A New Playbook For Realising Crypto's $5.6 Billion Treasury Opportunity

Keyrock Safe DLResearch

Key Findings

1. **93% ($5.2 billion)** of crypto treasury wealth sits idle as protocols fall short on capital efficiency. Among median treasury assets, just **7%** are allocated to income-generating positions.

2. **Millions of dollars** are being left on the table annually. If the 25 protocols we analysed shifted their yield-bearing allocation from **8.2%** to **30%**, aggregate annual income would jump from **$6.6 million** to **$84.7 million**, a **1,183%** increase.

3. **Crypto-native treasuries remain procyclical and at risk of severe drawdowns.** With around **80%** of aggregate treasury value held in native governance tokens, balance sheets expand in bulls but collapse in bears.

4. **Is 2026 the end of the treasury HODL?** The industry is shifting from accumulation to allocation, building a sustainable funding model that doesn't rely on selling governance tokens.

5. **Token sales aren't the only solution.** Treasuries can generate income directly on existing holdings through onchain vaults, staking strategies, or structured derivatives. The result? They open a recurring funding stream without materially reducing native token exposure.

6. A small cohort of sophisticated protocols like Aave and Gnosis are leading the way as active diversifiers. Aave has reduced its native token concentration to **41%**, with **33%** held in a stablecoin 'buffer'. A higher stablecoin holding provides predictable liquidity to fund purchases, and protects against market volatility.

Executive Summary

Crypto-native treasuries manage institutional-scale balance sheets. Across the 25 protocols analysed in this report, aggregate treasury holdings exceed **$5.6 billion**. In absolute terms, many of these organisations now resemble mid-sized financial institutions. Yet scale has not been matched by sophistication. Treasury construction across the sector remains heavily concentrated, structurally volatile, and materially underproductive.

Approximately **86%** of aggregate treasury value remains concentrated in native governance tokens. Median stablecoin allocation is just **3.6%**. Most strikingly, the median protocol allocates only **7%** of its treasury to income-bearing positions. The majority of capital sits idle, exposed to token price volatility without generating recurring income.

This structure is outdated, and creates fragility. Native token concentration amplifies upside during bull markets but compounds drawdowns during downturns. Our analysis shows that treasuries spent **57.4%** of observed time more than **50%** below prior highs. In many cases, this drawdown exposure coexists with minimal stable reserves and limited recurring yield generation. The result is pro-cyclical treasury behaviour that strengthens balance sheets during bull markets and weakens operational flexibility during bears.

The constraint is not capital, nor is it infrastructure. The constraint is a sophistication gap between the tools now available and the strategies currently deployed.

Over the past 18-24 months, a suite of institutional-grade primitives has matured. Onchain vault infrastructure now manages billions in stable, battle-tested lending markets. Direct protocol participation allows treasuries to earn supply yield while reinforcing ecosystem liquidity. Automated Market Maker (AMM) positions enable fee generation while supporting market microstructure. Tokenised Real-World Assets (RWAs) offer regulated fixed-income exposure without abandoning onchain transparency. Options markets, particularly bespoke OTC structures, enable systematic volatility monetisation and drawdown management. The arsenal of treasury management options is comprehensive, and growing.

The median **7%** allocation to productive capital no longer reflects infrastructure limitations. It reflects governance inertia and risk aversion formed during earlier DeFi cycles. Yet the maturity profile of leading protocols has changed meaningfully. Lending markets such as Aave, Morpho, and Compound operate at institutional scale with multi-year track records. ERC-4626 vault standardisation reduces integration friction. Capacity across major markets comfortably absorbs nine-figure deployments. We make the argument that the operational risks that defined early DeFi are materially lower than in prior cycles.

Importantly, productive deployment does not require abandoning native token alignment. Even modest diversification, for example allocating **10-20%** of treasury into stablecoins, ETH, or BTC, can generate recurring income sufficient to meaningfully extend runway. At **3-8%** achievable yields, incremental deployment scales quickly into seven-figure annual income for large treasuries. This income can fund contributors, audits, ecosystem grants, or protocol growth without liquidating core governance positions.

Beyond productive reserves, volatility itself represents a monetisable asset. High-beta governance tokens exhibit implied volatility regimes far above traditional equities, or even beta assets within the digital assets industry. Covered call strategies, structured conservatively at far out-of-the-money strikes, can generate meaningful premium income while preserving core exposure, with managed and minimal probability of being exercised. Under historical volatility conditions, such programmes can materially increase treasury yield with limited dilution risk. For treasuries unwilling to sell tokens outright, options provide a systematic alternative to passive exposure.

For smaller treasuries facing genuine existential drawdown risk, structured collars can convert extreme two-sided volatility into bounded ranges, preserving operational viability during prolonged downturns. Cross-asset options structures further allow governance-approved diversification to occur systematically into strength rather than via discretionary timing decisions. These tools shift treasury management from reactive spot execution to rule-based capital deployment.

A recurring governance concern identified in our research is transparency. Many DAOs require onchain traceability of treasury positions, even when instruments are executed offchain. This design constraint is, in our opinion, legitimate given the nature of these treasuries. Governance legitimacy depends on verifiability. For offchain derivatives providers to scale within crypto-native treasuries, solutions must integrate onchain visibility, whether through escrowed collateral contracts, tokenised position receipts, cryptographic attestations, or proof-of-reserve style reconciliation. The next phase of treasury infrastructure will be defined by both pricing efficiency and by governance compatibility.

We make the case that treasury management is becoming a differentiator. Protocols that adopt structured deployment frameworks will enter downturns with income streams, diversified buffers, and systematic risk controls. Those that remain fully concentrated and passive will continue to experience amplified volatility and operational compression during adverse cycles.

Examples across the ecosystem, including those we have analysed and interviewed, already demonstrate the spectrum, from treasuries deploying into their own lending markets to those supporting AMM liquidity directly, and others beginning to implement volatility monetisation programmes. The toolkit exists. The capacity exists. The market has matured.

What remains is execution discipline and governance alignment.

As the sector professionalises, the gap between passive token holders and actively managed crypto-native endowments will widen before it closes. Treasury sophistication will increasingly influence runway stability, ecosystem resilience, and ultimately market perception. Capital alone is no longer the defining variable. How that capital is structured, deployed, and governed is.

The transition from accumulation to allocation has begun.

1

Mapping the Landscape: The Asset Composition Dilemma

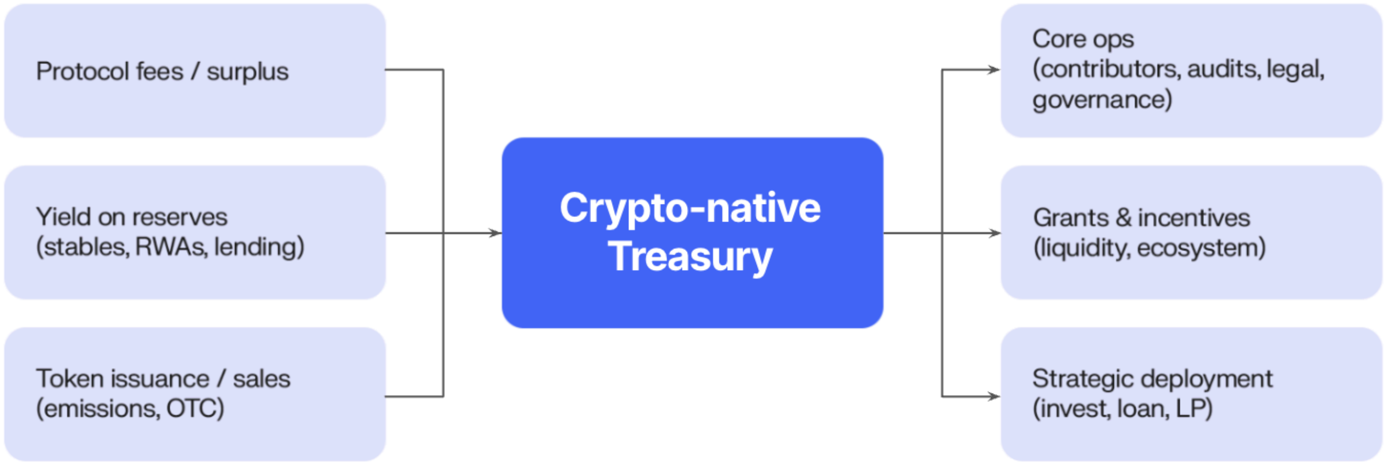
As of March 2026, the largest crypto-native treasuries collectively control billions of dollars in native tokens, BTC, ETH, and stablecoins. The **25** treasuries in our sample hold multi-million to billion-dollar balance sheets, with individual allocations often exceeding **$1 billion**. The analysis in this report is based on onchain treasury data compiled in collaboration with DeFiLlama.

These reserves aren't built by one-off events, they continue to grow. Protocol revenues compound during strong market regimes, and native tokens appreciate reflexively alongside ecosystem expansion. What began as ICO-era capital pools or early incentive allocations have evolved into institutional-scale balance sheets.

Yet despite their size, most of these treasuries are structurally fragile. The core issue is composition. Many native-token treasuries remain heavily concentrated in their own high-beta governance tokens. In bull markets this amplifies upside. In drawdowns it compresses runway precisely when operational funding is most critical.

However, treasury strength in crypto cannot be defined by mark-to-market size alone. What matters is usable liquidity, i.e how reliably a company can fund operations without becoming a forced seller of its own token. Many treasuries remain concentrated in governance tokens that behave economically like high-beta to BTC, in that they amplify returns in bull markets, and drawdowns in bear markets.

Another helpful item to map before we analyse treasury composition is a company's cash flows at a high level. Inflows typically come from protocol-linked value capture, treasury yield generated on reserves, and occasionally from token issuance or strategic sales. Outflows, by contrast, are usually more predictable and 'real economy' in nature. These consist of ongoing operating costs, ecosystem spend, and strategic deployments. This mismatch matters because many inflows remain market-linked, while expenses are sticky. When reserves are concentrated in the native token, headline wealth can fail to translate into usable liquidity at exactly the wrong point in the cycle.

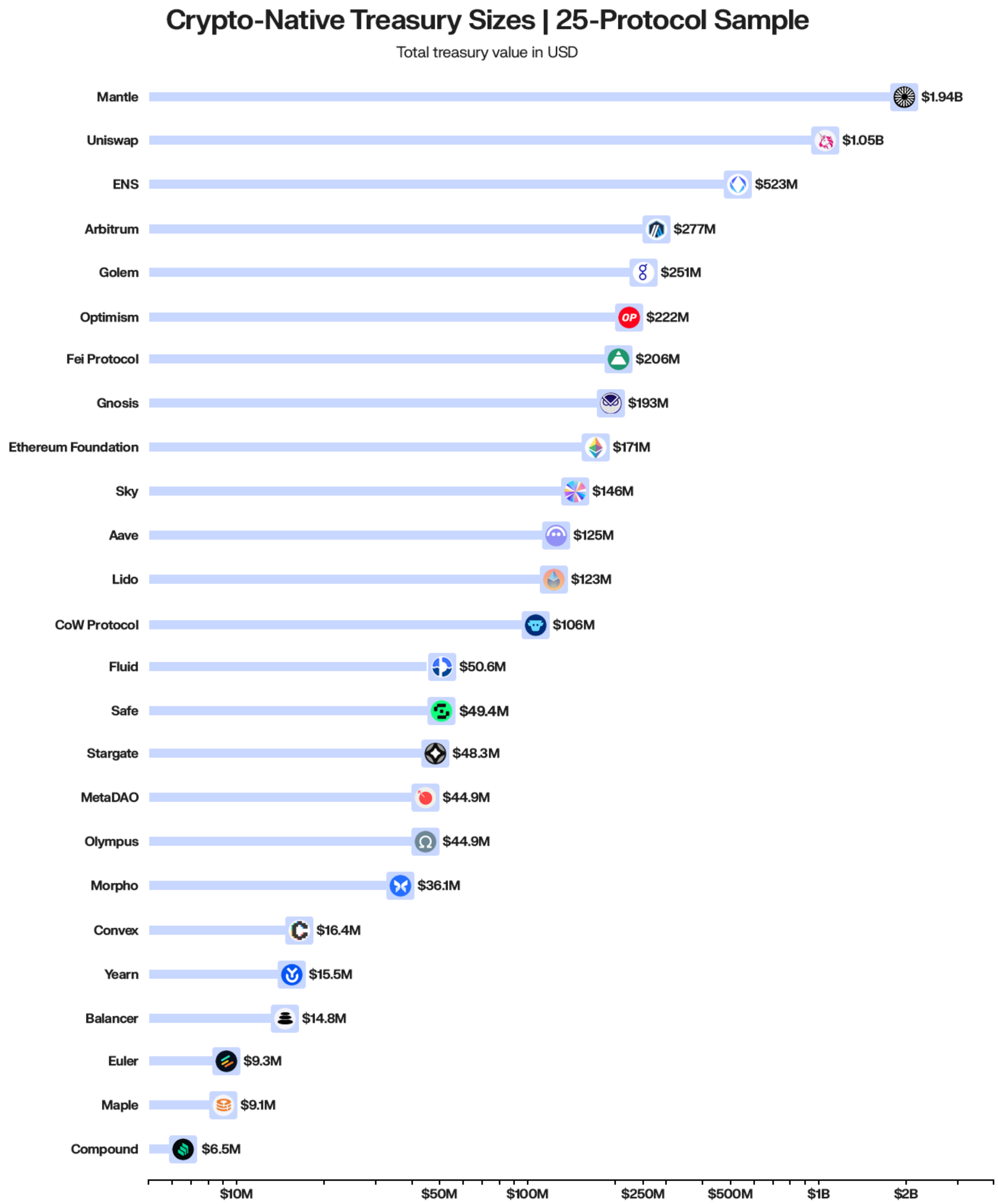


The next phase of crypto-native treasury management will not be defined by token appreciation, but by disciplined capital strategy. The challenge is no longer how to grow the treasury, it is how to stabilise, monetise, and protect it.

Before analysing composition in detail, it is worth clarifying where treasury assets typically reside and how control is structured. In most cases, treasury assets live onchain in smart-contract accounts, commonly multisignature wallets such as Safe Wallet, and typically incorporate governance-controlled timelocks. A timelock being a simple safety mechanism that states that once a proposal passes, execution is queued and can only be carried out after a defined delay, giving stakeholders time to react if they disagree.

Control models also differ meaningfully across crypto-native treasuries, and this determines how quickly headline wealth can become spendable liquidity. In a DAO-controlled model, tokenholders or delegates vote and execution ultimately occurs based on the outcome of the vote. In a foundation-custodied model, a legal entity can act as administrator and custodian that enacts treasury decisions after approval. A third model delegates day-to-day execution to treasury committees operating under a mandate, which can reduce operational bottlenecks while keeping strategic oversight at the treasury level. The final model is for earlier-stage companies that may still resemble founding-team controlled treasuries in practice, even if governance is intended to decentralise over time. Treasuries can also include offchain assets, such as the Tether treasury, typically administered via an entity for payments and compliance.

