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The Hybrid Finance Playbook

For Crypto Asset Managers

Contributors

Borderless.xyz

Borderless is a global stablecoin orchestration network that connects local financial institutions and payment rails. The team provided insights on how cross-border capital flows and secondaries are reshaping access to digital asset funds for LPs worldwide.

BIT

BIT (formerly Matrixport) is a crypto derivatives and investment platform, offering options, futures, spot trading, and structured yield products. The team provided insights on how BIT's yield and structured products are used inside hybrid finance stacks.

Bitget

Bitget is one of the world's largest crypto exchanges, serving over 150 million users with spot and futures trading, AI-powered tools, tokenized stocks, and an integrated Web3 wallet. The team provided insights on exchange infrastructure as the on-ramp to hybrid finance.

CoinRabbit

CoinRabbit is a crypto asset management platform that enables payments, lending, yield generation, and trading. Since 2020, it ensures 100% capital reserve, keeping clients' funds safe and never reused. The team provided insights on strategic digital capital preservation.

MERGE

MERGE is the leading institutional crypto, blockchain, and Web3 conference series bridging traditional finance and digital assets across Southern Europe and Latin America. The team provided insights on what hybrid finance really looks like from the MERGE stage and corridors.

Utila

Utila is an institutional-grade MPC wallet platform that enables financial institutions to securely build, manage, and scale stablecoin and digital asset operations. The team provided insights on stablecoin and digital asset infrastructure as the backbone of hybrid finance.

Serica (Steakhouse Financial / Animoca Brands)

Steakhouse Financial bridges traditional assets with decentralized finance through on-chain structuring. Animoca Brands is a global Web3 investor in blockchain gaming and digital property rights. The team provided insights on protocol-native risk management.

Executive Summary

The financial system is being rewired as "*digital*" and "*traditional*" assets fuse into one.

Hybrid finance – the integration of crypto-native infrastructure with traditional markets – has reached an irreversible inflection point in **2024-2025**. With stablecoin supply exceeding **$320** billion and annual transaction volumes hitting **$33 trillion** (surpassing Visa and Mastercard combined), blockchain rails have evolved from experimental technology to institutional-grade settlement infrastructure. Major players like **BlackRock** (**$2.5B+** tokenized Treasuries), **JPMorgan** (**JPM Coin** on public chains), and **Franklin Templeton** are deploying production capital on-chain, enabled by regulatory clarity from MiCA Phase II, the GENIUS Act, and UK FCA frameworks – a clear wake-up call of institutional adoption.

Asset managers now face a market where **T+0 settlement**, **24/7 liquidity**, and **programmable compliance** are baseline expectations, not innovations. The hybrid yield stack offers risk-calibrated returns from **3%** to **15% APY** across protocol staking, tokenized private credit (**$18.9B+ market**), real-world assets, and restaking – accessible through permissioned DeFi venues like **Aave Horizon** and **Morpho** that reconcile regulatory requirements with capital efficiency. **CME**'s launch of 24/7 crypto trading and **DTCC**'s tokenization pilot eliminate the final structural gaps between traditional and on-chain markets.

What suits most asset managers:

- **Immediate**: Evaluate custody infrastructure for T+0 readiness and establish 24/7 risk monitoring capabilities.
- **Near-term**: Deploy tokenized money-market funds (4-5% APY, instant settlement) as cash-equivalent replacements.
- **Strategic**: Build hybrid yield ladders combining staking base yields (**3%**) with tokenized credit (**6-12%**) to capture the **$2-4 trillion** tokenized RWA opportunity while maintaining fiduciary safeguards.

The institutions that act with this in mind will define the standards for the unified financial system now emerging – one where the distinction between "**traditional**" and "**digital**" assets dissolves entirely.

This report serves as a playbook for asset managers navigating the convergence of traditional and crypto-native finance.

1. Hybrid Finance: From Disruption to Integration

Hybrid finance represents the convergence of crypto-native infrastructure with traditional financial systems – a programmable intermediate layer transcending the binary of pure DeFi and CeFi.

As CoinShares articulates in their 2026 Outlook, this emerging paradigm constitutes "*a financial stack where traditional institutions and on-chain rails increasingly operate as one.*" This definition captures the essential architectural shift underway: the creation of financial infrastructure that leverages public blockchain settlement finality and smart contract automation while maintaining the legal certainty, investor protections, and operational safeguards that institutional asset management requires.

The Georgetown Financial Policy Institute frames this integration as "*Institutional DeFi*" – a taxonomy encompassing permissioned liquidity pools, KYC-enforced protocol access, and regulated entity participation in on-chain markets. This institutionalization does not represent a compromise of crypto's core value propositions, but rather their maturation into forms compatible with fiduciary obligations and prudential supervision.

Crucially, hybrid finance is not merely a theoretical construct but an operational reality. As CoinShares notes, "*2026's core story is convergence: public blockchains, regulated capital, real-economy use cases, and maturing regulatory frameworks colliding*" into a unified system. This convergence enables institutions to access 24/7 liquidity, atomic settlement, and programmable compliance while operating within familiar regulatory frameworks – a combination impossible within either purely decentralized or purely traditional architectures.

The Crypto-TradFi and TradFi-Crypto Convergence

The emergence of hybrid finance is characterized by a simultaneous pivot from both crypto-native platforms and traditional financial institutions, which accelerated in 2024-2025.

Crypto-Native Platforms Embrace TradFi Integration

Crypto-native platforms have evolved toward institutional compatibility through "*CeDeFi*" (Centralized Decentralized Finance) models – hybrid architectures that preserve DeFi's efficiency while satisfying TradFi regulatory requirements. Key developments include:

- **Permissioned Protocols**: Aave Horizon (KYC-verified institutions only), Maple Finance (accredited-investor credit pools), Centrifuge (private credit via SPV wrappers).
- **KYC-Enforced Smart Contracts**: Fireblocks (institutional DeFi access), Predicate/Paxos on Uniswap v4 (OFAC screening), Ondo Finance (Regulation D exemptions).
- **Regulatory Licensing**: Coinbase (multi-jurisdiction), Circle (EU MiCA/UK FCA EMI licenses), Circle (NYDFS-regulated).

TradFi Institutions Build on Public Chains

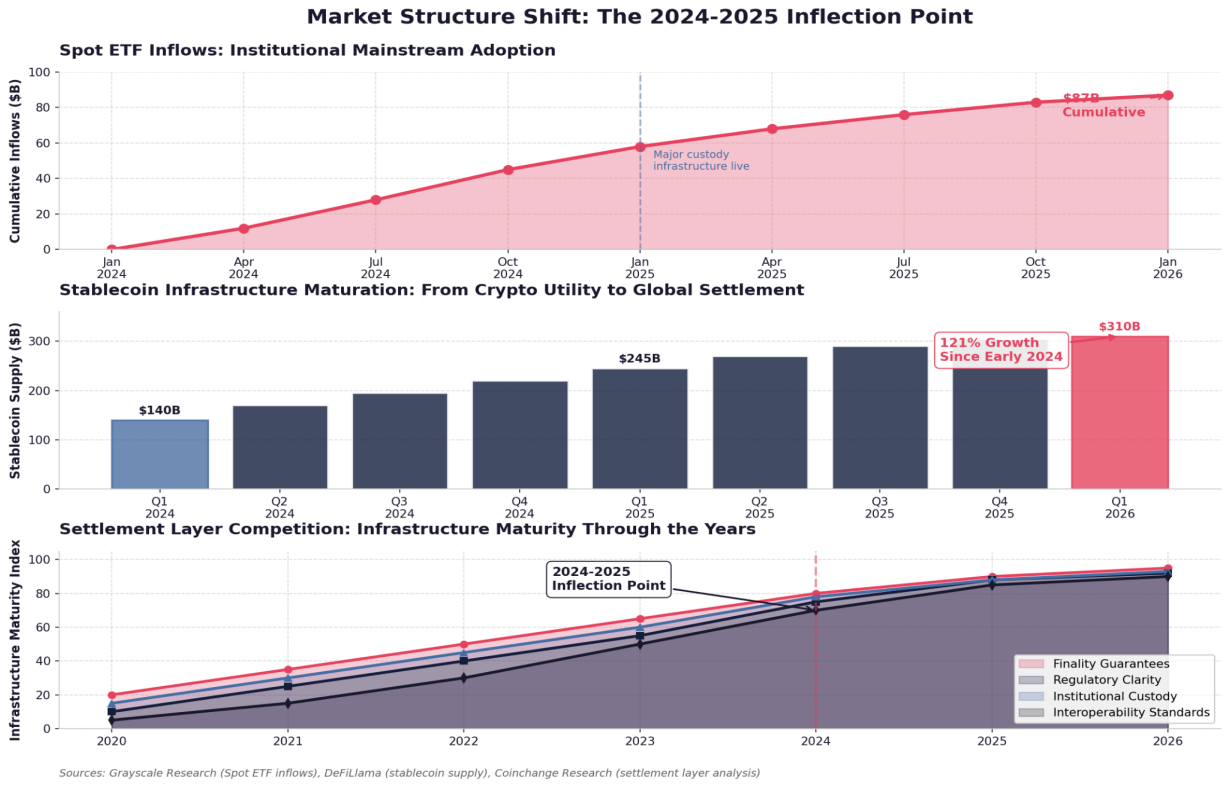
Traditional financial institutions have migrated from blockchain pilots to production deployment on public infrastructure, treating distributed ledgers as core settlement infrastructure rather than experimental technology. Key developments include:

- **Tokenized Fund Products**: BlackRock BUIDL (billions in TVL, 24/7 transfers), Franklin Templeton BENJI (second-precision NAV), WisdomTree (regulated digital funds)
- **Bank-Issued Digital Money**: JPMorgan JPM Coin (billions daily, Base expansion 2025), Société Générale EURCV (atomic settlement), HSBC tokenized gold ($1B+ volume).
- **Infrastructure & Custody**: DTCC SEC No-Action Letter (T+0 settlement H2 2026), BNY Mellon (live digital custody), Citi (native Bitcoin custody planned for 2026 (MEXC))

Market Structure Shift: The 2024-2025 Inflection Point

The period of 2024-2025 marked an irreversible inflection point in the structural integration of crypto and traditional markets, characterized by three convergent developments:

- **Spot ETF Inflows**: $87B cumulative net inflows (Grayscale) established crypto as mainstream allocations, creating regulated custody infrastructure and transparent pricing benchmarks.
- **Stablecoin Maturation**: Supply doubled since early 2024 to $320B+ in Q1 2026, evolving from crypto utility to global settlement infrastructure with regulatory frameworks and payment network integration.
- **Settlement Layer Competition**: Asset managers now evaluate chains based on finality guarantees, regulatory clarity, institutional custody support, and interoperability standards.



Sources: Grayscale Research (Spot ETF inflows), DeFiLlama (stablecoin supply), Coinchange Research (settlement layer analysis)

Architecting for Hybrid Operations

Hybrid finance represents the convergence of crypto-native infrastructure with traditional financial systems – what CoinShares' Hybrid Finance investment thesis terms the "*intersection of three converging forces*":

- **Blockchain infrastructure** serving as global settlement rails,
- **Tokenization** transforming traditional assets into programmable instruments,
- And **applications** generating real, auditable cash flows from on-chain activity.

As CoinShares articulates, "*Finance is not being disrupted. It is being rewired*" -- a platform shift where "*every treasury, every bond, every real asset that can be digitised will be. The rails are live. The capital is moving*."

This rewiring rests on four interconnected infrastructure pillars that enable institutional-grade capital deployment.

