Twinstake

Research Report

The Quiet Giants of Crypto: How Digital Treasuries are Driving the Next Wave of Staking Yield

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Executive Summary

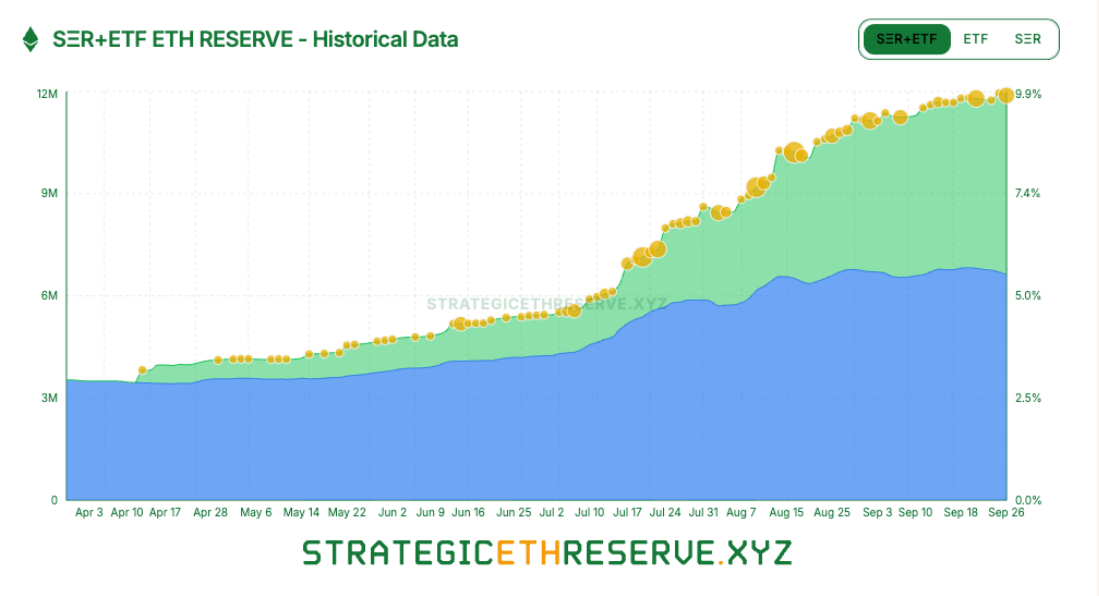
Digital asset treasuries, ranging from decentralised DAO treasuries to corporates holding crypto on their balance sheets and publicly listed digital asset treasury companies (DATCOs), are quietly emerging as a new vehicle for staking participation, challenging exchange-traded funds (ETFs) in both capital deployment and yield generation. While ETFs provide convenient market access, their structural constraints (regulatory restrictions, daily redemptions, custody limitations, fees, etc) dilute staking returns. In contrast, digital treasuries, unencumbered by redemption-driven liquidity needs and tightly regulated yield generation, can stake more aggressively and optimise yields via advanced strategies.

Key Findings:

- **Staking as a Strategic Yield:** Institutions no longer view staking as a niche activity; they now see it as a core component of generating returns. The Ether staking reward rate currently hovers around ~2.85%, with just over 29% of ETH's supply staked (over 36 million ETH, ~$150 billion)[1]. Reward-generating participation is driving long-term confidence in networks, with liquid staking and institutional inflows accelerating the growth of staked assets. Staking yields matter: they can significantly enhance total crypto-denominated returns while simultaneously compounding underlying holdings.
- **ETFs vs. Treasuries - A Yield Gap:** Traditional crypto ETFs face structural hurdles in capturing rewards. Regulations mandate T+1 liquidity for redemptions, so an ETF cannot lock up the entirety of its assets in staking without jeopardising its liquidity commitments. Many staked assets (e.g. Solana, Ethereum, TON) have unbonding periods that conflict with daily redemption requirements. This forces ETF managers to either stake only a portion of holdings or use workarounds (such as liquid staking derivatives or credit lines), leading to yield dilution. Because of this, ETF investors often realise a lower staking yield than direct holders. For example, some staking-enabled funds deliver ~1.55% [2] on ETH (after accounting for liquidity buffers and fees) versus direct holders, who typically achieve ~2.85% natively [3]. Custodial and regulatory limits further constrain ETFs. In short, ETFs often need to prioritise accessibility and liquidity at the expense of yield. Twinstake supports its institutional clients' liquidity requirements through its products, such as the ETH Activation & Exit Calculator (which has saved clients over $750k by timing validator entries/exits optimally) and the SOL Weekend Staking Optimizer (used by ETF issuers to earn extra Solana yield on closed-market days while still being redemption-ready). We will showcase

Twinstake case studies, including its role powering the first U.S. staking-enabled ETF (the REX-Osprey Solana fund)[4].

- **The Rise of Digital Asset Treasuries:** A new class of crypto-aligned institutions is emerging: digital asset treasuries. These include DAO and protocol treasuries, foundation endowments, corporate balance sheets, and a growing number of Digital Asset Treasury Companies (DATCOs) — publicly listed firms whose core business is holding and staking cryptocurrencies. Unlike ETFs, DATCOs have long-term, aligned capital with no daily redemption pressures. They can afford to be more illiquid and utilize novel onchain strategies for extra yield generation. Significant examples include the treasuries of Lido (the largest liquid staking protocol), Uniswap (with billions in UNI governance tokens), Arbitrum (Layer-2 with a sizable ecosystem fund), and the TON Foundation (steward of The Open Network's tokens). New DATCO models, such as SharpLink Gaming and ETHZilla, operate as crypto holding companies, akin to crypto ETFs, but with fewer restrictions and greater legal flexibility for capital allocation. These entities explicitly raise capital to accumulate crypto (e.g. ETHZilla's recent $350 million raise to buy and stake more ETH[5]) and actively participate in staking and DeFi for yield. As of the end of September 2025, the total AUM in Ether ETFs is $ 21.2 billion [6], compared to $ 21.13 billion for Ether digital asset treasuries [7].



