

FUND MANAGEMENT REQUIREMENTS WILL SHIFT AS CRYPTOCURRENCY GOES MAINSTREAM

Greater institutional buy-in and anticipated regulatory oversight will support the continued growth of cryptocurrency investing. As the asset class becomes a more mainstream alternative, investor demands for fund performance and secure, professional, timely services will rise.

Broader acceptance of the cryptocurrency asset class moved within reach as more mainstream investors began to take an interest in digital assets over the past year. Rajat Jain, VP Fund Accounting & Digital at NAV Fund Administration Group, said “Although factors like the current minimal regulation/protection environment and the recent rather dramatic downturn in crypto holdings may postpone a more full-scale market penetration in the immediate short-term, crypto will rebound and likely mature into an investment favored by risk-takers and more moderate investors alike.”

“Fund managers need to take the necessary steps now so when that time comes they’re prepared to offer a premium level of accountability, both for their own peace of mind and to meet the expectations of more traditional new investors,” advised Jain.

GREATER INSTITUTIONAL INTEREST

Jain notes how the price volatility and strong crypto performance in 2020 led to more institutional interest in the space which, in turn, also led to more interest from the general investor segment. This meant more new crypto fund launches and higher asset levels being brought into the industry. These developments helped contribute to NAV’s growth over the past year.

“NAV’s reputation and experience with [crypto funds](#) led to more client referrals and significant growth in 2021. We were one of the first administrators to work with crypto clients in the early days and we continue to invest in and develop solutions that address the unique requirements crypto fund managers and their investors require,” said Jain. “Our [services](#) are well-honed at this point – offering accuracy, quick reporting, responsiveness, expertise with crypto, and institutional appeal – a ‘full package’ of services attractive to crypto fund managers. We currently work with more than 600 crypto funds.”

The firm also opened several new offices over the past year+ to accommodate clients and expand its service offerings in non-U.S. locations, including [Australia](#), [Gibraltar](#), [Israel](#), [Mauritius](#), and [Singapore](#).

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RAJAT JAIN
VP – FUND ACCOUNTING & DIGITAL

EARLY ADOPTERS

NAV showed faith in the cryptocurrency alternative asset class early on. “Back in 2017, we felt crypto was a valid and exciting prospective growth area, so we were early adopters to the space,” said Jain. “That decision at the outset of the crypto boom enabled us to get a leg up on other administrators who took a more cautious wait-and-see approach. Consequently, we now have considerably more experience with crypto funds and our back office and other staffed areas have developed a deep understanding of crypto markets.”

NAV currently offers connectivity to more than 140 crypto exchanges and counterparties, which is one of the highest levels in the industry. Also, the firm is known for its responsive and nimble client service. “If a client needs to connect to a counterparty we’re not currently connected to, we can get this accomplished for them in less than five business days, whereas other admins may require much more time,” said Jain. “With our own in-house IT team, we have the skills and knowledge to quickly develop solutions to address clients’ custom requests. It’s become a very smooth and established process for us.”

ONGOING DEVELOPMENT AND EXPANSION

In further testament to its adaptability, NAV incorporated several processes in response to clients’ evolving needs. One of the primary areas is data security. “This is a primary concern for all fund managers, but especially for crypto fund clients. They hear of cyberattacks and want to be reassured that their data is safe. Security is a huge issue which we take very seriously,” said Jain.

NAV clients can upload their passwords and API key information directly, with extreme restrictions on staff access. This data is available to employees strictly on a “need-to-know” basis and is tightly monitored. The firm is also ISAE Type II certified -- a certification that audits service provider internal controls.

And as investment levels rise, the firm has expanded its outreach efforts to capture more crypto participants. From an operational perspective, NAV has expanded both domestically and internationally. This includes recruiting and growing its crypto-dedicated IT and accounting teams, among other functional areas.

“One of the key differentiating factors for us is our proprietary technology. We made numerous upgrades to our systems in 2021, many of which automated crypto admin functions that other administrators handle manually – enabling us to deliver more accurate reporting much faster,” said Jain.

Jain also outlines how NAV has tackled client concerns about fees: “We offer high-value fund administration services with a very economical fee structure. With both traditional and DeFi markets recently taking a significant dip, cost-effective services are critical to overall fund profitability.”

NAV’s proprietary technology – created and maintained by an in-house team – doesn’t require ongoing licensing or third-party development/integration costs, which is among the factors that enable the firm to offer lower fees to clients. “Depending on individual circumstances, we can sometimes offer services at 50% of what some of our competitors charge,” said Jain.

THE FUTURE OF CRYPTO

Looking ahead, Jain shared: “Given its brief and volatile history, obviously no one really knows for sure what the future holds for the crypto segment. However, we feel more institutional buy-in and regulatory oversight will actually help grow crypto by making it more ‘acceptable’ to skeptical investors. Positioning crypto as another valid choice for alternative asset investing – rather than a risky outlier – will attract more investor interest and higher investment levels. The caveat? This more institutional-oriented segment will demand institutional-level services.”

“To make the best decision about service providers to partner with for cryptocurrency fund support, your evaluation must be based on experience, expertise, and technology, among many other critical factors. Take the time now to fully explore your options, so your fund is well-positioned to attract and retain institutional and mainstream investors,” concluded Jain.

ABOUT NAV

Ranked #1 in an independent survey, NAV is a privately owned fund administrator with a strong reputation for cost-effective and reliable solutions. NAV has achieved more than 30 years of year-over-year growth primarily via client referrals and maintains a 99% client retention rate. We are among the top global fund administrators by number of funds, servicing more than \$180 billion AUA.

- ✓ Voted #1 for Digital Assets
- ✓ Largest and Most Experienced Crypto Fund Admin
- ✓ Award-Winning Proprietary Technology Platforms
- ✓ Exceptionally Competitive Pricing

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