



The Case for Crypto SMAs: Where Custom Brokerage Meets Institutional Wealth Management

From the 2022 Breakdown to a New Wealth Architecture

When the digital asset markets unraveled in 2022, the damage extended far beyond the collapse of individual exchanges and lenders. The failure of Terra’s algorithmic stablecoin, the contagion from Three Arrows Capital, and the implosion of FTX revealed how concentrated, opaque, and unregulated the industry’s financial infrastructure had become. Institutional investors, who had begun to treat digital assets as a legitimate diversifier, withdrew en masse. By the end of that year, aggregate digital asset lending volumes had dropped by 78% from their Q1 2022 peak, while the share of hedge funds with digital asset exposure fell from 37% to 29% in 2023. In a global EY-Parthenon survey of about 1,034 retail digital asset investors, usage of crypto for long-term investment declined by around 16–20% between 2022 and 2024. The systemic deleveraging and dis-investment, nevertheless, coincided with a positive new era for digital asset adoption.

Out of the crisis emerged a different kind of digital asset infrastructure: regulated, auditable, and designed for fiduciary oversight. Tighter collateral requirements, accompanied by greater regulatory clarity, led to a resurgence in digital asset investment and boom in institutional participation. The same forces that drove the redefinition of prime brokerage after the 2008 global financial crisis are now shaping the digital asset wealth stack. The Crypto Separately Managed Account (SMA) sits at the center of this transformation. It merges the individualized control of traditional private-wealth mandates with blockchain’s programmable transparency, allowing advisors to deliver customized crypto portfolios through compliant, qualified-custody rails.

What Is a Crypto SMA and Why Does It Matter?

A Crypto SMA is a discretionary account through which a portfolio manager can buy, sell, and rebalance digital assets on behalf of a client, while the client retains direct ownership of each position. It mirrors the structure long used in traditional finance for equities or bonds, but with the distinction that all transactions are executed and recorded on blockchain. Each account is segregated at the wallet level and governed by discretionary management agreements under existing investment advisory regulations.

The security of the architecture relies on qualified custody, in which regulated entities provide insured, multi-signature storage of digital assets and keep client holdings separate from the firm’s own assets. This qualified custody model, which became the standard for alternative investments after the Madoff scandal, is now being replicated in digital assets. The result is that wealth managers can manage, audit, and report on client digital asset holdings with the same confidence as in traditional accounts.

The appeal of Crypto SMAs to wealth managers is significant and structural. For years, most advisors could only offer passive and indirect digital asset exposure through exchange-traded notes (ETNs) or exchange-traded funds (ETFs). That solved the custody problem but sacrificed flexibility and tax efficiency. For investors, Crypto SMAs bring a flexibility that ETFs or exchange accounts cannot match. These accounts support tax-loss harvesting, enable exposure to a broader range of assets beyond Bitcoin and Ether, and allow portfolio construction tailored to individual mandates. According to the EY Institutional Investor Digital Assets Survey (2025), 83% of surveyed principals planned to increase digital-asset exposure in 2025, with fiduciary intermediaries and regulated custody ranking as critical factors for investment. SMAs have become the natural answer to that demand.

Criteria	Crypto SMAs	ETFs	Mutual funds	Direct investment
Control over assets	Direct control by investors	No direct control	No direct control	Full control by institutions
Customization	Customizable asset allocation	No customization	No customization	Full customization
Risk	Professional management with lower risk	Limited to tracking specific assets	Pooled risk with broad diversification	High risk due to self-management
Management	Professionally managed	Passively managed	Professionally managed	Self-managed

Source: CoinTelegraph

The Infrastructure Behind the Model

To function at scale, Crypto SMAs integrate three traditionally separate layers of the financial system. The first is custody, handled by regulated entities which provide segregated wallets, cold-storage protocols, and insurance coverage. The second is execution and liquidity, delivered through institutional brokers that connect SMA platforms to centralized and decentralized markets. The third is advisory integration, where portfolio-accounting platforms deliver digital asset data streams so that advisors can view digital asset positions alongside other assets.

What distinguishes the 2025 ecosystem from the pre-2022 ecosystem is data integrity. On-chain proof-of-reserves attestations now make it possible to reconcile portfolio balances in near real time, for maximum visibility. Top-Tier exchanges now command over 60% of digital asset global spot trading volume, while 83% of A-rated and 67% of AA-rated exchanges supporting third-party custody solutions. The Financial Information eXchange (FIX), a communication protocol for real-time electronic sharing of securities transaction details, is offered by major exchanges, ensuring standardized, low-latency connection to institutional Order Management Systems (OMS) and Execution Management Systems (EMS). These developments mark a transition to a regulated, API-driven environment where compliance teams can monitor exposures continuously rather than rely on delayed statements. In practical terms, Crypto SMAs are turning digital-asset management from a frontier practice into a data-governed extension of institutional wealth management.

Adoption Momentum and the New Transparency

The first Crypto SMAs appeared as early as March 2020. Large-scale deployments accelerated in 2024, when Eaglebrook Advisors rolled out Bitcoin and Ether model SMA strategies for RIAs. This momentum reflects a broader pattern of institutional alignment. Regulatory recognition under the SEC's proposed Safeguarding Rule and the EU's MiCA Regulation has clarified the fiduciary responsibilities of custodians, while the technical reliability of providers has normalized digital-asset custody as a component of wealth management.

Beyond economics, Crypto SMAs represent a deeper shift in how transparency functions within finance. Unlike TradFi markets where visibility is mediated by intermediaries, in digital assets, visibility is native. Every position can be proven on-chain, every transaction timestamped, every portfolio reconciled against an immutable ledger. This inversion turns the blockchain itself into the ultimate compliance substrate, and advisory platforms now integrate this on-chain data directly into risk and reporting systems. What began in 2021 as a question of 'How are assets to be verified?' has, by 2025, shifted to 'Why would any portfolio remain unverified?'