The first explosive era of Decentralised Finance (DeFi), typically referred to as the DeFi Summer of 2020, saw the development of now staple protocols, such as Uniswap and Aave. This period created extraordinary value for early, category-defining protocols. These companies now sit on sizable 'war chests' with Uniswap, Aave and Lido holding treasuries of approximately **$1.05b, $125m and $123m** respectively, with several others holding multi-billion-dollar treasuries. Some of the largest early treasuries were seeded before "DeFi revenue" existed, via the ICO era, when protocols raised capital directly in BTC and ETH. For example, Ethereum's 2014 crowdsale raised **31,000** BTC, while Tezos raised substantial BTC and ETH in its 2017 token sale, creating large, market-sensitive reserves from day one. These treasury balance sheets rival mid-sized traditional finance institutions in headline size.



1.1
Aggregate Balance Sheet: Headline Wealth, Thin Reserves

As of February 2026, the 25 protocol treasuries in our sample hold approximately **$5.6b** in total assets. However, the composition is a problem. It's heavily skewed toward idiosyncratic risk exposure, with approximately **80%** of aggregate value being held in native governance tokens, while allocations to stablecoins, a proxy to purchasing-power assets, remain minimal at **4.1%**.

Top 25 Treasuries: Asset Allocation Snapshot

This concentration is not purely accidental. In many cases it reflects legacy balances from ICOs or token generation events, where treasuries retained large portions of supply. However, it is also reinforced by structural and behavioural incentives. Selling the native token can depress price, trigger negative signalling, and often requires governance approval, creating political friction around diversification. In an interview with Baptiste Cota at Midas, an onchain vault protocol, he notes that the incentive structure is inherently circular, "A treasury diversifying away from its token means selling its token, creating price pressure from its token holders, who are the ones voting on the decision." Treasuries also want to retain exposure to their governance token for incentive and ecosystem growth programs. In bull markets, this concentration is tolerated, and often celebrated, as balance sheets expand reflexively alongside token appreciation. The vulnerability only becomes visible in contractionary regimes.

The overarching narrative here is one of financial alignment with the underlying protocol, which is to be expected, but goes hand in hand with a minimisation of dollar-pegged exposure. For every **$100** of reported treasury wealth, approximately **$4** is held in the asset class most directly aligned to near-term liabilities and vendor payments, which is stablecoins. Now, given the sheer size of these treasuries, the dollar value held in stablecoins, even though it represents just **4.1%** of AUM, equates to **$230m**, averaging out at **$9m** per treasury. However, the reality is far more uneven, with a small number of outliers bringing up the average while the median protocol holds just **3.6%** in stablecoins. In actuality, **eleven of the twenty-five** analysed protocols hold less than **1%**. Uniswap, despite commanding a **$1.05b** treasury, holds effectively zero stablecoin reserves. Aave and CowSwap, both protocols that operate lending or trading infrastructure, account for the majority of stablecoin holdings, while pure governance token protocols like SKY hold none at all.

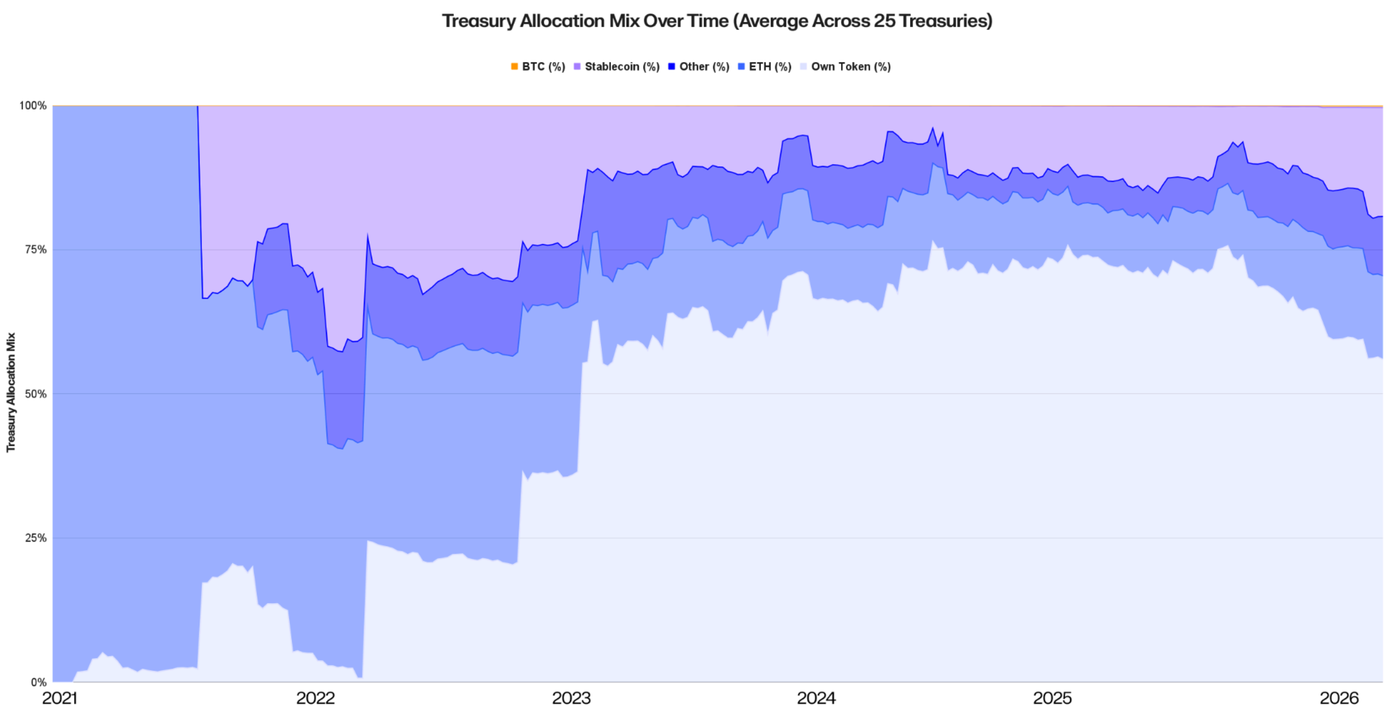
The persistently low stablecoin allocations are rarely accidental. In many cases, they reflect structural and governance constraints rather than explicit policy neglect. Converting native tokens into stable assets can create visible sell pressure and negative signalling, particularly for large treasuries with limited spot liquidity. Governance approval is often required for diversification, introducing political and execution friction.

The result here is reflexive strategic consequence. When a treasury with extreme native-token concentration needs to fund expenses, it may be forced to convert its own token into stable purchasing power, given the high concentration of governance tokens, either swapping to stablecoins or selling and off-ramping to fiat. In thin liquidity environments, either market structure or sentiment driven, such sales can have an outsized effect on the order books, depressing token price and reducing the mark-to-market value of the remaining treasury, further tightening the constraint. The treasury may be large in theory, but becomes fragile in practice when the market turns.

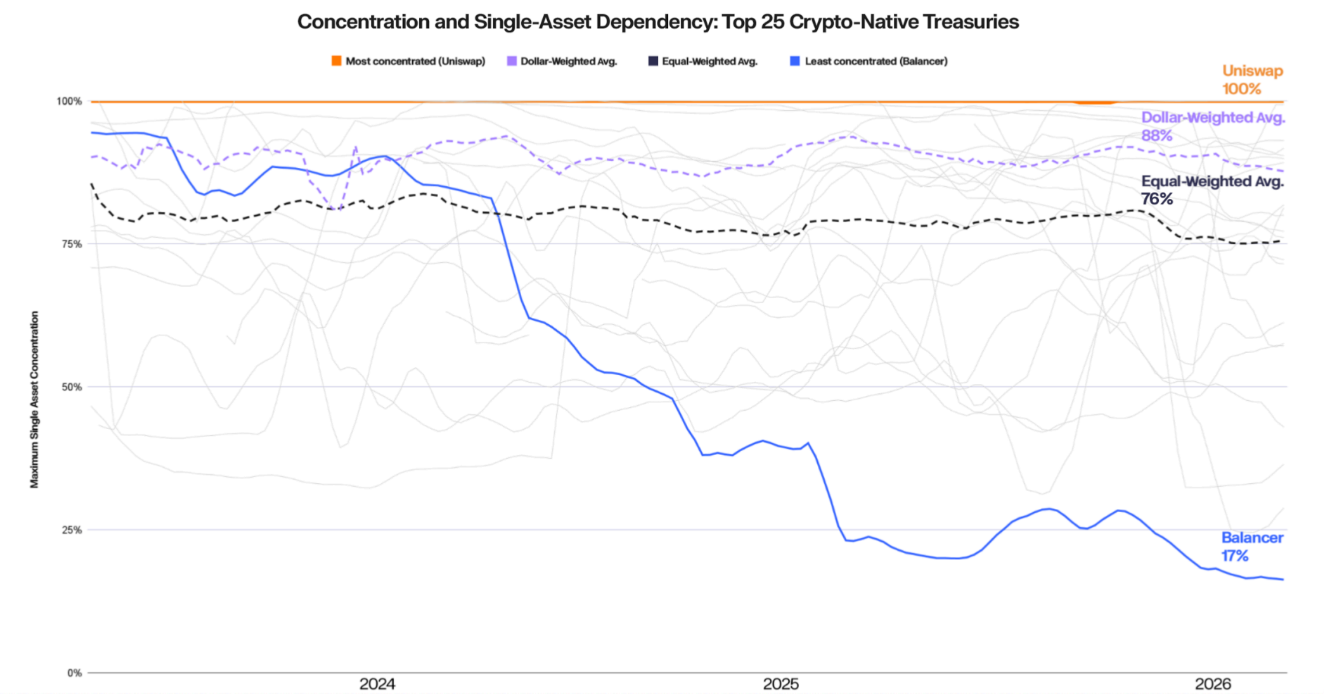
1.2
Concentration Through Time and the Beta Drift Problem

The challenge is that diversification is not a one-time decision. Without ongoing rebalancing and risk management, treasuries naturally drift back toward concentration as native tokens outperform or underperform over time. Instead, it's an ongoing process competing against market dynamics, particularly with native governance tokens being so highly correlated to beta, which we will expand on later in the report. Over the last two years, the aggregate 25-protocol sample shows a consistent pattern that reflects treasuries that fail to actively rebalance in rising markets becoming more concentrated, even if no new native tokens are acquired.

Native token exposure averaged approximately **66%** across our sample, which expanded to approximately **75%** by mid-2025 as crypto markets rallied through 2024 and into 2025. The subsequent market correction in late 2025 and early 2026 then reduced average own-token concentration to approximately **60%**. Note, this is on an equal-weighted average, on a dollar-weighted basis, own tokens represent **80.4%** of aggregate AUM. This highlights the inactivity of the treasury management. Our analysis shows this was largely mechanical. As native tokens outperformed other treasury assets, their relative weight expanded automatically, a "beta drift" effect driven by price appreciation. In addition, protocol revenues and incentive structures often reinforce native-token accumulation, while few treasuries operate with systematic rebalancing mandates.

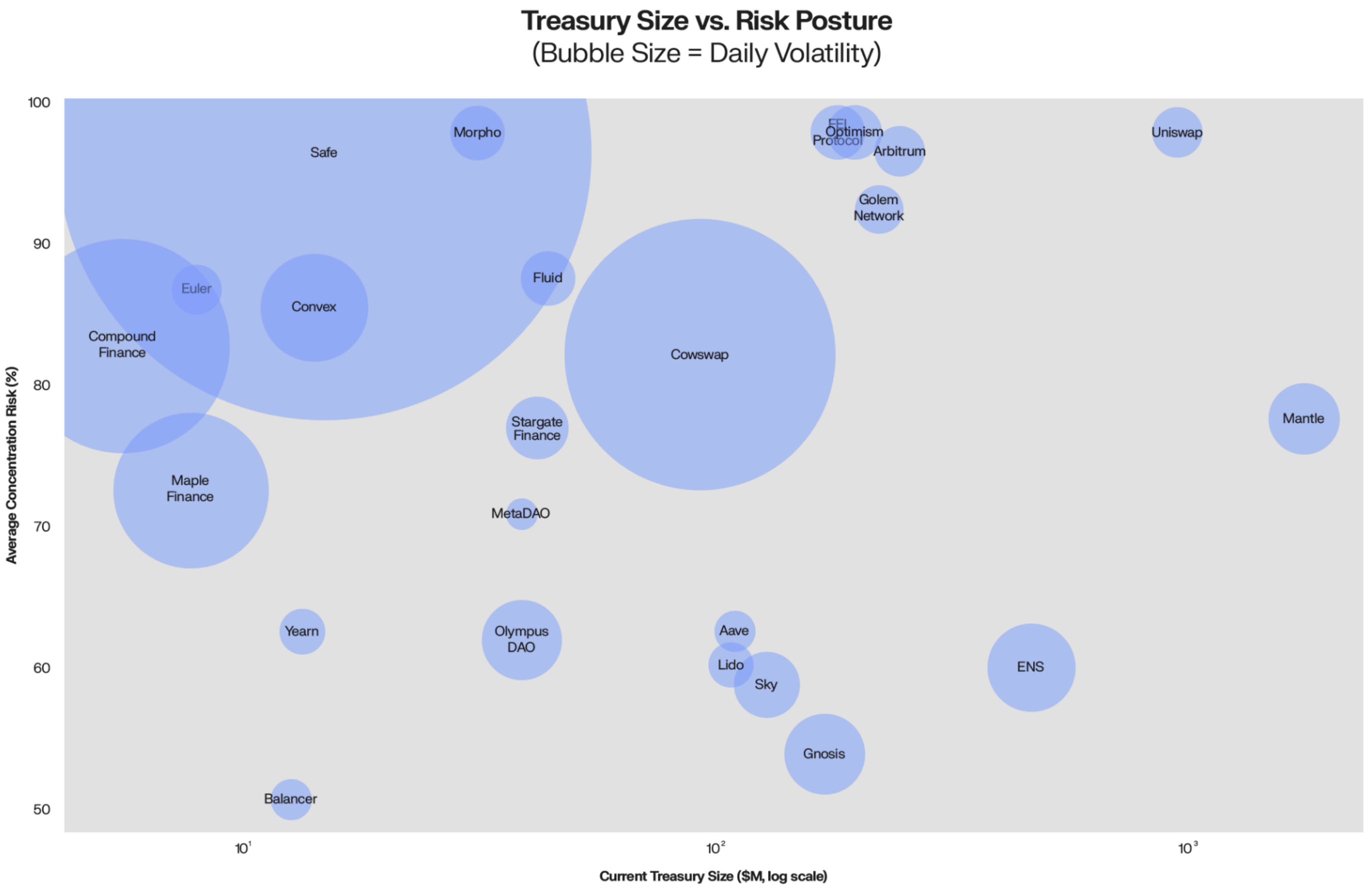


Diversification is not a one-off decision, it's a process. This is the core "beta drift" problem. In plain terms, if a treasury doesn't rebalance, a bull market naturally increases the weight of its highest-beta assets, in this case usually the native token, even if the treasury never buys more. In this scenario, diversification decays by default. And in bear markets, the same concentration works in reverse: the portfolio's purchasing power falls fastest right when the treasury needs stability most. If protocols don't rebalance, and avoid selling into strength, they often arrive at late-cycle conditions with heightened concentration, leaving their effective purchasing power more exposed into the next drawdown. Section 2 outlines practical rebalancing frameworks that allow treasuries to reduce concentration without destabilising their own token markets.



