



HYPERION DECIMUS

CRYPTO NEWSLETTER

POWERED BY WEEKLY CRYPTO BRIEF

3rd August 2025

BITCOIN-RELATED



NYDIG: Bitcoin fell 1.9% in the week in mostly sideways trading. While crypto got a boost from the White House's supportive report on digital assets and SEC Chair Atkin's recent speech outlining numerous changes which should benefit the industry, they didn't prove to be catalysts to keep the market rally going.

Bitcoin closed July at \$115,644, marking the highest monthly close in its 16-year history despite the recent dip.

Bitcoin holders have reached a record \$1.4 trillion in unrealized profit as of late July 2025, according to data from onchain analytics platform Glassnode.

Strategy raised \$2.52 billion through the IPO of its new preferred stock, Stretch (STRC), pricing 28 million shares at \$90 each, surpassing the initial \$500 million target. This marks the biggest equity IPO of 2025 so far, per TD Cowen. The company purchased 21,021 BTC with the IPO proceeds. Strategy's total holdings are now 628,791 BTC, valued at ~\$80 billion. Strategy announced another raise of \$4.2 billion via Stretch preferred stock on July 31.

Coinbase disclosed it bought 2,509 BTC in Q2 for ~\$222 million, pushing its total holdings to 11,776 BTC (\$1.3 billion) and leapfrogging Elon Musk's Tesla in the public company treasury rankings to re-enter the top 10.

Twenty One Capital announced it will receive 5,800 additional Bitcoin from Tether at the closing of its business combination with Cantor Equity Partners, pushing its total Bitcoin holdings to over 43,500 BTC.

Japan's Metaplanet added 780 more Bitcoin to its balance sheet for \$92.5 million, bringing its total holdings to 17,132 BTC. The company also filed to issue up to \$3.7 billion in new perpetual preferred shares by 2027 to fund its aggressive BTC accumulation plan.

MARA Holdings raised a \$950 million private offering of 0.00% convertible senior notes due 2032.

The company also granted buyers a 13-day option to purchase up to \$200 million in additional notes and plans to use a large portion of the funds to acquire more Bitcoin.

Canaan announced the adoption of a formal Cryptocurrency Holding Policy that positions Bitcoin

as its core long term reserve asset. The new policy marks a strategic shift in how the company manages its digital assets, aiming to strengthen its financial stability and align more closely with the broader Bitcoin economy.

Quantum Solutions, a Tokyo-listed AI firm, plans to purchase millions in Bitcoin over the next year

through its Hong Kong-based subsidiary, GPT Pals Studio. The move aims to manage surplus funds, diversify the portfolio, and hedge against inflation.

Capital B (formerly The Blockchain Group and listed on Euronext Growth Paris) confirmed the

acquisition of 58 BTC for EUR5.9 million, and the holding of a total of 2,013 BTC.

Turkey's largest ride-hailing firm, Martı, allocated 20% of its cash reserves to crypto, starting with

Bitcoin, aiming to hedge idle capital against inflation.

Galaxy Digital disclosed it helped a Satoshi-era holder sell over 80,000 Bitcoin, worth over \$9

billion, in one of crypto's biggest-ever trades, done as part of the seller's estate planning.

Five Satoshi-era wallets that mined Bitcoin in 2010 moved 250 BTC, now worth nearly \$30 million,

on July 31 after more than 15 years of dormancy, according to Arkham data.

A wallet holding over 300 Bitcoin for a decade was emptied as Bitcoin's price dropped. The wallet,

funded in 2013, saw a 152,300% increase in value, now worth \$34.8 million.

Billionaire investor Ray Dalio urged a 15% portfolio allocation to gold and Bitcoin as a hedge against

rising US debt, which he says has hit unsustainable levels with \$1 trillion in annual interest payments and no feasible spending cuts.

Bitcoin gift cards from Fold will soon start selling at 400,000+ retailers across the US.

Blockstream announced it launched Simplicity, a new smart contract language designed for the

Liquid Network on Bitcoin. Simplicity is based on Bitcoin's UTXO model, making it compatible with formal verification, allowing contracts to be mathematically proven correct before execution.

GOAT Network launched BitVM2 Beta, a zero-knowledge rollup on Bitcoin, addressing slow

transaction finality and scalability issues. The system uses ZK proofs for fast transaction verification and settlement on the Bitcoin mainnet.

INDUSTRY ADVANCES

JPMorgan Chase teamed up with crypto exchange Coinbase to introduce crypto integrations to its customers, a step in bridging traditional finance with digital assets. Coinbase announced on July 30 that Chase credit card holders can use their cards to buy crypto on Coinbase starting this fall. In addition,

Coinbase said JPMorgan's customers will also be able to redeem their Chase Ultimate Rewards Points for USDC.

RAKBANK became the first UAE bank to offer retail crypto trading, enabling users to buy and sell BTC, ETH, SOL, and XRP directly in dirhams (AED).

Crypto exchange Gate, founded in 2013 by Chinese scientist Lin Han, is launching in the US, offering spot trading services to US customers for the first time.

PayPal launched "Pay with Crypto," a new service that lets US merchants accept 100+ cryptocurrencies – including memecoins like TRUMP and FARTCOIN – with all payments converted into its in-house PYUSD stablecoin. The new payment feature is designed to simplify international transactions for small businesses by offering lower fees, near-instant access to proceeds, and the ability to earn 4% return on PYUSD balances held in PayPal.

Coinbase's app now allows eligible users buy crypto with Samsung Pay, eliminating app-switching and re-entering payment details. The feature will roll out to select US and Canadian customers over the next month, with full availability soon after.

Binance Earn launched a new high-yield structured product called "Discount Buy" that lets users buy crypto at a pre-set target price that is below the current market price or earn fixed Annual Percentage Rate (APR) rewards if the conditions aren't met.

Hidden Road announced the ability to support OTC options on digital assets as part of its suite of prime brokerage services. This new launch enables institutional clients to execute OTC options and to cross-margin OTC options with the rest of their digital asset portfolio.

BitMine Immersion Technologies, the largest corporate Ethereum holder with \$2.4 billion in ETH, approved an open-ended \$1 billion stock buyback as part of a broader push to control 5% of the token's supply.

Joseph Lubin-backed SharpLink Gaming added 77,210 ETH worth ~\$295 million to its treasury. The Nasdaq-listed company now holds 438,017 ETH, valued at ~\$1.7 billion.

The Ether Machine spent \$57 million on ETH, boosting its total stash to over 334,000 coins, making it the third-largest corporate holder. The company plans to list on the Nasdaq in Q4.

ETH Strategy, a treasury accumulation protocol designed to provide leveraged exposure to Ethereum, raised 12,342 ETH (\$46.5 million) in its prelaunch funding.

Nasdaq-listed biotech firm 180 Life Sciences will rebrand as ETHZilla after raising \$425 million to convert into an ETH-first treasury company.

Ethereum treasury firms have rapidly accumulated 1.26 million ETH since June – about 1% of all ETH in circulation – according to Standard Chartered Global Head of Digital Assets Research Geoffrey Kendrick. Kendrick said this pace nearly matches the 2 million ETH inflows into Ethereum ETFs during the same period, marking the strongest buying streak on record for the funds. The analyst predicts Ethereum treasury holdings could grow tenfold to 10% of the total ETH supply, surpassing Bitcoin treasury companies' current 4.4% share of BTC supply.

Upexi secured a \$500 million equity line from A.G.P. to fund its growing Solana treasury, which now includes over 1.8 million SOL – mostly staked – with unrealized gains of \$58 million and potential annual rewards of \$26 million.

CEA Industries, a publicly listed, Colorado-based vape company, surged 600% on July 28 after announcing a \$500 million PIPE deal led by 10X Capital and YZi Labs to build the largest publicly traded BNB treasury in the US.

Specialty finance firm Mill City Ventures III raised \$450 million to begin building a corporate treasury of Sui, the L1 blockchain developed by Mysten Labs. (The company may raise another \$500 million under an equity agreement.)

Bitcoin miner Phoenix Group launched a \$150 million crypto treasury with Bitcoin and Solana, becoming the first Abu Dhabi Securities Exchange-listed company to hold digital assets on its balance sheet.

Coinbase plans to introduce both tokenized stocks and onchain prediction markets, as the firm looks to become an “everything exchange.”

Theo Network tokenized US bills via its new thBILL product.

Lotte Group, South Korea’s largest retail conglomerate, launched a blockchain-based voucher system on the Aptos network, tokenizing over 1 million RWAs through its subsidiary platform Giftiel. The initiative, initiated in early July 2025, has already attracted 500,000 users.