- **Tokenized real-world assets** provide the collateral foundation, transforming illiquid instruments into 24/7 programmable assets with atomic settlement and fractional ownership.
- **Stablecoins** function as the settlement layer, offering real-time gross settlement and cross-border liquidity management without correspondent banking friction.
- **Institutional custody and prime brokerage** – encompassing MPC security, staking integration, and cross-chain aggregation – provide the fiduciary infrastructure for on-chain asset management.
- **Programmable compliance** embeds regulatory adherence directly into transaction infrastructure through automated screening, zero-knowledge identity verification, and real-time risk parameter enforcement.

The strategic imperative is immediate. Institutions that architect now gain first-mover advantages in product structures, operational efficiency, and client relationships.

As institutional investors increasingly demand 24/7 liquidity and programmable investment structures, the transition requires systematic capability building across **custody**, **compliance**, **trading**, and **portfolio management**. Asset managers should evaluate current infrastructure against the mentioned four pillars, identifying gaps and prioritizing investments that enable seamless operation across traditional and on-chain markets.

What Hybrid Finance Looks Like at an Institutional Summit

The implementation of hybrid finance can be best seen at events and conferences, as the leaders truly represent where innovation is going. Let's take a look at MERGE as an example.

A More Grounded View of Hybrid Finance

From the outside, hybrid finance still sounds a bit like a concept that is being defined. Something that makes sense in theory, but is harder to see clearly in practice. From inside

MERGE, the picture is more grounded. You can see what is actually moving, but also where things are still early or simply not happening yet.

Because of the mix of people **MERGE** brings together, banks, asset managers, regulators, fintechs and crypto-native teams from Europe and Latin America, you start to notice patterns quite quickly. Not just from what is said on stage, but from what conversations continue afterwards, who asks for follow-ups, and what turns into real work in the months after.

Tokenization: Traction, But Only in Specific Use Cases

Tokenization is probably the clearest example of something that has moved beyond the narrative, but only in very specific areas. It comes up consistently around fixed income and short-term instruments, especially when it is framed as an improvement to existing processes rather than a full transformation. The more it connects to efficiency, settlement or distribution, the more traction it gets. When it feels too far from current operating models, interest becomes much more limited. What **MERGE** sees is not a broad adoption, but very focused exploration where the use case is clear.

Stablecoins: Where Europe and Latin America Diverge

Stablecoins have evolved in a slightly different way. They are no longer perceived as a purely crypto topic, but as something much closer to **payments** and **treasury**. The conversations tend to move quickly into practical questions around cross-border flows, liquidity and integration with existing systems, and very quickly into regulation.

This is also where the difference between Europe and Latin America becomes very visible. **In Latin America, the impact is significantly stronger and much more immediate**. Usage is more widespread because it directly improves payment systems, especially for cross-border transactions, but also because of something more structural, which is the role of stablecoins as a store of value. Many individuals are already using them as a way to save, something that is not happening at the same scale in Europe. This creates a very different level of urgency and also brings stablecoins into conversations that go beyond private sector use cases, including central bank reserves and monetary dynamics. **It is becoming a topic of real relevance at a systemic level, not just a technological one**.

Institutional DeFi: Interest, But Still Early

Institutional DeFi sits in a different place. There is clearly more interest than before, and it is no longer dismissed, but most institutions are still in a phase of understanding how it could fit within their constraints. Conversations tend to focus on more controlled environments, on transparency and on how parts of DeFi infrastructure could be adapted to institutional standards. The gap is less about curiosity and more about how to make it workable within existing risk and compliance frameworks.

What is Not Moving Forward

It is also quite clear what is not moving forward at the same pace. Models that feel too far from current regulatory or risk realities tend to remain at the level of discussion. The same happens with conversations that stay too abstract. There is a noticeable difference between what generates interest on stage and what actually leads to a second meeting.

Where Real Progress Actually Happens

Another important point is that most of the real progress does not happen during the panels themselves. The stage helps to frame the conversation, but the real work tends to happen in smaller settings. **Private meetings, side conversations, more informal environments where people can go deeper into how things would actually work**. That is where you start to see whether there is a real intention to move forward.

A Gradual, Uneven Transition

From this perspective, **hybrid finance does not feel like a single shift that happens at once**. It looks more like a series of gradual steps, where different players try to connect what already exists with new possibilities, without stepping outside their constraints.

In that sense, **hybrid finance is already happening**. Just in a much more practical and uneven way than the narrative sometimes suggests.

2. Regulatory Architecture for Hybrid Markets

The transition from DeFi to institutional-grade hybrid finance requires a **regulatory framework** that combines blockchain infrastructure with the standards of traditional capital markets.

As of Q1 2026, this reconciliation is accelerating across major jurisdictions, creating both unprecedented clarity and complex operational challenges for asset managers.

Global Jurisdictional Frameworks

European Union: MiCA (Fully Operational)

- **Passporting Advantage**: One CASP license grants EU-wide access; 53 licenses issued.
- **Implementation**: Verify counterparty CASP status before July 2026; structure via Luxembourg RAIFs or Ireland QIAIFs.
- **Risk**: Divergence between MiCA prudential calculations and MiFID requires dual-structure planning.
- **Deadline**: July 1, 2026. Non-compliant issuers face delisting from EU markets.

United States: GENIUS Act (Ongoing Implementation), CLARITY Act (committee-passed)

- **Bank-Issued Stablecoins**: OCC supervision, 100% reserves, prohibition on issuer interest.
- **Rulemaking**: Treasury NPR issued April 2026; CFTC confirmed national trust banks as permitted issuers February 2026; CLARITY defines agency lines.
- **Implications**: Use compliant stablecoins (USDC/PYUSD) without securities ambiguity; access yield via DeFi wrappers or tokenized MMFs.
- **Risk**: Foreign issuers must register with OCC – offshore arbitrage strategies closing.

United Kingdom: FCA Prudential Reset (Gateway Opens September 2026)

- **Framework**: Cryptoassets Regulations 2026 enacted February 4, 2026.
- **Capital-Intensive**: MiFID-style K-factors (PMR £75K-£750K + risk-weighted exposures).
- **Asset Classification**: Category A (40% risk weight), Category B (100% risk weight), UK-authorized stablecoins (0% risk weight).
- **Risk**: No transitional period – unauthorized operation becomes a criminal offence after September 30; crypto-native firms face immediate competitive disadvantage.

Asia-Pacific:

- **Singapore (MAS)**: Project Guardian (40+ participants), BLOOM operational (real-time cross-border settlement).
- **Hong Kong (HKMA)**: Stablecoin Ordinance effective August 2025; first two licenses granted April 2026 (HSBC, Anchorpoint) from 36 applications. Regulator signaled future approvals will be "very limited."
- **Risk**: MAS enforcement accelerating; Hong Kong licensing bottleneck constrains first-mover advantage.

EMEA:

- **Dubai (VARA)**: 70+ licenses issued; zero tax but significant CMS operational overhead.
- **Risk**: No EU passporting; VARA-licensed firms serving EU clients must comply with MiCA CASP requirements.

The "Same Activity, Same Rules" Evolution

Regulatory convergence centers on technology-neutral principles. Tokenized securities achieve clarity (MiCA Title V, UK CP25/41, GENIUS Act); pure DeFi without controlling entities remains ambiguous.

Paxos-Predicate pilots demonstrate real-time on-chain screening with immutable audit trails (Paxos). Zero-knowledge KYC enables selective disclosure for permissioned DeFi participation while maintaining privacy. (arXiv)

Cross-Border Fragmentation Risks

- **Custody Definition Divergence**: UK CP25/42 safeguarding requirements vs. EU MiCA CASP frameworks vs. US SEC/OCC fragmentation requires multi-structural arrangements.
- **Securities vs. Commodities**: US SEC treats staking as potential securities; EU MiCA treats staking as regulated CASP activity; UK CP25/40 addresses staking disclosure without securities classification.
- **Tax Treatment**: Transfer taxes, withholding, and VAT vary significantly across EU member states, UK, Singapore (no capital gains for certain tokens), and US (ordinary income vs. capital gains characterization).

Institutional Structuring for Scale

- **Legal Wrapper Architecture**: SPVs (Jersey/Luxembourg/Cayman) for bankruptcy remoteness; trust structures for fiduciary segregation; UCITS/AIFMD/VCC fund vehicles for tokenized strategies.
- **Compliance Technology** Stack: Three approaches – (1) centralized overlay KYC, (2) permissioned protocol participation, (3) programmable compliance with real-time screening.
- **Strategic Positioning**: Prioritize jurisdictions with operational clarity (EU post-MiCA, UK post-2026, Singapore, Hong Kong) while maintaining structural flexibility for US evolution.

The convergence of regulatory clarity and infrastructure maturity creates a narrow window for first-mover advantage in hybrid product categories.

Firms that establish compliant operational frameworks in **H1 2026** will be positioned to capture the projected **$2-4 trillion tokenized RWA market** (McKinsey) as regulatory barriers to institutional capital continue to dissolve.

3. Tokenization: The Infrastructure Layer

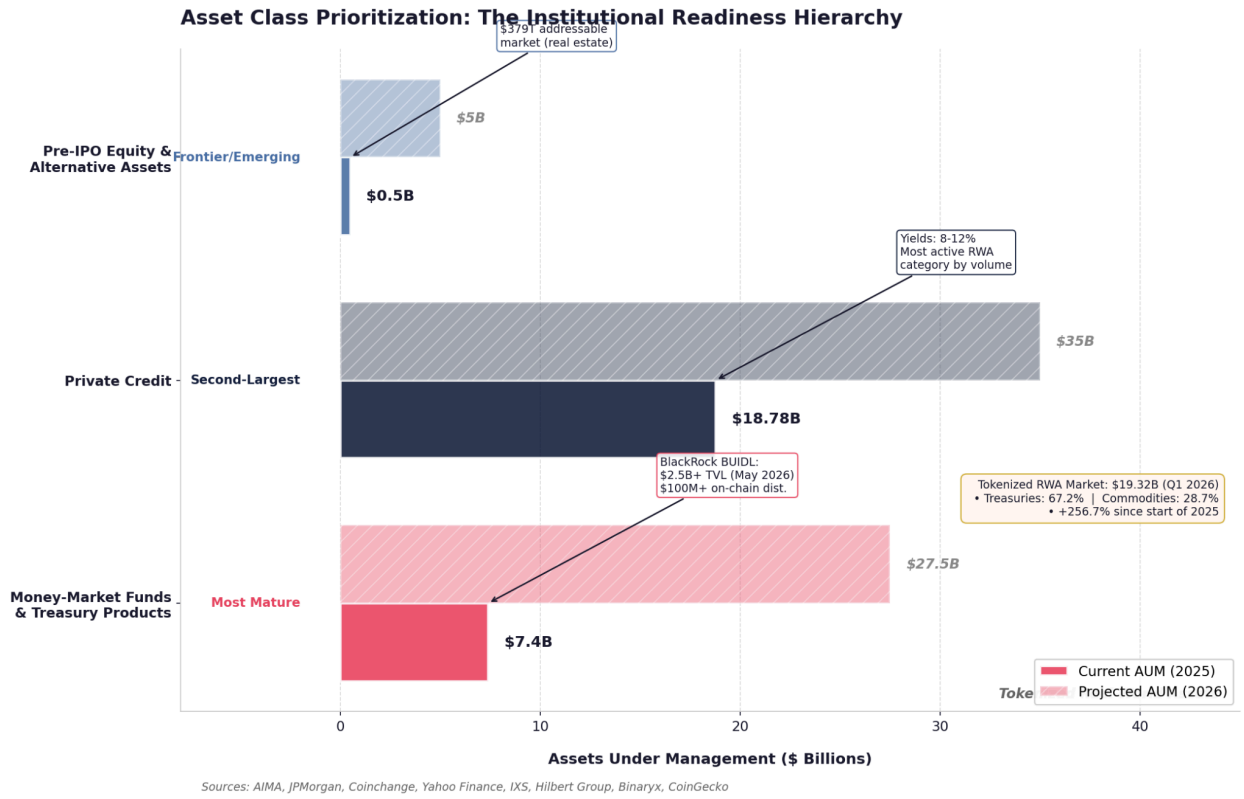
The tokenization landscape has evolved from experimental pilots to a structured hierarchy of institutional adoption, with asset classes ranking distinctly by operational maturity, regulatory clarity, and liquidity profiles.