1.3
Dispersion Within the Top 10: Three Treasury Archetypes

The above analysis is helpful to set the scene, though aggregate statistics obscure the degree of dispersion in treasury policy. Even within our 25 treasury sample, there is a wide range of treasury approaches, from treasuries that remain effectively 100% native-token exposure to treasuries that have materially reduced concentration and built buffers in stable assets and majors.



We group approaches into three practical archetypes:

1. Active diversifiers (e.g. Aave, Gnosis)

We see these companies as the most sophisticated in their approach to treasury management, in that they treat the practice as a continuous programme with explicit objectives around liquidity, concentration limits, and execution. Importantly, this is not only reflected in lower native-token concentration, but in process. These treasuries operate with explicit allocation objectives and periodically convert native token exposure into other assets as part of an ongoing rebalancing mandate.

Aave is the clearest example in our sample, where its native token has declined to approximately **41%** by Feb 2026, with approximately **33%** held in stablecoins and **18%** in ETH-related assets. Gnosis has similarly maintained a more diversified posture, with **76.3%** of its treasury AUM allocated to GNO, and approximately **4.4%**, equivalent to **$8.6m**, allocated to stablecoins.

Our interpretation: These treasuries are, at least theoretically, structurally better positioned to fund obligations without mechanically reinforcing downside in their own token. They're also less susceptible to market volatility in their AUM.

2. Strategic allocators (e.g. Arbitrum, Sky)

Our strategic allocators bucket is reserved for companies that retain high native exposure but carve out specific, governance-approved allocations designed to stabilise purchasing power and reduce reliance on token sales. The distinction from active diversifiers is that these allocations tend to be programme-specific and governance-approved, rather than part of a continuous rebalancing framework. Native-token concentration often remains structurally high, with diversification occurring through ring-fenced initiatives rather than systematic portfolio management.

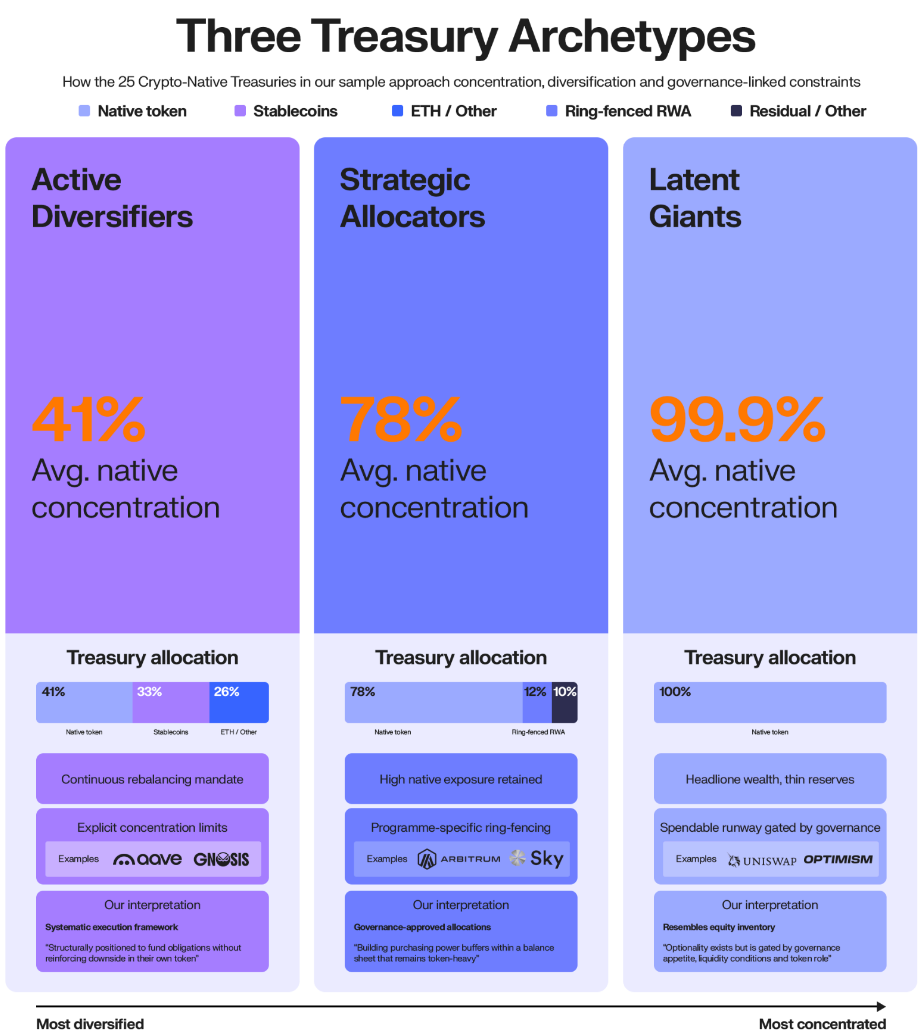
Arbitrum's STEP programme illustrates this model. Even though native concentration remains high, the allocation of 35m ARB into RWAs represents an explicit move to ring-fence part of the treasury from token volatility. Similarly, Sky represents a related endowment-style approach via large RWA exposure to support operations through more stable income streams.

Our interpretation: These treasuries are building purchasing power buffers within a balance sheet that remains native governance token heavy.

3. Latent Giants (e.g. Uniswap, Optimism)

We define latent giants as those who hold very large headline treasuries that remain persistently concentrated in their own native governance token. Uniswap is the canonical example, with UNI concentration at 99.9% throughout the entire coverage period. In these cases, the treasury resembles authorised equity inventory as opposed to an operational war chest or treasury. They look well capitalised on paper, but because of the concentration in native governance tokens, their spendable runway is gated by liquidity and a lack of governance willingness to sell.

Our interpretation: Treasury optionality exists but is gated by governance appetite, liquidity conditions and the intended role of the token.



1.4
Survey Insights: Treasury Manager Perspectives

To complement the onchain balance sheet analysis, we conducted a survey of treasury managers and individuals closely involved in treasury decision-making across leading crypto-native organisations. The objective being to contextualise the structural patterns observed in the data.

Throughout this report, we reference these responses to illuminate the governance constraints, political frictions, and operational realities that shape treasury outcomes. The quantitative analysis reveals what treasuries hold and how they behave through cycles. The survey responses help explain why.

Taken together, the findings suggest that current treasury structures are not primarily the result of neglect or inaction, but of incentive design, governance dynamics, and risk tolerance frameworks that have yet to evolve alongside balance sheet scale.

2
Strategic Evolution: From Accumulation to Management

What's clear from the in-depth treasury data DeFiLlama provides is that treasury management is undergoing a clear shift in posture. In DeFi's early era, treasury 'strategy' mostly meant accumulating as much capital as possible. Protocols held large inventories of their own token and relied on price appreciation. Now that these crypto-native companies have matured into economic organisations, they now incur recurring operational costs, long-dated commitments and reputational obligations. A passive treasury model is no longer enough.

We frame this evolution as a transition towards active asset-liability management. The strategic objective is not to maximise returns, or to rotate out of native tokens entirely in search of predictable treasury value. Instead, the goal is to achieve stable purchasing power on a portion of the treasury to create a repeatable funding model that does not rely on selling governance tokens.

2.1
The Dependency Paradox and the Case for Systematic Rebalancing

The core challenge for most crypto-native companies is what we will refer to here as the dependency paradox. This is the idea that treasury value is typically highest when the protocol is succeeding and the market is strong, whereas treasury liquidity is often most constrained when the market falls, and the protocol is under pressure. This creates a reinforcement loop, where selling the native token to fund expenses can deepen drawdowns and worsen sentiment. In our interview with Cota at Midas, he frames this as the 'Correlation Trap', in which he says, "if a protocol faces a crisis, the token's value plummets, creating a 'leverage impact' that simultaneously reduces the value of the treasury. The protocol is then left to manage a crisis with critically depleted funding."

In this context, rebalancing or generating yield on governance tokens in stable assets is less about tactical trading and more about risk reduction and prudent capital management. The most durable frameworks are rule-based and repeatable, designed to reduce discretionary timing risk and governance noise. Common approaches we have found include:

- **Sell into Strength to Build Stable Reserves:** Selling into strength during risk-on periods to build stable reserves and reduce single-asset dependency.
- **Maintain Minimum Stablecoin Buffer:** Creating and maintaining a defined liquidity buffer in stablecoins or majors to fund obligations without forced sales. Section 2.3 explores mechanisms for building this buffer, including programme-based diversification, yield generation, and structured liquidity facilities that reduce reliance on discretionary spot selling.
- **Programme-Based Execution:** Moving away from ad-hoc spot sales toward pre-approved programmes with defined sizing, cadence, and execution controls, that favour OTC execution when selling is necessary, and yield-generation to diminish its necessity.

Execution quality matters significantly, with treasuries that attempt to rebalance via visible, discretionary spot selling often facing market impact and governance backlash. As a result, leading treasuries increasingly use Over The Counter (OTC) execution to diminish market impact on governance token price and reduce signalling risk.

This governance sensitivity is reflected in our survey of treasury managers. Approximately **43%** of respondents reported day-to-day execution being run by a small internal team with delegated authority, while approximately **29%** indicated that their treasury avoids selling native tokens except in extreme circumstances. The net effect is that execution is often operationally possible but politically constrained, reinforcing the case for pre-approved, systematic programmes over discretionary spot selling.

Our survey also found that of those who had one, approximately **83%** of respondents described stablecoin buffers as an informal target rather than a formally defined policy. Informal buffers tend to be pro-cyclical and discretionary, while formal buffers can be enforced through repeatable rebalancing and funding-layer design.

2.2
The Yield Imperative: Turning Idle Reserves Into Sustainable Funding

With several protocols boasting billion-dollar aggregate treasuries, and the largest **13** of the **25** treasuries sitting above **$100 million** in AUM, the opportunity cost of idle capital is material.

Yield in this context is best treated as runway insurance, not return chasing. Survey priorities align with this framing. **86%** of respondents selected runway extension as a core treasury objective, and approximately **57%** selected stable yield income generation. Consistent with this, approximately **57%** described their treasury's risk tolerance as very conservative, with capital preservation being the primary target, suggesting the binding constraint is not ideological resistance to yield, but comfort with implementation risk and governance process.

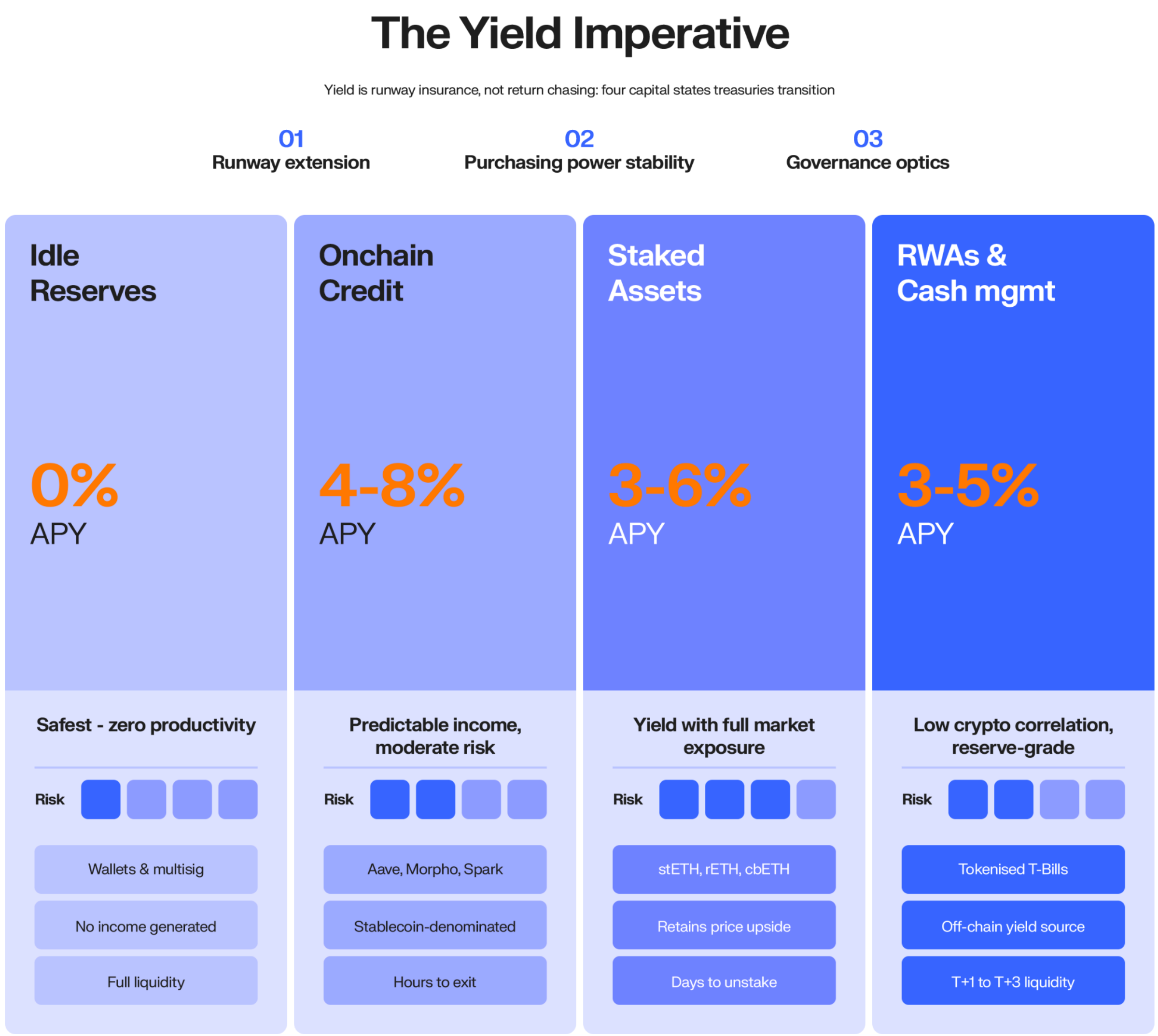
The strategic aim here is to build a funding layer that turns the treasury into a sustainable runway mechanism, even without protocol revenue performance. This funding layer would ideally be in stable purchasing power, that can offset operating expenses and reduce reliance on governance token sales.

Over the course of 2024 and 2025, we saw a growing subset of treasuries migrate portions of stablecoin and ETH holdings into yield-bearing instruments such as lending positions or onchain vaults. We believe this movement has three pragmatic drivers:

1. **Runway Extension:** Generating predictable income to cover recurring costs.
2. **Purchasing Power Stability:** Reducing sensitivity to crypto market drawdowns.
3. **Governance Optics:** Shifting from 'selling the token' to 'earning income' is easier to socialise politically.