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- **Why Treasuries Stake More:** Digital treasuries tend to stake a higher proportion of their assets due to long-term alignment, liquidity tolerance, and active yield optimisation. Treasuries, such as protocol DAOs or DATCOs, are fundamentally invested in the network's success. Staking not only earns yield but also secures the network that underpins their asset's value. With no need to meet short-term redemptions, treasuries do not need to mitigate lock-up periods or have contingency plans in place for onchain activation and exit congestion. Some treasuries are running their own validators, others diversify across staking providers, and many are exploring liquid staking, restaking and

DeFi strategies to maximise returns. Twinstake's institutional staking offering provides the tooling to support these tactics with DeFi and liquid staking partnerships to institutionally configured Operators on Babylon and EigenLayer.

- **Outlook - Bifurcation of Access vs Performance:** We foresee a bifurcation in the market. ETFs will serve as broad access vehicles, providing easy entry for institutions that need familiar structures or cannot hold tokens directly. Digital treasuries could become the preferred route for those seeking performance and active network participation.

  It is essential to recognise a key distinction that underpins this divergence. DATCOs are not directly exposed to ETH, and their share prices do not necessarily follow ETH 1:1. Instead, a DATCO's valuation is driven by the asset-per-share metric, which measures how much ETH (or other tokens) one share represents. The core strategy is less about staking and more about growing this metric through accretive dilution, which depends on sustaining a positive market NAV (premium). These premiums are often narrative-driven and hinge on the company's ability to raise additional capital. This creates the potential for significant share price appreciation, sometimes 2x, 5x or even 100x. This dynamic is the central value proposition of the DATCO model.

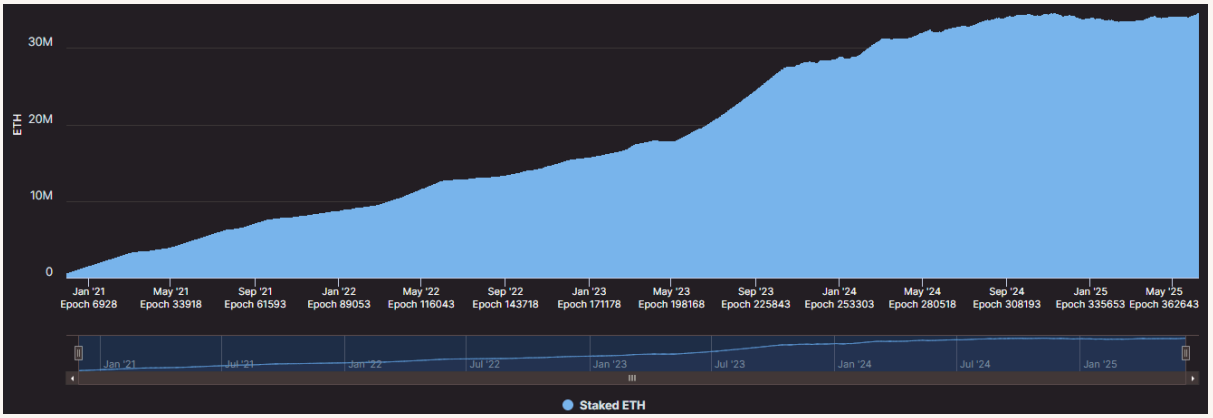
  The downside is that if market NAV falls below 1, the share price can decline sharply, sometimes in a cascading manner, even if the underlying ETH appreciates. The bifurcation in investor behaviour will therefore largely stem from risk appetite. Some investors will prefer direct ETH exposure via ETFs, which have lower tracking error but diluted yields. Others will be comfortable with the additional share price dynamics inherent in DATCOs.

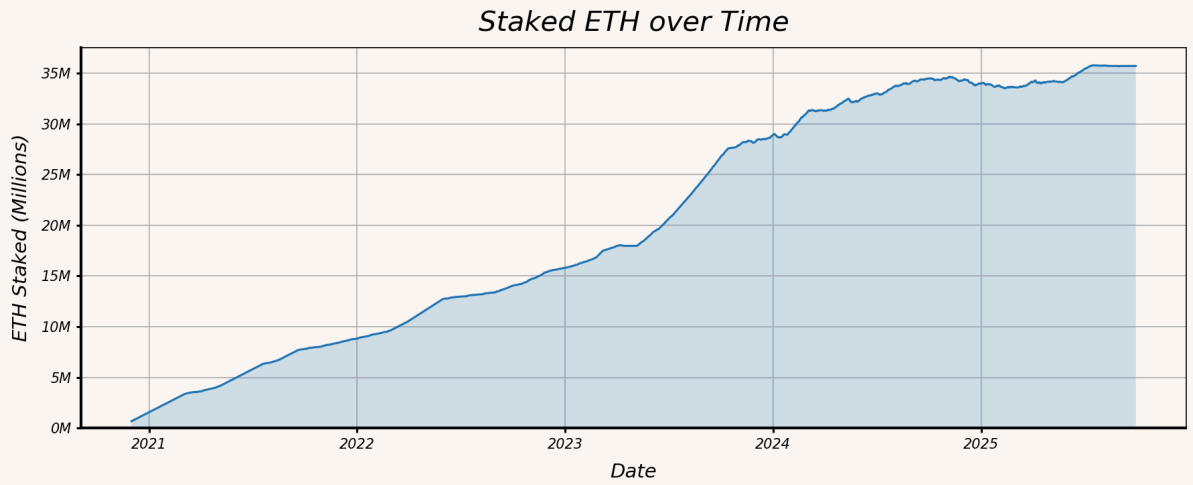
  Staking remains highly relevant in this context, but it should be viewed as a compounding layer of yield on top of DATCO's core value strategy rather than the central driver. The growth of both ETFs and DATCOs will increase institutional demand for staking services, including robust infrastructure, slashing protection, secure key management, regulatory compliance, such as OFAC-aligned validators and MiCA reporting, and agile liquidity solutions such as credit lines or liquid staking.

