DAR In Conversation: Q&A with MG Stover

Our CEO Doug Schwenk spoke with Matthew Stover, Chief Executive Officer at MG Stover, to ask a few questions about **the future of digital asset funds and fund administration.**

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What are the differences between servicing a digital asset fund and a TradFi hedge fund?

The main difference is the portfolio. Fund administrators make sure the various transactions a fund manager throughout their reporting period are reconciled, as well as account for the digital asset ins and outs, buys and sells, staking income, lending, and more.

Additionally, a lot of funds have complex structures. We see a lot of open-ended hedge funds with a lot of private investment, so you'll have side pockets. On the venture side, you see many close-end vehicles with liquid straight-track trading strategies. The portfolio can make it very complicated which can make the fund structure complicated, as well.

How do you help digital asset fund managers meet and exceed investors' expectations?

Entering the digital asset space can be daunting for investors because they might not have any digital asset exposure. They also might not be invested with the same fund managers that they would be in the traditional finance space. We provide assurances that their assets are safeguarded, which includes timely and accurate reporting and real-time P&Ls.

What are the issues around in-kind contributions and how do you think about solving them?

There have been challenges that come with contributing a digital asset in-kind, or in place of fiat currency. The AML and KYC rules are specific by jurisdiction. Enhanced due diligence comes into play when you contribute in-kind. However, there's a lot of automation fund administrators can utilize to allow investors to easily contribute in-kind, as well as, receive distributions in-kind.

At MG Stover, we've created partnerships with custodians and data providers to provide data to ensure investors:

- Are who they say they are
- Have funds to contribute
- Have the ability to track the coins that are being contributed to make sure that they weren't associated with politically exposed persons or known terrorists

What are the biggest trends impacting digital asset funds and fund administration in 2024?

With the adoption of the Bitcoin ETF in 2024, there's a big move of institutional money that has gotten much more pronounced. There's also been more venture capital entering the digital asset space. New investors without previous exposure to digital asset funds have entered the space this year. We’re also seeing investors taking money off the table now that they've recouped losses.

With every year that passes in crypto, more of the framework around the asset class as a whole continues to strengthen and grow. New providers, better controls, and better clarity around regulatory uncertainty are pushing crypto in the right direction.

What advice do you give digital asset fund managers to enhance their reporting capabilities?

The biggest key is selecting high-quality service providers. There are a lot of back-office operations where people are trading without good real-time pricing data for trade execution, risk management, or back-office reporting. You can always augment proprietary technology, and there are a lot of solutions to get fund managers up and running quicker than building reporting infrastructure themselves.

Learn more about MG Stover’s institutional-grade services here.