Asset Class Prioritization: The Institutional Readiness Hierarchy

Money-Market Funds and Treasury Products currently represent the most mature tokenization vertical. As of mid-to-late 2025, tokenized money-market funds (MMFs) have reached approximately **$7.4 billion in assets under management** (AIMA, JPMorgan), with industry projections targeting **$25–30 billion by end of 2026** (Coinchange). The overall tokenized RWA market reached **$19.32 billion by end of Q1 2026** (up **256.7%** since start of 2025) (Coingecko). **$31.4 billion** as of **May 2026** (a fivefold increase since the beginning of 2025, representing **~46% growth year-to-date in 2026 alone**) (Binance). This growth trajectory reflects the "cash-equivalent first" strategy adopted by institutional allocators seeking familiar risk profiles with enhanced operational efficiency. **Tokenized Treasuries** remain the largest category at **67.2%** of the $19B +RWA market, but tokenized commodities (mostly gold) have risen to 28.7%. **BlackRock's BUIDL** fund alone surpassed **$2 billion in total value locked** during 2024 (now **$2.5B+** as of May 2026), distributing over **$100 million in payouts** to token holders through fully on-chain distribution mechanisms. (Yahoo Finance)

Private Credit has emerged as the second-largest tokenized asset category, reaching approximately **$18.78 billion in on-chain loan value** as of November 2025 (IXS). Platforms including **Maple Finance**, **Centrifuge**, and **Goldfinch** have demonstrated that loan-level automation and repayment flows translate efficiently to blockchain infrastructure. Borrower-side yields typically range between **8–12%** depending on credit quality and structure. The asset class benefits from standardized SPV templates and automated compliance tools that reduce legal friction, though secondary liquidity remains constrained compared to primary issuance markets.

Pre-IPO Equity and Alternative Assets represent the frontier of tokenization, with platforms like Hilbert Group's Syntetika enabling tokenized custody and trading of pre-IPO equity. These instruments target the "illiquidity premium" capture but face higher regulatory complexity regarding securities classification and transfer restrictions. Tokenized real estate, while representing a **$379 trillion** global market opportunity, remains operationally challenging due to land registry fragmentation and jurisdictional legal variations. (Binaryx)



Sources: AIMA, JPMorgan, Coinchange, Yahoo Finance, IXS, Hilbert Group, Binaryx, CoinGecko

Operational Mechanics: From Custody to Settlement Finality

The operational infrastructure supporting tokenized assets has matured significantly, establishing new standards for institutional participation.

- **Custody Architecture**: MPC (Multi-Party Computation) is an institutional standard – distributed key shares, threshold signatures (2-of-3 or 3-of-5), HSM storage (FIPS 140-2 Level 3+). Replaces cold storage with "transaction intelligence."
- **On-Chain NAV Calculation**: Smart contracts automate NAV per token, provide immutable audit trails, enable instantaneous subscription/redemption, and support 24/7 operations. Hybrid reality: most underlying assets remain off-chain with oracle-delivered pricing.
- **T+0 Settlement**: DTCC authorization enables tokenized Russell 1000 equities, Treasuries, and ETFs with blockchain-based transfers to registered wallets, transaction reversibility capabilities, and Tier 2+ system ratings.

However, the **BIS** notes that current tokenized MMFs still operate in hybrid environments (BIS) – the vast majority of underlying repo transactions and government securities reside off-chain with traditional custodians, requiring oracle networks to deliver pricing data to blockchain systems.

On-Chain ≠ Liquid

A critical distinction exists between tokenization and liquidity creation: **Tokenization ≠ liquidity**.

Tokenized MMFs and private credit trade with wider spreads than traditional counterparts due to fragmented venues and limited market makers. Issuer-dependent exit mechanisms (**BUIDL**: **$5M** minimum, whitelisted only; **BENJI**: KYC-compliant transfers only) constrain flexibility. "Accumulating" structures (**USYC**) preferable for automated margin vs. "distributing" structures (**BUIDL**) requiring payout handling.

What We Can Learn from Hybrid Finance Case Studies

The convergence of traditional finance and blockchain infrastructure is already happening at scale. The below three implementations reveal distinct pathways for companies navigating the TradFi-DeFi transition, each offering practical blueprints depending on your business model.

The Collateral Integration Playbook

BlackRock's BUIDL fund demonstrates how traditional asset managers can become infrastructure providers for the crypto ecosystem rather than competitors. For TradFi institutions, the lesson is clear: tokenized funds can serve as the "money legos" that DeFi protocols desperately need – stable, regulated yield sources that don't carry the counterparty risk of algorithmic stablecoins.

If you're a **traditional asset manager**, **BUIDL**'s architecture offers a direct template. The multi-chain deployment strategy (Ethereum first, then Solana, Aptos, Avalanche, Optimism) shows you don't need to pick winners – distribute where the liquidity lives. The 24/7 atomic settlement capability matters because it meets crypto markets where they operate: continuously. Traditional T+2 settlement becomes a competitive disadvantage when your counterparties expect instant movement.

For **crypto-native companies**, **BUIDL** reveals how to access institutional-grade yield without leaving your on-chain environment. The DeFi collateral integration – where tokenized Treasuries secure borrowing in decentralized lending markets – creates a capital efficiency loop. Your idle USDC can now earn Treasury yields while still serving as collateral for leveraged positions or operational expenses. The smart contract yield distribution eliminates the administrative overhead that makes small allocations uneconomical for traditional funds.

Building the Distribution Rails

Franklin Templeton's BENJI platform, which is now at $1.98 billion as of April 29, 2026 illustrates how to solve the distribution problem that kills most tokenization projects. Many issuers focus on creating the token; **Franklin** focused on who can actually buy it and how. The fund also marked its 5-year anniversary in April 2026. (Franklin Templeton)

The multi-chain approach here differs from **BlackRock**'s. **BENJI** uses Stellar for retail accessibility, Polygon for Ethereum compatibility, Avalanche for institutional subnets, and Canton for bank integration – each chain serving a specific customer segment rather than maximizing total value locked. This matters if you're building for actual usage rather than vanity metrics.

The practical takeaway for crypto companies: KYC-compliant peer-to-peer transfers mean you can move value between verified counterparties without returning to traditional banking rails. For **TradFi** firms, the white-label technology offering shows a second revenue stream – becoming the infrastructure provider for other asset managers' tokenization efforts rather than just competing for AUM.

Most critically, the Canton Network integration with HSBC demonstrates how to achieve interoperability between fund tokens and bank-issued digital currencies. If you're building in the institutional space, this hybrid model – public blockchain for distribution, permissioned networks for collateral mobility – offers a regulatory-compliant path to on-chain finance without surrendering the relationship layer that banks control.

Unlocking Illiquid Assets

Hilbert Group's Syntetika tackles the problem that tokenization promised to solve but rarely does: actually making illiquid assets liquid. Pre-IPO equity and private credit represent $1.5 trillion in trapped capital, historically accessible only to allocators writing **$5-10 million** checks and accepting multi-year lockups.

For crypto-native platforms, **Syntetika**'s model offers a template for vertical specialization. Rather than tokenizing everything, focus on asset classes where traditional infrastructure creates artificial scarcity. The automated cap table management through smart contracts eliminates the legal and administrative friction that makes small private equity allocations uneconomical.

The practical implementation for **TradFi** advisors: fractional ownership enables portfolio construction previously impossible. A **$50 million** allocation across twenty pre-IPO companies becomes feasible when minimums drop to **$250,000** and secondary trading provides exit options before IPO. The custody and trading infrastructure being built here also suggests where crypto exchanges can pivot – away from speculative tokens toward regulated securities infrastructure.

Applying These Models

These three cases reveal a spectrum of approaches. **BlackRock** built infrastructure for DeFi integration. **Franklin Templeton** built distribution networks across multiple chains and customer types. **Hilbert Group** built access mechanisms for previously gated asset classes.

Your implementation depends on your starting position. If you have existing AUM and regulatory licenses, BUIDL shows how to extend into on-chain markets. If you have technology capabilities and distribution relationships, BENJI demonstrates platform economics. If you have asset sourcing expertise in illiquid markets, Syntetika reveals how tokenization creates liquidity premiums.

The common thread: each treats blockchain as infrastructure rather than product. The token isn't the innovation – the programmable settlement, atomic transfers, and automated compliance are. Build for those capabilities, and the tokenization follows as implementation detail rather than end goal.

As the infrastructure layer matures, **the distinction between "tokenized" and "traditional" assets will likely dissolve** – replaced by a unified framework where blockchain rails serve as the settlement layer regardless of underlying asset class.

How Cross-Border Capital Flows and Secondaries are Reshaping Access To Digital Asset Funds for LPs Worldwide

There's a version of this story that focuses on the demand side, and it's genuinely exciting. Investors across Latin America, Southeast Asia, and Sub-Saharan Africa want exposure to digital asset funds. The capital is there. The interest is there. The macroeconomic logic of dollarization, inflation hedging, and yield alternatives outside broken local banking systems is clear. That part of the story writes itself.

The part that doesn't get written enough is what happens when the wire actually needs to move.

We sit at the infrastructure layer - the place where fund capital flows touch the actual rails. And from that vantage point, the picture is more complicated. Some of it is already working. Stablecoin-denominated fund subscriptions from corridors that would have required a five-day SWIFT wire 18 months ago are now settling in minutes. This is actual capital moving through live infrastructure. What's incomplete is the coverage, and that's the more honest story worth telling.

Where the Demand is Actually Coming From

The strongest inbound signal we see isn't from traditional LPs in Geneva or Singapore. It's from **platforms built on top of broken local monetary systems**. Stablecoin neobanks helping users in Buenos Aires or Lagos dollarize their savings. B2B platforms moving treasury across LATAM corridors. Fintechs that have already made the jump to stablecoin rails for payroll or remittance and now want their users to have exposure to yield.

These aren't institutional investors in the traditional sense. They're platforms with millions of end users who want to participate in digital asset funds and whose only viable settlement layer is stablecoins.

The capital efficiency argument accelerates this. A major remittance platform we work with reduced its prefunding requirement – the working capital locked up to keep corridors liquid – **from $300 million to roughly $15–20 million** by moving to stablecoin settlement. That math doesn't just apply to remittance. It applies directly to fund subscription and redemption cycles.

The prospect of eliminating the prefunding drag on cross-border capital flows is one of the real structural drivers behind EM LP demand – and it's underreported.

The result is that some of the reshaping has already happened quietly. Fund platforms that built stablecoin-native subscription infrastructure in 2024 are now reaching LP pools that were structurally inaccessible through traditional rails. This is not because regulation changed, but because the settlement layer caught up enough to make it operational. **The next phase is extending that coverage to the corridors where the infrastructure is still incomplete.**

The Friction isn't Regulation - it's Fragmentation

When people talk about barriers to cross-border LP access, the conversation usually defaults to "crypto regulation is complex." That's not wrong, but it's not the most useful framing.