Newly public eToro is exploring whether to spin up its own blockchain. CEO Yoni Assia said: “We’re now evaluating a couple of potential partnerships with both L1s and L2. So, we might launch basically a side chain of eToro.”

Coinbase's L2 network Base overtook Solana in daily launchpad token launches, ending the latter’s two years of dominance.

Orca released Wavebreak, a “human-first” Solana token launchpad. The launchpad integrates CAPTCHA with an onchain permission structure to keep bots and snipers from crowding out real humans. The move comes to compete in the memecoin-focused Solana DeFi market.

The Planck Network, an infrastructure protocol targeting the AI boom, launched a L0 blockchain aimed at supporting decentralized AI networks.

Perfume house Amouage announced its entry into the Aura Blockchain Consortium, established by LVMH, Prada Group, OTB, and Richemont’s Cartier as an alliance to leverage blockchain technology for greater traceability and transparency in luxury goods.

MINING



Bitmain revealed plans to open its first US facility in either Texas or Florida by Q3 2025, aiming to assemble mining rigs locally and hire 250 workers as it navigates US tariffs, border scrutiny, and Trump’s push for domestic Bitcoin dominance.

A solo Bitcoin miner successfully mined a block, operating through the Solo CK pool, on July 26, collecting a 3.125 BTC block reward (valued at \$372,773).

ETPS (EXCHANGE-TRADED PRODUCTS), FUNDS & INDEXES

The SEC authorized the use of in-kind creation and redemption mechanisms for all spot Bitcoin ETFs. SEC chair Paul Atkins said in a statement: “It’s a new day at the SEC, and a key priority of my chairmanship is developing a fit-for-purpose regulatory framework for crypto asset markets.”

The SEC also approved a Nasdaq proposal to increase a position limit for options on BlackRock’s IBIT to 250,000 contracts, up from 25,000. According to Eric Balchunas, it’s expected to “help bring in bigger institutions and be helpful during volatility.”

The SEC postponed its decision on whether to approve the Truth Social Bitcoin ETF, proposed by Trump Media & Technology Group, pushing the deadline to September 18. It also extended the deadline for the Grayscale Solana Trust conversion application.

The UK’s Financial Conduct Authority lifted the ban on retail access to cryptocurrency ETNs.

Ethereum spot ETFs hit their 20th straight day of net inflows on July 31, pulling in \$17 million and pushing the total haul to nearly \$5.4 billion, quadrupling their previous best streak and boosting total ETH ETF holdings to \$21.5 billion.

Cboe BZX formally proposed to the SEC to list shares of the Invesco Galaxy Solana ETF, a joint venture between Invesco and Galaxy Digital. The ETF would provide regulated access to Solana's native token through traditional securities markets, tracking the “Lukka Prime Solana Reference Rate.”

A new proposal from Cboe could fast-track crypto ETFs like Solana and XRP (funds qualify for listing if their underlying crypto assets have been trading as regulated futures for at least six months) by bypassing individual SEC approvals, potentially opening the door to multiple listings as early as October.

Grayscale announced the launch of Grayscale Story Trust, its newest private placement investment product. (Story is a blockchain network that powers programmable IP, making real-world data a licensable, attributable subset of IP for the AI era.) The Grayscale team intends to attempt to have shares of Grayscale Story Trust quoted on a secondary market.

FUNDRAISING & OTHER FUNDING (\$5 MILLION OR MORE)

In July, 65 crypto projects raised over \$2.6 billion in new investments to grow their businesses, according to DefiLlama. (Crypto startups have bagged \$13 billion so far in 2025.)

Kraken is seeking to raise \$500 million at a \$15 billion valuation – up from \$11 billion in 2022 – as it publicly disclosed \$1.5 billion in annual revenue and prepares for a possible IPO despite lacking major institutional backers.

Bitcoin-stablecoin-focused sidechain Plasma raised \$373 million in an oversubscribed public token sale of XPL, surpassing its original \$50 million target by more than 7X.

RD Technologies, ahead of Hong Kong's August 1 stablecoin licensing deadline, raised \$40 million to fund its HK dollar-backed stablecoin and announced a new partnership with ZA Bank to explore regulated use cases.

Courtyard, a blockchain-based marketplace and tokenization platform that enables trading of physical collectibles as NFTs, raised \$30 million in a Series A funding round – led by Forerunner Ventures.

Stable raised \$28 million in a seed funding round, co-led by Bitfinex and Hack VC, to build a USDT-native L1 “stablechain” network optimized for payments and remittances.

Zodia Markets secured \$18.25 million in new funding led by Pharsalus Capital, reducing Standard Chartered's stake from 84% to 60% as the bank aims to free the crypto unit from restrictive Basel III capital rules.

Amsterdam-based D2X garnered \$5 million from Circle Ventures, Point72, and others to expand its fully regulated crypto derivatives platform, which recently launched Bitcoin and Ether futures for institutions under the EU's MiFID II framework.

IPOS, M&A, PARTNERSHIPS & DEALS



Figma stock jumped 250% from its IPO price on its first day of trading. (The design software company has crypto exposure worth nearly \$130 million.)

Tron Inc., which recently rebranded and listed on Nasdaq via a reverse merger, filed to offer up to \$1 billion in mixed securities to expand its TRX holdings – already at 365 million tokens – solidifying itself as the largest public holder of the Tron token.

Coinbase is reportedly negotiating to acquire Indian exchange CoinDCX for under \$900 million, less than half its 2021 valuation, as part of a strategic push into India's crypto sector. However, the Indian company denied it.

DEFI



Uniswap v4 crossed \$1 billion in TVL with over \$110 billion traded, as activity concentrates on Ethereum and Unichain and custom pool tools like Bunni and EulerSwap lead usage.

Aave DAO voted to reduce AAVE token emissions by another 25% while keeping buybacks steady, making the protocol even more net token accretive.

MetaMask's new feature lets users earn passive income on USDC, USDT, and DAI directly from their wallets via Aave, simplifying DeFi access for its 100+ million users and enabling real-world spending through a Mastercard-linked yield card.

Consensys-founded Ethereum L2 network Linea will introduce native ETH staking rewards, an ETH burning mechanism, and deflationary tokenomics ahead of its LINEA token launch.

The Arbitrum Foundation will distribute 30 million ARB tokens – worth \$14 million – over the next year to cover audit costs for vetted early-stage and upgrading projects, following DAO approval of the security-focused program.

CBDCS & STABLECOINS



Hong Kong has implemented a licensing regime for stablecoins, requiring companies to obtain a license from the Hong Kong Monetary Authority to issue stablecoins to retail investors. The new law includes compliance areas such as reserve asset management, anti-money laundering protocols, and fit-and-proper tests for operators.

Tether smashed its own earnings record with a \$4.9 billion profit in Q2 2025, driven by rising USDT circulation and nearly \$9 billion in Bitcoin holdings.

Global financial technology leader FIS announced a new partnership with a subsidiary of Circle to give financial institutions the ability to transact in USDC. Working together, FIS and Circle will enable US financial institutions to offer their customers the option to make domestic and cross-border stablecoin payments using USDC.

Visa expanded its stablecoin settlement platform to include Avalanche and Stellar, adding to Ethereum and Solana support as it continues to push faster blockchain-based payments across four networks.

Anchorage Digital is launching a stablecoin issuance platform to help clients participate in the expected frenzy around the asset-backed tokens following the passage of key US legislation.

Interactive Brokers is considering launching its own stablecoin to provide customers with 24/7 funding options for brokerage accounts and facilitate crypto transfers.

Binance introduced RWUSD, a stable-value investment product offering up to 4.2% returns by tracking yields from RWAs like US Treasuries, but it can't be traded, transferred, or withdrawn like normal crypto.

A blockchain platform affiliated with US President Donald Trump invested \$10 million in Falcon Finance to support the development of stablecoin infrastructure. The investment aims to improve liquidity and interoperability between two stablecoins: Falcon USD (USDf) and World Liberty Financial USD (USD1), a token launched by the Trump-linked World Liberty Financial.

NFTS, BLOCKCHAIN GAMING & METaverse



NFT sales surged to more than \$574 million in July, the second-highest monthly volume this year, according to data from NFT tracker CryptoSlam.

Pudgy Penguins shut down rumors of an OpenSea buyout, calling the speculation unnecessary and pointing instead to growing brand partnerships.

Dapper Labs' NBA Top Shot highlights are now accessible through physical vending machines in Japan, in collaboration with Web3 marketing firm 24karat.

JOB MOVEMENT



SOL Strategies named a new Chairman (Luis Berruga) and two new Directors (José Calderón and Michael Hubbard) to its Board, which is now majority independent.