The Staking Opportunity - Why Yield Still Matters

Staking has become the *de facto* yield mechanism in the crypto ecosystem, analogous to interest on bonds or dividends on equities. In a proof-of-stake network, token holders can delegate their assets to help secure the blockchain and, in return, earn staking rewards (paid in the native token). In recent years, PoS blockchains have become the dominant consensus mechanism, and the ratio of assets staked on these networks has seen mainly an upwards trajectory. For institutions, this provides

an opportunity where held crypto assets can be ‘put to work’ to generate an income strea,m. For retail, investors, this offers a low-risk, passive income that doesn’t require crypto expertise.





Today, the aggregate rewards may appear modest in percentage terms - Ethereum’s reward rate is 2.85% and TON’s is 4.38% [3], but for large capital allocators, this potential yield is significant. In an asset class known for volatility, the presence of a consistent reward mechanism can improve the risk/reward profile by providing largely uncorrelated returns (reward for network participation rather than market price movement). In short, yield still matters; it is a critical component of crypto’s value proposition, and ignoring it means leaving returns on the table.

However, the ability for different institutions to capture staking rewards varies. Institutional flexibility varies greatly between direct token holders and those using ETF-like products. A hedge fund or crypto-native fund that directly holds assets can decide to stake or not stake based on its own liquidity needs. By contrast, an ETF or ETP (exchange-traded product) must adhere to rules that ensure liquidity to its shareholders. For instance, most ETFs offer at least daily liquidity, with redemption settlements often on a T+1 basis. This means if an authorised participant redeems shares today, the ETF must deliver the underlying assets or cash by the next trading day.

Such liquidity obligations clash with the mechanics of staking on many networks. Unbonding periods (the time it takes to unstake and withdraw assets) can range from a few days (e.g. ~2–4 days for Solana) to over a week or more (the Ethereum exit queue is currently a notable 45 days following a recent spike in validator exits by one staking provider [8]). For ETFs with redemption requirements, they must often maintain a portion of assets unstaked and liquid or use tools such as lines of credit to bridge the gap. Twinstake recognises the importance of liquidity for ETFs and offers a suite of functionalities to help ETFs maximise their staking position and, therefore, performance. This is why it provides staking services for ~40% of the European ETP market.

It's telling to quantify the latent yield opportunity that many ETFs currently miss. As of mid-2025, institutional ETH ETFs hold approximately 6.62 million ETH ([redacted] of the ETH supply) and have an AUM of around $ 21.2 billion [7]. SOL ETFs have started to emerge, with a current AUM of $1.3 1.3 billion, and XRP ETFs stand at $861 million [9].

Of the 29 Ether ETFs, only 10 have integrated staking into their offerings, with a total AUM of $1.72 1.72 billion. They see a boost to their fund as tabulated below [10]:

ETF Name	Ticker	Staking Yield Boost
21Shares Ethereum Staking ETP	AETH	1.86%
21Shares Ethereum Core Staking ETP	ETHC	1.1%
CoinShares Physical Staked Ethereum	ETHE	1.25%
Bitwise Ethereum Staking ETP	ET32	2.57%
Virtune Staked Ethereum ETP	VIRSETHS	1.45%
1Valour Ethereum Physical Staking	1VET	N/A
3iQ Ether Staking ETF	ETHQ	1.55%
VanEck Ethereum ETN	VETH	Up to 5%
WisdomTree Physical Ethereum	ETHWLN	1.10%
REX-Osprey ETH + Staking ETF	ESK	N/A

This provides a competitive offering compared to non-staking ETFs through higher returns for investors, albeit below the native staking rate due to the portion of assets that remain unstaked for liquidity reasons. For institutional volumes, these modest staking rewards can provide a sizable return.

Furthermore, the additional staking rewards enable fund managers to offset their management fees by retaining a portion of the staking yield. This provides further

benefit for investors and makes a staking fund highly competitive compared to a non-staking spot ETF.

When staking is approved for US ETFs,, this could open up staking yield on $ 19.6 billionllion of additional a. Asnd as ETFs are expandeinclude d to more assetsseenshown with the nascent SOL andETF ETFs s,pace), this could further open up more yield opportunities for ETF investors. Therefore,, while staking within ETFs remains limited, it provides a compelling offering for those able to add it.

In contrast, institutional investors with greater flexibility, such as crypto-native funds, DAOs, or corporations, can treat staking as a core strategy without the limitations that ETFs typically face. They can tailor their staking approach to their liquidity horizon. For instance, a family office with a 5-year view on holding ETH might comfortably stake nearly 100% of its position, accepting the inability to immediately liquidate as a trade-off for earning rewards. A proprietary trading firm might develop sophisticated tactics to stake when market activity is low and unstake when anticipating the need for liquidity. In essence, those not bound by an ETF wrapper can be far more agile and opportunistic in capturing yield.

In summary, yield is a vital component of crypto investing, particularly for institutions aiming to maximise returns in a competitive landscape. Staking provides native rewards, but the ability to harness it fully depends on the vehicle. ETFs offer a familiar, liquid wrapper but inherently sacrifice some yield. Digital asset treasuries and other flexible structures can step into this gap, capturing the full staking opportunity. As the next section explores, these treasuries are rapidly rising to prominence as the yield engines of the crypto world, unfettered by many of the constraints that currently hold ETFs back.