The practical problem isn't that regulators in Brazil or Nigeria or the Philippines have hostile intent. Each jurisdiction has its own provider licensing regime, its own KYB requirements, and its own definition of what "compliant" looks like on the payout leg. A fund platform that wants to accept LP capital from – or distribute secondary proceeds to – investors in three different EM corridors isn't facing one compliance challenge. It's facing three separate provider onboarding queues. In Colombia, that means documentation requirements that are functionally equivalent to a full financial audit – notarized, apostilled, board-signed. In parts of Africa, the onboarding timeline is governed by provider-side compliance processes that have nothing to do with how quickly you can integrate technically.

There's also the single-provider dependency risk, and it's more acute than most fund operators appreciate. In early 2026, a major infrastructure provider – one that a significant share of the US stablecoin market had built on – missed its New York regulatory commitment indefinitely. Platforms that had built around that single provider suddenly had a coverage gap affecting a substantial portion of their customer base. The ones with provider redundancy built in updated a routing configuration and moved on. The ones without it had a much harder few months.

Regulatory fragmentation isn't going away. The correct response isn't to wait for it to resolve. It's to architect around it - multiple providers per corridor, automated failover, the ability to reroute in minutes rather than weeks.

Why Secondary Liquidity Keeps Stalling

The secondaries market for digital asset fund interests is earlier than people want to admit. Part of that is product – smart contract settlement is newer, secondary market infrastructure is still being built. But a significant part of it is a payout problem that gets misdiagnosed as a product problem.

A secondary trade can settle on-chain in seconds. The place it breaks down is the delivery leg – getting fiat to the seller in a real market, through a provider with real reliability in that corridor. Provider reliability in emerging markets is not uniform. It's not even close to uniform. **Borderless**

has removed **30–40%** of providers from their network over time because actual transaction-level reliability data diverged significantly from what those providers claimed in initial conversations. That gap is exactly where secondary liquidity breaks down in practice – not at the smart contract layer, but at the point where a seller in São Paulo or Nairobi needs to receive funds in their bank account.

The practical implication for anyone building secondary market infrastructure: the on-chain settlement layer is the easy part. Spend the diligence budget on the payout leg.

What the Transition Actually Looks Like

The market is in the middle of a shift from Stablecoin 1.0 to 2.0. Version 1.0 is signing one fully-managed counterparty – a single provider who handles everything, bundled, opaque on pricing, and comfortable taking a 50–150 bps margin because you don't have visibility into what the rail actually costs. Version 2.0 is internalizing the stack: connecting to multiple providers through an orchestration layer, routing by corridor, benchmarking execution quality, and capturing the margin your 1.0 counterparty was keeping.

Fund platforms are early in this transition. Most are still in the single-counterparty model – not because it's better, but because building the orchestration layer themselves is expensive and not core to the fund business. The ones who figure out the payout leg architecture first – provider diversity, execution quality benchmarking, unified reconciliation across settlement legs – will have a structural advantage in attracting LP capital from markets where fiat rails simply don't work.

What This Means for Fund Distribution

LP access to digital asset funds in 2026 is not constrained by LP demand or regulatory intent. The capital exists in LATAM, Africa, and Southeast Asia. The intent to participate in institutional-grade digital asset structures is validated by the growth of stablecoin savings and the maturation of on-chain yield products in those markets. What constrains access is the settlement layer: whether the infrastructure handling subscriptions, redemptions, and secondary proceeds can navigate the jurisdictional fragmentation at the local level, across multiple currencies and stablecoin types, without a single point of failure in the provider stack.

The fund managers who get there first won't have done it by finding the one provider with global coverage. There isn't one. They'll have done it by building on a network that's credibly neutral across issuers, providers, and jurisdictions – **one where the complexity of the map is handled by the infrastructure**, not exported to the LP.

4. The Institutional Yield Stack: Strategies for Hybrid Finance

The convergence of crypto-native yield mechanisms with traditional fixed-income frameworks has created a sophisticated, four-tiered yield architecture for institutional asset managers. This compromises **protocol staking**, **tokenized credit**, **real-world assets**, and **restaking**, and offers risk-calibrated return profiles ranging from **3%** to **15%** APY, with each layer presenting distinct risk-reward trade-offs, operational requirements, and regulatory considerations.

The Four-Layer Yield Model

Layer 1: Protocol Staking (Infrastructure Base):

- $33.31B projected by 2033 (was $5.8B in 2024). (Coinshares)
- 37M ETH staked (~30% supply) as of May 2026. (MEXC)
- ETH 2.4-3.0% (Lido 2.4-2.6%, Solo 2.5-3.0%). (Pistachio)
- Solana 5.9-7.5% (native), 6.1-8.1% (LSTs like mSOL), up to 8.5% (Sanctum INF). (Stakepoint)
- SEC May 2025 guidance clarified staking ≠ securities.
- Pectra upgrade (EIP-7251) enables >32 ETH per node. (Figment)
- Liquid staking tokens (LSTs) like stETH/rETH provide composability but introduce smart contract/depeg/validator concentration risks.

Layer 2: Tokenized Credit (Private Market Bridge):

- $18.91B+ active on-chain private credit (~72% of RWA market), 266% growth. (InvestaX)
- Yields 6-12% APY vs. 3-4% traditional private credit fee drag.
- 200+ institutional RWA projects, 40+ leading financial institutions.
- Apollo manages $938B AUM; tokenized via Securitize (ACRED) and Anemoy (ACRDX); new partnership with Coinbase AM for 2026 products. (Coindesk)
- Liquidity reality: secondary market depth remains thin; bid-ask spreads widen in stress.

Layer 3: Real-World Assets (Collateral Foundation):

- $10.5B tokenized funds (44.5% of $23.6B RWA market), 66% growth in 2026 alone (from $14.1B to $23.6B). (TradingView)
- $3.73B in 2025 (real estate tokenization specifically). (Insightaceanalytic)
- $3.2T by 2030 (BCG) or $23.99B by 2035 (real estate only). (SCNSoft)
- Yields 4-8% (Treasuries) to 8-15% (commercial real estate).
- 70% lower transaction costs, $10 minimum investments, 24/7 trading.
- Dual function: yield generation and eligible collateral for on-chain leverage (Aave Horizon: $550M+ in deposits since August 2025 launch). (AInvest)

Layer 4: Restaking/Algorithmic (Efficiency Frontier):

- EigenLayer $15.258B TVL, institutional partnerships (Coinbase, Google Cloud, Anchorage). (Tokenomics)
- 2025 inflection: slashing mechanisms activated – real economic penalties for validator failures.

- TVL contracted $16.257B total restaking market (early 2026); median liquid restaking yields ~3.87% estimated reward rate for productive stake.
- "Lego risk" demands conservative sizing and active AVS monitoring.

CeFi vs. DeFi Integration: The Strategic Allocation

The hybrid finance yield stack requires sophisticated navigation between **centralized finance** (**CeFi**) infrastructure – providing liquidity depth, fiat onramps, and compliance frameworks – and **decentralized finance** (**DeFi**) protocols offering programmable yield farming, automated market-making, and permissionless innovation.

The convergence is accelerating through institutional-grade integrations. Morpho has evolved into a universal lending network with $13 billion in deposits and $4.5 billion in active loans (Morpho), powering backend infrastructure for **Coinbase**, **Crypto.com**, **Gemini**, and **Société Générale**. The protocol's modular architecture enables regulated banks to create permissioned lending markets for MiCA-compliant stablecoins while accessing global crypto liquidity – a "DeFi mullet" model (CeFi frontend, DeFi rails) that reconciles compliance requirements with capital efficiency.

Aave, maintaining approximately **$25 billion** in outstanding loans across **82%** of Ethereum network debt (The Block), has pivoted from permissionless retail markets to institutional-focused structures.

The strategic allocation between CeFi and DeFi venues depends on operational requirements:

- **CeFi dominance** for fiat onboarding, regulated custody, counterparty netting, and traditional risk frameworks
- **DeFi integration** for 24/7 liquidity management, automated yield optimization, and composable collateral utilization
- **Hybrid structures** for yield enhancement – leveraging CeFi custody with DeFi money market deployment, or CeFi prime brokerage with on-chain derivatives hedging

Automated Borrowing and Credit Rails

On-chain credit infrastructure has matured beyond simple overcollateralized lending into sophisticated institutional money markets. **Flash lending** – enabling uncollateralized borrowing within single-block execution – provides unique liquidity management capabilities for arbitrage and treasury optimization. **Credit delegation mechanisms** allow institutions to extend secured credit lines without direct protocol interaction, while institutional lending protocols (Aave Arc, Maple, Morpho) offer KYC-gated pools with customized risk parameters.

The Morpho model exemplifies next-generation credit infrastructure: risk-isolated markets with customizable collateral factors, oracle configurations, and liquidation parameters enable institutions to engineer lending products matching specific compliance and risk requirements. **Why is that important?** With **$400** million in RWA deposits as of **Q3 2025** – up from nearly

zero at year-start – Morpho demonstrates the institutionalization of on-chain credit collateral. (Morpho)

From “Buy, Borrow, Die” to Strategic Digital Capital Management

The phrase “**buy, borrow, die**” captures a long-standing approach in private wealth management. It emerged in the 1990s, when law professor Edward McCaffery used it to illustrate how high-net-worth families could build and transfer wealth across generations with minimal tax friction. The logic behind is simple: acquire assets expected to appreciate over time, access liquidity by borrowing against them rather than selling, and hold until death, at which point heirs often receive a stepped-up cost basis that resets unrealized gains.

In traditional markets this strategy relied on stocks, real estate, or other illiquid holdings. Loan proceeds are generally not treated as taxable income, while a sale triggers capital gains tax. The approach allowed families to manage liquidity and let assets continue compounding without realizing gains during the owner’s lifetime.

The “Buy, Borrow, Die” Shift to Digital Assets

When digital assets entered the picture, the same instinct found a natural home. Cryptocurrencies often represent highly concentrated, long-duration convictions for many holders. Selling a meaningful position can create immediate tax events in many jurisdictions, force an exit from the thesis, and introduce the practical difficulty of re-entering later. Borrowing against the holdings offered a way to separate the need for cash from the decision to exit the asset.

By the mid-2020s this idea had moved beyond theoretical tax planning and become part of everyday capital allocation conversations in crypto. As position sizes grew, the focus shifted from simple monetization toward balance-sheet efficiency. Credit evolved into a tool for preserving economic exposure while addressing real liquidity requirements: for taxes, property, working capital, or new opportunities.

Resilience in a Volatile Market

By 2026 the practice has matured into a recognized element of institutional-grade capital management. Galaxy Research data for Q4 2025 shows total crypto-collateralized lending at **$69.55 billion**. Although the aggregate figure declined **9.81** percent quarter-over-quarter, primarily from compression in on-chain DeFi activity, centralized platforms demonstrated clear resilience. CeFi loan books grew for the eighth consecutive quarter to **$27.56 billion**, with Coinbase alone adding **$439 million** in net new loans. This stability persisted despite the largest perpetual-futures liquidation event on record and broader market drawdowns. Improved collateral quality, sharply reduced rehypothecation, and a pivot toward genuine treasury use cases rather than speculative looping have produced a markedly different risk profile from earlier cycles.

The shift reflects a broader institutional preference that gained momentum after the 2008 financial crisis. Large allocators (family offices, founders, treasury teams, and high-net-worth operators) increasingly favor private, specialized capital management programs over mass-market retail offerings. When strategic capital is at stake, the priority is disciplined execution, customized terms, and counterparty alignment that retail platforms rarely deliver.