LMAX Group, an operator of institutional exchanges for FX and digital assets trading, announced the appointment of Ilya Khazen to lead cross-asset sales.

BridgePort, the institutional coordination layer streamlining the off-exchange settlement of crypto, announced the appointment of Steven Bartfield as Chief Product Officer.

REGULATIONS, RULINGS & COMMENTARY



The White House's Working Group on Digital Asset Markets released a 166-page report on July 30, detailing the administration's crypto recommendations for regulation on everything from language around banking, a crypto stockpile, stablecoins, taxes, and illicit finance. A fact sheet produced by the White House read: “By implementing these recommendations, policymakers can ensure that the United States leads the blockchain revolution and ushers in the golden age of crypto.” (View the full report, [here](#).)

The SEC announced “Project Crypto” (on July 31) – an initiative aimed at modernizing securities laws and putting Bitcoin and blockchain innovation at the center of America’s financial future. Backed by President Trump’s vision to make America the “crypto capital of the world,” the plan seeks to move financial markets onchain and remove outdated regulations. The SEC plans to create clear guidelines for how cryptocurrencies such as Bitcoin can be stored, traded, and used, making it easier for more people and businesses to adopt it.

US SEC Commissioner Hester Peirce will hit the road this fall, leading a 10-city tour as part of the SEC’s new crypto outreach initiative. The regulator announced a roundtable series on aimed at gathering

feedback from industry stakeholders, developers, and investors as the agency weighs future digital asset rules.

Sen. Cynthia Lummis introduced the 21st Century Mortgage Act, which would require Fannie Mae and Freddie Mac to consider crypto as an asset in mortgage risk assessments. Lummis framed the proposal as a necessary modernization for government agencies in a digital era, emphasizing innovation and generational changes.

The White House abruptly halted a key committee vote that would have advanced Brian Quintenz's nomination to lead the CFTC, delaying Trump's effort to install a crypto-friendly watchdog for a second time in one week.

The Chinese government is reportedly considering declaring cryptocurrency mining, trading, and all related services illegal – citing financial risks, capital flight concerns, and a desire to maintain monetary sovereignty.

Bolivia, after lifting its crypto ban, partnered with El Salvador to advance digital asset policy and infrastructure. The Bolivian Central Bank sees digital assets as a reliable alternative to traditional currencies.

Indonesia's Finance Ministry raised taxes for crypto miners and sellers, while exempting some crypto transactions from VAT.

The Philippine government launched a blockchain-based document validation system on Polygon.

South Korea's financial regulators plan to release guidelines on cryptocurrency lending services next month in an effort to tighten oversight and protect investors amid growing concerns over leveraged crypto products. The Financial Services Commission and Financial Supervisory Service announced the formation of a joint task force to develop a regulatory framework for crypto lending.

Algeria passed Law No. 25-10, banning all crypto trading, wallets, and mining. Offenders face up to one year in prison and fines of 200,000 to 1,000,000 dinars.

BUGS, OUTAGES, HACKS, SCAMS, ALLEGATIONS, INVESTIGATIONS, ENFORCEMENTS & WRONGDOINGS

Telegram banned two massive crypto scam hubs, Huione and Xinbi Guarantee, linked to over \$35 billion in shady transactions, yet illicit trading quickly surged on affiliated platforms like Tudou Guarantee, prompting US regulators to label Huione a laundering threat and impose wallet sanctions.

Crypto figure Hayden Davis said in court that LIBRA is a memecoin with no business model, as a \$280 million asset freeze case tied to a USDC transfer during a Milei meeting heads to court in August.

The developers behind Bitcoin mixer Samurai Wallet admitted guilt for running an unlicensed money transfer service and helping launder over \$100 million worth of crypto.

Indian police arrested a CoinDCX software engineer after hackers exploited his work laptop credentials to steal \$44 million in crypto, in what the company called a sophisticated social engineering attack.

Vincent Anthony Mazzotta Jr. pleaded guilty to money laundering and conspiracy charges in connection with a \$13 million Ponzi scheme involving fake crypto investment companies.

Tennessee man Kirk West was charged with stealing \$11 million in cash and cryptocurrency from his partner Nancy Jones, widow of country music star George Jones.

An accused man in Germany escaped criminal charges for allegedly stealing \$2.9 million in cryptocurrency due to legal loopholes. The court ruled that theft charges did not apply to cryptocurrencies like Bitcoin and Ethereum, as they lack physical form under German law.

The DoJ is seeking to take ownership of \$2.3 million in Bitcoin seized from a member of the ransomware group Chaos. The Bitcoin was seized by the FBI's Dallas division in mid-April and is currently held in a government-controlled wallet.

Cameron Albert Redman, a Canadian cybercriminal, was sentenced to one year in prison for wire fraud and identity theft. He and his accomplices scammed 200+ victims, making \$794,000 by hijacking social media accounts to steal NFTs and cryptocurrency.

Bitget, accused by ASIC of offering high-risk crypto futures products without a license, faces regulatory scrutiny in Australia and internationally. ASIC's warning highlights the risks for investors, as Bitget lacks necessary safeguards and operates with leverage ratios up to 125:1.

Russian users are routing crypto activity through Kyrgyzstan platforms like Grinex and Meer to dodge sanctions, often using stablecoins linked to the banned exchange Garantex, according to TRM Labs.

The DoJ clarified in court that Dragonfly and its leadership are not targets in its Tornado Cash probe, walking back earlier reports that the firm might face charges over a 2020 investment in the now-sanctioned crypto mixer.

Tornado Cash developer Roman Storm declined to testify at his money laundering trial, where internal chats revealed he was alarmed by North Korean hackers exploiting the tool and pushed to block their wallets after the Ronin Bridge attack.

Former OpenSea employee Nathaniel Chastain has successfully appealed his conviction for wire fraud and money laundering.

Polygon suffered an outage on July 30, when its Heimdall V2 consensus layer went down for about one hour, just weeks after a complex hard fork upgrade.

Abra customers were unable to access funds on July 29, with withdrawals paused due to unspecified "external circumstances."

Hyperliquid, a popular decentralized exchange built on its own L1 blockchain, experienced about 20 minutes of downtime on July 29, during which multiple traders reported issues with trade execution.

MISCELLANEOUS

On July 30, Ethereum celebrated its 10th birthday. 10 years in which this blockchain, born from the idea of a teenager, has become a cornerstone of the crypto ecosystem and an essential platform for DeFi and NFTs.

Despite crypto ownership jumping eightfold since 2018, a Gallup poll found most US investors still view the asset class as too risky, with 60% expressing zero interest in ever buying in.

Coinbase reported \$1.5 billion in Q2 revenue, up from \$1.45 billion a year ago but below the \$1.59 billion analysts expected, and saw adjusted EBITDA fall to \$512 million from \$596 million. Transaction revenue fell 39% quarter-over-quarter to \$764 million. Coinbase highlighted progress in its institutional infrastructure, staking services, and Base network as strategic growth drivers beyond its core trading business.

MicroStrategy posted outstanding quarterly earnings of \$32.52 per share, above the average expectation of -\$0.09, and well above the -\$0.76 per share loss posted in the same period previous year.

Kraken grew its revenue by 18% to over \$411 million in Q2 despite a 7% EBITDA dip, as it branched into US stock trading and prepared for international expansion in tokenized equities.

Robinhood's crypto revenue nearly doubled to \$160 million in Q2 as CEO Vlad Tenev reiterated plans to dominate the asset tokenization space both in the US and overseas.

Tyler Winklevoss claimed JPMorgan froze Gemini's onboarding after he criticized the bank's new data access fees, accusing the firm of trying to choke off fintech-crypto links under the guise of consumer protection.

Binance founder Changpeng "CZ" Zhao has seen his fortune soar along with the value of Binance exchange cryptocurrency BNB. CZ's net worth was recently estimated to be \$72.3 billion by Forbes' real-time billionaire rankings, making him the world's 23rd richest person. CZ owns an estimated 90% of Binance along with 64% of the total 147.5 million BNB in circulation, according to a 2024 Forbes report.

CHARTS, TABLES, QUOTES, COMMENTARY & OTHER IMAGES

Bitcoin Magazine: Holding Bitcoin has been profitable for over 99.6% of its history.