At a high level, we observe four treasury ‘capital states’ that crypto-native companies transition between:

- **Idle Reserves:** Assets held in wallets without yield generation. Safest, yet least productive.
- **Onchain Credit:** Stablecoins deployed to either lending or credit markets. Moderate risk, moderate income.
- **Staked Assets:** Assets deployed to staking derivatives or staking strategies. Earns yield, but still market risk.
- **RWAs and Cash Management:** Tokenised yield instruments and financial products. Lower crypto correlation, often used as reserves.



2.3
Instruments and Channels: The Emerging Treasury Toolbox

As the financial tooling surrounding digital assets expands, both on and offchain, the treasury toolkit broadens. However, adoption remains uneven. Most treasuries still operate with a limited set of instruments, broadly limited to spot conversions and basic onchain yield products. A smaller, more advanced cohort is beginning to explore structured execution and risk overlays, including hedging and options-based monetisation, typically through specialised partners, rather than in-house implementation. However, while a minority is operating at a high level of sophistication, systematic volatility monetisation remains non-standard across the broader treasury landscape.

In our survey, when asked about systematic strategies that generate income from native token volatility, approximately **43%** reported they have already implemented such strategies, **29%** are open in principle, **14%** are under consideration, and **14%** are unlikely. The distribution reinforces the bifurcation visible from our onchain analysis.

This toolkit can be grouped into three primary execution categories:

1. **Execution Layer:** OTC trading, as well as CEX and DEX algorithmic execution such as TWAPs and programmatic orders.
2. **Reserve Layer:** Stablecoins, majors, and RWAs that act as purchasing-power anchors.
3. **Productivity Layer:** Structured overlays, onchain credit and staking strategies.

What we're witnessing, both from our analysis of onchain treasury data, and our conversations with current and potential Keyrock clients, is a strategic inflection point in treasury management. Treasuries are no longer assessed on who can accumulate the largest token inventory, but on who can build the most robust funding and liquidity architecture through cycles.

Offchain deployment is also less taboo than often assumed, provided governance constraints are respected. Approximately **86%** of respondents indicated they would allocate to offchain instruments if governance-approved. Within this sub-section, about **two thirds** of respondents said this would have to be within defined limits or safeguards, and **33%** are already doing so. This supports the view that the barrier is not binary acceptance, but governance-approved implementation within conservative risk parameters.

In the next section, we will quantify the outcomes of existing strategies for crypto-native treasuries, so that we can go on to assess how introducing sophisticated management tools would impact treasury management.

3

Risk & Performance: Measuring the Current State

Across the available metrics published both onchain and at data providers such as DeFiLlama, treasury performance in crypto is often framed as headline P&L. For crypto-native treasuries, we believe that's the wrong starting point. A treasury exists to fund liabilities through cycles, as well as other objectives such as ecosystem growth. So, success is best measured as purchasing power resilience, not simple mark-to-market highs.

In this section we introduce a simple, institutional framework to evaluate treasuries across three lenses:

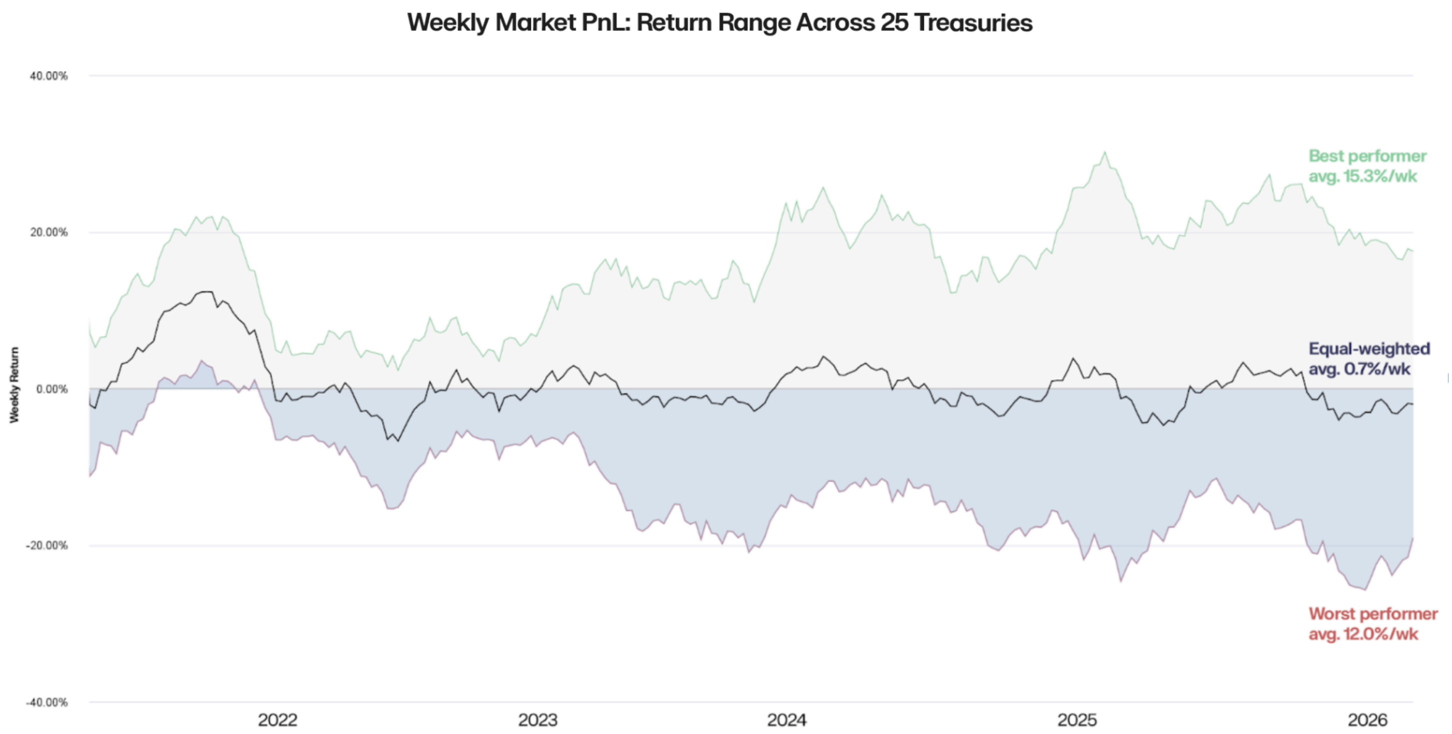
1. **Attribution:** How much of value change was driven by markets vs net flows
2. **Risk:** Drawdowns, volatility, and market beta
3. **Survivability:** Liquidity realism and operational runway

3.1

Performance Attribution: Separating Market Returns From Treasury Activity

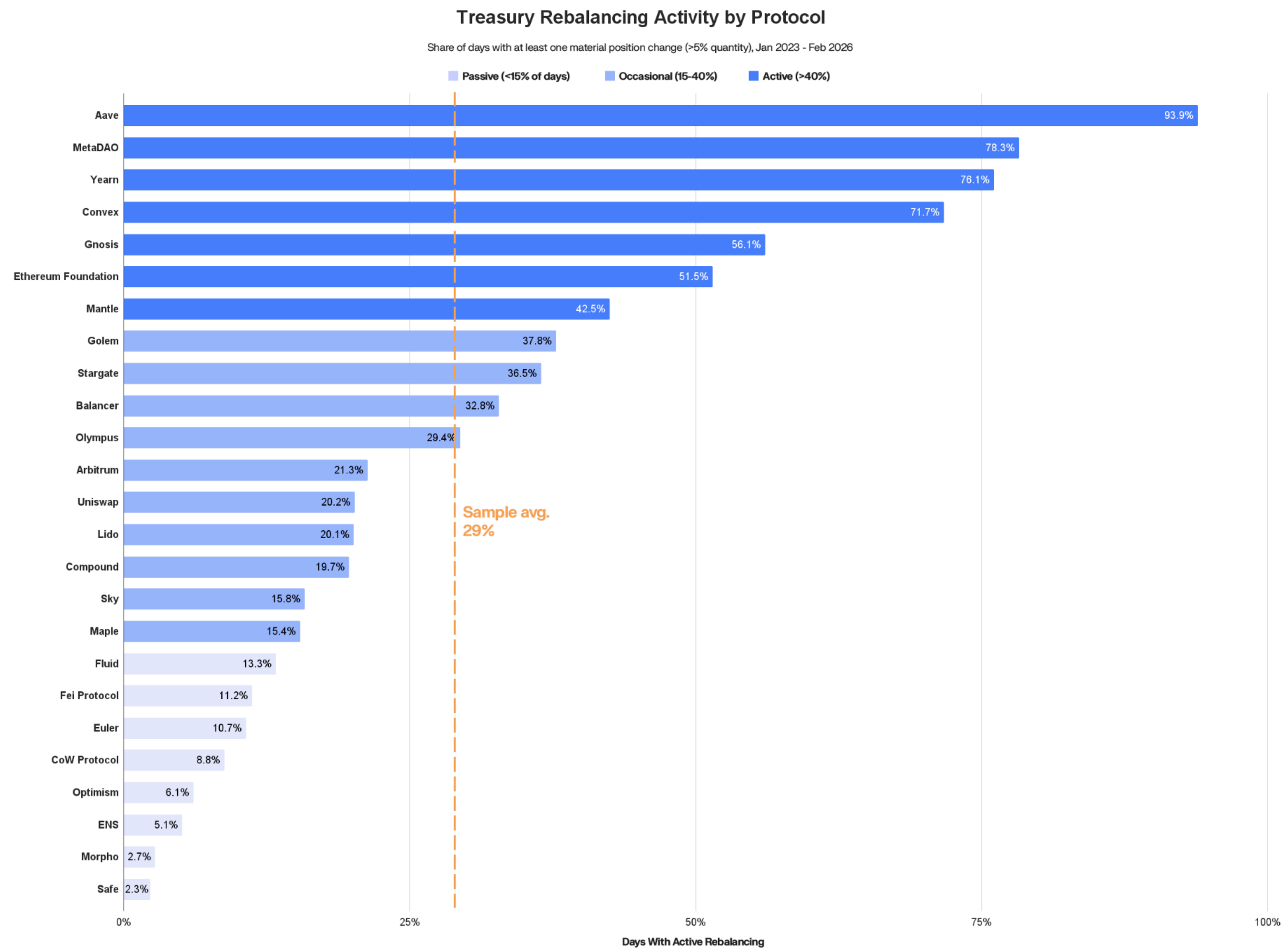
A common pitfall in treasury analysis is confusing 'the treasury go up' analysis with how well the treasury performed on realistic objectives. A treasury can grow simply because the native token rallied, or because the company received new inflows through fees, grants, or transfers, even if the underlying portfolio decisions added no incremental value.

We split daily treasury value changes into two components: market P&L, which is the change in value attributable to price moves on yesterday's holdings, and flow contribution, the change attributable to net additions and removals of assets. This allows us to distinguish beta behaviour, defined as whether changes in the treasury were primarily market driven or a result of active management.

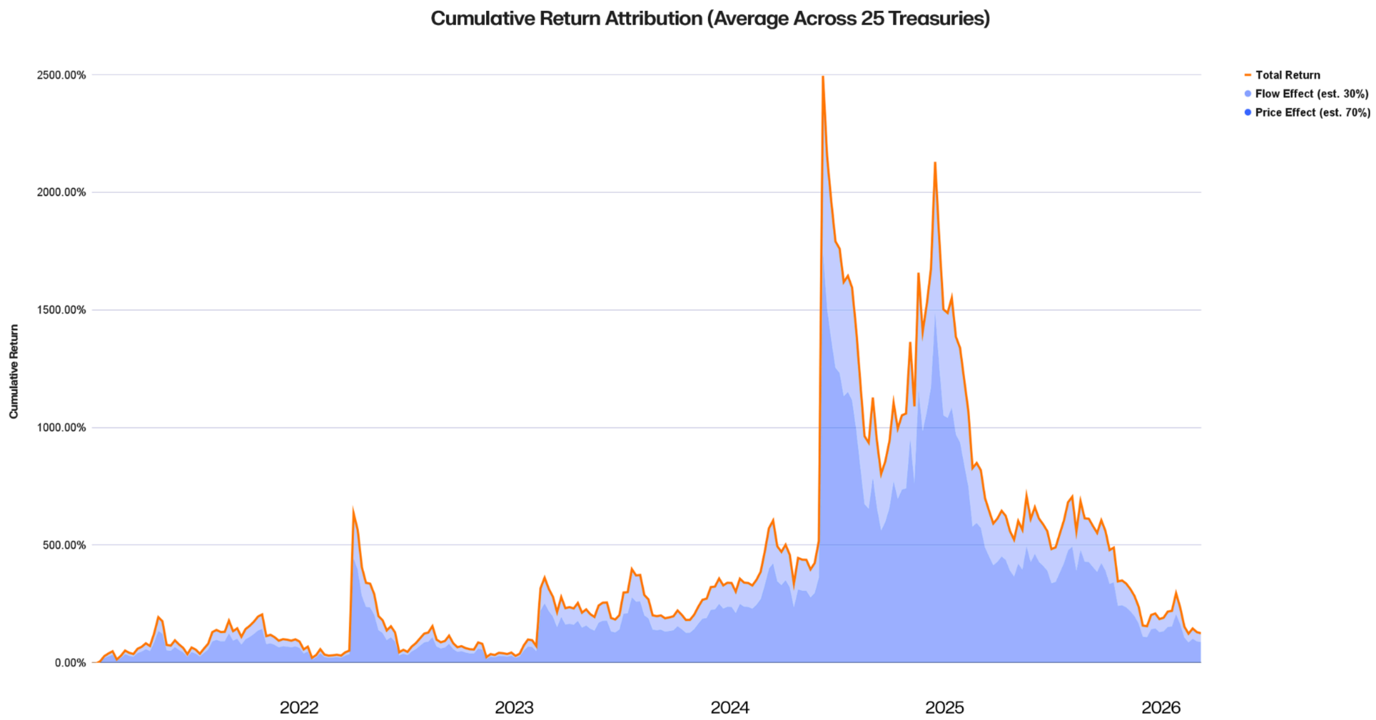


Across the 25-protocol sample, market P&L moves in near-lockstep since 2022, a clear sign most treasuries are effectively in the same risk position. The data reveals that in approximately **19%** of our timeline coverage daily moves exceed **±5%**, and in **5%** of the days we saw swings beyond **±10%**. This underscores the extreme intraday volatility these treasuries experience. The median daily return of **-0.04%** sits below the mean, telling us the distribution is skewed by occasional explosive upside moves that offset persistent modest declines. Critically, only **48%** of days close in the green, meaning treasuries spend the majority of their time losing value in nominal terms. More on this later. What's clear is that when the market moves, all treasuries typically move as one.

