens the high degree of the entrepreneur’s trustworthiness.
8. Due to the lack of self-help mechanisms in the form of formalized guarantee (pay-as-you-go) funds which would foresee the possibility of a write-off of a profit meant to compensate clients’ possible losses in the event of unlawful actions as per any addressee of the Canon, it is **recommended** to solidify the practice of **reinvesting the entrepreneur’s profits into an infrastructure that would guarantee security** of the components of clients’ wealth and security in elevation of service provision standards.

§ 3. Good Practices within the Scope of Cooperation with the Business Environment

9. Addressees of the Canon verify the trustworthiness of their clients and contractors.
10. As a result of a conclusion of a research conducted on the basis of the available methods of evaluation, addressees of the Canon approach clients and contractors whose trustworthiness

diverges from the standard expected with circumspection and carefulness.

11. The status of a non-resident does not constitute an impediment in establishing cooperation between addressees of the Canon.
12. Addressees of the Canon take into account the professional and international standards which bind their clients and contractors.
13. Addressees of the Canon take into account the obligation to utilize the corporate governance principles which bind their clients and contractors.

› 2. TRANSPARENCY

§ 4. Good Practices within the Scope of Business Communication

14. Addressees of the Canon negotiate and parley for the good cause, and for that reason provide their clients and contractors with reliable and exhaustive information on the matter of their business activities.
15. Addressees of the Canon inform their clients and contractors, as per their clear request and, appropriately to the circumstances, also by their own motion, about every aspect of their business activities in a way they view due, taking into account the presumptions laid in the Canon Mission section.

§ 5. Good Practices within the Scope of External Communication

16. External communication encompasses relations of addressees of the Canon with clients, contractors, mass media, and the community.
17. Addressees of the Canon provide their clients and contractors with means of **encrypted communication**.

18. Addressees of the Canon **inform their clients and contractors about any scheduled stoppage in the provision of services with an advancement of at least 24 hours before the scheduled stoppage**.
19. It is recommended that scheduled maintenance (technical) breaks last for **no longer than 48 hours of stoppages in access to services a month**.
20. It is recommended that addressees of the Canon devise and implement, for effective utilization, a **procedure of online technical service** (in the form of an online chat or other messengers) that is available in hours declared, for **at least 8 hours a day on working days**.
21. It is recommended that the **time to respond** to a question asked by a client or a contractor **does not exceed 24 hours**, regardless of the way in which that question has been asked (i.e. phone call, e-mail, in person).
22. Addressees of the Canon **inform** their clients and contractors (at least via e-mail and their websites) about stoppages in the provision of services, and especially **about technical issues** in the functioning of their websites. The information message should include at least the following:
 - a general piece of information about the nature of the technical issues occurred,
 - the assumed time necessary for the elimination of those issues,
 - the suggested manner of action by the users until those technical issues are eliminated, and
 - recommendations on how to avoid specific type of actions.
23. Addressees of the Canon should be in possession of an isolated channel for the purpose of informing clients and contractors about circumstances that are of relevance for them (an e-mail address, a phone number), especially about any changes to the manner of the provision of services, and any anomalies in the manner and continuity of the provision of services (e.g. a threat to the funds entrusted).



24. Addressees of the Canon should provide their clients and contractors with information about any occurred incidents that may have an effect on security of the funds entrusted and security of data processed, together with a piece of information about the necessity to undertake actions intended to minimize the possible negative consequences of such an incident (e.g. a suggestion to change one's password).
 25. Addressees of the Canon should adhere to the obligation to respect their clients' and contractors' commercial confidentiality during negotiations and the execution of their obligations.
 26. Addressees of the Canon should keep a record of the actions undertaken and provide clients' and contractors' personal information in the manner agreed upon and per every single request.
 27. Addressees of the Canon should adhere to the adapted forms of communication with representatives of the mass media, while at the same time taking into account the Mission laid in the Canon.
 28. Addressees of the Canon should respect the generally adapted norms of communication via social media.
 29. It is considered that a violation of the standards of communication are, especially, unjustified criticism through facts and one that infringes personal interests of third-parties as well as informing about facts, circumstances, and events which did not occur.
- § 6. Good Practices within the Scope of Internal Communication**
30. Addressees of the Canon communicate with their partners, hired managers, employees and external service providers (*as part of outsourcing*) for the good cause.
 31. Basing on the presumption that everyone should be listened to duly, it is assumed that the high standard of corporate manners and corporate discourse is one of the values that are part of the Mission included within this Canon.
 32. It is an obligation of addressees of the Canon, hired managers, employees, and external service providers (*as part of outsourcing*) to mutually provide one another with information about all the circumstances related with the process

of the provision of services, especially about occurred security incidents which may have an effect on security of the funds entrusted and security of data processed, together with a piece of information about the necessity to undertake actions intended to minimize the possible negative consequences of such an incident (e.g. a suggestion to change one’s password).