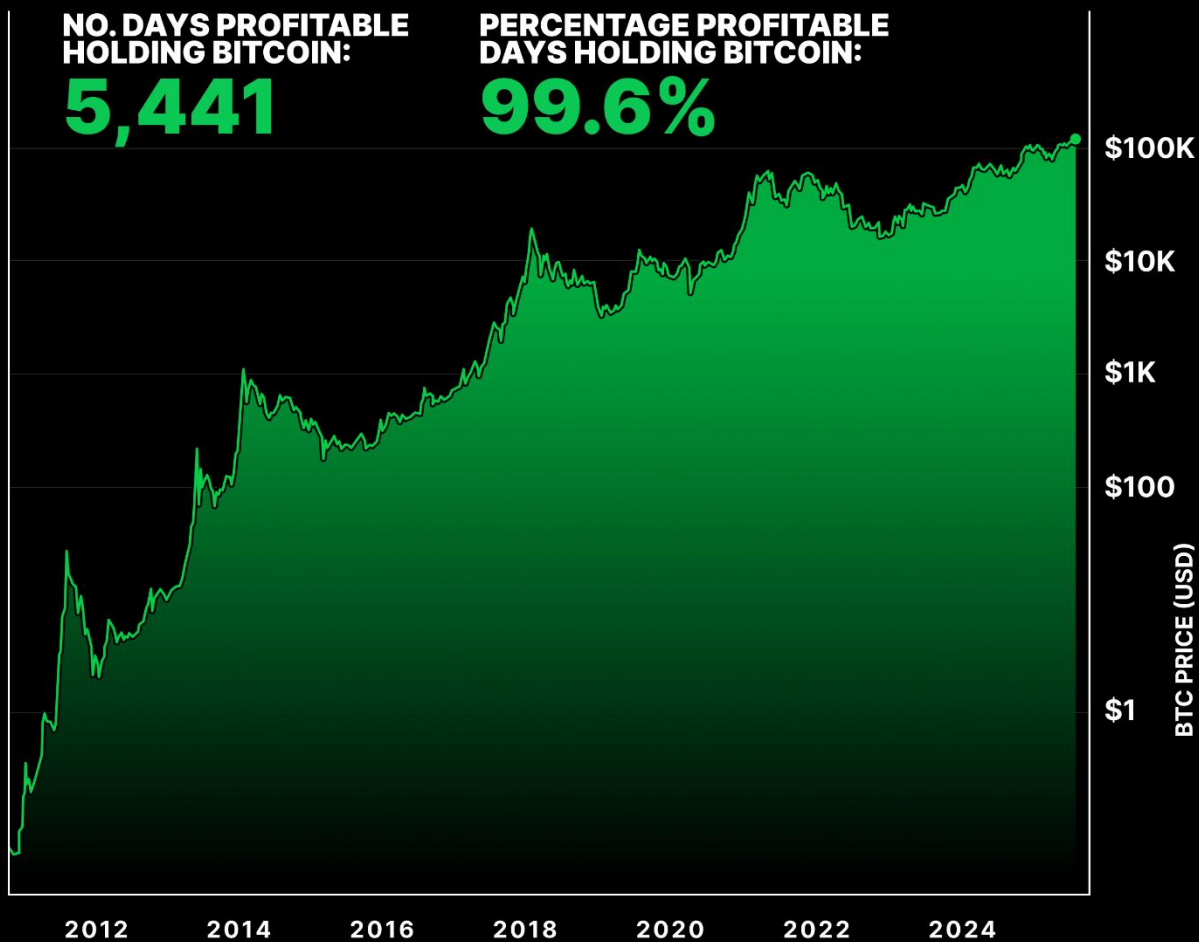
BITCOIN: PROFITABLE DAYS

NO. DAYS PROFITABLE
HOLDING BITCOIN:

5,441

PERCENTAGE PROFITABLE
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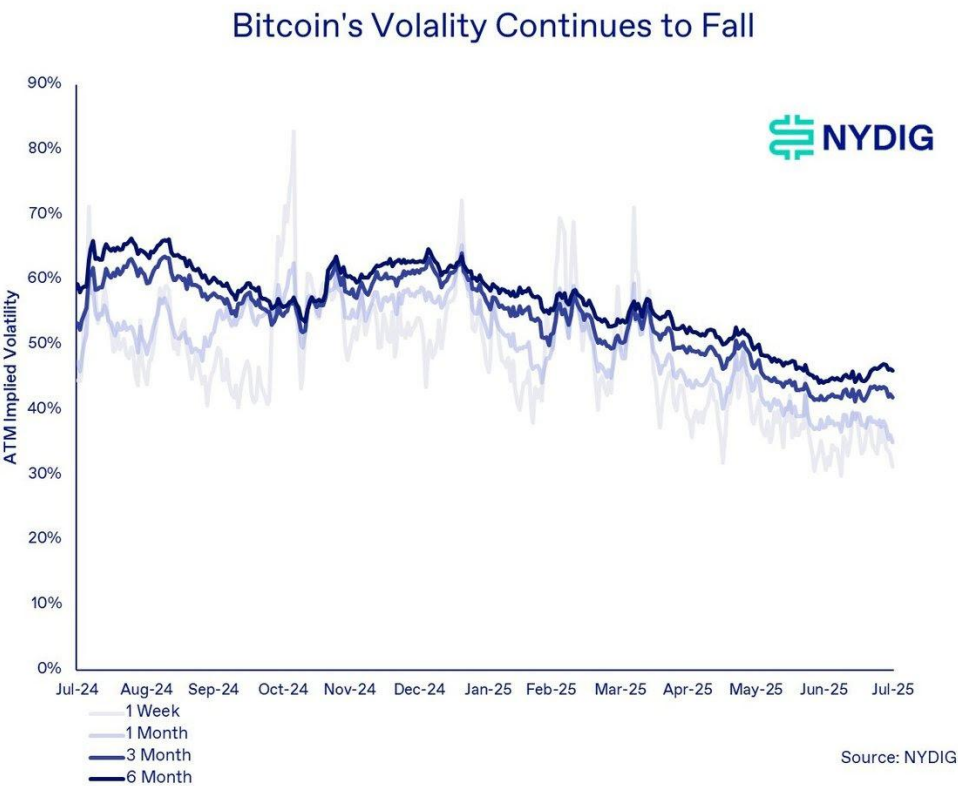
99.6%



Source: Bitcoin Magazine Pro



NYDIG: Lower volatility makes Bitcoin more appealing on a risk-parity basis, potentially drawing in new capital. As volatility declines, the asset becomes more investable for institutional portfolios seeking balanced risk exposure. This dynamic could reinforce spot demand.



Crypto investment products have raked in record monthly flows in July (putting a spotlight on the institutional demand for ETH). The flows record had extended to \$11.2 billion by July 26 – well above the prior monthly high of \$7.6 billion seen in December 2024.

Flows by Asset (US\$m)				
CoinShares	Week flows	MTD flows	YTD flows	AUM
Bitcoin	-175	5,474	20,472	179,819
Ethereum	1,594.9	4,906.9	7,790	28,314
Multi-asset	-24.3	-70.5	13	7,109
Solana	311.5	551.5	844	2,473
XRP	189.6	311.7	721	2,255
Sui	8.1	22.5	127	349
Litecoin	-1.2	-1.2	4	247
Cardano	1.3	2.5	31	158
Chainlink	0.5	1.2	26	97
Short Bitcoin	-4.6	4.9	-7	88
Other	7.3	11.0	-495	521
Total	1,908	11,214	29,525	221,431

Source: Bloomberg, CoinShares, data available as at 26 July 2025

* Independent daily attestation by The Network Firm

Bitwise FAQs: In-Kind Creations and Redemptions for Crypto ETPs...

On Tuesday, the SEC approved in-kind creations and redemptions for spot Bitcoin and Ether ETPs, including BITB and ETHW. Here's a quick summary of what that means and why it matters.

What's the background here?

Virtually all ETFs – whether holding stocks, bonds, or commodities – allow Authorized Participants (“APs”) to create or redeem shares in-kind – that is, to exchange the ETF's underlying assets for shares of the ETF, and vice-versa. (More on the mechanics of that below.)

But Bitcoin ETPs, when they were approved in January 2024, came with the caveat that these creations/redemptions could only happen using cash. In-kind creations and redemptions were not allowed. This wasn't ideal. It created new logistical hurdles that could increase taxes and other trading costs. For the past two years, Bitcoin and Ether ETP issuers have petitioned the SEC to change the guidelines to allow spot crypto ETPs to trade with the same efficiency as their traditional-asset peers. This week, that became a reality.

How does the creation or redemption process typically work for ETPs?

A typical ETP holds some asset – say, technology stocks – and issues ETP shares representing ownership of that basket of assets. Generally, because of an arbitrage mechanism, the market value of the shares equals the value of the underlying stocks.

