POSITION CLARITY · FOR ADVISORS

Fiduciary Duty and Client *Crypto* Interest

What the duty of care and the duty of loyalty actually require when a client raises crypto, in plain terms, with the Canadian layer named throughout.

Duty of Care Duty of Loyalty Suitability Scope

Position Clarity

An educational reference. Made in Canada.

POSITION CLARITY

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SECTION 01

The two duties, defined

A client asking about crypto is not a special category of question. It is an ordinary fiduciary moment, governed by the same two duties that govern every other conversation you have. Naming them precisely is the starting point.

Duty of care. The obligation to provide advice that is in a client's best interest, based on a reasonable understanding of the client's objectives, and on a reasonable investigation into any product or strategy being discussed. Under the U.S. Investment Advisers Act of 1940, this is one of the two components of the fiduciary standard the Securities and Exchange Commission (SEC) enforces against registered investment advisers.

Duty of loyalty. The obligation to place a client's interest ahead of the advisor's own, and to eliminate or disclose material conflicts of interest, so a client can give informed consent to whatever conflict remains.

Suitability and know-your-client (KYC). The Canadian frame that runs parallel to the American fiduciary language above: a registrant must know the client well enough to determine whether a specific product or strategy fits their circumstances, and must be able to show that work.

Registrant. A person or firm registered with a Canadian securities regulator to give advice or deal in securities. What crypto product, if any, falls inside that registration is itself a live regulatory question, addressed in Section 04.

Know-your-product (KYP). The Canadian obligation, alongside KYC, to understand a security before recommending it. It is the Canadian home of the "reasonable investigation" idea Section 02 works through.

WHY THIS FRAMING MATTERS

Crypto does not create a new duty. It tests the existing ones under conditions many advisors have not faced before: a client who may know more about the asset than the advisor does, a product landscape that changes month to month, and a regulatory picture still being written. The duties do not change. What discharging them looks like, in this specific case, is what the rest of this guide works through.

THE ONE LINE

Crypto is not a new duty. It is the same duty of care and duty of loyalty, applied to an asset the framework was not written with in mind.

SECTION 02

What the duty of care asks when crypto comes up

The duty of care has two moving parts once a client raises crypto: understanding the client, and understanding the product. Neither can be skipped by leaning on the other.

A reasonable investigation into the product. Before speaking to a specific crypto exchange-traded fund (ETF), coin, or strategy, the duty of care asks for the same level of investigation you would apply to any other product: what it holds, how it is structured, what it costs, and what its risks actually are, not what its marketing says.

A reasonable understanding of the client. Time horizon, risk tolerance, liquidity needs, and existing concentration all bear on whether any specific crypto exposure fits, in the same way they bear on any other asset class.

Neither silence nor endorsement discharges the duty. Refusing to discuss a client's question is not neutral if it leaves the client to act alone, without your investigation behind them. Endorsing a product without having done that investigation is not neutral either. The duty is discharged by doing the work, not by picking a posture.

THE VOLATILITY QUESTION SPECIFICALLY

Digital assets are commonly treated as speculative, highly volatile, and capable of becoming illiquid without warning, a description consistent with standard risk-disclosure practice for volatile asset classes generally. That description is not a reason to refuse the conversation. It is information the duty of care requires you to have and to convey, in the same way you would convey the risk profile of any other volatile asset class you discuss.

The same investigation standard applies whether the product is a spot crypto ETF, a crypto equity ETF holding miners and exchanges, a model portfolio licensed from another manager, or a direct coin position. The wrapper changes what needs investigating; it does not lower the bar for investigating it. In Canada, this is the know-your-product obligation under National Instrument 31-103, the same work already asked of a registrant for any unfamiliar security.

THE ONE LINE

The duty of care is discharged by investigation, on both sides of the conversation: the product, and the client in front of you.

SECTION 03

What the duty of loyalty asks

Crypto introduces a conflict-of-interest surface that is easy to miss because it is newer than the traditional ones. The duty of loyalty asks the same question it always does: whose interest does a given recommendation actually serve.

Compensation structures. Where a crypto product carries a materially different fee, commission, or revenue-sharing structure than the alternatives you could recommend, that difference is a conflict requiring disclosure, in the same way it would for any other product with an unusual compensation structure.

Personal holdings. An advisor's own crypto position, and any material change to it, sits inside the same personal-conflict disclosure framework that already governs an advisor's other personal securities holdings.

Platform and model-portfolio relationships. Where a platform relationship, a model-portfolio licence, or a referral arrangement shapes which crypto product you can offer, that structural constraint is itself disclosable information, not a neutral fact about your toolkit.

> **DISCLOSURE, NOT DISQUALIFICATION**
>
> None of the conflicts above disqualify an advisor from discussing crypto with a client. The duty of loyalty is discharged by identifying the conflict and disclosing it clearly enough that the client can weigh it, the same standard applied to every other conflict a fiduciary practice manages.

Canadian conflict-of-interest rules, under National Instrument 31-103, ask the same thing by a different name: address the conflict in the client's best interest, and disclose what cannot be eliminated.

THE CONFLICT	WHAT DISCLOSURE LOOKS LIKE IN PRACTICE
Fee or commission differs from alternatives	*State the difference in plain terms before the recommendation, not buried in a fee schedule.*
Advisor holds the asset personally	*Disclose the position and any material change, on the same schedule as other personal holdings.*

THE ONE LINE

A conflict around crypto is not disqualifying. An undisclosed one is.

SECTION 04

Where your scope actually ends

A registered advisor's fiduciary duty runs to the securities and portfolio decisions inside their registration. Crypto complicates this because a single client relationship can span several different holdings, each sitting inside a different professional's scope.