› 3. BUSINESS ACTIVITY EXECUTION

§ 7. Good Practices within the Scope of Legality

33. Addressees of the Canon run their business activities based on the legal methods of running a business activity and making of earnings, thanks to which they do not put themselves at the risk of targeted measures from the public administration bodies and the judiciary.
34. Addressees of the Canon act with adherence to the law and strive to follow the law in situations characterized by an undetermined or dubious interpretation.
35. It is recommended that addressees of the Canon keep a record of and archive their own financial grounding in accordance with the GAAP standards.

§ 8. Good Practices within the Scope of Division of Competences

36. It is strongly recommended to limit the number of individuals with unlimited (full and autonomous) access to all the funds entrusted to the entrepreneur running a business activity within the blockchain and digital currency branch to minimum.
37. It is recommended that **possession of the funds entrusted always require assignments of more**

than one of the accountable persons (the assignment principle).

38. It is strongly recommended to **distinguish**, within the structure of addressees of the Canon, a **security division** and to entrust the responsibility for the continuity of the provision of services and the technological security to an individual, selected person (partner, hired manager, employee, external service provider).
39. It is recommended that only persons empowered to be in possession of information entrusted by the client or contractor be in possession of the funds entrusted (the “Chinese Wall” principle).
40. It is recommended to implement a procedure of controlled access, by select persons, to specified devices and technical means of integral importance for the continuity of services provided and security of the funds entrusted. For that purpose, the principle of attribution of access rights to select persons, based on the principle of the minimum range necessary for the proper execution of tasks given, is presumed.
41. It is a basic obligation of addressees of the Canon to train every partner, hired manager, employee, and external service provider (*as part of outsourcing*) in the scope of means that ensure the continuity of services provided and security of the funds entrusted (including, inter alia, the scope of the recognized technology, password strength, the way of using private mailboxes, the obligation to authorize users, etc.).
42. It is strongly recommended that addressees of the Canon devise and implement, for effective utilization, a procedure of communication with all the persons accountable, in the event of a technical failure or any other interference with the business activity, for security of continuity of operation and security of the funds entrusted.
43. It is recommended that addressees of the Canon ensure a 24/7 technical supervision engaged in care of continuity of the provision of services and security of the funds entrusted.

**§ 9. Good Practices within the
Scope of Striving for Clients**

- 44. Addressees of the Canon strive for clients and contractors in an honest manner, respecting the principles of competition and consumer protection laws.
- 45. Addressees of the Canon should plan and run their business activities while at the same time respecting the intellectual copyright law of third-parties. The blockchain and digital currency environment strongly objects against planning and running of a business activity while at the same time infringing the intellectual copyright of third-parties.

**§ 10. Good Practices within the
Scope of Sponsorship, Non-
Profit, and Pro Bono Activity**

- 46. Addressees of the Canon engage in the life of the community in a way they see fit and to the extent of their own choice, while at the same time caring for the reputation of the blockchain and digital currency and the blockchain and digital currency environment alone.
- 47. It is considered tasteful to distribute the knowledge about the blockchain and digital currency technology within the blockchain and digital currency environment.

**> 4. RELATIONS WITH THE
PUBLIC AUTHORITY**

**§ 11. Good Practices within the Scope
of Regulation Legislation**

- 48. To run a business activity in accordance with the law and to adhere to the rulings of the public administration bodies is considered a

basic principle that addressees of the Canon should follow.

- 49. Addressees of the Canon are advised to monitor the legal standing and amendments to the law au courant.

**§ 12. Good Practices within
the Scope of Cooperation
with the Public
Administration Bodies**

- 50. Addressees of the Canon, in their common interest, declare their readiness to comprehensive cooperation with the public administration bodies.
- 51. In their interactions with the public administration bodies, addressees of the Canon exhibit an open approach, while at the same time taking into account the general interest represented by the public administration bodies.
- 52. Addressees of the Canon do their best to explain to the public administration bodies all the aspects of the blockchain technology and how digital currencies function in the contemporary social and economic reality.