But that's not always the case. Given how quickly markets move, the two values can decouple (typically in small amounts), causing fund shares to trade at either a premium or discount to the fund's assets.

That's where APs and other market-making firms step in – registered broker-dealers who are incentivized to soak up an ETF's excess supply or meet excess demand. These institutional investors can deliver assets to the fund in exchange for shares or deliver shares in exchange for the underlying assets. So, imagine a fund's shares are trading at \$101, while the value of its underlying stocks is \$100/share. The AP (or market maker) can buy the stocks¹ in the broader market for \$100 and deliver it to the fund issuer, at which point the issuer would deliver an ETF share worth \$101 to the AP – who could then sell it into the open market and pocket the difference. The arbitrage process works in reverse if shares are trading at a discount. (In practice, the transaction involves more complicated trading costs and other variables, but this is the conceptual framework.)

So, what has happened in Bitcoin ETPs until now?

That same process took place, except APs or market makers couldn't deliver Bitcoin to issuers or receive Bitcoin directly. Instead, they had to convert Bitcoin to US dollars and deliver that cash to the fund. The fund manager would then buy or sell Bitcoin inside the ETP's account. That generally meant more cost: trading fees to convert the Bitcoin to cash, along with potential tax inefficiencies.

Does the SEC's approval mean individual investors can now exchange ETF shares for Bitcoin?

No. Because the approval of in-kind transactions applies only to authorized participants (who must be registered broker-dealers), individual investors in BITB and ETHW will not see any direct changes in how they access the funds.

Why does the approval of in-kind creations and redemptions matter?

Two key reasons. The first is the more obvious: Other things equal, allowing in-kind transactions for APs will lower the cost of operating Bitcoin and Ether ETFs. That's clearly a good thing.

But the second reason is perhaps more important: It puts crypto ETPs on more level ground with traditional-asset ETFs and ETPs. The unnecessary rules and hurdles that have hampered crypto's progress continue to give way as it becomes an increasingly important part of mainstream finance.

Conclusion from Coin Metrics' "State of The Network" weekly report from 7/29/25. (Read the full report, [here](#).)

The market's recent surge toward a \$4T market cap reflects growing conviction across the asset class. Demand from ETFs and corporate treasuries continues to outpace new issuance, contributing to favorable supply dynamics across both BTC and ETH. Valuation metrics such as Bitcoin's market value to realized value (MVRV) ratio suggest the market is not yet in overheated territory. While Bitcoin remains anchored by strong ETF inflows and long-term holders, market leadership is showing signs of broadening.

Additionally, the passage of the GENIUS Act marks a critical turning point for US crypto regulation, offering clarity for stablecoins and paving the way for increased competition, and deeper integration into traditional finance. Despite the potential for short-term volatility, the combination of strong structural demand, improving regulatory clarity, and broadening participation points to continued strength ahead.

Summary and conclusion from Glassnode's "The Week On-Chain" from 7/29/25. (Read the full report, [here](#).)

Bitcoin's resilience was significantly tested over the weekend as the market efficiently absorbed a \$9.6B sell-side event from the distribution of 80K BTC, one of the largest discrete profit-taking events in its history. Despite the scale of this transaction, price quickly stabilized just below all-time highs, underscoring the depth and maturity of current market liquidity.

At present, Bitcoin remains range-bound between \$105K and \$125K. A confirmed breakout beyond this zone could shift market dynamics, bringing the \$141K region into focus, an area where key on-chain metrics suggest profit-taking could sharply intensify. Conversely, a light volume zone sits just below the current price between \$110K-\$115K, marking it as a critical area to monitor should a market pullback occur.

Blockworks updated key metrics...

Total Crypto Market Cap	\$3.91 T
Bitcoin Market Cap	\$2.33 T
Ethereum Market Cap	\$455.58 B
ETH/BTC Ratio	0.03
Ethereum Gas Price	2.66 gwei
DeFi TVL	\$269.02 B
Fear and Greed Index	74 (Greed)

Matt Houghan's (Bitwise) Weekly CIO Memo: "Why We Crypto – 100 CIO Memos in, a Reflection on How Crypto is Genuinely Changing the World, and the Recent Column That Broke My Heart."

Editor's note: This is the 100th edition of the Bitwise Weekly CIO Memo. To mark the occasion, I wanted to take a step back from the usual market commentary to share some big-picture reflections on the state of crypto today – and what some of its biggest critics continue to miss.

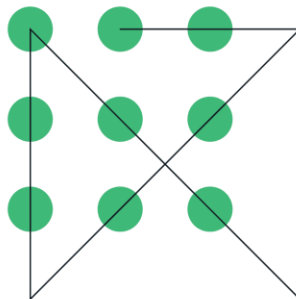
Do you remember the nine-dot puzzle?

It's a classic visual riddle that makes the rounds at summer camps. The puzzle goes like this: How do you connect nine dots with only four lines, without ever lifting your pen?



It's a test of (literally) thinking outside the box. There's no way to connect the dots if you stay inside the square.

Draw outside its lines, however, and it's easy.



I've been thinking about the nine-dot puzzle ever since I read Bloomberg opinion columnist Allison Schrager's recent column on crypto.

Schrager is a great writer but a long-time crypto skeptic. For years, her columns predicted the demise of crypto, comparing it to tulip bulbs and other classic bubbles. More recently, she's accepted that crypto is here to stay, but now she has a new critique: We don't need it.

In her latest crypto column, "Bitcoin in Your 401(k)? That's Not A Risk I Would Take," Schrager dismisses Bitcoin's future, noting "government-issued money is pretty great."

She shared a similar sentiment about stablecoins in her prior column: "The US already has a means of payment – it's called the dollar – and it works pretty well."

These columns make me sad. "Pretty great" and "pretty well"?

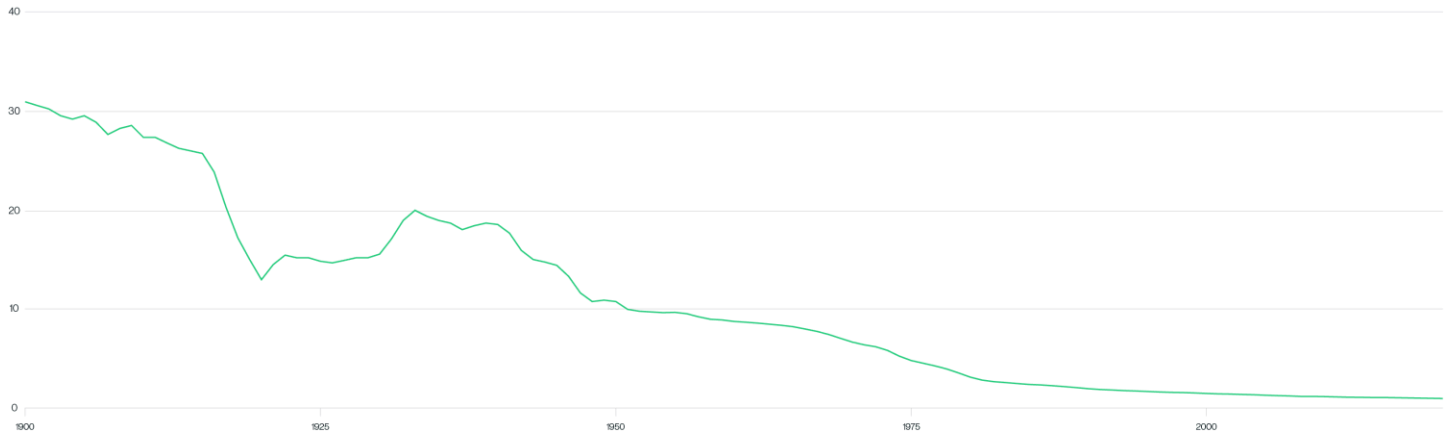
Schrager is stuck between the lines. She can't imagine a better way.

There Is a Better Way

The reality is: Our financial system is actually not that great.

Today, the average interest rate on a checking account is 0.07%. So-called “savings accounts” yield 0.38%. Checks clear in five days. Stocks settle T+1 (and not on weekends, as we pointed out in an ad campaign last year). Visa takes 1-3 business days to pay merchants while maintaining 80% gross margins. Our government backstops a handful of banks with implicit guarantees and bails them out periodically with taxpayer money. Meanwhile, the value of the US dollar has fallen ~80% in my lifetime.

Purchasing Power of the US Dollar, 1900-2020



Source: Statista

“Pretty great”?

One of the biggest reasons I work in crypto is because I know we can do better.

We can live in a world where payments are instant, fees are virtually zero, and the government won’t inflate your money away.