The Rise of the Digital Asset Treasury

Who or what are the “quiet giants” of crypto? We define digital asset treasuries as large pools of crypto assets held by an entity for the long term, with a mandate beyond short-term trading.

This broad category includes:

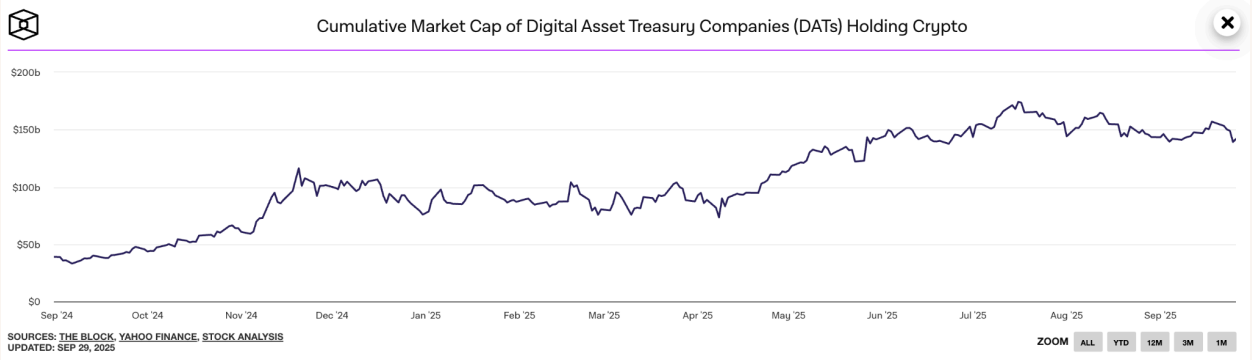
- DAO and Protocol Treasuries: Many blockchain networks and decentralised protocols have native treasuries governed by the community in the form of Decentralised Autonomous Organisations (DAOs). Examples: the Uniswap DAO treasury (funded by reserved UNI tokens and fees, valued in the billions of dollars), Lido DAO’s treasury (holding fees accrued from the staked ETH protocol and LDO tokens), or the Arbitrum DAO treasury (which received a significant allocation of ARB tokens for ecosystem development). These treasuries exist to further the project’s growth and security – a mission often aligned with staking, as it increases network security and yields more assets to fund development.

- Foundations and Non-Profits: Organisations like the Ethereum Foundation or the TON Foundation hold sizeable crypto reserves to support protocol development. While their charters may prioritise funding grants and research, they also strategically manage their treasury assets. For instance, the Ethereum Foundation has historically held ETH and even sold at cycle peaks to extend its runway; these foundations often stake portions of their holdings (e.g. to support network security and earn low-risk returns to cover operating expenses).

- Corporate Treasuries: This refers to companies (often in the tech or crypto industry) holding crypto on their balance sheets as a reserve asset or strategic investment. The most famous example is MicroStrategy (recently rebranded to “Strategy”), which holds over 640,031 BTC as a primary treasury reserve [11]. While Bitcoin treasuries cannot stake as Bitcoin is not a proof-of-stake chain, this movement laid the groundwork for corporate participation in crypto. Now, newer companies are focusing on *staking assets*: for example, Tron Inc. (formerly a media company, now named after the TRON network) holds and stakes 365 million TRX tokens, effectively acting as a corporate validator for Tron[6]. Companies like Coinbase and Kraken also hold crypto (partly as customer deposits, partly as investments) and engage in staking services, although they are not purely treasury-focused.

- Digital Asset Treasury Companies (DATCOs): The latest evolution in this space is the rise of public companies explicitly dedicated to accumulating and utilising crypto treasuries. They are firms that investors can buy equity in and whose value is primarily derived from crypto holdings plus any yield or upside those holdings generate. Significantly, DATCOs differ from ETFs in that they can raise capital, take strategic action, and potentially trade at a premium or discount to NAV. This model gained traction after 2020, when MicroStrategy’s success demonstrated that public markets sometimes reward crypto-heavy balance sheets with outsized equity premiums (MicroStrategy often traded at

a significant premium to its underlying BTC NAV). According to Galaxy's report, as of mid-2025,, DATCOs collectively hold over 791,000 BTC and 1,313,000 ETH, worth approximately $93 billion and $5 billion,, respectively [12]. This represents about 3.98% of all BTC and 1.09% of all ETH.