CoinRabbit Private Clients Behavior and Real-World Use Cases

Internal data and client interviews with CoinRabbit Private clients confirm a recurring pattern: larger holders treat collateralized borrowing as a strategic treasury mechanism. A consistent trend among high-capacity clients is the deployment of crypto-backed loans for real estate acquisitions. This logic received institutional-scale validation in March 2026, when **Fannie Mae** began accepting crypto-backed mortgages developed through a partnership with Coinbase and Better Home & Finance. Under the program, borrowers can pledge crypto as collateral for a separate down-payment loan while obtaining a standard conforming Fannie Mae mortgage on the property. The two loans carry aligned terms and a single combined monthly payment, allowing buyers to preserve full economic exposure to their digital assets and participate in any future appreciation.

This capital-preservation discipline extends well beyond real estate. Observations of CoinRabbit's private client activity indicate a systematic shift in liquidity management: **investors are increasingly utilizing crypto-backed loans to finance high-value luxury acquisitions**. These expenditures range from superyachts and rare vehicles to fine jewelry, high-end watches, and premium travel. In each instance, the loan functions as a bridge, enabling significant consumption while keeping the core investment position intact.

This pattern points to a deeper shift in behavior among HNW individuals and institutional players. Even when alternative sources of liquidity exist, investors opt for borrowing. What began largely with major acquisitions like property has broadened into more varied status-oriented and lifestyle expenditures. For institutional actors, this serves as a tool for balance sheet management, allowing them to fund capital commitments or investments. The ultimate objective is to maintain full market exposure and capitalize on long-term appreciation, ensuring that liquidity serves as a lever for generational wealth building.

A parallel development is visible within the digital asset mining sector. With revenue streams denominated directly in Bitcoin, miners systematically leverage their holdings to cover operational expenses, equipment upgrades, tax liabilities, or expansion into related infrastructure such as AI computing. This practice allows them to sustain production continuity and avoid selling their primary asset during periods of market weakness.

Key Findings from CoinRabbit Private Client Interviews

1. Fewer Loans, Larger Sizes

Recent user behavior indicates a clear shift in borrowing patterns. Previously, clients often held more than 10 loans across 5+ assets, including altcoins and memecoins. Current behavior shows concentration in core assets (Bitcoin, XRP, and Solana) with fewer loans but higher average loan size per loan.

2. Decline in Trading-Driven Demand

Mentions of trading strategies as a motivation for borrowing have decreased by approximately 30%. There is lower usage of leverage and margin trading, alongside an increased share of loans used for non-speculative purposes such as real estate, vehicles, and personal spending.

3. Collateralization vs. Asset Liquidation

There are no observed cases of CoinRabbit Private clients directly purchasing real estate using Bitcoin. In practice, Bitcoin is instead used as collateral: users borrow liquidity in stablecoins and then deploy those funds for property acquisitions.

The key driver behind this structure is the ability to maintain long exposure to Bitcoin without triggering capital gains tax that would arise from selling the asset. At the same time, stablecoins (due to their price stability) are typically used as a cash-equivalent form of liquidity and are generally not treated as a taxable event. In most jurisdictions, the loan itself is also not considered taxable, as it is structured as debt rather than income or an asset disposal.

4. Increased Demand for Concierge Services

Demand for high-touch, concierge-level support is increasing, with **70%** of private clients indicating a willingness to pay a premium for more personalized service. At the same time, the number of merchants accepting crypto continues to expand, reinforcing the practical utility of digital assets in real-world transactions.

The Maturing Landscape of Capital Management Platforms

The broader segment has responded to these needs with greater structural sophistication. Notably, digital asset firms CoinRabbit and Nexo reported a more than 100% year-over-year increase in their private client segments during this period, reflecting a surge in institutional-grade demand for liquidity solutions. Such growth underscores the deepening integration of crypto-backed tools into strategic capital management.

Central to this maturation is the industry's post-2022 reckoning with counterparty risk. The high-profile collapses of **Celsius** and **BlockFi** exposed the systemic dangers of opaque collateral practices and aggressive rehypothecation, prompting a shift in how actors evaluate platforms. Today, both private clients and institutional participants are much more careful when choosing platforms, and "no rehypothecation" policies have become a key requirement. It's increasingly seen as a baseline expectation rather than a nice-to-have.

No-rehypothecation is consistently cited by every second CoinRabbit respondent as one of the key factors influencing platform choice. Big players have responded by embedding explicit no-rehypothecation policies and transparent collateral segregation into their operating model. CoinRabbit, for instance, maintains a strict no-rehypothecation rule under which client collateral is held in cold storage with multisig protection and is never lent out or reused for the platform's own activities or third-party lending.

The landscape remains heterogeneous. While the majority of well-capitalized players have internalized these lessons, a residual segment continues to engage in higher-risk practices, ranging from partial rehypothecation and off-balance-sheet arrangements to more aggressive yield-generation strategies. This persistence of uneven standards highlights that counterparty risk has not been fully eliminated from the sector. As a result, **strong due diligence around collateral handling, transparency, and risk management remains essential, even as the market continues to mature and become more professional**.

Risk Management: The Institutional Imperative

The hybrid yield stack introduces novel risk categories requiring management frameworks:

- **Counterparty and Concentration Risk**: Permissioned pools concentrate operator/originator exposure (Coinbase-Morpho: $960M active loans, $1.7B collateral).
- **Smart Contract and Slashing Risk**: Restaking slashing requires rigorous operator due diligence, diversification, and correlated failure modeling.
- **Liquidity and Duration Mismatch**: Tokenized private credit yield enhancement vs. constrained secondary liquidity – match redemption mechanics to liability profiles.
- **Regulatory and Legal Ambiguity**: MiCA's treatment of staking-as-a-service as custody activity creates potential liability for slashing losses, while restaking's regulatory classification remains unsettled – limiting legal recourse for AVS-related losses.

Portfolio Construction: Liability-Aware Yield Ladders

The institutional implementation of hybrid yield strategies requires moving beyond absolute return maximization to liability-driven investment (LDI) frameworks adapted for 24/7 markets. Key principles include:

1. **Duration Matching**: Aligning tokenized credit maturities and staking lock-up periods with institutional cash flow requirements.
2. **Liquidity Buckets**: Segregating holdings into operational liquidity (stablecoins), tactical liquidity (tokenized Treasuries), and strategic yield (private credit/restaking).
3. **Risk Tiering**: Calibrating exposure across the four-layer stack based on volatility tolerance, with base staking as "infrastructure yield," tokenized credit as "enhanced fixed income," and restaking as "alternative credit."
4. **Operational Integration**: Establishing 24/7 monitoring capabilities for on-chain positions, automated rebalancing triggers, and reconciliation between on-chain activity and traditional fund accounting.

The hybrid finance yield stack represents a fundamental evolution in institutional asset management – from static, siloed allocations to dynamic, programmable capital deployment. As Grayscale's 2026 Digital Asset Outlook emphasizes, staking is becoming a "*default*" investment structure for proof-of-stake assets, while DeFi lending leads the next growth phase. Asset managers who architect for this convergence – **combining traditional risk discipline with on-chain operational sophistication** – will capture the structural alpha of programmable, 24/7 capital markets.

How BIT's Yield and Structured Products are Used Inside Hybrid Finance Stacks

In practice, while BIT's yield and structured products primarily operate across centralized crypto venues and internal structuring frameworks, its ecosystem provides the key components required to enable a layered hybrid finance stack – where assets can simultaneously function as collateral, yield-generating instruments, and inputs into structured strategies.

In a representative example, Cactus Custody, BIT's custody arm, enables a partner Core DAO to implement an architecture in which BTC asset remains secured within institutional-grade custody, while being programmatically deployed into on-chain protocols via staking frameworks. This allows institutions to generate native yield without relinquishing ownership or breaching custody controls.

These positions also form an on-chain staking vault. Building on this, the ETH assets can be integrated into Ethereum staking and restaking products through Cactus Link. This enables BIT and its partners to transform raw protocol yield into risk-adjusted, target-return products aligned with institutional mandates.

Looking ahead, this architecture can extend further to interface with derivatives infrastructure, where custody-held collateral may be hedged or structured through perpetual decentralized exchange. This would enable a fully integrated stack combining on-chain yield and traditional risk management rails within a single institutional framework.

5. Market Infrastructure & 24/7 Trading Models

The institutional adoption of digital assets is fundamentally restructuring market infrastructure.

Key shifts include:

- 24/7 trading environments becoming standard.
- On-chain liquidity integrating with traditional execution venues.
- Hybrid settlement bridging T+2 frameworks with atomic settlement.

This is a reconceptualization of market structure itself.

On-Chain Derivatives Take Market Share

Decentralized perpetual exchanges are capturing significant volume from centralized venues:

- DEX perpetual market share grew from ~10% to 16-20% in 2025. (Glassnodes)
- Monthly perpetual trading volume surpassed $1 trillion. (Yahoo Finance)
- DEX perp volume surged 346% to $6.7 trillion for the full year. (MEXC)

Why the shift?

- Layer 2 scaling cut transaction costs and achieved sub-second execution.
- Professional market-making deepened liquidity pools for BTC and ETH.
- Access to long-tail assets unavailable on centralized exchanges (via protocols like Euler and Hegic).

Prime brokerage integration is accelerating adoption. Talos, for example, integrated Uniswap v2, v3, and v4 directly into its institutional platform – enabling smart order routing across fragmented liquidity pools with 99%+ fill success rates. (Talos)

CME Goes 24/7: The "Weekend Gap" Closes

CME Group launched continuous crypto futures and options trading on May 29, 2026 (CME Group). This eliminates the "CME gap" – price discontinuities when Bitcoin moved over weekends while CME was closed. Moreover, Avalanche and Sui futures were launched on May 4, 2026 (CME Group). **This is historical**.

Key numbers:

- $3 trillion in notional volume across CME crypto derivatives in 2025.
- 407,200 contracts average daily volume in 2026 (up 46% YoY).
- 335,400 contracts average daily open interest.

Impact:

- Institutions can now hedge risk in real-time, 24/7.
- Regulated derivatives capture liquidity that previously flowed offshore.
- Reduced systemic risk through supervised clearing frameworks.

Operational challenge: Asset managers must implement automated risk controls capable of monitoring positions across time zones without human intervention.

Settlement Evolution: From T+2 to T+0

The **Depository Trust & Clearing Corporation** (**DTCC**) received SEC no-action relief in December 2025 to tokenize DTC-custodied assets. (DTCC)

Pilot program details:

- Launch: Second half of 2026.
- Eligible assets: Russell 1000 equities, U.S. Treasuries, major index-tracking ETFs.
- Duration: Three-year pilot period.
- Key feature: T+0 settlement capability while maintaining traditional investor protections.

What this means:

- Tokenized entitlements enable 24/7 asset transfers.
- No collateral or settlement value initially (limiting systemic risk).
- Real-time settlement eliminates counterparty risk exposure during settlement cycles.
- Requires pre-positioning of assets rather than settlement-cycle funding.

Cross-border initiatives led by the BIS Innovation Hub (Projects Mariana, mBridge, Icebreaker) demonstrate potential for programmable settlement infrastructure to reduce correspondent banking friction.

Prime Brokerage & Cross-Chain Infrastructure

The prime brokerage model now encompasses:

- Multi-custody aggregation.
- Cross-chain interoperability.
- Unified collateral management across CeFi and DeFi venues.

Technical evolution:

- Moving from simple lock-and-mint bridges to light client verification systems.
- Zero-knowledge light clients (expected standard by late 2025) enabling institutional-grade security with consumer-friendly performance.

Exchange Infrastructure as the On-Ramp to Hybrid Finance

The institutional trading landscape is undergoing a structural shift that is less about new asset classes and more about the infrastructure used to access them. For years, the focus has been on expanding market access across centralized exchanges, decentralized protocols, and increasingly tokenized versions of traditional assets. However, the operational reality for most institutions remains fragmented, inefficient, and heavily dependent on manual coordination across venues.