**§ 13. Good Practices within
the Scope of Cooperation
with the Law Enforcement
Agency and the Judiciary**

- 53. Addressees of the Canon declare readiness to comprehensive cooperation with the law enforcement agency and the judiciary.
- 54. Participation by addressees of the Canon in the procedure of money laundering and financing of terrorism is not accepted. The environment jointly and categorically condemns such actions and actors involved in those actions. Individuals who are proven

such participation shall be ostracized by the environment, and all interactions with them shall be terminated.

55. Addressees of the Canon are categorically in favor of strict adherence, in the area of prevention of money laundering and financing of terrorism, to the provisions of the law in force, and declare, with significant attentiveness to the matter, their adherence to the obligation to identify their contractors, register, archive, and report transaction orders as well as to honor transaction orders coming from empowered entities and transfer monetary means through the agency of bank accounts.

› 5. RELATIONS WITH CLIENTS

§ 14. Good Practices within the Scope of the Standard of Client Service Provision

56. Addressees of the Canon provide services based on contracts and regulations which do not include provisions that are either invalid or unlawful, nor provisions that are not allowed (abusive provisions).
57. Contracts and regulations are complete, and specify all the aspects of services provided.
58. Addressees of the Canon, before they conclude a contract with the client, inform the client about the technological and economic risk related with the use of the blockchain technology and with being in possession of digital currencies.
59. Addressees of the Canon, before they conclude a contract with the client, inform the client about the terms and conditions of service provision based on the terms foreseen by the law in force, especially within the scope of securing of the funds entrusted, making of orders and the principles of transaction conclusion, also



confirming the fact that the client has learned the information presented to him or her.

60. Addressees of the Canon, before they conclude a contract with the client, provide the client with all the information they are bound to provide by the law in force that is necessary for the client to identify the service provider and determine the most crucial features of the service provided.
61. The scope of personal data expected from the client should be within the range of the regulations on protection of personal information in force. The personal data of the client can be used solely for the purpose of the provision of the service under the contract.
62. Addressees of the Canon fulfill obligations contracted in accordance with their contents and

provisions of the law in force, while at the same time taking into account the best interest of the client.

63. Addressees of the Canon are held liable in regard to damages for the consequences of having not fulfilled the obligation contracted in accordance with the general terms, being governed by a conviction that limitation of the liability in regard to damages is not foreseen within the framework of the Mission declared within the Canon.
64. Addressees of the Canon also declare equal treatment of all clients and contractors, and implementation of a claim for refund procedure (policy) which does not discriminate any client or contractor.

§ 15. Good Practices within the Scope of Clients' Access to the Funds Entrusted

65. It is strongly demanded that the **funds** (wealth components) **entrusted by clients** (i.e. money and monetary units of digital currencies) be **recorded separately from the funds** (wealth components) of **addressees of the Canon**.
66. It is strongly demanded that the **funds** (wealth components) **entrusted by clients** (i.e. money and monetary units of digital currencies) cannot be part of the inappropriate deposit as defined by the provisions of the law, i.e. **they cannot**— under any circumstances – **be used for purposes other than those being in accordance with clients' will** (the ownership of the funds entrusted by clients is not transferred to addressees of the Canon).
67. The admissibility of disposition by addressees of the Canon, in any manner and under any title whatsoever (except for a consent expressly stated in writing), of wealth components entrusted by clients is strongly questioned.
68. Addressees of the Canon ensure a **two-factor authentication of client's identities** or use of a

different type of protection, of a similar strength of trustworthiness, against access to services, whilst approval of relevant actions (e.g. being in disposition of funds or a password change) through 2FA (Two-Factor Authentication) or a digital signature is strongly preferred.

69. Addressees of the Canon ensure the possibility to store cold (that is, offline) wallets (clients' accounts) in a secure location (on more locations), or (at least) the possibility to use multi-signature wallets with an overt procedure (policy) of a shared-key use (e.g. BitGo Multisig).

§ 16. Good Practices within the Scope of Own Transactions

70. Addressees of the Canon feel, within the scope of the execution of their own transactions, bound by the ban on execution of manipulation transactions, and by the ban on execution of transactions that may bring damage to their clients.