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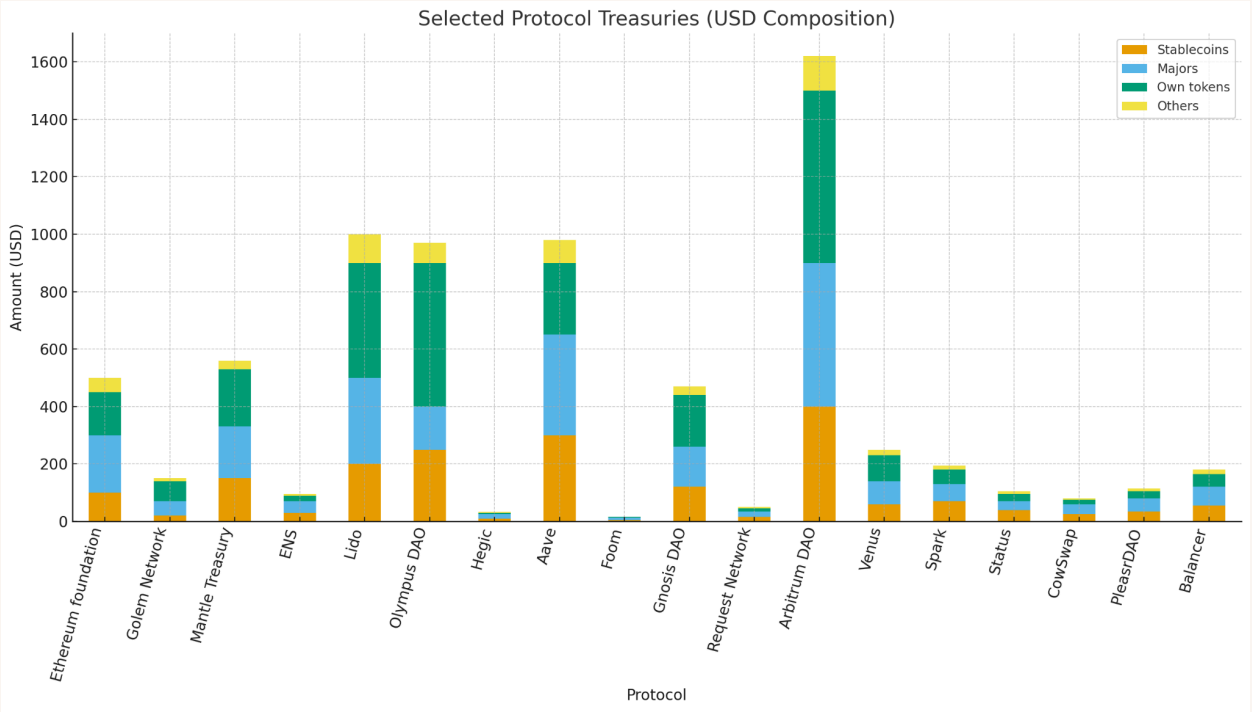
Critically, many of these new entrants in the treasury arena are targeting assets which can generate rewards. In 2025, a "second wave" of treasury firms has emerged beyond the MicroStrategy model of just holding BTC. Companies like SharpLink Gaming (SBET), BitMine (BMNR), TON Strategy (TSC), and Upexi (UPXI) shifted towards reward-enhanced treasury strategies. They accumulate assets such as ETH, SOL, or TON that generate staking rewards and can be used in DeFi to boost yield potential further. This trend mirrors what forward-looking crypto protocols have done with their DAO treasuries: rather than passively holding tokens, they deploy them to earn income.

For example, SharpLink has publicly adopted an "Ether treasury" strategy – raising funds through equity to purchase ETH and stake it. In August 2025, SharpLink raised $200 million in a direct offering to increase its ETH holdings to over 521,000 ETH (~$2 billion)[14], with the explicit plan of staking those tokens for rewards. Its shares, in turn, trade as a proxy for an ETH staking play. Similarly, Bit Digital pivoted from Bitcoin mining to focusing on Ethereum staking and now trades at a notable premium

to the value of its ETH holdings - investors appear to be pricing in the future yield and growth from its staking activities.

Alongside corporates, native crypto treasuries (DAOs/protocols) have also grown significantly and are actively deploying assets. A striking example is Lido: while Lido's TVL (total value staked through Lido) is $35.83 35.83billion [15], the Lido DAO's own treasury (funded by fees collected in ETH) holds a substantial amount of ETH and stablecoins. The Lido DAO must decide how much of its assets to stake (earning more ETH) versus keeping them liquid for development; essentially performing treasury management, much like a corporate board. Many DAOs have begun to institute treasury management committees to handle these decisions, and increasingly they are opting to stake or lend out idle assets to generate yield for the DAO. Uniswap, which has a treasury mainly in UNI tokens, explored proposals to diversify part of its treasury into yield-generating assets (like USDC to earn interest or ETH to stake) - showcasing that even a DeFi protocol without a native staking mechanism for its own token can seek yield on its capital. Arbitrum's $ARB token treasury (worth over $1 billion) is being partially allocated into community programs, but any portion retained could theoretically be put to work in Arbitrum's evolving proof-of-stake or governance staking (should they enable it) or even deployed cross-chain for yield.



[16] (where majors are ETH and BTC)

It is important to note the structural differences between Digital Treasuries vs. ETFs:

- Capital Base & Structure: An ETF is an open-ended fund; it expands or contracts as investors buy or redeem shares, always keeping NAV parity. A treasury (corporate or DAO) is akin to a closed pool where capital is raised (via token sales, equity issuance, convertible debt, or initial allocations) and then managed as a fund. Treasuries can raise more capital periodically ,such as SharpLink selling shares above NAV to buy more ETH, somewhat akin to how a closed-end fund might issue shares at a premium. ETFs, by contrast, generally don't retain earnings- any staking yield might be paid out as distributions or reinvested, but fund rules strictly govern the structure.
- Flexibility in Asset Mix: An ETF typically registers for a specific asset or a basket of assets (e.g., "hold SOL" or "hold a basket of top 5 cryptos") and would not alter this position; instead, it would register a new ETF. However, a digital can take a broader latitude and initially look to start with one asset but later, after the necessary SEC approval, broaden to additional assets. For example, some treasury firms started with BTC but then added ETH, SOL, or other tokens to capture yield narratives. DAOs likewise can hold multiple assets (many DeFi project treasuries hold stablecoins, ETH, etc., not just their own token). This flexibility means treasuries can rebalance to maximise returns,, e.g., by allocating to higher-yielding assets or new staking opportunities, whereas an ETF's mandate might prevent such shifts.
- Regulatory Regime: ETFs are highly regulated (in the U.S. under the 1940 Act or analogous EU UCITS rules for ETPs). This imposes strict transparency, custody, liquidity, and reporting requirements. Treasuries, if structured as corporations or DAOs, operate under more general securities or token governance laws with fewer predefined rules on liquidity. Investors in DATCO accept that the stock may trade at a premium or discount and that management has discretion on how to use funds within the scope of their filings, subject to board approval. Therefore, treasuries can pursue opportunistic strategies (with correspondingly higher autonomy and risk), whereas ETFs are constrained to passive, rule-bound strategies.
- Yield Utilization: Perhaps the most significant difference is that a treasury retains the staking rewards it earns within the treasury (increasing the asset base), whereas an ETF typically distributes the rewards to shareholders (through NAV appreciation or token distributions). A corporate treasury's rewards effectively accrue to the benefit of shareholders as an increase in company value (or potentially dividends if they choose); a DAO's rewards accrue to token holders by extending the runway or funding new growth. But neither is forced to distribute rewards periodically. This allows compounding. An ETF's NAV will rise as it accrues staking rewards; however, if new shares are created or redeemed, existing holders may not see the full compounding effect. Additionally, ETF fees (expense ratios) directly reduce yield. Many crypto ETPs charge 1–2% annually, which is a significant chunk if the underlying yields 4–5%. Treasuries may have overhead, but not in the form of an explicit AUM fee.