The core issue is not liquidity availability, but infrastructure fragmentation.

Today, a typical institutional desk operating across digital assets is required to manage multiple exchange accounts, segregated custody solutions, disparate margin systems, and inconsistent settlement processes. Even when capital is actively deployed across CeFi and DeFi strategies, it is often siloed by platform constraints rather than managed as a unified portfolio. This creates inefficiencies in capital deployment, increases operational risk, and limits the speed at which strategies can be executed or rebalanced.

In this context, the concept of a "**universal exchange**" or integrated financial infrastructure layer has emerged as a potential structural solution. Rather than functioning purely as execution venues, exchanges are evolving toward full-stack platforms that combine custody, trading, settlement, and credit under a unified framework.

A unified system changes the way capital is managed. Instead of transferring assets between venues to meet margin requirements or collateral needs, institutions can operate under a single risk and collateral framework. This reduces idle capital and allows for more dynamic allocation across strategies. Portfolio-level margining, for example, enables risk to be calculated holistically rather than on isolated positions, which can materially improve capital efficiency in multi-asset environments.

This becomes particularly relevant in hybrid market structures, where institutions simultaneously engage in centralized derivatives, decentralized yield strategies, and emerging tokenized instruments. Without an integrated infrastructure layer, these activities remain operationally disconnected (slower execution, higher reconciliation costs, increased counterparty exposure).

Another key implication of a unified exchange architecture is the extension toward **continuous, 24/7 operational capability**. Traditional financial markets operate within fixed settlement cycles, often constrained by banking hours and legacy infrastructure. In contrast, digital asset markets already function continuously, but institutions still struggle to fully realize this advantage due to internal operational bottlenecks.

An integrated infrastructure model helps address this gap by aligning custody, margining, and settlement into a single always-on system. This enables capital to move, be collateralized, and be redeployed without waiting for batch settlement processes or manual reconciliation. In practice, this shifts institutions closer to a truly real-time operating model, where risk and liquidity are managed continuously rather than in discrete cycles.

As real-world assets such as equities, money market instruments, and commodities become increasingly represented on-chain, **the boundary between traditional and digital markets becomes less defined**. Within a unified exchange framework, tokenized assets can be treated as native components of the same collateral pool, enabling more seamless integration between traditional and crypto-native strategies.

Institutions that can operate across asset classes, venues, and settlement layers within a unified architecture are likely to benefit from reduced operational friction and improved responsiveness to market conditions.

Rather than representing a new type of exchange, this model points toward a **new financial operating system** – one in which execution, custody, credit, and settlement are no longer separate layers, but integrated components of a continuous market infrastructure.

Practical Implementation Considerations

For asset managers navigating this infrastructure shift:

Immediate actions:

- Evaluate automated risk monitoring systems for 24/7 position management.
- Assess integration between trading systems and custody infrastructure for T+0 readiness.
- Review prime brokerage relationships for multi-venue and cross-chain capabilities.

Strategic considerations:

- Develop frameworks for execution quality measurement in hybrid (on-chain/off-chain) markets.
- Establish due diligence protocols for protocol-level exposure in DeFi derivatives.
- Plan for real-time NAV calculation and sub-ledger synchronization across custody providers.

Risk management priorities:

- Implement circuit breakers and anomaly detection for algorithmic execution across fragmented liquidity pools.
- Ensure compliance with OFAC screening requirements for on-chain wallet transactions.
- Prepare for compressed trade failure resolution windows under T+0 settlement.

The transition is already underway. With CME's 24/7 launch, DTCC's tokenization pilot, and the maturation of cross-chain interoperability infrastructure, the foundation for fully hybrid markets is being established in 2026. It’s important to act now in order to build the operational capabilities required to participate in this emerging market structure.

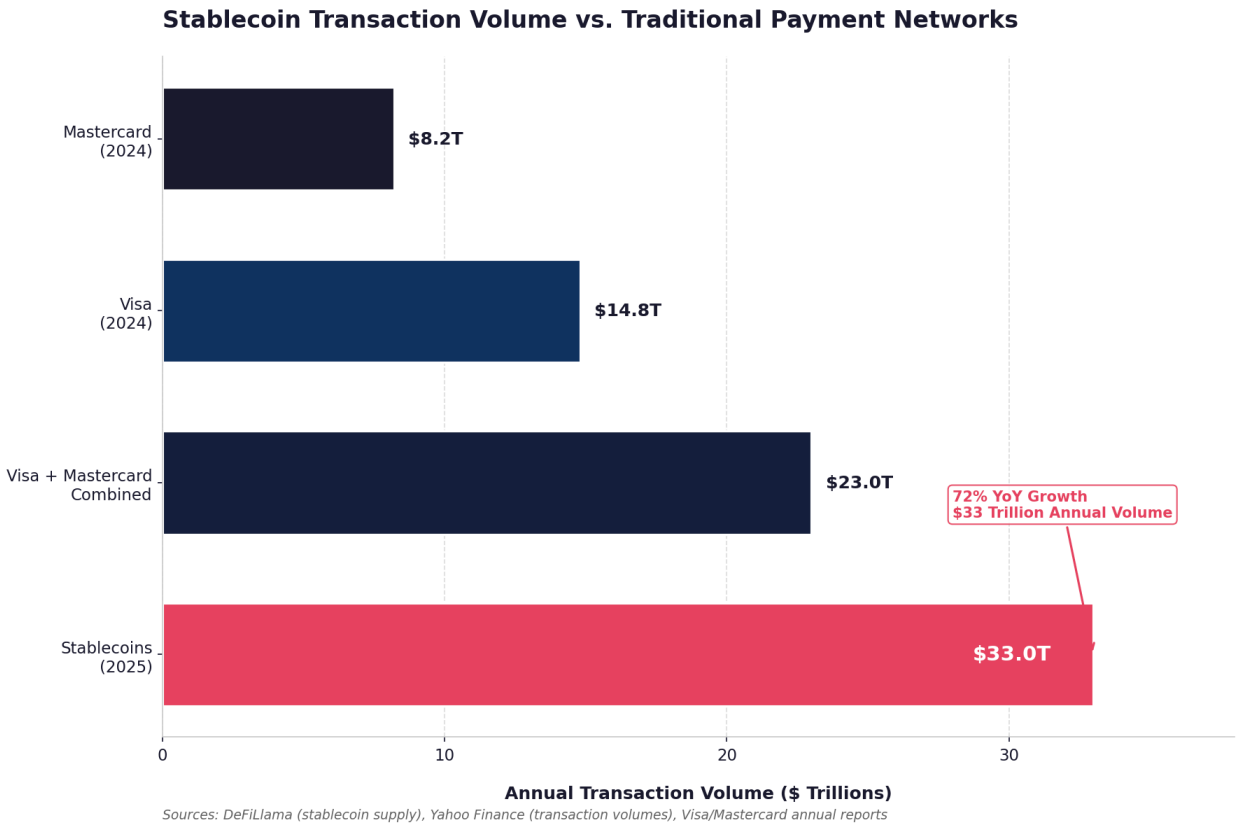
What It Looks Like in Practice to Operate Hybrid Custody and Prime Services

The integration between Cactus Custody and Bybit illustrates how hybrid custody and prime services operate in practice. In this model, assets remain secured within segregated custody, governed by institutional controls such as multi-signature authorization and policy-based approvals, while execution is conducted across centralized exchanges through Oasis. As a result, trades can be executed without pre-funding exchange accounts, with settlement synchronized against assets held in custody – enabling institutions to access liquidity while protected from counterparty risks.

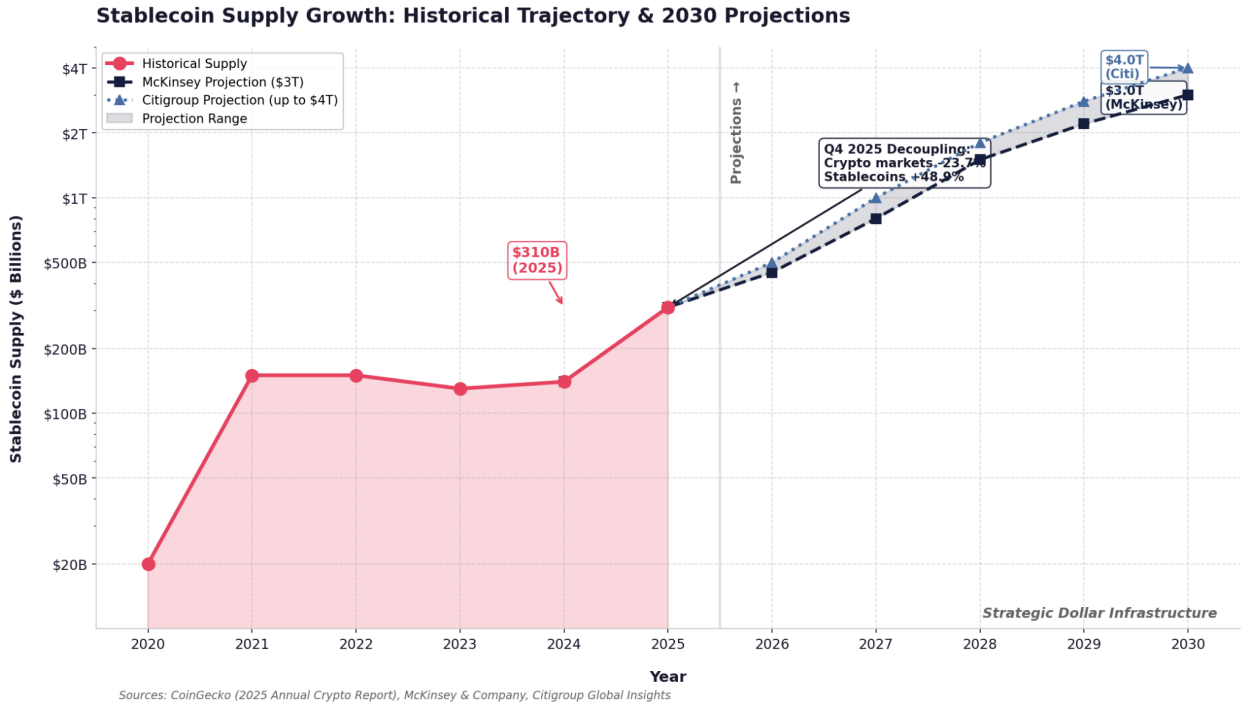
6. Stablecoins & Payment Infrastructure

The stablecoin sector has undergone a fundamental transformation from crypto-native trading collateral to institutional-grade settlement infrastructure.

With aggregate supply exceeding **$320 billion** as of Q1 2026 (DeFiLlama) – representing a sixfold increase from under $50 billion in 2020 – stablecoins now constitute the largest and most liquid segment of tokenized real-world assets. The velocity of adoption has been equally striking: annual transaction volumes surged **72% in 2025 to reach $33 trillion**, with Q4 2025 alone recording **$11 trillion** in settlements. (Yahoo Finance) This scale positions stablecoin throughput at parity with, or exceeding, the combined annual volume of Visa and Mastercard's global networks. **In just Q1 2026, stablecoin volume hit $28 trillion**. (Stablecoininsider)



The decoupling of stablecoin growth from crypto market volatility marks a critical inflection point. While broader digital asset markets contracted **23.7%** in **Q4 2025**, stablecoin market capitalization expanded **48.9%** during the same period (Coingecko), demonstrating that institutional adoption is now driving expansion independent of speculative activity. U.S. Treasury Secretary Scott Bessent's projection of **$3 trillion in stablecoin supply by 2030** (McKinsey) – subsequently endorsed by **Citigroup**'s forecast of up to **$4 trillion** (Citigroup) – reflects recognition at the highest policy levels that stablecoins represent strategic dollar infrastructure rather than peripheral crypto innovation.