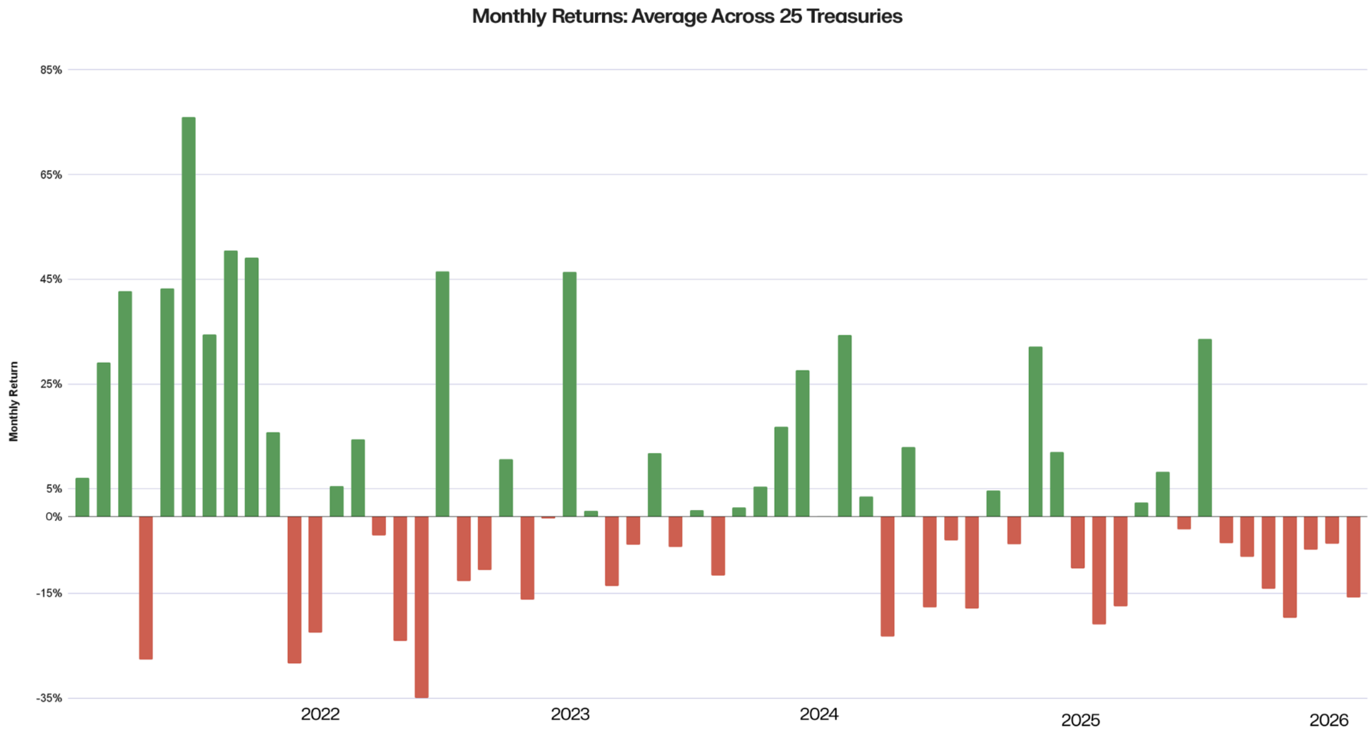
We have also analysed treasury activity by measuring the share of days with at least one material position change, defined as a **>5%** quantity change. The results show meaningful dispersion. A small cohort, including Aave, MetaDAO and Yearn, rebalance systematically, with activity on the majority of observed days. However, most treasuries fall well below this level, with many exhibiting material changes on fewer than 20% of days. For the majority of protocols, balance sheets behave more like static holdings than actively managed portfolios, leaving treasury outcomes largely driven by market price action rather than systematic capital allocation.



Average cumulative returns are significantly dispersed across the 25-protocol sample, reflecting the wide range of inception dates and token trajectories. However, at the aggregate level, the dominance of the blue price-effect layer throughout the time series confirms that treasury performance remains high-beta to crypto markets.



To bring this point home in simple terms, we display the aggregated monthly returns for the top 10 treasuries, which show that treasuries saw down months approximately **59%** of the time across our analysis period. We also observe clustering of positive and negative months, which in treasury terms can be disastrous for forecastability and defensibility of purchasing power.



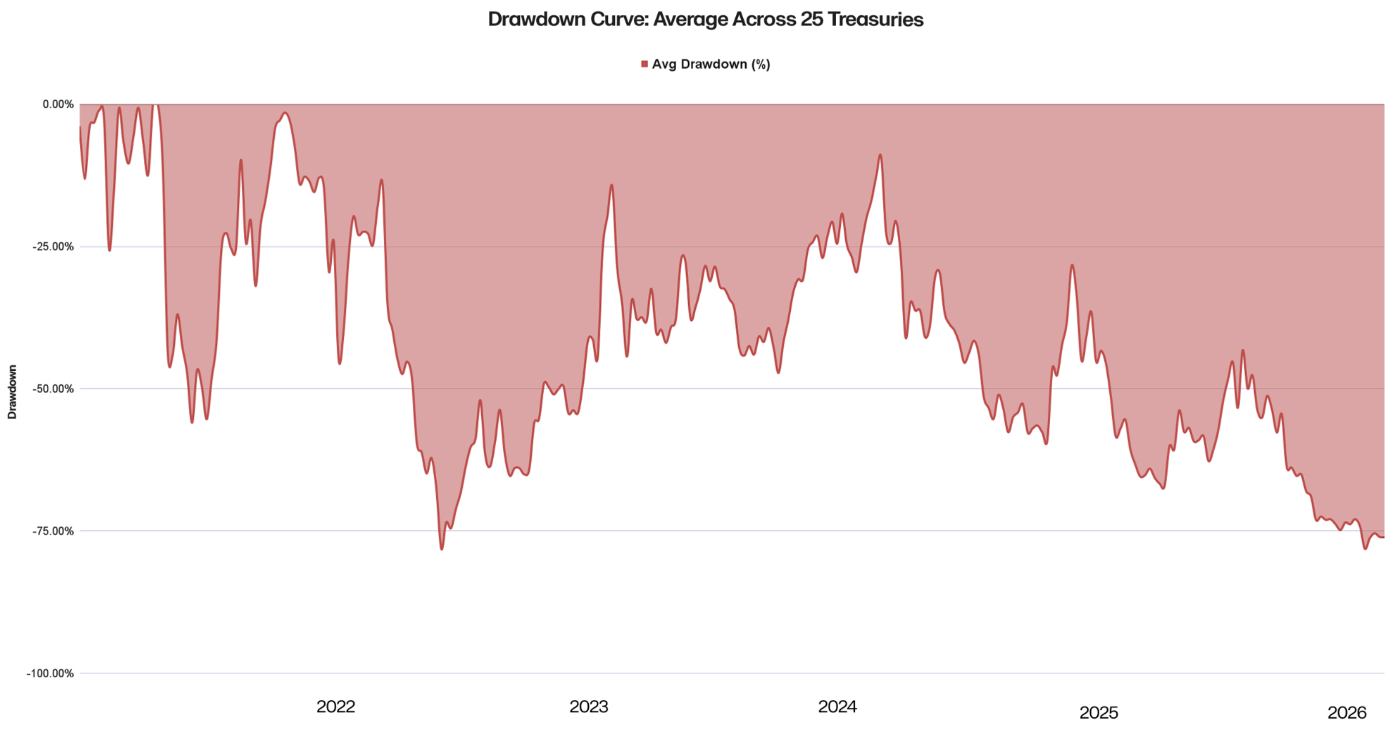
A treasury that looks strong in absolute USD terms can still be operationally fragile if growth was dominated by native-token appreciation and reserves were not actively converted into stable purchasing power. Conversely, modest headline growth can mask strong treasury discipline if it reflects steady reserve building, yield income, and controlled risk.

The analysis shows that treasury performance has been fundamentally market-driven rather than management-driven. This structure leaves operational stability hostage to the broader market rather than deliberate portfolio optimisation, creating the illusion of treasury strength during bull markets, and exposing fragility in bear markets.

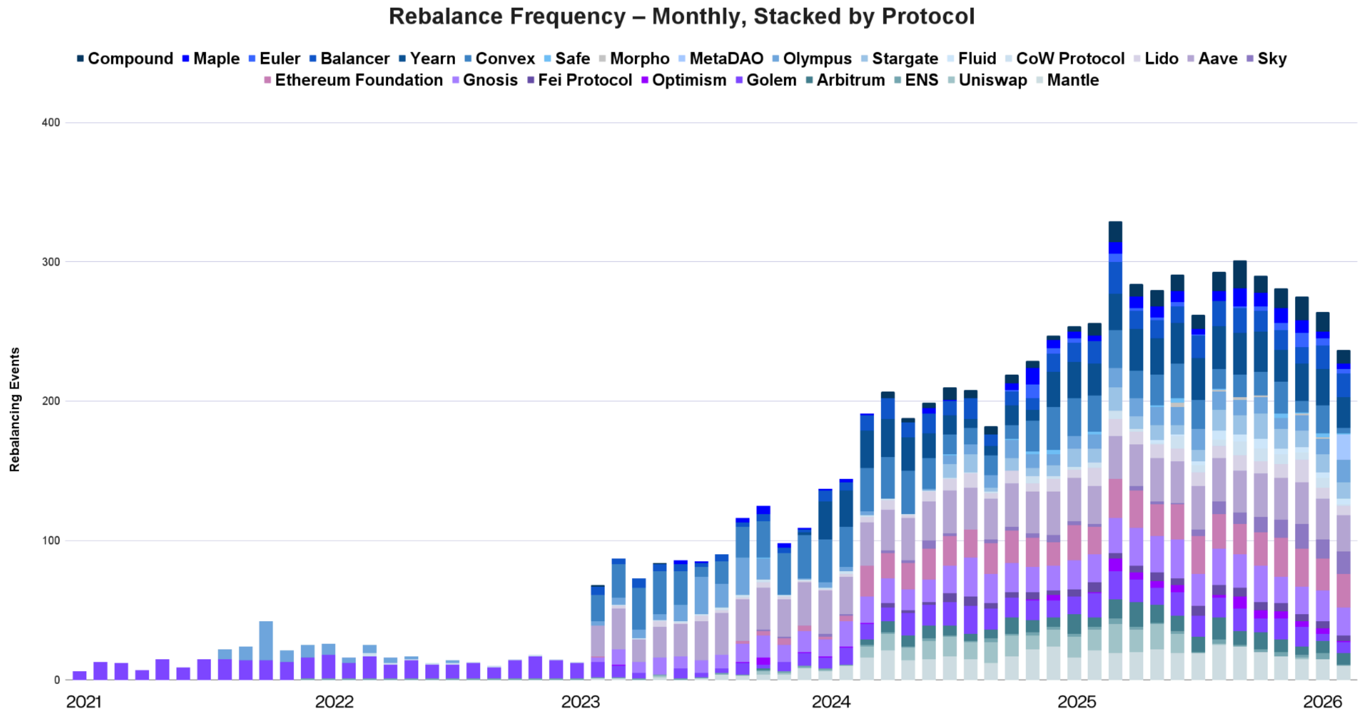
3.2
Drawdowns and the Volatility Trap

The most punishing risk for a native-token-heavy treasury is not day-to-day variance, it is drawdown depth and recovery. A 50% drawdown requires a 100% gain to recover, which is why passive, high-beta treasury structures can permanently impair a company's strategic capacity if they enter bear markets overexposed.

This is not a historical footnote, it remains a live issue today. Our analysis shows a deep and persistent erosion of treasury value from which, as of February 2026, the average protocol has yet to recover. Peak-to-trough drawdown reached **-80.1%** in October 2025, with current drawdowns sitting at **-79.6%** from highs. More concerning than the depth is the duration of the drawdown, treasuries have spent **98.1%** of the 216-week observation period in drawdown exceeding **-10%**, and **57.4%** of the time below **-50%**.



This is where treasury management becomes a competitive advantage. Treasuries that reduced concentration and built buffers during risk-on periods typically retain the ability to fund counter-cyclical initiatives during downturns. On the other hand, those that did not are forced into survival mode, which involves cutting grants and reducing the all-important product and ecosystem investment, precisely when strategic spending is most valuable.

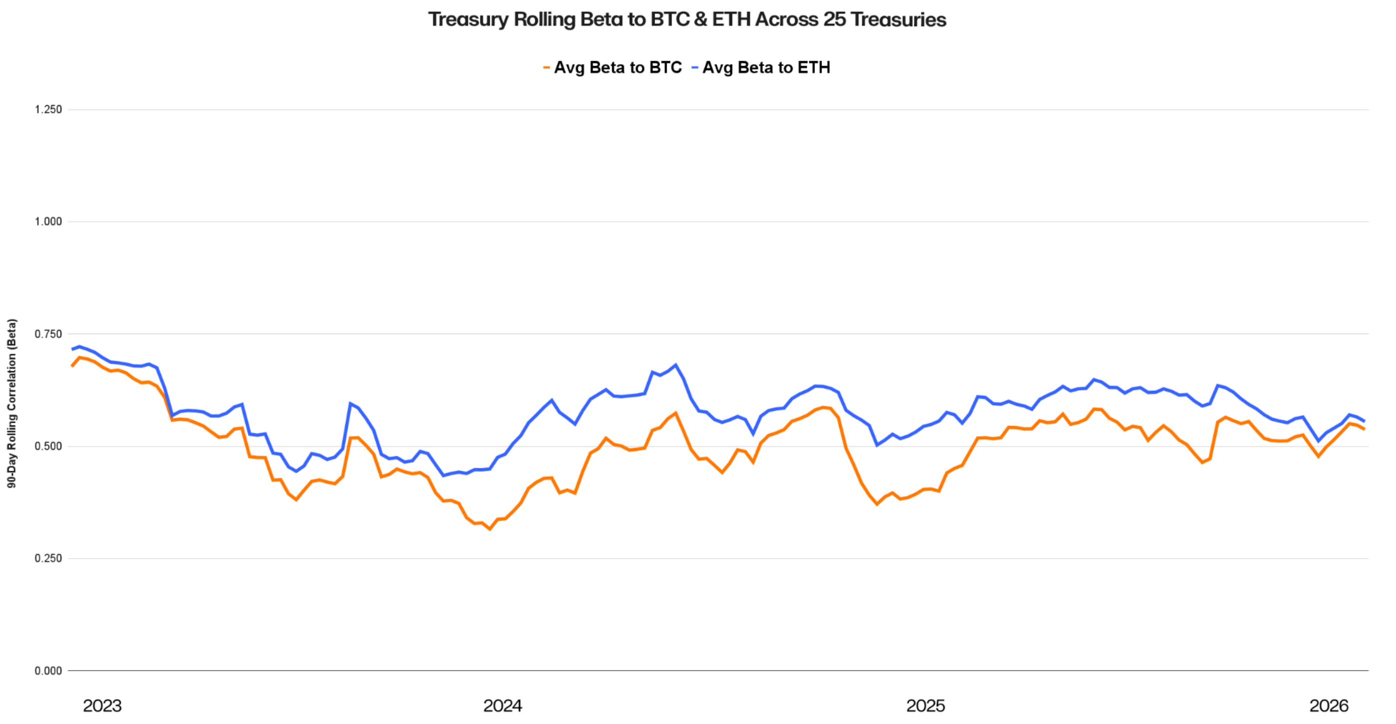


The rebalancing frequency data above reveals which protocols attempted to manage their way out of the drawdown versus those that suffered passively. Aave is the most active rebalancer in our sample, accounting for approximately **38%** of all detected rebalancing events. The three most active protocols, Aave, Yearn, and Gnosis, together represent approximately **58%** of all activity, and correspond precisely to those holding the highest stablecoin reserves. In contrast, Uniswap, Optimism, and Arbitrum are among the least active rebalancers in the sample, with minimal stablecoin conversion activity across their observation periods. All hold effectively zero stablecoins and remain trapped at maximum drawdown. This reinforces the thesis that a lack of rebalancing during drawdowns compounds the volatility trap.