We can live in a world where you can earn real yield on your assets—yield that accumulates second by second, day by day, instead of periodically at the whim of service providers.

We can live in a world that’s 24/7 and global, where we’re not charged currency exchange fees or interbank transfer fees when we travel.

It’s wild to me just how readily we accept the status quo. Imagine if your email shut down at 4pm on Friday and didn’t turn back on until 9:30am Monday morning. That’s actually what happens with our brokerage accounts. More blissful, perhaps, but it’s no way to run an economy.

When I run into TradFi apologists, I want to show them how fast (almost instant) and cheap (\$0.002) it is to send money over Base. I want to have them lend an asset on Aave and see interest accrue every second. I want them to move money between accounts at 7pm on a Saturday because, hey, it’s your money. And of course, I want to show them a chart of Bitcoin, which looks like the inverse of the dollar purchasing power chart I showed above.

Price of Bitcoin, 2009-Present



Source: Bitwise Asset Management. Data from July 17, 2010 to July 28, 2025.

I know what the critics like Allison will say: Where's the real-world use? If crypto is so great, why aren't I using it to buy my groceries yet?

The answer is that, like many new technologies, crypto is not yet perfect. It needs a lot of work – from technologists, investors, regulators, and lawmakers – to achieve its full potential. And so, like most new technologies, initial adoption is taking place on the edges, places where the existing systems are particularly bad.

But if you train your eyes outside the box, you can see a better/faster/cheaper/more global financial world starting to appear.

You can see it in firms like Yellowcard, which helps sub-Saharan African businesses conduct cross-border transactions using stablecoins, avoiding a hugely inefficient banking sector. You can see it in Stripe's \$1.1 billion acquisition of Bridge, a stablecoin service provider that helps firms like Starlink invoice customers around the world. You can see it every weekend, when macro traders turn to crypto because stock markets are closed. And you can see it in folks like Ray Dalio reluctantly buying Bitcoin because he is worried about the outlook for the dollar.

This is always the way with new technologies. The first cell phones were the size of a suitcase and had huge doubters, but they were hugely useful for a small set of politicians and CEOs. The first digital cameras had terrible resolution and "would never work," but they gave NASA a way to send images from space and journalists a way to file stories without processing film. Over time, the technologies got better and better. Today, we can't imagine a world without them.

I expect it will be the same with crypto. Already, in the right circumstances the technology moves money and financial goods better, faster, and cheaper than legacy systems. As regulations evolve and the user experience improves, I think we'll see all financial goods migrate to crypto rails.

That would be a massive boost to the world. And a critical reminder that we don't have to be satisfied with the status quo. Things can be much, much better.

And I'm convinced as ever that crypto is what gets us there.

In Q2, Deloitte surveyed 200 CFOs, at companies with over \$1 billion in revenue, about crypto...

- 99% of CFOs at billion-dollar firms expect to use cryptocurrency for business in the long term.
- 23% expect their treasury departments to use crypto for investments or payments within the next two years. This figure climbs to almost 40% among CFOs at firms with revenue of more than \$10 billion.
- Concerns about price volatility top the list, with 43% of respondents citing it as a primary barrier to adopting non-stable cryptocurrencies like Bitcoin and Ether. Other major concerns include accounting complexity (42%) and regulatory uncertainty (40%), the latter of which has been compounded by shifting US policy.
- Despite the concerns, an increasing number of CFOs are considering direct exposure to cryptocurrencies. 15% said they expect to invest in non-stable cryptocurrencies within 24 months, rising to 24% for large-cap companies.
- Adoption isn't limited to investing. Stablecoins are also gaining traction for payments. 15% of CFOs said their companies are likely to accept stablecoins within two years, with that number hitting 24% among the largest firms.
- CFOs are also looking at blockchain-based assets for operational improvements. Over half of the respondents said they foresee using crypto for supply chain management and tracking.
- Internal conversations about crypto are already underway. 37% of CFOs said they'd discussed digital assets with their boards, 41% with CIOs, and 34% with banks or lenders. Only 2% reported no crypto-related discussions.

The National Cryptocurrency Association (NCA), a nonprofit organization dedicated to helping Americans understand and use crypto with confidence, released insights from a Harris Poll survey of Americans who do not hold any crypto. The 2025 Crypto Confidence Pulse showed that despite its growing visibility, lack of understanding is the primary reason that four out of five US adults do not yet hold any crypto.

- Nearly 90% said they are not knowledgeable about buying, using, selling or trading crypto and almost half (49%) cited a lack of understanding of how crypto works as the biggest barrier to entry.
- Trust is another blocker: 43% are concerned about security and fraud with 36% lacking trust in crypto platforms and exchanges.
- There's also confusion around crypto's core feature, namely that it has no central actor: 41% say they don't know who or what is "backing" crypto assets.
- Overall, only 18% say they are likely to acquire crypto in 2025.
- Fewer than one in five see crypto as a secure or good long-term investment.
- Over half of respondents find researching crypto "overwhelming."
- Only 14% have ever discussed crypto with family or friends – but those who did are more open to using crypto.
- Nearly one in three have considered using crypto, and 34% are interested in learning more, especially if information is simplified and tied to tangible benefits.
- While the industry is still fairly nascent, one in two worry they may have missed the boat on crypto.
- Despite this, 68% are curious about using crypto but are not sure where to start.
- The majority (80%) see crypto as a legitimate financial asset.
- Almost half (42%) of this cohort are likely to acquire or use crypto in 2025.

Paul Veradittakit (MP – Pantera Capital) posted “Ethereum Turns 10.”

The Origin of Ethereum’s Vision

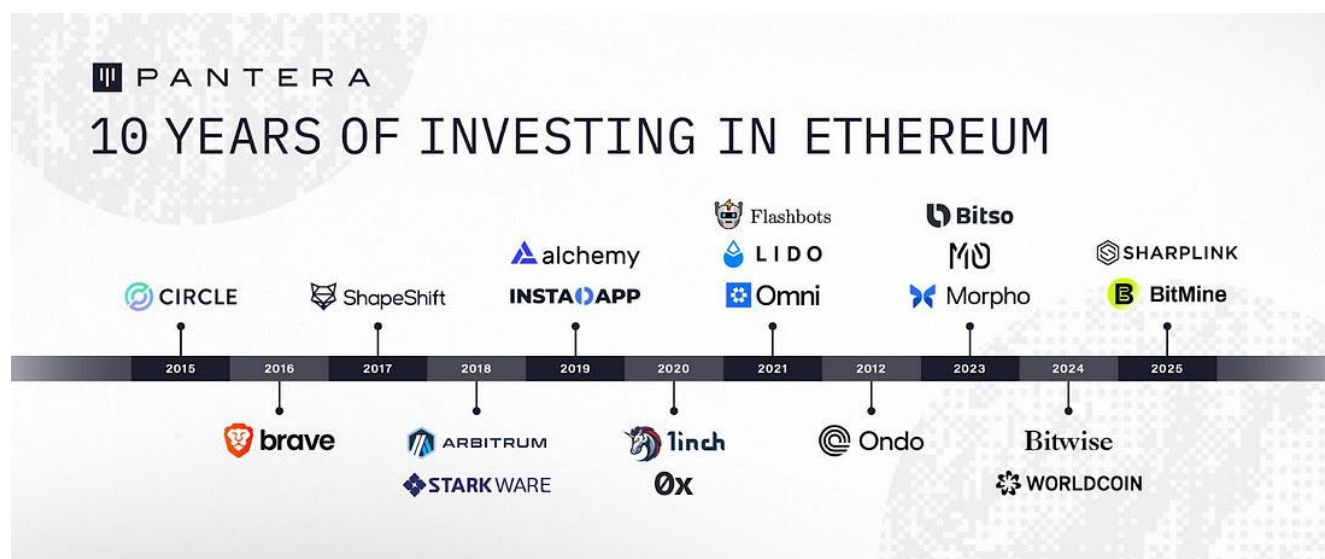
Before Ethereum, Vitalik Buterin was an early Bitcoiner, working at Bitcoin Magazine. Here, he noticed the need for scripting capabilities for application development within Bitcoin. He embraced this vision and built Ethereum with a general scripting language and shared his blueprint of a computer being run on a decentralized permissionless network. At the time, the idea was ambitious, leaving room for skeptics as there was this young kid without any big tech corporate experience, aiming to create something fundamentally new.