Three structural vectors underpin this institutionalization:

- **Regulatory crystallization**: GENIUS Act (July 2025) established federal framework – neither securities nor commodities, banking regulator oversight, 300% quarterly growth in institutional onboarding post-enactment.
- **Payment network integration**: Visa pilot $4.5B annualized run rate (AInvest), Stripe Bridge 4x volume growth (MEXC), B2B payments $6B monthly (62.9% of aggregate stablecoin payments, up from 17.4%). (Coindesk)
- **Treasury reserve accumulation**: ~$155B in U.S. Treasury bills – among largest foreign holders of U.S. government debt. (Binance)

Institutional Treasury Applications

For asset managers, stablecoins offer three distinct operational advantages that transcend traditional correspondent banking infrastructure:

- **Cross-border capital mobility**: Near-instantaneous settlement without SWIFT friction; 71% Latin American stablecoin activity = cross-border payments (Fireblocks); 99% under 60 minutes vs. 2-5 days traditional.
- **Continuous liquidity management**: 24/7/365 rebalancing, FX hedging, collateral management outside banking hours – critical during stress events.
- **Programmable cash flows**: Automated treasury operations via smart contracts (BUIDL automated dividends/reinvestment).

The emergence of **yield-bearing stablecoin structures** presents both opportunity and regulatory complexity. While the GENIUS Act explicitly prohibits stablecoin issuers from offering

direct interest payments, institutional investors have accessed yield through three compliant structures:

1. **Tokenized money market funds** (Franklin Templeton's OnChain Fund, BlackRock's BUIDL) offering 4.25-5% APY through rebasing mechanisms;
2. **DeFi lending protocols** (Aave, Compound) generating 4-10% APY on USDC deposits;
3. **Separated principal/yield vaults** using ERC-4626 standards to technically isolate interest components from stablecoin principal.

The yield-bearing stablecoin market has expanded from $9.5 billion to over **$20 billion** in 2025 (DL News), with average yields approximately 50 basis points above traditional money-market rates.

Bank-Issued Tokenized Deposits: The Institutional Alternative

The distinction between **stablecoins** and **tokenized deposits** – bank-issued digital representations of insured deposits – has emerged as a critical fault line in institutional digital money strategy. While stablecoins offer public blockchain accessibility and DeFi composability, tokenized deposits provide regulatory alignment, deposit insurance protection, and direct integration with bank balance sheets.

JPMorgan's November 2025 deployment of JPM Coin (JPMD) on Coinbase's Base blockchain represents the watershed moment for **bank-issued digital money**. Unlike traditional stablecoins, JPMD represents a direct claim on JPMorgan deposits, operates within existing banking regulatory frameworks, and critically – under current interpretations – may offer interest-bearing capabilities prohibited to non-bank stablecoin issuers under the GENIUS Act. The **Kinexys Digital Payments** platform (rebranded from Onyx) now processes tokenized deposits for institutional clients, with **JPMorgan** and **DBS Bank** exploring interoperability frameworks for cross-bank settlement. (DBS)

Citigroup has signaled parallel ambitions, with CEO Jane Fraser confirming active exploration of Citi stablecoin issuance alongside tokenized deposit services for 24/7 corporate treasury settlement (Reuters). Citi's blockchain-based dollar transfers between New York, London, and Hong Kong offices already operate continuously, providing a production environment for institutional tokenized deposit flows.

The strategic calculus for asset managers involves trade-offs:

Dimension	**Stablecoins (USDC/USDT)**	**Tokenized Deposits (JPMD/Citi)**
Regulatory	Federal banking oversight (GENIUS Act)	Traditional banking regulation

Yield	Prohibited (issuer); via DeFi wrappers	Permissible (bank deposit interest)
Blockchain	Public/permissionless	Permissioned/hybrid
DeFi composability	Full	Limited (institutional only)
Deposit insurance	None	FDIC/Equivalent

Citi Institute projections suggest tokenized bank deposits could support $100-140 trillion in annual flows by 2030, potentially rivaling stablecoin volumes, driven by institutional preference for regulated deposit insurance and interest-bearing capabilities. (Citigroup)

Regulatory Capital Treatment and Balance Sheet Implications

The prudential treatment of stablecoin exposures remains in flux, creating both constraint and opportunity for bank-intermediated asset management. The Basel Committee on Banking Supervision's (BCBS) 2024 standards – facing implementation resistance from the U.S. and UK – classify public blockchain crypto assets as Group 2 exposures, requiring full capital deduction and limiting exposures to 2% of Tier 1 capital. However, the BCBS announced a targeted review in late 2025, acknowledging that the "*very strong increase in stablecoins*" necessitates differentiated treatment. (TRM Labs)

For asset managers, this regulatory evolution has three immediate implications:

- **Custody model selection**: Bank-intermediated favored (BNY Mellon live, Citi 2026) – "transaction intelligence" and governance controls as differentiator.
- **Settlement velocity**: T+0/T+instant requires real-time liquidity monitoring vs. batch-processed reconciliation.
- **Issuer concentration**: USDC + USDT = 93% market cap – systemic exposure to Circle/Tether operational/reserve/compliance risks.

Stablecoin and Digital Asset Infrastructure as the Backbone of Hybrid Finance

Over the past two years, **the stablecoin conversation has become much more practical**. Regulation has given institutional teams a clearer framework for evaluating stablecoin products and counterparties. Larger financial and technology companies are moving deeper into the category, whether through product development, partnerships, or acquisitions. At the same time, stablecoin use cases have become easier to connect to familiar business problems: moving funds across entities, supporting cross-border payments, managing customer balances, improving payout speed, and accessing new forms of liquidity. Fintechs, payment companies, banks, and enterprises are looking at how stablecoin rails can support a wider set of finance workflows.

As the use cases become more concrete, the infrastructure discussion becomes more operational. Companies need to understand where stablecoin rails fit inside existing treasury, payments, compliance, reconciliation, and reporting workflows - and which part of the finance stack should be connected first.

Where stablecoins first connect to finance operations

Once the discussion moves from market interest to implementation, the first question is usually: **which existing finance workflow should connect to stablecoin rails first?**

In most cases, the entry point is a process the company already runs today. Most institutional teams need to move funds between operating entities, pay partners across borders, manage customer balances, or settle with counterparties. Stablecoins become relevant when that flow is slow, expensive, fragmented across banking partners, or difficult to coordinate across jurisdictions.

Internal treasury management is often the cleanest starting point. Companies can use stablecoins to move funds between entities, regions, and operating accounts, then off-ramp into local banking rails where needed. Because the flow is internal, it gives finance and operations teams a controlled environment to test wallet governance, approval policies, liquidity access, and reconciliation before extending the model to customer or counterparty-facing flows.

Cross-border payments and payouts are a natural next step. The operational logic is similar, but the requirements expand once funds move between external parties. Companies need dedicated wallets or deposit addresses, transaction attribution, balance visibility, counterparty controls, and reliable exports into accounting or reporting systems. At that point, stablecoin infrastructure starts touching multiple parts of the finance stack: treasury, payments, compliance, reconciliation, and reporting.

From these first use cases, the basic infrastructure requirements are already visible. Companies need wallets to hold and move digital assets securely. They need a practical way to move between bank accounts and stablecoins in the jurisdictions where they operate. They also need support for the blockchain networks their customers, partners, and liquidity providers use.

As volumes grow, the operational layer becomes just as important. Teams need to control who can approve a payment, how network fees are handled, how incoming and outgoing transfers are screened for risk, and how each movement is recorded for finance, compliance, and reporting. That is what turns stablecoins from a separate payment method into part of the company's operating stack.

This first integration point often becomes the foundation for broader use cases. A company that starts with internal treasury movement may later extend the same operating layer into cross-border payouts, stablecoin payment cards, customer wallets, trading settlement, or institutional yield. For some companies, the same infrastructure also opens the door to more advanced models such as tokenization or stablecoin issuance. The entry point may be narrow,

but the architecture needs to support a wider set of financial products and workflows as the business scales.

Control is what makes the stack institutional

The same infrastructure components may need to look very different once they support regulated flows, multiple internal teams, external counterparties, and real transaction volume. At that point, the more important question is how much control the company has over how each of the components in the stack works together.

That starts with key management and wallet architecture. Stablecoin operations require many different wallet types: treasury wallets, pay-in wallets, payout wallets, settlement wallets, sweep wallets, customer wallets, and entity-level accounts. Institutions need to create and manage those wallets without concentrating control in a single person, device, or provider. MPC-based signing helps distribute authorization, while programmatic wallet creation allows teams to scale operational flows without manually setting up every new account or address.

Governance is the next layer of control. Approval thresholds define when a transaction requires additional authorization. Hierarchical policies define how rules apply across vaults, wallets, assets, chains, destinations, teams, and transaction types. A treasury wallet may require one approval path, a customer payout wallet another, and a high-risk DeFi or tokenization workflow another still. In practice, institutions need a deny-by-default model where permissions are explicitly granted, sensitive actions require admin quorums, and each role has a defined scope.

For more complex workflows, governance also needs to understand transaction content. Contract-call controls and EIP-712 structured-signature policies make this possible by letting teams restrict which smart contract functions can be called, constrain parameters, and require approval before specific actions are signed. This matters for trading, DeFi, tokenization, stablecoin issuance, and yield strategies, where the risk is often not just the destination address but the action being authorized.

Compliance works in the same way: it needs to be configurable, enforceable, and tied to execution. Outgoing transactions may need AML/KYT screening, counterparty checks, Travel Rule workflows, and jurisdiction-specific rules before they are signed. Incoming transfers may need risk scoring, review workflows, freezing logic, and documented decisions when funds come from an exposed or unknown source. The goal is to give compliance teams controls they can apply directly to transaction flows, rather than relying on manual review after funds have already moved.

Business continuity is another expression of control. Institutions need defined recovery paths if a signer is unavailable, a device is lost, access must be revoked, or an administrator leaves the company. They also need separation between everyday operators and high-privilege administrators, so routine payment activity does not depend on the same people who control policy changes, recovery settings, or quorum configuration.

That same need for resilience applies to the broader partner ecosystem behind stablecoin operations. Institutional teams rarely want one provider to determine every part of their operating model. They may use different AML providers, Travel Rule providers, on/off-ramp partners, liquidity venues, banking partners, and yield solutions across different jurisdictions and products. A modular, composable stack gives them room to choose those partners, negotiate their own commercial terms, and adapt the operating layer as new use cases emerge.

Institutional-grade infrastructure, in that sense, is best understood as control over the full operating environment: who can move funds, under which policies, through which partners, with which compliance checks, and with what level of auditability.

Build for control, sell the outcome

The infrastructure choices companies make early will shape how much control they have later. A bundled provider can help a team move quickly at the start, but it can also limit the choice of liquidity partners, on/off-ramp providers, compliance vendors, networks, yield products, and commercial terms. For institutions building stablecoin and digital asset operations into their core finance stack, **composability matters because it preserves room to adapt the model as volumes grow, products expand, and regulatory requirements change**.

The same logic applies to how companies bring stablecoin-enabled products to market. Customers rarely care about the underlying technology in isolation. Everyone sends email, while very few people think about the differences between IMAP, POP, and SMTP. Stablecoins should be approached in the same way. The value is faster settlement, lower-cost cross-border movement, better payout experiences, 24/7 treasury operations, improved visibility, and the ability to earn yield on idle balances. **The product conversation should start with those outcomes**.