Given these distinctions, it's not surprising that digital treasuries are becoming a popular vehicle for performance-oriented crypto exposure. They combine the

benefits of long-term holding with active management to capture network rewards. Investors are effectively valuing not just the tokens on the balance sheet, but the capability of these entities to generate rewards and grow those tokens. In contrast, an ETF always trades at NAV by design, with no such premium for strategy; any outperformance simply results in NAV tracking higher, which is then straightforwardly accessible via the creation of new shares. In other words, treasuries can concentrate and reinvest staking alpha, whereas ETFs deliver it directly to the investor, but in doing so, they cannot amplify it (and indeed often attenuate it due to constraints).

In summary, the crypto market is witnessing the ascent of digital asset treasuries as formidable stewards of capital. These treasuries, whether in corporate form or decentralised form, are driving the next wave of staking yield by committing large, stable capital pools to onchain participation. They have the strategic agility to maximise returns in ways ETFs cannot, and therefore are quietly surpassing ETFs as the primary engines of staking in the industry. The next section will delve into *why* these treasuries tend to stake more of their assets and how they leverage specialised tools and partnerships to optimise their staked funds.

Why Treasuries Stake More

Digital treasuries inherently have strong incentives and capabilities to stake a greater portion of their assets compared to ETF structures. The reasons range from philosophical alignment with network goals to practical liquidity management advantages. We break down the key drivers:

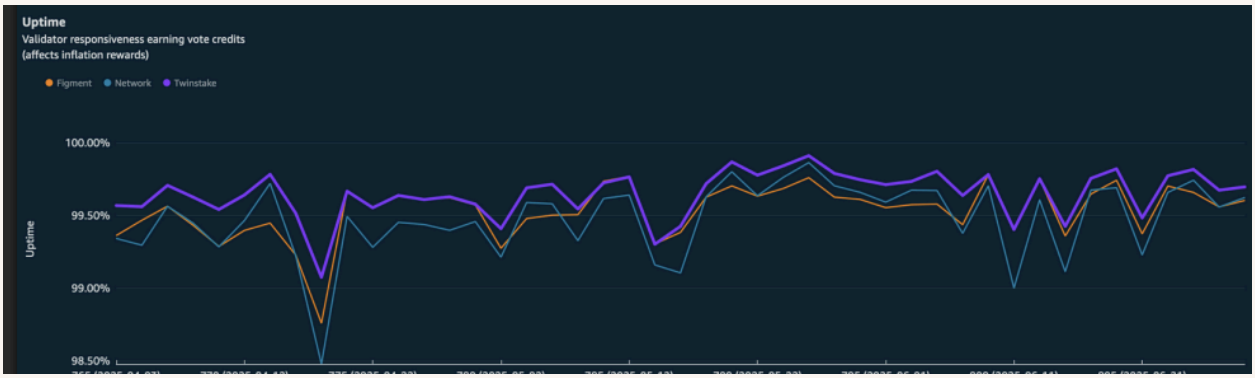
1. Long-Term Alignment with Networks: Treasuries, especially those of protocols and foundations, are ideologically and financially aligned with the health of the network. Staking is not just about earning rewards; it's about contributing to network security and consensus. A DAO treasury or a foundation fund often views staking as part of its duty as a core stakeholder in the ecosystem. For example, if a foundation holds a large amount of its chain's tokens, staking those tokens both secures the network (protecting the value of the foundation's holdings) and sends a signal of confidence. Unlike an ETF, which is a neutral wrapper, a treasury is often an active participant in the community. Similarly, many DATCOs have sought to highlight their interest in aligning their staking activity and any further DeFi activity with community-aligned incentives and the network's goals. Furthermore, many treasuries have mandates that span years, if not decades (consider endowments or ecosystem funds designed to last a long time); the long-term perspective means the short-term illiquidity of staking is a minor concern.

2. Liquidity Tolerance and Capital Stability: As noted above, treasuries have a long-term hold strategy for their assets. Whether it's a company like SharpLink amassing ETH or a DAO holding its governance tokens, these entities are not expecting to redeem their holdings daily, in fact, quite the opposite, they usually intend to grow their holdings. This means that they can afford to lock assets into staking contracts for extended periods without worrying about investor withdrawals. For instance, a corporate treasury might explicitly state that the crypto assets are a *strategic reserve* not to be sold to meet operating expenses (MicroStrategy's approach with BTC is a notable example). A DAO treasury might be governed by token holders who would vote down any proposal to liquidate core assets except under extreme circumstances. In practical terms, this low liquidity preference allows treasuries to stake a higher percentage of their holdings at any given time, maintaining just a minimal portion liquid for unplanned needs. By contrast, an ETF must assume that any and all assets could be demanded by redeeming shareholders tomorrow, so it maintains a much closer to a fully liquid stance.