What shifted the gaze for me and many other early investors was that applications were wanting to build on Ethereum instead of Bitcoin and its Layer 2s, conveying that Ethereum is better for application development. One of the first killer apps that validated this sentiment was Augur; a decentralized prediction market. Augur illustrated that Ethereum could enable powerful, permissionless applications built on transparency, automation and financial logic. Ethereum also allowed developers to issue tokens, coordinate governance, and raise capital natively, sparking the ICO boom. At Pantera, we launched one of the first ICO funds and backed some of the earliest DeFi applications such as 0x, holding our place at the forefront of the Ethereum evolution.

A Decade of Ethereum

Marking its 10th anniversary, Ethereum is enjoying a long-awaited moment in the sun. Launched in 2015, Ethereum was the first to introduce programmable smart contracts, building a community of developers that set the stage for DeFi, gaming, NFTs and more. Through the decade, this ecosystem fostered continuous innovation that resulted in hosting the majority of DeFi protocols, and serving as the backbone for stablecoins. The infrastructure supporting stablecoins has matured significantly, with the GENIUS-Act providing regulatory clarity, channeling royalties to Ethereum and boosting its demand. While stablecoins like USDC and USDT exist on many chains, Ethereum remains the dominant home for stablecoin activity accounting for nearly 50% of global stablecoin market cap. Ethereum’s robust ecosystem continues to drive price appreciation, fueled by stablecoin adoption and innovative scaling solutions, with Pantera Capital’s strategic investments amplifying this growth.

Pantera’s Ethereum Ecosystem Investments



Over the past decade, Pantera Capital has invested in Ethereum's ecosystem, backing transformative projects and founders. We are also one of the very few firms to have invested consistently alongside the very existence of Ethereum itself. Key investments include Circle, which powers USDC, a leading stablecoin with over \$60 billion market cap and a driving force behind Ethereum's adoption in DeFi and payments. Arbitrum, a leading Layer 2 solution, has captured 100% of Ethereum's incremental transaction growth in 2023, processing transactions 40x faster and 20x cheaper, with over 1.89 billion transactions since its launch with cumulative DEX trading volume exceeding over \$545 Billion, displaying Ethereum's scalability. More recently, it has emerged as a key player in migrating the infrastructure of capital, powering Robinhood's launch of Stock Tokens on Arbitrum and serving as the underlying infrastructure of Robinhood Chain. Ondo, contributing significantly to the billion-dollar tokenized treasury market, launched USDY in 2023, showcasing Ethereum's pivotal role as the core infrastructure for linking real-world assets, like US Treasuries, to on-chain finance. Morpho significantly improved the lending experience on Ethereum, as it reached nearly \$1 billion in deposits just a year after its launch, making it one of the fastest DeFi protocols to hit this milestone. Pantera seeded Bitwise's spot Ethereum ETF, one of the first to gain approval, creating a new venue for institutional capital inflows. As of 2025, Bitwise manages over \$4 billion in assets, leveraging Ethereum's blockchain to power DeFi and tokenized asset strategies. Finally, BitMine, alongside firms like Bit Digital, has added over 840,000 ETH to corporate treasuries, signaling commitment to Ethereum's value as a reserve asset.

Institutional Demand, DATs, and Ethereum's Supply Shift

Ethereum surged 53% in July – but this rally wasn't built on hype. It's a structural move driven by growing institutional allocations into ETFs and Digital Asset Treasuries (DATs), Ethereum Foundation's turnaround, coupled with recent regulatory clarity.

Institutions have taken interest in cryptocurrency exposure through ETFs and DATs. US spot ETH ETFs attracted \$1.8 billion in inflows last week alone. DATs also began aggressively stacking ETH. SharpLink (SBET) boosted its reserves to 361,000 ETH, while BitMine crossed the \$2 billion mark in Ethereum holdings in just 16 days. As MicroStrategy's Tom Lee highlighted on call with Pantera's Cosmo Jiang, these treasury companies have built-in advantages: cheap capital, equity premiums, staking yields, M&A arbitrage, and operational income that allow every new equity issuance to compound their ETH per share. This unique structure continuously shrinks Ethereum's free float, providing price support beyond simple demand.

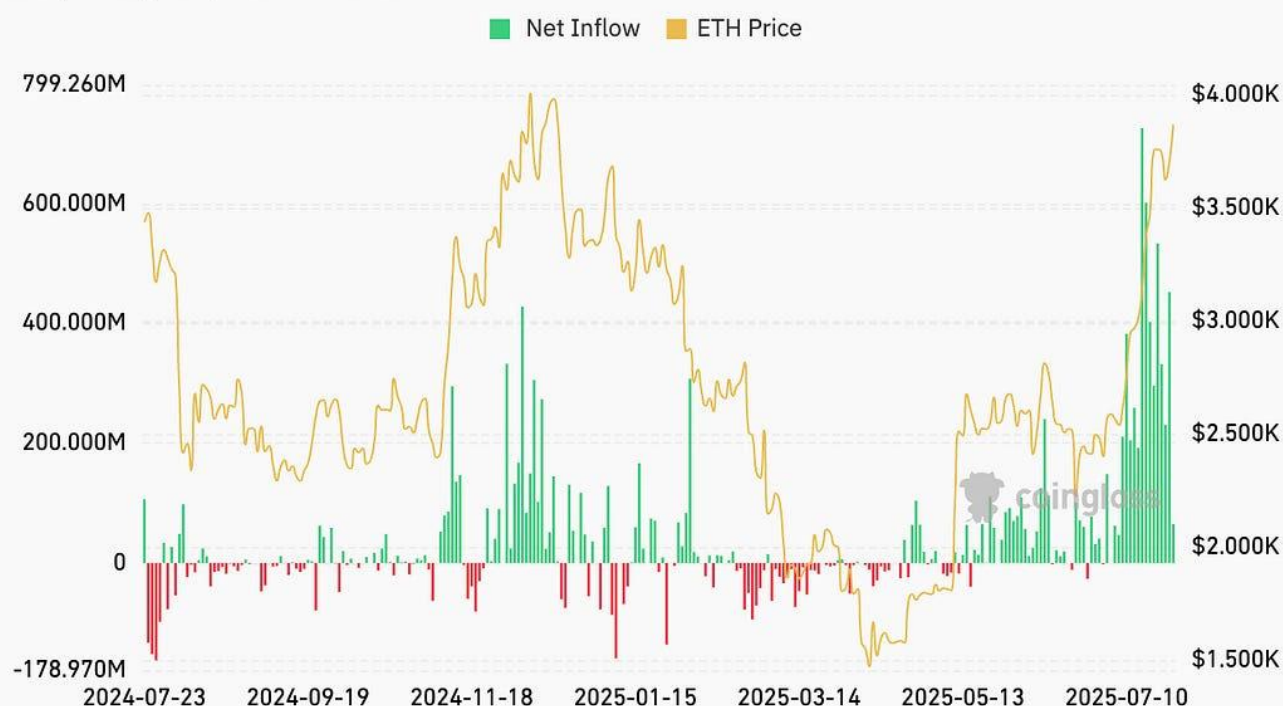
Total Ethereum Spot ETF Net Inflow

ETH

USD

All ↕

Last update(UTC) : 2025-07-28



Source: <https://www.coinglass.com/eth-etf>

DATs are no longer a crypto-native curiosity, serving as an entry point for institutions to dip their toes into crypto and Ethereum, allowing them to gain exposure prior to purchasing spot or transacting on-chain. As I covered in my previous blog “Blockchain Going Public: the Convergence of Public Markets and Digital Assets”, these vehicles concentrate massive buying power, often absorbing more ETH than is issued, driving scarcity, and setting off broader capital rotations into altcoins.

Regulatory Clarity and Ethereum Foundation’s Strategic Turnaround

Regulatory clarity has also transformed historical headwinds to tailwinds. July’s GENIUS Act granted federally chartered status to regulated payment stablecoins. Stablecoins, quietly becoming crypto’s killer app, have already exceeded \$250 billion in circulation, with Ethereum settling roughly half of all tokenized dollar transfers globally.

Lastly, Ethereum Foundation's (EF) new leadership and rapid developments are helping the chain evolve rapidly. The turnaround involved a leadership overhaul, Protocol team restructuring, a disciplined treasury policy, and an accelerated technical roadmap to address community criticisms about inefficiency, transparency, and competitiveness. By focusing on L1 scaling, blobspace, UX, and DeFi integration, EF aims to prove Ethereum’s dominance amid growing institutional adoption (e.g., Robinhood’s Stock Tokens on Arbitrum) and competition from blockchains like Solana. While challenges remain, such as retaining talent and managing community expectations, the EF’s strategic shift positions Ethereum to capitalize on the on-chain migration of capital markets, as seen in innovations like Robinhood Chain and Pantera’s ecosystem investments.