3.3
Market Exposure: Rolling Beta and What It Implies for Liabilities

As established, for many crypto-native companies, the treasury is unintentionally a levered market position. This is a byproduct of maintaining outsized native-governance token positions, which often exhibit correlation to ETH. Understanding beta, which here means how much the treasury tends to move when ETH moves, matters immensely because most companies' liabilities are effectively fixed in stable purchasing power.

We computed rolling beta for key assets for the aggregate top 10 treasuries, and found that governance token betas average **0.64** beta to ETH. A **0.64** beta is relatively high in crypto. ETH itself is volatile, crypto-native company liabilities are mostly USD-fixed, and most treasuries are correlated, so diversification benefits are limited. When ETH declined **50%** in 2022, treasuries with 0.64 beta lost **32%** of value while monthly expenses remained constant, which has the potential to create acute runway issues precisely when protocols should have maintained financial flexibility. For treasuries funding fixed USD-denominated obligations, even sub-1 beta to a volatile benchmark constitutes excessive unhedged market exposure.



3.4
Treasury Productivity: Idle Balance Sheets Versus Funding Layers

For many crypto-native companies, the critical weakness is not the size of the treasury, but its productivity. Large war chests are frequently held in assets that either do not generate income, being idle balances, or whose funding capacity is pro-cyclical in the sense they're held in native tokens. In that structure, operating budgets and strategic initiatives are implicitly financed through periodic asset sales, often in adverse market conditions.

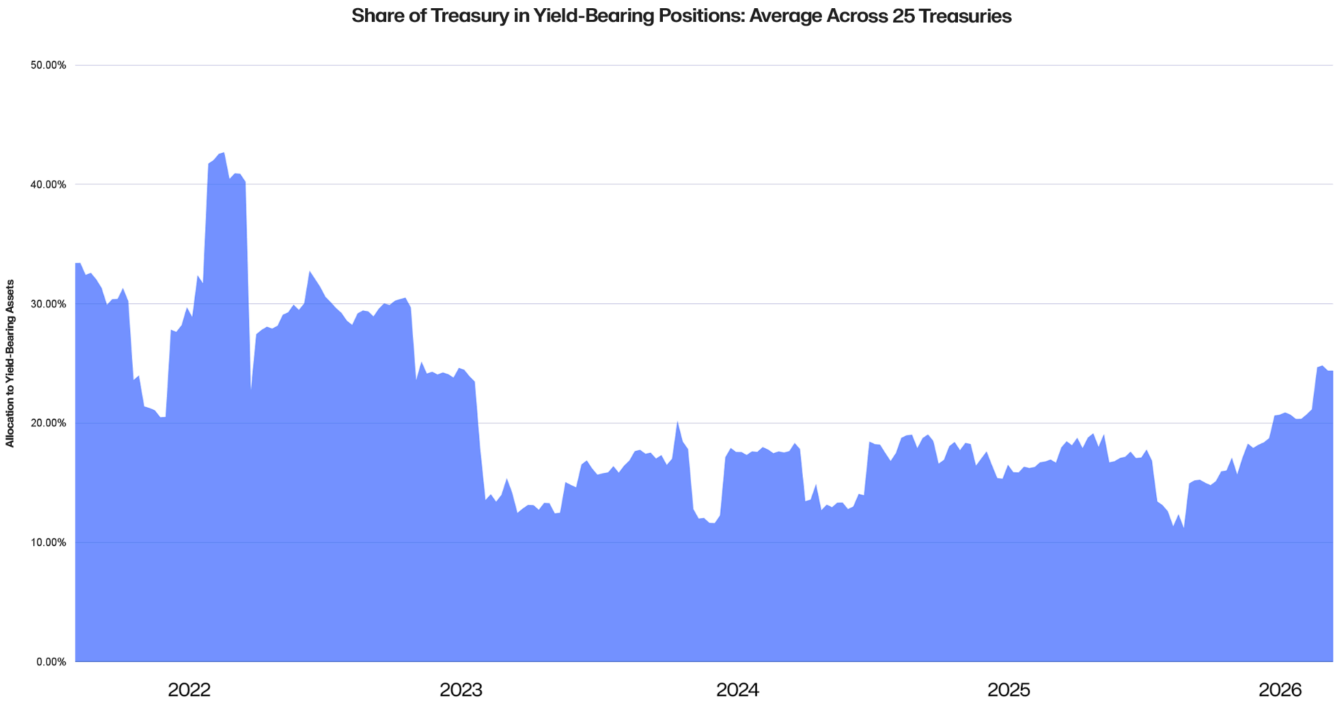
Survey responses suggest the same. While approximately **57%** of respondents selected stable yield income as a treasury objective, constraints were framed in operational terms, with **29%** citing smart contract risk concerns, **29%** citing counterparty risk, and **29%** citing lack of internal expertise as limiting factors. The implication is that demand for productivity exists, but implementation requires institutional-grade process, counterparties, and governance packaging.

A more resilient treasury design establishes a funding layer of recurring income that reduces reliance on discretionary token sales and improves predictability. The practical consideration for a treasury is therefore whether the funding model is resilient. By this we mean: can the crypto-native company meet predictable outflows without becoming a forced seller of its own token at the wrong point in the cycle?

3.4.1
Yield Exposure: A Structural Alternative to Token Sales

A more robust treasury architecture reduces reliance on discretionary token sales by generating recurring income, ideally in stable purchasing power. Over time, this shifts the treasury from a pro-cyclical asset inventory into something closer to an endowment model, where at least part of recurring obligations can be met from yield rather than principal.

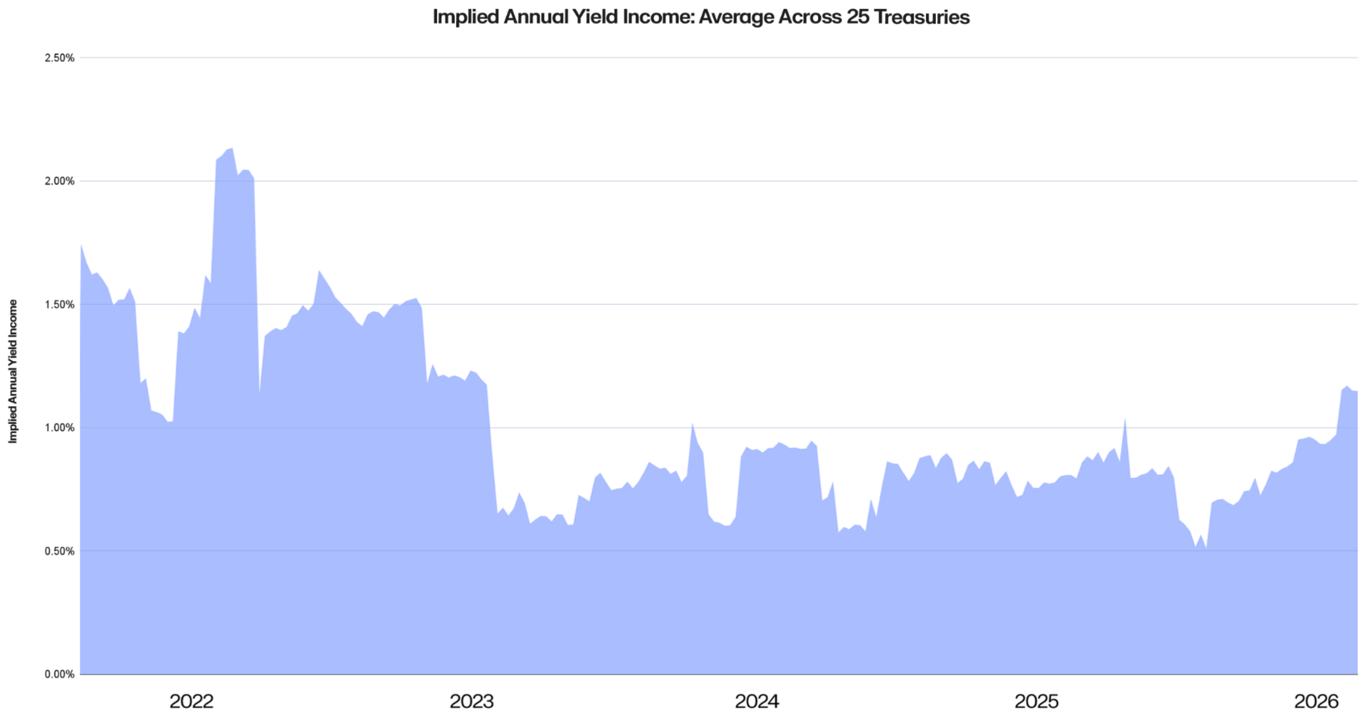
Our analysis shows that across the 25-protocol sample, an average of approximately **24%** of AUM is allocated to yield-bearing positions. This means treasuries have the vast majority of their AUM in idle, unproductive assets. The flat trajectory shows that protocols have not meaningfully adapted despite evident stress. Digging deeper, we can see dispersion across the individual protocols, with approximately nine protocols holding effectively **0%** of their AUM in yield-bearing positions. The median of approximately **7%** underscores that the **24%** average conceals a cohort split between active yield managers and protocols leaving hundreds of millions entirely unproductive. The bifurcated adoption suggests that this is not a technological barrier, but rather a treasury management sophistication gap. As Eshita Nandini, formerly of Atrium, notes, "even if products have matured in the last couple of years, the process to underwrite those risks maybe hasn't matured for most treasuries."



3.4.2

Implied Yield Income: Measuring the Funding Layer

Yield exposure matters only insofar as it translates into meaningful and repeatable funding capacity. At current participation rates, the 25 protocols in this analysis collectively generate approximately **$6.6 million** in implied annual income, around **$550,000** per month in aggregate, with **15** of the **25** protocols earning **zero** yield income from their treasury positions. Were the entire cohort to shift its average yield-bearing allocation from the current **8.2%** to **30%**, deploying that capital at a conservative **5%** blended rate, aggregate annual income would reach approximately **$84.7 million**, or **$7.1 million** per month, a **13**x increase from current levels. That gap is the opportunity.



4

The Path Forward: Professionalising Treasury Management

The earlier sections of this report establish a clear pattern in that crypto-native treasuries hold institutional-scale war chests with early-stage treasury management strategies. Aggregate holdings rival mid-sized financial institutions, yet the majority of AUM is concentrated in unproductive native-token holdings that amplify both upside and drawdown. Worse than this, only a very small fraction of treasury value analysed generates recurring income, arguably one of the primary functions of treasury management. The binding constraint here is not capital, nor the availability of tools to treasury managers, but the sophistication gap between available strategies and what's utilised today. While treasuries broadly recognise the need for runway stability and income generation, implementation remains uneven and often constrained by governance process and internal capability rather than philosophical resistance to active management.

What we'll explore here is exactly how the available instruments have evolved and could be leveraged in these treasury management strategies to improve the process. Over the past 18 months, a suite of institutional-grade primitives has matured to the point where professional treasury management is capable of far more sophistication. Onchain vaults now clear billions in stable yield. OTC options markets provide bespoke hedging and income structures. Tokenised RWAs offer regulatory-compliant diversification. And critically, these tools integrate cleanly into existing treasury workflows without requiring wholesale structural change. Notably, conversations with treasury managers suggest that awareness of these tools is no longer the bottleneck. The challenge is transitioning from discretionary, reactive capital management toward structured programmes that can be consistently socialised and executed within governance frameworks.

The evolution is already visible in pockets of the ecosystem, but far from universal. Some treasuries are actively experimenting with structured overlays and systematic deployment, while others remain largely passive, despite holding institutional-scale balance sheets.

The thesis of this section is straightforward. Treasuries that adopt these tools should see materially better outcomes on runway stability, income generation, and drawdown control. Those that do not will face an accelerating competitive disadvantage as the market segments between professional endowments and passive token holders.

The good news is that the infrastructure now exists to address every structural weakness identified in Sections 1 through 3. More than this, they exist with production-grade systems processing billions in monthly volume with institutional counterparties, so they're integratable today.

4.1
Onchain Vaults: Productive Capital Deployment

Section 3.4 documented a striking productivity gap in that across the 25-protocol sample, an average of approximately **24%** of AUM is allocated to yield-bearing positions. However, this average is heavily skewed by a handful of active deployers. This metric is not an indictment of available yields, as protocols that do deploy capital to onchain vaults typically earn **5-10%** APY. Rather, it reflects chronic under-deployment. For every **$100** in treasury value, approximately **$24** is allocated to yield-bearing positions on average, though the median protocol deploys only **$7**, leaving the majority of protocols with the vast majority of their assets idle. This is despite straightforward, battle-tested infrastructure for generating returns on stablecoins, ETH, and increasingly, wrapped BTC.

The opportunity is substantial. A treasury holding **$100 million** in diversified assets with **20%** in stablecoins (**$20m**), 15% in ETH (**$15m**), and 5% in BTC (**$5m**) could conservatively generate:

- Stablecoins at **5%** APY (e.g. Gauntlet USDT Frontier Vault on Morpho): **$1m** annually
- ETH staking at **3.5%**: **$525k** annually
- Wrapped BTC at **1.5%**: **$75k** annually
- Total: **$1.6m** in passive yield income, or **1.62%** on total treasury

This is a **2.7x** improvement over current aggregate performance, achieved through straightforward vault deployments that require minimal ongoing management. For context, this level of yield income could fund 3-5 full-time contributors annually, or cover audit and security budgets, without touching native token holdings or requiring protocol revenue.

The gap between available yields and actual deployment across the top 10 treasuries reflects not just governance inertia, but legitimate historical concerns about DeFi infrastructure maturity. The 2020 DeFi summer introduced yield-generating protocols that were functionally experimental, with unaudited contracts, untested economic models, and catastrophic failure modes that played out in real-time. For treasuries managing community resources worth hundreds of millions, the risk-return profile was unattractive regardless of headline APYs.

However, the 2024-2026 period fundamentally shifted the risk profile associated with these protocols. Multiple waves of audits, years of operational history managing billions in TVL, and architectural improvements have transformed leading vault infrastructure from experimental to institutional-grade.