That is the direction hybrid finance is moving in: **digital asset infrastructure becoming part of the financial operating layer**, with the complexity abstracted away and the controls kept close to the institution. Utila's role is to help companies build that layer with the security, governance, compliance, liquidity access, and flexibility required to support real financial activity at scale.

7. Risk Management, Compliance & Operational Frameworks

As asset managers bridge traditional financial infrastructure with crypto-native rails, they confront a bifurcated risk landscape: conventional counterparty and market risks now coexist with **smart contract vulnerabilities**, **consensus-layer failures**, and **regulatory uncertainties**.

The Hybrid Risk Stack: A Multi-Layered Assessment

Institutional participation in hybrid finance exposes asset managers to five distinct risk vectors that demand integrated mitigation strategies:

- **Smart contract/protocol risk**: $2.2B stolen funds 2024-2025 (H1 2025 > full-year 2024) (Deepstrike); require multiple independent audits, formal verification, economic stress-testing
- **Custody/key management**: MPC standard – distributed shares, zero-trust signing, policy enforcement in institutional environment (not vendor black boxes)
- **Counterparty/credit risk in permissioned DeFi**: FCA CP25/42 capital charges for counterparty default; over-collateralization and negative balance protection required
- **Regulatory non-compliance**: FCA K-factors exceed EU MiCA; Category B assets 100% risk adjustment; cliff-edge effects may drive activity offshore
- **Liquidity mismatches**: Tokenization ≠ liquidity (see Section 3); distinguish settlement finality from market liquidity

Compliance Technology: From Surveillance to Programmable Enforcement

The integration of blockchain analytics and artificial intelligence is transforming compliance from a retrospective audit function to a real-time, preventive control layer.

- **On-chain analytics**: Chainalysis/TRM Labs for transaction tracing, risk scoring, sanctions screening – programmable compliance with immutable audit trails.
- **Proof of reserves**: Merkle tree structures for client-level verification; limitations (point-in-time control, not exclusive possession/hidden encumbrances). Combine with SOC 1/2 Type II, insurance ($150M-$1B), bankruptcy-remote structures.
- **AI-enabled monitoring**: U.S. Treasury FS AI RMF (February 2026) – 230 control objectives, human-in-the-loop validation, "machine unlearning" capabilities.
- **Programmable compliance**: Paxos-Predicate Uniswap pilot – millisecond processing with comprehensive screening; regulatory acceptance nascent.

The Georgetown Financial Policy Institute emphasizes that technology-native compliance solutions can achieve traditional AML/CFT objectives while preserving DeFi's operational benefits – specifically highlighting programmable compliance infrastructure where all decisions are recorded on-chain with immutable audit trails.

Custody & Security Models: The New Institutional Standard

The custody market was valued at **$40.2 billion** in 2025 and is expected to increase at a CAGR of **10.5%** to **$98.7 billion** by 2034. (Researchandmarkets) Developments include:

- **MPC threshold signatures**: Privacy, lower fees, key refresh without address changes. Fireblocks/Copper/Coinbase: customizable thresholds (3-of-4, 2-of-3), insurance to **$320M**. Evaluation: peer-reviewed protocols, policy engine depth, cross-region distribution, KMS/SIEM integration.
- **Multi-institutional consortiums**: BNY Mellon (live), Citi (2026), Anchorage (OCC-chartered crypto bank) – diversification aligning with FCA concentration risk requirements.
- **Bankruptcy remoteness**: SPVs, statutory trusts, independent structures (XBTO Vault: segregated wallets, 24-hour timelocks, independent verification).
- **Insurance**: Munich Re specialty products; due diligence on scope vs. generic representations.

AI Integration: The Next Operational Frontier

Artificial intelligence is rapidly transitioning from experimental tool to core infrastructure in hybrid finance operations, with three primary applications:

On-Chain Signal Generation. Machine learning models analyze blockchain data – transaction patterns, wallet clustering, and protocol metrics – to identify investment opportunities or risk indicators. These models must incorporate the FS AI RMF's requirements for model validation, bias mitigation, and performance monitoring.

Automated Compliance Monitoring. AI systems screen transactions against sanctions lists, detect anomalous patterns indicative of market abuse, and monitor for compliance with fund investment restrictions. FINRA's 2026 Annual Regulatory Oversight Report emphasizes that AI-assisted surveillance requires human-in-the-loop validation, documented supervisory procedures, and prompt/output logging to satisfy books-and-records requirements.

Credit Scoring for Tokenized Private Credit. As asset managers allocate to tokenized private credit (Layer 2 of the yield stack), AI-driven credit models assess borrower risk using alternative data sources including on-chain transaction history, wallet longevity, and protocol interaction patterns. These models must address the "black box" opacity concerns raised by APRA and other prudential regulators, ensuring explainability and fairness in lending decisions.

Governance Imperatives. The EY Global Financial Services Regulatory Outlook 2026 identifies four priorities shaping financial services: increased regulatory fragmentation, resilience to threats, consumer outcomes, and risk management. For AI deployment, this means AI governance committees, risk-based AI classification (high-risk for client decisions, moderate for analytics), and full documentation of models.

Protocol-Native Risk Management from the Lens of a Vault Curator

On-chain capital formation has pushed heuristics changes by both **on-chain** and **off-chain** actors to bridge the gap between the two worlds. Steakhouse Financial is making hybrid finance a step closer by 1/ structuring tokenized securities to be on-chain compatible, and 2/ solving liquidity and settlement problems for tokenized securities.

The biggest difference for on-chain capital is that risk usually lives in parameters, not in policies. Steakhouse, as an on-chain operator, has built a toolkit that allows off-chain assets to operate within on-chain boundaries, by ensuring the market design and configurations allow off-chain assets to still operate with efficiency within the on-chain boundaries. For example, they have worked with Fasanara Capital to design a DeFi-compatible tokenized private credit fund culminating in the product's addition as a collateral to Steakhouse's High Yield Morpho Vault on Ethereum. (Steakhouse Financial)

It's worth noting that most important risk decisions are taken upstream, at market design and vault configuration, where parameters define the universe of outcomes the system can produce. Downstream monitoring matters, but it cannot rescue a market whose LLTV, oracle, or collateral profile was wrong on day one. Every asset Steakhouse underwrites is assessed across three dimensions: **issuer risk** (solvency at the asset level), **platform risk** (the resilience of any DeFi layer wrapping the collateral), and **market risk** (liquidity, volatility, and the LLTV that prices it). Another problem that tokenized securities face for integration into an on-chain environment is that tokenization itself does not solve for liquidity. Steakhouse Financial is solving that problem via Grove Basin, a liquidity infrastructure purpose-built for tokenized credit markets. When a holder of tokenized securities wants to exit, Basin executes an atomic on-chain swap with no settlement delay, providing issuers with redemption liquidity for their users. **Asset issuers are thus able to offer instant liquidity at their chosen redemption terms to their investors**.

8. Why Does All of This Matter? (+ Hypothetical Uses)

Hybrid finance matters because it resolves a fundamental contradiction that has constrained capital markets for **decades**: the trade-off between **operational efficiency** and **regulatory compliance**.

Traditional finance offers legal certainty and investor protections, but at the cost of settlement friction, limited liquidity windows, and intermediation overhead. **Crypto-native infrastructure** delivers 24/7 programmability and atomic settlement, but historically at the expense of fiduciary safeguards and institutional accessibility.

The convergence now underway – what this report has termed hybrid finance – eliminates this binary. It enables asset managers to operate with the speed and automation of on-chain markets while maintaining the fiduciary standards and regulatory clarity that institutional capital requires.

When **BlackRock** tokenizes billions in Treasury exposure or **JPMorgan** deploys deposit tokens on public blockchains, these actions should be a wake-up call for a whole new financial system. They are competitive necessities in a market where T+0 settlement and 24/7 liquidity management are becoming baseline expectations.

With that being said, let's explore ten *hypothetical* scenarios that illustrate the benefits that institutions could get by merging **TradFi** and **DeFi**:

Crypto-Native Platforms Integrating Traditional Finance

- **DeFi Lending Protocol**:
  - *Before*: Crypto-only collateral, 150% over-collateralization, $800M TVL capped.
  - *After*: Tokenized Treasury collateral, 110% requirements, $2.4B institutional inflows in 90 days.
- **DEX Perpetuals Exchange**:
  - *Before*: 10% market share, no fiat onramps, fragmented liquidity.
  - *After*: Prime brokerage integration, 25% market share, $2B daily volume, CME-competitive spreads.
- **Digital Asset Custody**
  - *Before*: Cold storage only, zero yield, client attrition to banks.
  - *After*: MPC custody with integrated staking, $8B AUM growth, 35% revenue from yield-sharing.
- **Stablecoin Infrastructure**
  - *Before*: Regulatory ambiguity, limited to crypto trading.
  - *After*: GENIUS Act compliance, $4B corporate treasury adoption, 62.9% B2B payment volume.
- **RWA Tokenization Platform**:
  - *Before*: $50M pilot stage, no secondary liquidity.
  - *After*: DTCC interoperability, $800M pipeline, T+0 settlement capability.

Traditional Institutions Integrating Crypto-Native Rails

- **Regional Bank**:
  - *Before*: 2.5% net interest margin, deposit outflows, no digital asset services.
  - *After*: Tokenized deposits at 4.2% yield, 340 bps effective margin, $2B new deposits.
- **Corporate Treasury (Tech Firm)**:
  - *Before*: 0.8% money market yields, 3-day wire delays, weekend liquidity gaps.
  - *After*: 4.2% tokenized MMF yields, T+0 global transfers, 70% FX cost reduction.
- **Fixed-Income Asset Manager**:
  - *Before*: T+2 settlement, 15 bps operational drag, no crypto yield access.
  - *After*: T+0 settlement, 40% cost reduction, $400M digital liquidity fund launch.
- **Insurance General Account**:
  - *Before*: 3.5% portfolio yield, duration mismatch, $5M alts minimums.
  - *After*: 6.8% tokenized private credit, monthly liquidity, 50% operational overhead reduction.
- **Multi-Family Office**:
  - *Before*: 5% alts limit, 60-day capital calls, no secondary exits.
  - *After*: 40% alts allocation, $250K pre-IPO minimums, quarterly liquidity windows.

A New Financial System

What is emerging is not an upgrade to existing infrastructure.

This is the foundation of an entirely new financial operating system – one where the distinction between "**traditional**" and "**digital**" assets dissolves and becomes one.

In this system, settlement finality is measured in seconds rather than days, collateral flows seamlessly across borders and time zones, and compliance is embedded in transaction logic rather than enforced through post-hoc surveillance. The institutions that recognize this paradigm shift for what it is – a fundamental rewiring of how value moves – will architect the standards, products, and client relationships that define the next era of asset management.

The contours of this new system are already visible. The **$33 trillion** in annual stablecoin transaction volume exceeds Visa and Mastercard combined (MEXC), yet represents only the settlement layer. Tokenized money-market funds are absorbing corporate treasury flows at a pace that renders traditional sweep accounts structurally inefficient. These are not parallel systems competing for market share; they are converging into a single, continuous market structure where the underlying rails matter less than the seamlessness of capital deployment.

Whether we “see” it or not, **the system is already being built in real-time**.

Since we are all going to be participating in it, we might as well adapt early.

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Methodology Notes

Market data reflects publicly available information as of Q2 2026, sourced from regulatory filings, protocol analytics (DeFiLlama, The Block, etc.), institutional research (CoinShares, Grayscale, McKinsey, etc.), and official government publications. Yield ranges represent observed market rates and projected estimates; actual returns vary based on conditions, validator performance, and smart contract execution. Regulatory frameworks reflect enacted legislation and published guidance as of May 2026.

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