Final Thoughts

Stablecoins have finally locked onto dependable rails, reinforced by regulatory clarity from acts like the GENIUS Act, boosting its demand. Digital Asset Treasuries are the engines behind that demand. They vacuum float, boost price, and give institutions a turnkey way to hold crypto. In a market that now prizes structural yield, tokens that have deflationary pressure and linked with real cashflow, will be attractive candidates to be the underlying assets for DATs, further driving Ethereum's price upward as demand for its blockchain surges.

We are at the cusp of a significant infrastructural shift, one that requires not a silver bullet but a vast array of solutions to numerous confounding issues. At Pantera Capital, we remain committed to investing in those solutions that power the next phase of on-chain capital markets, streamline financial infrastructure, and push the horizon of blockchain innovation. Ethereum stands at the center of this shift as the backbone for stablecoins, the platform of choice for institutions, and a catalyst for the evolving digital asset economy.

Grayscale's Research Team published "July 2025: Ethereum Comes Alive." (See summary points below. Read the full piece, [here](#).)

- The Ethereum network's Ether token gained nearly 50% in July 2025. Investors were focused on stablecoins, tokenization, and institutional adoption – areas where the OG smart contract platform stands apart from its peers.
- Passage of the GENIUS Act was a watershed moment for stablecoins and the crypto asset class (see Stablecoins and the Future of Payments). Market structure legislation will take longer to work through Congress, but US regulatory agencies can continue to support the digital assets industry through other policy changes – e.g., by approving staking in crypto investment products.
- Crypto asset valuations may consolidate over the short term, but we continue to see a very bright outlook for the asset class over the coming months. Crypto assets offer exposure to blockchain innovation and may be insulated from certain risks to traditional assets, including the risk of sustained Dollar weakness. For these reasons, Bitcoin, Ether, and many other digital assets will likely remain in demand by investors.

Arca: Why Crypto's Regulatory Breakthrough Comes with a Catch...

A Regulatory Victory That Might Destroy What It's Trying to Save

Last week brought what should have been unqualified good news for our industry. The House passed the CLARITY Act, the GENIUS stablecoin bill advanced, and the Senate Banking Committee released its own comprehensive discussion draft for digital assets market structure. For the first time since we started Arca in 2018, we have multiple pathways toward real regulatory clarity. But buried in the Senate's 35-page discussion draft is a definition so problematic that it could inadvertently destroy the entire crypto venture capital ecosystem. And barely anyone is talking about it.

While the industry celebrates the progress on staking clarity and stablecoin regulation – both genuinely positive developments – a three-word phrase in Section 4B(a) threatens to make every token issued through a venture-backed startup permanently unmarketable to the very investors funding crypto innovation.

The “Ancillary Asset” Time Bomb

The Senate Banking Committee's draft introduces the concept of “ancillary assets” – essentially tokens that can be treated as commodities rather than securities if they meet certain criteria. This sounds helpful, and in theory it is. The problem lies in how they've defined these assets. Section 4B(a)(1)(A) defines an “ancillary asset” as a token “that is offered, sold, or otherwise distributed to a person in connection with the purchase and sale of a security through an arrangement that constitutes an investment contract.”

Those three words – “in connection with” – would destroy the dominant fundraising structure that's emerged in crypto since the 2022 collapse of FTX and Celsius.

How Crypto Venture Capital Actually Works

To understand why this matters, you need to understand how crypto startups have raised money since the regulatory environment turned hostile. The wild west ICO days are long gone. Today's reality looks like this:

The Standard Post-2022 Structure:

- Year 0: VC invests in a SAFE (Simple Agreement for Future Equity) for company equity
- Year 0: VC also receives a warrant giving rights to future tokens when the company issues a token
- Year 2-3: Company launches operational network and tokens
- Year 3: VC exercises warrant to receive tokens that now have genuine utility

This structure solved multiple problems:

- Legal separation between equity investment (clearly a security) and utility tokens
- Temporal separation allows tokens to develop genuine use cases
- Economic separation where tokens derive value from network usage, not just company performance

The powerful idea behind this structure is that by the time tokens are distributed, the project has found its product market fit and tokens now represent genuine utility in the working network – like arcade credits or subway tokens – rather than speculative bets on a company's future success.

Why the Senate Definition Kills This Structure

Under the proposed definition, tokens distributed through these warrants could be forever tainted because they were distributed “in connection with” the original SAFE purchase. No matter how much genuine utility the tokens develop, no matter how decentralized the network becomes, they can never qualify as “ancillary assets” because of their distribution history.

This creates an existential problem for venture capital funds. Most VC funds cannot hold securities long-term due to:

- Limited Partnership Agreement restrictions limiting investments to venture capital
- Investment Company Act exemption requirements restricting passive securities holdings
- Tax qualification issues around carried interest and pass-through status
- Fiduciary duty constraints requiring adherence to fund mandates

If tokens from warrant exercises remain securities rather than commodities, VCs would be forced to immediately sell them or violate their fund restrictions. This doesn't just create regulatory uncertainty – it makes the entire asset class uninvestable for the primary source of early-stage crypto funding.

The Broader Regulatory Picture

This isn't to say the Senate draft is all bad. There are genuinely positive developments:

GENIUS Act stablecoin framework provides the regulatory clarity that enabled Circle's 1000% post-IPO surge and should accelerate institutional adoption of USD- denominated stablecoins.

Enhanced staking clarity finally resolves the regulatory uncertainty that has plagued everything from Coinbase's staking services to liquid staking protocols like Lido. Our analysis suggests this could drive significant revaluation in staking infrastructure tokens.

Choice between regulatory pathways could solve the forced decentralization problem we've written about extensively, where application tokens are destroyed by being forced to operate like Bitcoin rather than like businesses.

But none of these benefits matter if the “ancillary asset” definition accidentally diminishes the role of venture capital in crypto.

Real-World Impact on Innovation

As an example, let's consider a typical Arca portfolio company: it probably raised \$20M through SAFEs in 2023, has been building its product for two years, and is now preparing to launch its network in 2025. Under current law, there's regulatory uncertainty about its potential tokens. Under the Senate framework, there would be regulatory certainty – certainty that the company's tokens remain securities forever, making them effectively uninvestable.

This isn't just a theoretical situation. We estimate that this rule could affect the majority of venture-backed crypto companies funded since 2022. These companies are building the next generation of DeFi protocols, infrastructure tools, and blockchain applications that will drive the industry forward.

The irony is stark: a bill designed to provide regulatory clarity for digital assets could eliminate the funding mechanism that creates those assets in the first place.

The Three-Word Fix

We believe that the solution is remarkably simple. The definition should focus on the intrinsic characteristics of tokens rather than their distribution history. Instead of requiring that ancillary assets be distributed “in connection with” securities, the definition should rely solely on the “disqualifying financial rights” test already included in Section 4B(a)(1)(B).

A token that provides genuine utility without giving holders debt, equity, dividend, or liquidation rights should qualify as an ancillary asset regardless of how it was initially distributed. This would preserve the venture capital structures that fund innovation while maintaining investor protection through the economic substance test.

This isn’t about creating loopholes – it’s about recognizing economic reality. A token that allows for the storage of files on a decentralized network or trade on a decentralized exchange has commodity-like utility, regardless of whether the token is received through a warrant, an airdrop, or a direct purchase.

Why This Matters Now

The Senate Banking Committee is actively soliciting feedback on its discussion draft, with responses due August 5th. This is a rare opportunity to fix a potentially catastrophic unintended consequence before it becomes law.

The crypto industry has learned to adapt to regulatory uncertainty, building compliance frameworks and working within existing securities laws when necessary. But adaptation has limits. It’s impossible to adapt when a core business model becomes illegal.

The Stakes

We’re at a crucial inflection point for crypto regulation in the United States. Get it right, and we establish America as the global leader in digital assets innovation while protecting investors. Get it wrong, and we risk driving the next generation of blockchain companies to Singapore, Switzerland, and the UAE, putting the US at a competitive disadvantage.

The Senate Banking Committee clearly understands the importance of getting this right—their 85-question RFI demonstrates serious engagement with the technical and economic complexities of digital assets. But good intentions aren’t enough when three words in a definition can undermine the entire venture capital ecosystem.

This isn’t about asking for special treatment for venture capital. It’s about asking for definitions that reflect economic reality and don’t accidentally destroy the funding mechanisms that create the very assets the legislation is trying to regulate.

The path forward is clear: fix the “ancillary asset” definition to focus on token characteristics rather than distribution history. The alternative – a regulatory framework that eliminates early-stage funding for crypto innovation – would be a tragedy for American technological leadership.