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Operational Due Diligence on Managers That Hold Digital Assets

WRITTEN BY

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In a recent Toolbox memorandum (Memo), the Standards Board for Alternative Investments (SBAI) pointed out that digital assets “operate using different infrastructure than more traditional asset classes” and, as a result, present different risks for investors and managers. The Memo discusses operational due diligence on managers that invest in digital assets with respect to investment mandates, custody, trading, valuation, asset verification, conflicts of interest, regulatory risk, anti-money laundering, and other risks, with reference to the relevant SBAI Alternative Investment Standards. This article, published in the *Hedge Fund Law Report*, explores the key takeaways from the Memo, with commentary from [Karl Cole?Frieman](#), partner at Cole?Frieman & Mallon, and [Genna N. Garver](#), partner at Troutman Pepper.

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