WHAT THE CLIENT HOLDS	WHOSE SCOPE IT TYPICALLY SITS IN
A crypto ETF held in a registered brokerage account	*Inside a registered advisor's normal scope, the same as any other listed security.*
Coins held directly on a Canadian exchange, outside the brokerage	*Outside most advisors' registration and visibility unless the client discloses it and the firm chooses to account for it.*
Coins held in a self-custody wallet	*Outside any advisor's registration; a recordkeeping and estate question more than a portfolio one.*
The tax consequence of a disposition	*A Chartered Professional Accountant (CPA) question. Advisors are not generally licensed to give tax advice.*
Succession, wills, and powers of attorney covering crypto	*A lawyer's question, particularly given crypto's estate-access complications.*
A crypto fund being considered for recommendation	*Inside the advisor's know-your-product work; the custody layer beneath it is covered in a companion guide.*

NAMING THE BOUNDARY PROTECTS THE CLIENT TOO

A fiduciary who tries to answer every crypto question personally, including the tax and legal ones outside their registration, is not serving the client better. Naming the boundary and making the referral is itself part of discharging the duty of care.

THE ONE LINE

You can only be a fiduciary for what falls inside your registration. Naming what falls outside it is part of the job, not an evasion of it.

SECTION 05

What regulators are watching in 2026

Two regulatory signals from 2026 are worth an advisor's attention, and they point in a slightly different direction than the adoption headlines might suggest.

The SEC's 2026 examination priorities keep fiduciary duty, specifically the duty of care and duty of loyalty under the Investment Advisers Act of 1940, as a chief focus. Notably, the 2026 priorities dropped the dedicated section and specific mention of cryptocurrency and digital assets that appeared in prior years, a shift from earlier priorities documents rather than a signal that scrutiny has lessened.

Canadian securities regulators, the Canadian Securities Administrators (CSA), have published a specific expectation for investment fund managers: that they satisfy themselves, consistent with their fiduciary obligation to the fund, that a proposed crypto custodian has the necessary expertise and experience to safely custody the assets, and that any insurance the custodian carries is adequate. This sits in CSA Staff Notice 81-336 and is addressed at length in a companion guide to this one.

> **READING THE REMOVAL CORRECTLY**
>
> A dedicated crypto section disappearing from an exam-priorities document is not evidence that digital assets have become a lower compliance priority. The more defensible reading is the opposite: crypto exposure is being folded into the ordinary fiduciary-duty examination, rather than treated as a novel, separately flagged category. The underlying duties described in Sections 02 and 03 still apply in full.

On the Canadian side, the same folding-in pattern holds. CSA guidance on crypto asset funds is framed throughout as an application of the existing fiduciary obligation a fund manager already owes its fund, not as a separate crypto-specific duty layered on top. The vocabulary is new; the underlying standard is not. For an advisor, the practical takeaway of both signals is the same: nothing about crypto lowers the ordinary bar, and the exam will treat it as ordinary work.

THE ONE LINE

Regulators are not carving crypto out as special. They are folding it into the ordinary fiduciary-duty exam, which is a higher bar, not a lower one.

SECTION 06

A five-step response, when a client raises it

A practical sequence for the conversation itself, built from the duties above, not a script but a shape.

1. Establishing what the client already holds. Inside your visibility and outside it, per the scope table in Section 04. A duty of care is hard to discharge over a position that is not yet known to exist.

2. Separating the product question from the portfolio question. "Is this a good product" and "does any crypto exposure fit this client's plan" are two different investigations, and both need doing before either gets an answer.

3. Naming any conflict before a recommendation is made. Compensation structure, personal holdings, platform relationship, per Section 03, stated plainly, before the recommendation, not folded into fine print after it.

4. Routing what falls outside the advisor's scope. Tax to the CPA, succession to the lawyer, per the table in Section 04, named to the client as a referral rather than left unaddressed.

5. Documenting the conversation. What was discussed, what was recommended or explicitly not recommended, and why, as a general recordkeeping habit, not any specific firm's actual policy; confirm the form your own compliance program requires.

WHERE TO GO DEEPER

Two companion guides pick up pieces of this sequence: What Advisors Are Actually Seeing for the data behind step 2, and The Canadian Custody Due-Diligence Checklist for the questions behind step 3.

THE BOUNDARY, STATED PLAINLY

This guide describes the U.S. Investment Advisers Act fiduciary framework and Canadian securities-regulator guidance in general terms, for educational purposes. It is not legal advice and does not describe your specific registration, jurisdiction, or firm's obligations. Confirm any compliance question with your firm's counsel or compliance officer before acting on it.

END MATTER

Where to go from here

NEXT STEP

Position Clarity's advisor bundle gives you a documented, defensible record of a client's crypto holdings and the conversation around them, for the file. Schedule a demo at positionclarity.ca/advisor-demo.

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Sources and further reading

- SEC 2026 exam focus: Fiduciary duty, private credit, fintech (retrieved 2026-07-08)
- Fiduciary Obligation in Wealth Management: Defining Duties and Containing Risk (retrieved 2026-07-08)
- CSA Staff Notice 81-336: Guidance on Crypto Asset Investment Funds That Are Reporting Issuers (retrieved 2026-07-08)
- Canadian securities regulators outline expectations for investment funds holding crypto assets (retrieved 2026-07-08)
- National Instrument 31-103: Registration Requirements, Exemptions and Ongoing Registrant Obligations (know-your-client, know-your-product, suitability, and conflict-of-interest rules) (retrieved 2026-07-08)

This guide describes a general fiduciary framework and does not constitute legal advice or a jurisdiction-specific compliance determination.

MORE FROM THE FREE LIBRARY

More free guides for advisors and fiduciaries, built to this same standard: the 2026 adoption data and the Canadian custody due-diligence checklist that sit alongside this one. Browse them at **positionclarity.ca**.
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