DAR In Conversation: Q&A with Marc Nichols

Our CEO Doug Schwenk had the chance to speak with Marc Nichols, Product Director at Arbor Digital, asking a few questions about **responsible digital asset management for Registered Investment Advisors (RIAs)**.

Click to watch video highlights or scroll down to read the full transcript.

Doug: What is 'responsible' digital asset management?

Marc: Responsible digital asset management to us at Arbor Digital is threefold:

1) Not compromising on foundational safety and security measures just like in traditional finance
2) A disciplined decision-making framework that isn't governed by motion, and
3) Being held accountable to a fiduciary standard and governing bodies which ensure professionals that are credentialed

Doug: How do you think about the diligence of vendors and counterparties?

Marc: It's about applying similar safety and security standards that exist in traditional asset and wealth management, and then taking the added step of not compromising on them for anything. Examples of this are not compromising on qualified custody or trading systems, cyber security risk and reporting, and verified audits from credible firms - not obscure audit firms which we see play in the crypto space. It's important to do this because if you compromise in these areas, you risk wealth destruction events like the ones many have gone through over the last couple of years. What we've learned and what we should be thinking about is not compromising on those safety and security standards we know are tried and true in the traditional world.

Doug: How do you think about the diligence of assets?

Marc: You have to commit to the ongoing work of the world's first 24/7/365 asset class.... It comes down to three important things on the networks themselves.

- First is what we call network effects: what is or isn't a healthy network. We need to think about this from a technical, operational, and human capital standpoint.
- The second piece is around tokenomics - a new field that plays a crucial role in how we can assess network behavior now and in the future.
- The third piece is a loyal and thriving community. You have to have a governance structure incentivizing people to engage in the governance of the network, [a] developer community - the user workforce of the network, your “customers” or “clients,” and a social community introduced with social media.

Doug: Why does due diligence matter to end investors of RIAs?

Marc: On the business side, it matters because it's important for the safekeeping of client assets. On the investment side, investors trust advisors for their financial well-being. Improper, incomplete, or missing due diligence puts advisors and clients in a potential “wealth destruction” situation rather than “wealth creation.” There [are currently] are no strict, stringent, or specific guidelines or regulations to digital assets. Advisers need to be proactive and take an above-and-beyond approach to satisfying regulators if they choose to engage in the digital asset class even then there is no guarantee you won't be subject to enforcement action.

Doug: Why are crypto assets interesting to your clients?

Marc: It's the opportunity to invest based on their value system. A lot of people value the future and technology. And [the investment opportunity] comes with the asymmetric price upside potential [of the asset class]. Then it's about being able to stay at the forefront of those pieces of technology.This is the first investment trend or asset class in history where the clients are driving the demand for products and services.

A few ways to learn more:

- Watch The Importance Of Asset Vetting video
- Sign up for a sample Asset Vetting Report
- Contact info@digitalassetresearch.com
- Contact marketing@arbordigital.io