The Outlook: Custom Brokerage for the Tokenized Era

If 2021 was defined by yield-chasing and 2022 by risk revelation, then 2025 is the year of custom brokerage. Crypto SMAs are the mechanism through which digital assets are being enrolled as a new pillar of traditional institutional investment management. The expansion of real-world-asset tokenization, a \$29 billion segment projected to reach \$30 trillion in value by 2034, will only accelerate that trajectory. As tokenized Treasuries, private credit pools, and real estate migrate onto blockchain rails, SMAs will serve to make these assets auditable, segregated, and institutionally custodied.

The lesson from the last cycle is clear: opacity destroys trust. The next phase of digital-asset growth will be built on verifiability of prices, of ownership, and of compliance. By embedding qualified custody, real-time data, and discretionary management within a single operational perimeter, Crypto SMAs transform digital asset investing into a natural conduit for wealth preservation.

For institutions, the implications are era-defining. Although blockchains were conceived as a tool to bypass financial intermediation, it is now reinforcing fiduciary and custodial standards. The SMA model represents the convergence of direct ownership, regulated custody, and programmable verification operating within one architecture. It is another confirmation that digital assets are completing their transition from speculative frontier assets to a managed, reliable, and reportable component of diversified portfolios. As Lionsoul Global helps shape this market's evolution, the next phase of digital asset growth will be powered by infrastructure built for institutional trust: with Crypto SMAs playing a major role in that future.

Lionsoul Global's SMA Platform Built on BitGo's Infrastructure

At Lionsoul Global, we decided early on to structure our investment offering around customisable Crypto-Separately Managed Accounts (SMAs). As mentioned above, SMAs represent the most direct form of asset ownership available to investors in the digital-asset space while receiving professional advice from a fiduciary asset manager.






Our objective in developing this framework was to combine institutional-grade infrastructure with maximum flexibility. While pooled fund structures remain highly effective from a regulatory, auditing, and governance standpoint — offering the benefits of independent oversight by administrators, auditors, and custodians — they are inherently standardised. Investors in a fund are typically exposed to the same investment strategy, without the ability to personalise portfolio composition, leverage levels, or asset exposure.

By contrast, Lionsoul’s SMA architecture enables us to deliver transparent and operationally efficient portfolios for each client, without sacrificing the institutional safeguards traditionally associated with regulated investment vehicles.

To achieve this, Lionsoul leverages the custody and brokerage infrastructure of BitGo, the digital asset infrastructure company that was founded in 2013. BitGo holds more than USD 90 billion in assets under custody*, placing it among the largest digital-asset custodians with seven regulated entities globally.

Unlike many providers in the space, BitGo operates under a qualified custody model — a framework similar to traditional finance where a regulated trust company safeguards assets on behalf of clients under fiduciary duty, with segregated accounts, auditable controls, and client-protection obligations.

BitGo’s institutional-grade security framework combines:

-  Regulated trust-entity status (BitGo Trust Company, Inc., BitGo Europe GmbH, BitGo Custody MENA FZE, and more) providing a global familiar fiduciary and compliance framework for institutional investors
-  Multi-signature, cold-storage architecture, ensuring that private keys are distributed, offline, and protected against single-point-of-failure risks
-  Segregated client accounts, ensuring complete separation between client assets, Lionsoul’s proprietary capital, and BitGo’s balance sheet
-  Comprehensive insurance coverage of up to USD 250 million for theft or loss of digital assets held in qualified custody
-  Independent SOC 1 and SOC 2 Type II audits, validating the design and operational effectiveness of internal controls

This combination of regulated custody, audit assurance, cold-storage technology, and insurance coverage provides the institutional foundation on which Lionsoul’s SMA platform is built.

Through BitGo’s Crypto-as-a-Service offering, all SMA portfolios are managed directly within the BitGo infrastructure, while clients can efficiently manage their users’ experience. Lionsoul Global acts as the discretionary investment manager, executing strategies through API-based trading and allocation systems fully integrated with BitGo’s environment.

Importantly, client assets never leave the segregated custody framework — every transaction, trade, or rebalancing is executed within the BitGo ecosystem. This architecture ensures both operational efficiency and security integrity, while maintaining full transparency at all times.

Due to the high level of automation on the technical side, the setup of new SMA portfolios is fast, resource-light, and highly scalable.

In essence, Lionsoul’s SMA platform bridges the gap between institutional custody and bespoke portfolio management. Clients retain direct, segregated ownership of their digital assets while benefiting from Lionsoul’s active management, strategic allocation, and risk-controlled execution — all underpinned by BitGo’s qualified-custody infrastructure and institutional-grade safeguards.

*As of 6/30/2025

Authors

Lionsoul Global

Authors: Gregory Mall · Andrew Persh (Andrei Pershkhailo) · Yury Lysak (Iurii Lysak)

[Visit Lionsoul Website](#)

[Meet the Team](#)

BitGo

Authors: Esther Na

Legal Disclaimer

Investment advisory and asset management services are provided by Lionsoul Global Advisors LLC, registered with the Texas State Securities Board (CRD #: 324883), and Lionsoul Global Advisors Ltd., an Approved Manager regulated by the British Virgin Islands Financial Services Commission.

The information contained herein is provided for informational and educational purposes only and should not be construed as investment, legal, or tax advice. Nothing contained in this document constitutes an offer to sell, or a solicitation of an offer to buy, any securities, investment products, or advisory services.

All SMA strategies and related digital-asset investment offerings advised by Lionsoul Global Advisors are available exclusively to non-U.S. investors who meet applicable eligibility, accreditation, and qualification standards under relevant laws and regulations.