3. Active Yield Optimisation Strategies: Perhaps the most distinguishing factor is that treasuries can engage in active yield optimisation - they are not passive holders. They can choose *how* to stake, *where* to stake, and *when* to stake to maximise returns. As such, this means that treasuries must make a careful selection when it comes to their institutional staking provider and ensure that their holistic offering will

enable them to generate the highest possible rewards from both native staking and ancillary offerings. Some notable considerations within this are:

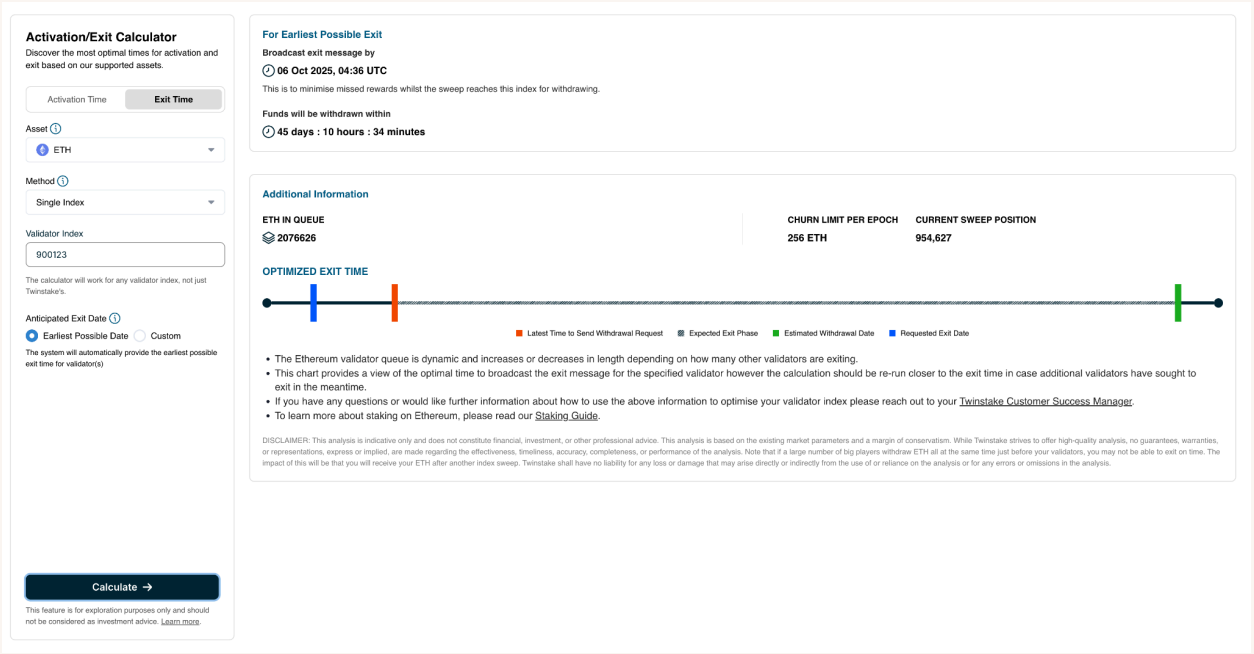
- **Validator Selection and Management:** Running a high-performance and secure validator infrastructure is a complex and challenging task. It requires deep protocol expertise, round-the-clock optimisations and maintenance, and significant personnel and hardware expenditure. This is why many treasuries opt to work with an institutional staking provider such as Twinstake.



The *Twinstake Solana validator consistently maintained higher uptime than the network average in Q2.* *See more in SOL Q2 Reports.*

Twinstake provides enterprise-grade infrastructure so that even non-technical treasuries (like traditional funds or companies) can capture staking rewards securely and effortlessly. This reduces the need for them to spend capital on running infrastructure, allowing these funds to be used for buying and staking more assets. The beneficial consequence for funds choosing an institutional staking provider is also improved performance, which leads to higher staking rewards.

- **Timing and Liquidity Management:** Treasuries can carefully plan *when* to activate or exit stakes to minimise downtime and maximise compounding. For example, Twinstake's ETH Activation & Exit Calculator [9] is a tool specifically designed for this purpose, providing real-time projections of Ethereum's validator entry/exit queue and identifying the optimal time for activation or exit activity. Using this intelligence, a treasury can avoid having capital sit idle in a long activation queue or avoid exiting during congested periods that prolong withdrawals. Twinstake's data shows that this can significantly boost annualised yields and to date clients have saved over $750,000 in would-be lost rewards by timing exits to avoid needless idle time. Additionally, Twinstake's SOL Weekend Optimiser is a tool designed for ETFs and asset managers with redemption requirements. The tool provides accurate epoch times to help firms stake additional SOL over the weekend whilst still meeting Monday and Friday redemption requests. This can unlock the ability to increase the staked ration by 15-20% for those with an AUM of ~$1billion. These tools allow ETFs, as well as treasuries with liquidity concerns, to maximise their staked amount and therefore boost overall yield.



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- **Liquid Staking:** Treasuries comfortable with smart contract risk can utilize liquid staking tokens (LSTs) to remain agile. Rather than staking natively and waiting for unbonding times, a treasury can stake via a liquid protocol and then use the liquid staking token for activity on DeFi platforms or to liquidate the position outside of on-chain exit queues. Twinstake is proud to be a close partner of TruFin and Alluvial who offer institutionally focussed liquid staking options.
- **Yield Boosting:** In addition to protocol level staking and the ability this opens for treasuries to earn a steady reward stream, many institutions are also exploring the ability to boost their yield through various DeFi activities. This could involve staking to Twinstake's institutionally configured Operator on EigenLayer, delegating to the Twinstake Finality Provider on Babylon for any held BABY or BTC, or using a partner such as Maple for a loan on staked assets, which can then be used in DeFi activities. Through our deep partnerships with various DeFi protocols, Twinstake enables treasuries to utilize their staked assets and earn additional rewards.