Key developments include:

- **Morpho V2's risk isolation framework represents the most significant architectural advancement.** The protocol introduced isolated lending pools where risk is compartmentalised rather than socialised across all depositors. This allows treasuries to select specific markets matching their risk appetite.
- **Institutional vault products have emerged specifically targeting treasury deployments.** Bitwise's USDC vault, launched in January 2026, exemplifies this shift, offering up to 6% APY on USDC through a non-custodial structure with institutional-grade operations, transparent reporting, and regulatory compliance frameworks.
- **Battle-tested incumbents have matured into reliability.** Aave has operated continuously since 2020 managing peak TVLs exceeding **$20 billion**, processing billions in lending volume without loss of user funds to smart contract exploits. Protocols have demonstrated multi-year operational resilience through multiple market cycles.
- **Liquid staking infrastructure for ETH has become the default rather than the alternative.** Lido's stETH represents over **$25 billion** in staked ETH, making it the largest DeFi protocol by TVL and effectively the benchmark for ETH treasury holdings.
- **Standardisation through ERC-4626 has created composable vault infrastructure.** The token vault standard allows treasuries to interact with multiple protocols through uniform interfaces, reducing integration complexity and improving monitoring capabilities.
- **Capacity has scaled to treasury requirements.** The major lending markets (Aave, Compound, Morpho) collectively manage over **$15 billion** in TVL, with sufficient depth to absorb **$100m**+ deployments without meaningfully impacting yields.

Given this infrastructure maturity, the recommendation is straightforward: treasuries should target deploying **40-60%** of stablecoin reserves, **60-80%** of ETH holdings, and **30-50%** of BTC positions into yield-bearing vaults. These ranges aren't arbitrary, they balance productivity against operational needs and risk management.

The Arbitrum STEP programme demonstrates this framework in practice. The **$45 million** allocation into mixed yield strategies generates **$700k** annually, approximately **1.56%** blended yield. While STEP includes both onchain vaults and RWAs, the programme validates that governance can approve framework-level mandates, treasury committees can execute within parameters, and meaningful income results from deployment at scale.

The Uniswap counterfactual illustrates the opportunity cost of non-deployment. With **99.9%** UNI concentration and zero stablecoin reserves, Uniswap generates zero yield income from treasury holdings. If governance were to approve the diversification modeled in Section 1 (10% of treasury into mixed stables/majors), vault deployment following the above framework would generate **$1.6m** annually before considering any covered call strategies. Combined with the **$115m** from covered calls, total treasury income reaches **$117m**, **11.1%** yield on total treasury, while maintaining 90% native token exposure.

Beyond onchain lending, tokenised RWAs provide an alternative avenue for stablecoin yield with different risk characteristics. Products like BlackRock's BUIDL fund, Ondo's USDY, and Franklin Templeton's BENJI tokenise traditional fixed-income instruments such as Treasury bills and money market funds, offering **4-5.5%** yields with direct exposure to U.S. government debt rather than crypto lending markets.

It’s important to note that this isn't a binary choice between concentration and productivity. It's recognising that diversified reserves, whether **5%** or **20%** of total treasury, should work productively rather than sitting idle. The infrastructure exists, the capacity is sufficient, and the operational models have been proven by leading protocols.

Of course, the maturation of vault infrastructure means treasuries can select protocols and strategies matching their specific risk tolerance. Conservative approaches use blue-chip lending markets with battle-tested smart contracts and years of operational history. Moderate approaches layer in newer protocols with higher yields and shorter track records. Aggressive approaches employ leverage, structured products, or newer vaults with potentially higher returns and similarly higher risk.

The key is that risk profiles are transparent and selectable, at the discretion of the treasury manager, though productive capital, within defined sizing of an overall treasury, is hugely beneficial.

Productive reserves address the capital efficiency gap identified in earlier sections. However, they do not address volatility itself. For treasuries whose balance sheets remain dominated by high-beta native tokens, a second layer of optimisation is required, explored below.

4.1.1
Direct Onchain Market Participation: Lending & Liquidity Provision

The distinction between passive vault allocation and direct protocol participation reflects a broader maturation of treasury strategy. While vault infrastructure has matured significantly, a subset of treasuries continue to deploy capital directly into protocol-native positions rather than relying solely on vault wrappers. This reflects a more actively managed approach to onchain capital deployment.

Aave provides a clear example. As visible in the June 2025 KPK treasury report, the protocol allocated treasury capital directly into its own lending markets across multiple chains, earning supply yield while maintaining granular control over market selection and exposure. Rather than relying solely on third-party vault wrappers, this approach allows the treasury to act as a liquidity provider within its own ecosystem, reinforcing protocol depth while generating yield.

Similarly, certain treasuries actively provide liquidity on automated market makers. The December 2025 Balancer treasury report shows LP positions such as USDC/WETH and BAL/WETH pools, demonstrating a more hands-on liquidity strategy. In these cases, capital deployment serves dual objectives of both fee generation and market microstructure support. By providing liquidity in core trading pairs, treasuries can reduce slippage for ecosystem participants while earning trading fees.

These strategies inherently require a higher degree of oversight than passive vault allocations. Direct lending demands monitoring of utilisation and collateral risk, while AMM liquidity provisioning introduces impermanent loss and exposure to adverse flow during volatility spikes. For treasuries with established risk processes, however, this trade-off offers greater strategic control over liquidity conditions while generating incremental fee income.

This distinction is important. The modern treasury toolkit includes both passive vault allocations and active protocol participation. The choice between them reflects internal governance sophistication and risk tolerance rather than infrastructure availability.

4.2
OTC Options: Monetising Volatility and Managing Drawdowns

Options markets have evolved from niche derivatives trading to essential treasury tools, as a result of the financial innovation of many trading counterparties. The core insight is simple in that treasuries holding high-beta governance tokens own a highly volatile asset that can be systematically monetised.

1. Covered Calls for Systematic Income Generation

As shown in Section 3, treasuries earned **0.62%** annual yield despite holding multi-billion dollar inventories. Covered call strategies can be written to change this dramatically, while maintaining the all-important exposure to the native tokens. Mechanically, the treasury sells upside above a chosen strike in exchange for immediate premium income. For treasuries holding **80-90%** concentration in governance tokens, this is inventory monetisation that could generate material income without opening the treasury up to significant rebalancing.

Traditional covered call strategies in equities typically use near-the-money strikes (**100-110%** of spot) to maximise premium, accepting that the likelihood of the option being exercised is high. This makes sense when implied volatility sits at **15-25%** and the goal is yield enhancement on holdings you're willing to sell. However, the treasuries in question typically do not wish to sell their native tokens, they want to have a large war-chest of their own token, for ecosystem development, alignment and other purposes.

Additionally, crypto governance tokens operate in a fundamentally different volatility regime. Typical implied volatility ranges from **80-150%**. This elevated volatility structure means that even strikes set **40-50%** above spot price can generate meaningful premium income, while maintaining low probability of being exercised.

Live Uniswap Example

To better paint this picture, we'll work through an example with the Uniswap treasury. Uniswap represents the canonical case of strategic native token concentration. As documented in Section 1, Uniswap maintains **99.9%** of its **$1.05 billion** treasury in UNI tokens, effectively zero diversification, zero yield, and complete exposure to token price volatility. This positioning reflects a deliberate governance philosophy where UNI tokens represent protocol ownership and alignment, not inventory to be monetised.

But concentration and income generation are not mutually exclusive. By analysing UNI's historical price behavior, we can construct a covered call programme that generates substantial treasury income while preserving Uniswap's strategic position.

To frame this example, below are the headline statistics for Uniswap's treasury since early-2022.

Mean monthly return	**1.2% (median: -6.3%)**
Monthly return standard deviation (volatility)	**28.2%**
Realised annualised volatility	**101.7%**
Best month	**+82.2%**
Worst month	**-40.5%**

The critical question for covered call strike selection is how often does UNI experience explosive upside moves that would trigger exercising the option? The data reveals a clear pattern showing that while UNI is volatile, sustained large moves are relatively rare. In **80%** of months analysed, intra-month peak upside remained below **40%**. This creates a natural 'safety band' for far OTM covered calls.

Months reaching +20% peak upside or more	**16 of 50 (32%)**
Months reaching +30% peak upside or more	**13 of 50 (26%)**
Months reaching +40% peak upside or more	**10 of 50 (20%)**
Months reaching +50% peak upside or more	**7 of 50 (14%)**

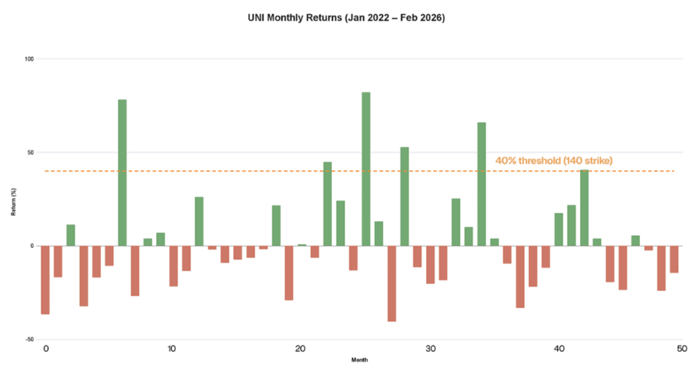
Based on this historical distribution, we model a covered call programme with the following parameters:

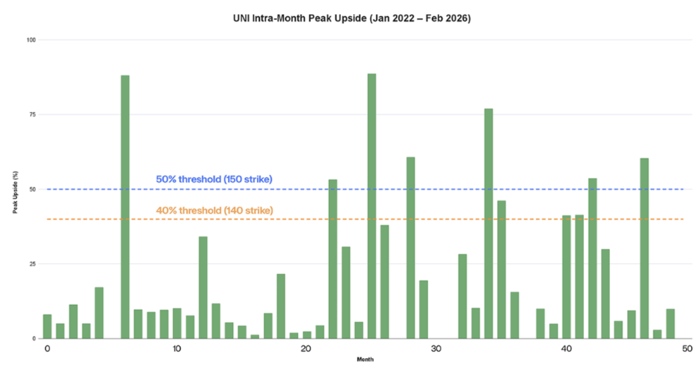
1. Total UNI in treasury: 264.6 million tokens ($1.05 billion)
2. Coverage ratio: 20% of holdings
3. Notional value covered: $211 million
4. Strike selection: 140% of spot ($5.57 strike at $3.98 spot)
5. Term: 30-day rolling expiries

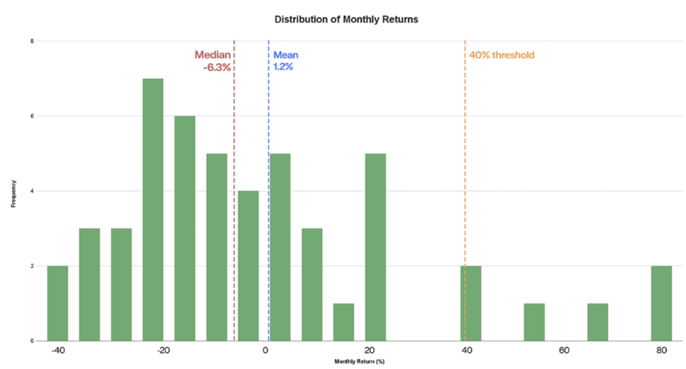
This structure would increase Uniswap's treasury yield from effectively **0%** to **10.97%** annually by generating **$9.6 million** in monthly income. The **10.97%** represents the annualised option premium received from selling 30-day **140%** OTM calls on **20%** of holdings, assuming a **4.57%** monthly premium per tranche and rolling the position monthly. Of course, all figures are illustrative and depend on implied vol, strike selection, and achievable size without moving the market. At **101.7%** implied volatility and a **140%** strike, the theoretical delta approximates to **0.157**, translating to the probability of an option exercising each month of **15.7%**. This equates to **3.13%** of total holdings sold annually. Critically, even when options are exercised, it represents selling at **+40%** above the programme initiation price, plus the **4.57%** premium already collected. In other words, the option being exercised is not a failure, it's a highly profitable rebalancing event that occurs only during significant strength.

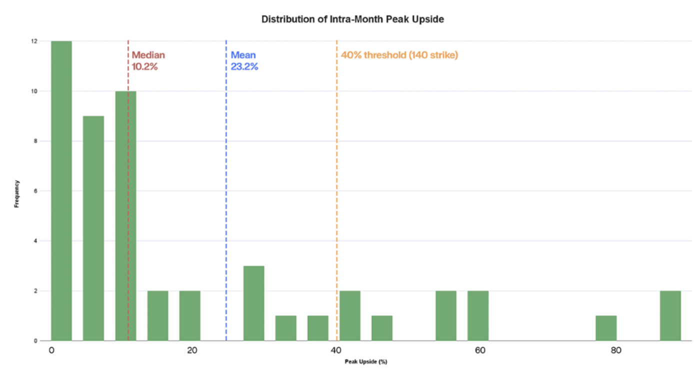
For a treasury with Uniswap's risk tolerance and concentration posture, covered calls represent the highest-leverage intervention available. They offer low probability of dilution of native position, no counterparty risk from onchain protocols, and no governance complexity from multi-asset management. Just inventory monetisation through volatility.

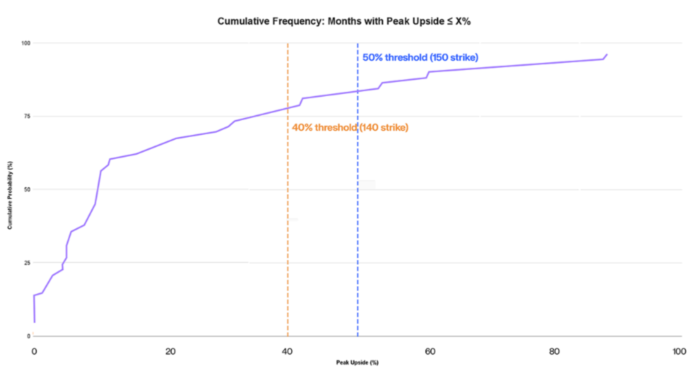
For treasuries seeking more tailored structures, the framework extends naturally. For example, Keyrock has structured bespoke multi-leg strategies including strangles, ratio spreads, and volatility surface positioning calibrated to a treasury's specific risk parameters and governance constraints. The covered call programme described above typically serves as the foundation, with complexity layered incrementally as governance comfort develops.

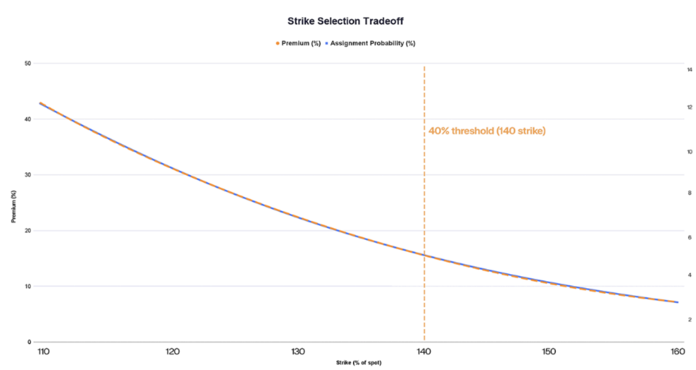












2. Collars and Downside Protection Structures

Section 3.2 documented the devastating drawdowns seen in treasuries, with peak-to-troughs of -80.1%, and 57.4% of observations below -50% from highs in our analysis. Unlike traditional corporate treasuries hedging commodity or FX exposure, crypto-native companies are structurally and philosophically long their native tokens. For this reason, most large treasuries maintain or even buy into their positions rather than liquidating into weakness. For these treasuries, protective puts can cap downside, but they're often politically hard to justify. That's because they explicitly spend premium to insure a token position that the treasury is structurally long, and as a result, they reflect a misalignment.