> 6. TECHNOLOGY AND SECURITY

§ 17. Good Practices within the Scope of Technology Use

71. Addressees of the Canon ensure they strive to use, in their current business activities, achievements in the area of technology that are most reliable from the perspective of ensuring the continuity of operationality and security of the funds entrusted.
72. Addressees of the Canon guarantee they meet the „CryptoCurrency Security Standard” (CCSS)¹ at least at level I, striving to reach level III.

¹ <https://cryptoconsortium.github.io/CCSS/>

73. Addressees of the Canon guarantee the physical security of the servers used in their current business activities.
74. The servers used in the current business activities of addressees of the Canon should be located in the most trustworthy data centers possible.
75. **The data collected on the servers** (entrepreneur’s own data and the data of clients and contractors) **should be encrypted** (with a possibly long key) in such a way that members of the personnel operating the data centers are not able to obtain, process, nor utilize the data collected.

§ 18. Good Practices within the Scope of Ensuring Business Activity Continuity

76. Addressees of the Canon guarantee an efficient **technological isolation of their websites from the generally accessible Internet** (e.g. through the most restrictive firewalls, or through an uninstallation, or at least shutdown, of all redundant services) and secure access to the transactional service through independent means (channels) of communication for their administrators.
77. Addressees of the Canon guarantee preservation of a backup copies at various locations (decentralization).
78. Addressees of the Canon are advised to utilize the SSL (Secure Socket Layer) protocol for the purpose of encrypting Internet connections with transactions platforms.
79. It is strongly suggested that addressees of the Canon periodically perform stress tests which denote the degree of susceptibility of websites administrated to Internet attacks such as DoS (Denial of Service) and DDoS (Distributed Denial of Service) as well as in order to cut down the number of incidents of website overload during significant fluctuations on the market.

80. It is suggested that addressees of the Canon perform **security tests** through certified external entities **at least once a year**.

§ 19. Good Practices within the Scope of Protection of Clients’ Funds Against Access by Third-Parties

81. Addressees of the Canon guarantee to register all transactions of wealth components (monetary means and digital currencies) entrusted by clients throughout the entire period of service provision. All the data should be archived in accordance with the provisions in force.
82. Addressees of the Canon guarantee to regularly make backup copies of critical data. It is recommended to **make backup copies every hour** (depending on the technology in use), encrypt all the data collected, and to transfer all the data to an external location (*outsourcing*).
83. It is recommended that addressees of the Canon **periodically** (at the end of the transaction day) **publicly announce the information on the amount of digital currencies entrusted by clients** (*proof of reserve*).

§ 20. Good Practices within the Scope of Tracking Down of Violators

84. It is recommended that addressees of the Canon devise and implement for use a procedure (policy) meant to prevent violations by partners, hired managers, employees, and external service providers (*as part of outsourcing*).
85. It is strongly recommended that addressees of the Canon run the **Bug Bounty program** (bug detection and reporting procedures).
86. It is strongly recommended that addressees of the Canon **devise and implement**, for effective use, a **procedure** (policy) outlining a **precept of action** in case of suspicion of a violation, or in

the event of a proven **violation, by third-parties** (e.g. hackers, but also partners, hired managers, employees, and external service providers as part of outsourcing) of restrictions of access to the infrastructure that guarantees continuity of the business activity or security of the funds entrusted by clients (post-violation procedures).

› 7. CLIENTS' AND CONTRACTORS' Demeanor

§ 21. Good Practices within the Scope of Service Recipients' Cooperation

87. This Canon has been elaborated with the best interest of clients and contractors as well as of entrepreneurs planning to or already running their business activities within the blockchain and cryptocurrency environment in mind. In care of effective protection of the best interest of clients and contractors, expected of them is an **active demeanor and cooperation**, especially in case of a threat and in the event of violations waged.

8. Authors

Mateusz Kowalczyk – Bitstar.pl
Michał Mostowik – dLK Korus Okoń
Radcowie Prawni sp.p.
Filip Pawczyński – Polish Bitcoin Association
Krzysztof Piech – Lazarski University

Mariusz Sperczyński – BitMarket
Kacper Wikieł – Fintech Polska
Lech Wilczyński – InPay S.A.
Konrad Zacharzewski – The Nicolaus
Copernicus University in Toruń

9. Patronage



Substantive patronage



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