However, a narrow use case exists for smaller, operationally-intensive companies with extreme native token concentration and thin stablecoin buffers. Protocols with sub-**$50 million** treasuries, high monthly burn rates, and **95%+** native token exposure face genuine bankruptcy risk during sustained bear markets. For these organisations, protective puts could function as existential hedging by ensuring sufficient runway to reach the next funding cycle or protocol milestone even if token price collapses.

The optimal structure for this cohort is a zero-cost collar, in which covered calls at **140-150%** strikes fund protective puts at **70-80%** strikes. For example, a **$50 million** treasury writing calls on **20%** of holdings generating **4%** monthly premium could fund 60-day puts on **15%** of holdings at **75%** strikes. The collar caps catastrophic loss at **-25%** on the protected portion while accepting assignment on the upside above **+40-50%**. The net cost approaches zero, and the treasury has converted extreme two-sided volatility into a bounded range that preserves operational viability.

This strategy makes sense for perhaps **10-15%** of treasuries. These are those genuinely at risk of forced dissolution during drawdowns. For the Uniswaps and Arbitrums of the ecosystem, paying **5-10%** quarterly to insure against scenarios where they'd be buyers rather than sellers is difficult to justify.

3. Cross-Asset Structures for Managing Basis and Beta Risk

While covered calls generate income on static positions, and collars and protective puts can be used for extreme scenario hedging, cross-asset structures serve a different function. That is, cleaner execution and timing optionality for treasuries already committed to portfolio diversification. These are not hedging strategies, they're operational tools that reduce market impact, improve execution costs, and critically, remove discretionary timing decisions from rebalancing programmes. We identify two use cases here: cleaner execution, and bi-directional rebalancing optionality.

Firstly, for treasuries that have already decided to rebalance their portfolios, cross-asset structures offer a cleaner execution path than traditional spot markets. Consider Aave's treasury evolution, where they reduced native token concentration from elevated levels to **46%** by February 2026. This required converting approximately **$60-70 million** in AAVE tokens into stablecoins and ETH over several years.

Leveraging cross-asset structures is simpler than traditional execution strategies here that require typical 30-50 basis point fees per transaction.

The AAVE treasury could have written covered calls on AAVE with ETH-denominated settlement at **140%** strikes. If assigned, the treasury delivers AAVE and receives ETH directly, a single OTC transaction. Additionally, while waiting for assignment, the position generates **4-5%** monthly premium income.

Of course, this ties into a more important point, which is that this gives protocols bi-directional diversification optionality. This is essentially deciding when to execute approved rebalancing trades into and out of majors for diversification of treasury assets. Treasuries struggle with this timing question constantly. Governance might approve the diversification of 10% of treasury into ETH, but then stall on execution. Cross-asset structures solve this by encoding timing logic into the options framework.

Suppose Aave's governance approves moving from **46%** AAVE to **40%** AAVE, increasing ETH holdings from **30%** to **36%**. This requires selling **$10 million** in AAVE for ETH. Rather than executing a spot trade today at unknown relative valuations, the treasury can write covered calls on AAVE with ETH-denominated settlement at a predetermined strike. The implicit rebalancing rule becomes: "we'll convert AAVE to ETH, but only if AAVE appreciates X% relative to ETH first."

This removes all timing discretion. If AAVE outperforms ETH by **40%**, and the strike is set at **140%**, the calls get assigned and the diversification executes, with the treasury selling AAVE into strength rather than weakness. If AAVE underperforms or moves sideways versus ETH, the position expires worthless and rolls forward to the next month, collecting **4-5%** premium while waiting for favorable conditions. The treasury gets paid to wait for optimal execution timing.

The reverse application is equally valuable. For example, imagine Aave's governance later decides to increase native token exposure back to **50%**, converting **$10 million** in ETH holdings back to AAVE. Again, the timing question surfaces: is now the right moment to sell ETH for AAVE? Aave can write covered calls on the ETH holdings with AAVE-denominated settlement at **140%** strikes. The implicit rule now being "we'll convert ETH to AAVE, but only if ETH appreciates **40%** relative to AAVE first." If ETH outperforms, assignment converts ETH to AAVE at favorable valuations, selling the major into strength while accumulating native tokens opportunistically. If ETH underperforms AAVE, the treasury collects premium and waits.

The sophistication isn't in the options mechanics, those are straightforward. The value lies in recognising that timing optionality is more valuable than execution efficiency alone. By letting relative performance dictate when rebalancing occurs, treasuries avoid the most common failure in active management of mistiming. In every scenario, the treasury sells what performed well and waits when relative valuations are unfavorable. The options framework makes timing decisions systematic rather than emotional or political.

4.2.1
Governance Compatibility

While the financial case for volatility monetisation is strong, implementation within DAO treasuries introduces the additional constraint of governance transparency. Our survey and conversations with treasury managers reveal a consistent structural constraint, which is that mandates increasingly require onchain traceability and auditability of treasury positions, even when instruments are executed offchain.

For many DAOs, governance legitimacy depends on stakeholders being able to verify exposure directly via wallet-level transparency. This creates a design challenge for offchain derivatives providers. If OTC options are to scale within crypto-native treasuries, providers will need to introduce mechanisms that preserve governance visibility. This could include: (i) holding collateral in onchain escrow contracts controlled by multisigs, (ii) issuing tokenised position receipts that represent option exposure, (iii) publishing cryptographic attestations of strike and expiry parameters, or (iv) integrating proof-of-reserve style verification layers that reconcile bilateral agreements with public onchain reporting. The next evolution of OTC treasury derivatives will not be defined solely by pricing efficiency, but by their ability to bridge institutional customisation with crypto-native transparency.

The modern crypto treasury is no longer defined by passive token accumulation. It is defined by structured capital deployment, systematic volatility management, and governance-compatible transparency. The tools outlined above exist. The constraint is now execution discipline.

5

Implications and Predictions: The Professionalisation Regime Shift

5.1

Implications and Predictions: The Professionalisation Regime Shift

The transition from passive token holding to active treasury management marks a fundamental regime shift in how crypto-native organisations manage capital. The tools and infrastructure documented in Section 4.1 exist today at institutional scale, what remains is adoption. The implications of this shift extend beyond individual treasury performance to reshape competitive dynamics, market structure, and the viability of crypto-native companies as long-term economic organisations.

5.1.1

The Sophistication Gap: Treasury Management as Competitive Moat

The most immediate implication is the emergence of treasury management as a genuine competitive advantage. In bull markets, this differentiation is obscured because all treasuries expand as native tokens appreciate, masking the underlying productivity gap. Bear markets are when we truly see the reveal of the difference between treasuries that built sustainable funding models and those that remained dependent on token sales for operational liquidity.

Consider two hypothetical treasuries entering a prolonged downturn, both holding **$500 million** treasuries with similar native token concentration. The first generates **10%** annual yield through covered calls on native tokens and vault deployment on reserves, producing **$50 million** in annual income that covers operating expenses without touching principal. The second generates zero yield and must sell native tokens to fund operations, creating reflexive selling pressure that accelerates drawdowns and constrains strategic spending precisely when counter-cyclical investment would be most valuable.

The Sophistication Gap:
Treasury Management During Market Stress

Treasury A
Passive Management

Starting Position

$500M Treasury | 95% Native Token
0% Yield Generation | $4M Monthly Burn

↓

Bear Market: -60% Drawdown

↓

Treasury Actions

No yield on reserves (still 0%)
Forced to sell native tokens for operations
Sales accelerate price decline (reflexive)

↓

12-Month Outcomes

Treasury Value:
$200M (-60% market, forced sales)

Token Performance:
-75% (worse than market)

Strategic Position:
Development stalled
Reduced strategic initiatives

Operational Impact:
Cut 60% of grants
Lost key contributors

Yield Generation:
Still 0% (no change)

Treasury B
Professional Management

Starting Position

$500M Treasury | 95% Native Token
10% Yield Generation ($50M/yr) | $4M Monthly Burn

↓

Bear Market: -60% Drawdown

↓

Treasury Actions

$50M annual yield covers operations
Zero forced selling (maintained position)
Continued grants & development

↓

12-Month Outcomes

Treasury Value:
$250M (-60% market, no forced sales)

Token Performance:
-60% (matched market)

Strategic Position:
Counter-cyclical investment
Protocol development ahead

Operational Impact:
Maintained full grants
Attracted top talent

Yield Generation:
10% yield sustained

The Gap: $50M treasury value difference + sustainable operations vs. survival mode | Same starting position, dramatically different outcomes

This divergence compounds over time. The yield-generating treasury maintains contributor compensation, continues grant programmes, and funds protocol development through market stress, maintaining momentum and attracting talent. The passive treasury is forced to sell native tokens into weakness, both diluting its exposure to the underlying project, and diluting market sentiment simultaneously. By the time markets recover, the gap in protocol development, ecosystem strength, and market positioning has widened considerably.

Beyond operational resilience, sophisticated treasury management becomes a governance token valuation signal. Markets will increasingly differentiate between protocols demonstrating institutional-grade capital management and those maintaining retail-grade passive strategies. This becomes increasingly true as institutional capital flows into high-beta protocol tokens, beyond the primarily majors exposure we see today, and analysts begin critically assessing how protocols manage their finances, especially their treasury war chests. Treasury sophistication correlates with organisational maturity, long-term thinking, and professional execution, precisely the qualities that drive sustainable protocol value.

The ultimate prediction here is that crypto-native companies that professionalise treasury management will capture disproportionate talent, ecosystem growth, and market valuation, all else being equal. Those that maintain passive strategies will face accelerating disadvantages as the sophistication gap widens. This is not hyperbole, it's the natural outcome when some competitors optimise treasury productivity while others leave hundreds of millions idle.

5.1.2
Structural Convergence: TradFi Frameworks, Crypto-Native Execution

Treasuries are converging toward traditional corporate treasury management frameworks, but the convergence is somewhat methodological. The risk management concepts of asset-liability matching, systematic rebalancing, yield on reserves and volatility monetisation derive directly from decades of corporate finance practice. What differs is execution speed, transparency, and accessibility.

Covered calls exemplify this hybrid model. The strategy itself is standard corporate treasury practice that equity-rich companies have utilised on concentrated positions for decades. But crypto-native execution transforms the mechanics: (i) OTC settlement occurs in minutes rather than T+2 clearing cycles, (ii) strike selection and (iii) premium collection happen through direct counterparty relationships rather than broker-intermediated exchange trading. The financial engineering is familiar, but the infrastructure is distinctly crypto-native.

This convergence extends across the treasury toolkit. Cash management strategies using money market funds map directly to stablecoin vault deployment, with the added benefit of near-instant redemption and composability. Commodity hedging via protective collars translates to token price risk management, but with programmable settlement and permissionless access. Even the emerging RWA allocation strategies mirror corporate flight-to-quality during uncertainty, now executed through tokenised instruments with blockchain settlement rails.

The implication is that treasury management is not inventing entirely new paradigms, it's adapting proven frameworks to crypto-native infrastructure. We believe this actually accelerates adoption. Treasury committees don't need to develop novel risk management theories, they can leverage decades of institutional knowledge while exploiting the efficiency advantages of onchain execution. The learning curve shortens dramatically when the question shifts from "*what strategies make sense?*" to "*how do we implement proven strategies using crypto-native tools?*"

The implications for DeFi itself are also encouraging. These hundreds of millions of dollars worth, sometimes billions of dollars worth, of treasuries have the ability to impact AUM in onchain vaults in a significant way. Morpho as one of the primary vault infrastructure layers has just **$5.7 billion** in AUM, to illustrate. Should these treasuries shift a portion of their AUM into vaults, we'll see a meaningful uplift in AUM, which also signals alignment from within the DeFi ecosystem.

What's great about the convergence is that it doesn't mean a wholesale adoption of TradFi operational models. Crypto-native companies will not hire twenty-person treasury teams or build internal trading desks. Instead, they'll delegate execution to specialised service providers, be that OTC derivatives counterparties or vault curators, while retaining governance control over strategic frameworks. The hybrid emerges not just in tools, but in organisational structure, where TradFi sophistication meets crypto-native delegation and transparency.

Our survey results highlight this perfectly, with **43%** of respondents describing day-to-day treasury execution as being managed by a small internal team with delegated authority. Only **14%** indicated that all actions require a full governance vote. The modal outcome is therefore not "fully centralised" or "fully decentralised," but a delegation structure that keeps governance in control of frameworks while outsourcing execution and specialised tooling.

5.2
The Path Forward: Adoption Trajectories and Market Structure Evolution

The trajectory from here is increasingly clear, especially from our conversations with treasury managers. Covered call programmes will transition from novel strategies to standard practice for any treasury managing substantial native token concentrations. The logic is too compelling. It allows treasuries to generate meaningful income, maintain strategic position, and monetise volatility that otherwise provides zero productive benefit. Early adopters will demonstrate results, governance education will spread, and the practice will normalise. Within the current market cycle, systematic covered call income will be expected rather than exceptional for treasuries exceeding several hundred million in value.

Vault deployment will follow a similar adoption curve, but potentially faster given lower governance friction. The risk-return profile of deploying stablecoins to battle-tested lending markets is dramatically more favourable than holding idle stablecoin balances earning zero, or deploying to single-markets subject to APY fluctuations. As infrastructure continues maturing through more institutional products like the Bitwise USDC vault, deeper liquidity and longer operational track records, the remaining barriers to deployment erode. The shift from a median of **7%** of AUM in yield-bearing positions to broad deployment across the sample of stables and majors represents the single largest productivity improvement available to treasuries, requiring minimal sophistication and generating immediate, measurable results.

The service provider ecosystem will expand to support this professionalisation. Just as corporations don't operate proprietary FX desks or build internal commodity hedging teams, crypto-native companies will increasingly delegate specialised treasury operations to expert counterparties. OTC derivatives providers will deepen markets for governance token options, offering customised structures and reliable pricing. Vault managers and treasury advisory services will emerge to guide allocation decisions and execute within governance mandates. RWA allocators will provide curated access to tokenised fixed income as regulatory clarity improves. The delegation model allows crypto-native companies to access institutional-grade treasury management without building institutional-scale internal capabilities.

What's more, the professionalisation creates positive feedback loops in market structure. More sophisticated treasury operations mean less forced selling during drawdowns, as yield income and strategic reserves reduce reliance on liquidating native tokens in adverse conditions. Systematic rebalancing via covered calls and cross-asset structures means more selling into strength rather than weakness, damping rather than amplifying volatility. Deeper options markets improve price discovery and risk distribution.

The regime shift, ultimately, is that treasury management transitions from an afterthought to prerequisite for long-term crypto-native company viability. As Cota from Midas puts it, "idle capital will soon be seen as mismanagement rather than a safe default." The organisations that professionalise early establish sustainable competitive advantages. Those that delay face mounting disadvantages as the sophistication gap widens. The infrastructure exists, the strategies are proven, and the adoption pathway is clear. What remains is execution.