In conclusion, digital asset treasuries stake more because *they can and it pays to do so*. They have the patience, the tools, and the aligned incentives to lock up assets and extract maximum yield, whereas ETFs are inherently more conservative. The implications of this for institutions are profound, which we explore next: essentially, treasuries are starting to outperform ETFs in delivering staking returns, and could look to become the vehicle of preference for institutional investors.

Institutional Implications – Why Treasuries Outperform ETFs

For institutional allocators,, including hedge funds, asset managers, family offices, and even traditional allocators such as endowments or pension funds,, the divergence between treasury-style staking and ETF-style staking is more than just a structural curiosity. It represents a fork in the road for gaining crypto exposure with rewards: *Should one gain exposure via a fund (ETF/ETP) or via a direct treasury approach (holding assets or investing in a company/vehicle that does)?* Understanding the trade-offs is critical. Below, we present a framework comparing the two approaches across several dimensions which matter to institutions: performance, risk management, liquidity, governance rights, and operational complexity.

Performance: As elaborated, a treasury approach can potentially generate higher net rewards on the underlying cryptoassets. A quick comparison:

- **Treasuries:** Can stake a larger portion of assets (potentially up to 100%) and optimise strategies (timing, defi utilisation, etc). Rewards are likely compounded, and whilst internal costs still arise, there is no management fee drag. Result: higher overall staking rewards with the possibility to exceed baseline network reward through optimisations
- **ETF/ETPs:** Likely staking just a portion of assets (40-70% as a conservative parameter, although this can vary significantly between assets) to manage liquidity concerns, and limited primarily to native staking only. Result: lower net staking APR, roughly equivalent to the network base rate minus fees/minus unstaked portion.

Risk Management: Institutions must consider different risk profiles:

- **Treasury Risks:** Direct staking involves slashing risk (if a validator misbehaves, a portion of the stake can be lost) and operational risk (key management, node uptime,, etc.). By opting to use an institutional staking provider such as Twinstake, treasuries and ETFs can reduce their slashing risk, owing to robust infrastructure with multi-region set-ups, usage of best-in-industry signer software and deep protocol expertise of engineering teams. This is all supported by external certifications such as SOC 2 type 2 for information security, and underpinned by external slashing insurance.

  Treasuries and ETF providers may also be concerned about the risk of centralisation for validators and so require that assets are spread across multiple providers to ensure decentralisation of the validator layer for the protocol. Some DATCOs have specifically signalled their intentions to be good stewards of the ecosystems in which they hold the native assets, and so this may be a philosophical/ideological risk that is top of mind for them.

  Finally, there is a governance risk where the extra level of discretion given to

DATCOs in what they do with their treasury could lead to increased governance risk and direct accountability. The elevated risk is exacerbated if a DATCO chooses to participate in higher-yield DeFi strategies, introducing smart contract risk as well as the prospect of cascading liquidations and unwinding of positions if not carefully managed.

- **ETF/ETP Risks:** Similar to treasuries, the risk of slashing is a key concern for ETFs, but can be largely mitigated by using an institutional staking partner such as Twinstake. The risk and mitigation for both treasuries and ETFs are therefore mirrored across these segments when it comes to slashing. Another similarly mirrored concern could be the risk of centralization; however, rather than being driven by ideological ecosystem concerns, this could be more linked to concerns around vendor saturation and slashing risk. Regarding governance risk, since ETFs are more limited in scope to their stakeholder activity, this could reduce the overall risks to be considered and mitigated.

  The most notable risk for ETFs is related to liquidity, as discussed throughout this report so far, and is best mitigated through a combination of managing the staked-to-unstaked ratio and utilising tools such as Twinstake ETH Activation and Exit Calculator and SOL Weekend Staking Optimize.

Governance and Control: Another difference is the level of control and participation one gets:

- **Treasuries:** Owning assets directly or via a company gives potential governance rights. For instance, if a hedge fund sets up its own staking treasury, it can participate in protocol governance votes with its staked tokens (which might be important if the fund's strategy is to influence proposals that impact its investment). If the fund invests in a DAO's token to get exposure (instead of an ETF), it similarly might have a vote in that DAO treasury's decisions. Even corporate DATCOs come with shareholder voting rights; one could influence corporate strategy (in theory) through activism, e.g. pushing a treasury company to stake more or diversify. This level of engagement might be appealing to strategic investors.
- **ETF/ETP:** Some ETFs/ETPs will deliberately refrain from engaging in protocol governance to avoid being deemed to control the asset. Soliciting overall consensus from investors would be impractical, especially where assets are staked to a validator that has other institutional delegations and must vote as a collective whole rather than as a percentage of the overall staked amounts. In some cases, ETFs are specifically whitelabeling validators, or requesting private validators from their providers to give them full ownership of the governance rights associated with the validator.

  However, as crypto matures, some institutions may *want* a say (for example, an ESG-focused fund might want to ensure its validators adhere to certain principles, or a fund might want to vote on essential forks/upgrades). This has proved especially true with recent voting proposals on several chains aimed at

altering the tokenomics of the chain. ETFs may very well feel it is their fiduciary duty to act in the best interests of their clients.

Operational Complexity: The operational lift for treasuries, specifically DATCOs, is more pronounced on the business setup side compared to ETFs,, which are highly regulated with various reporting and investor protection requirements.

- **Treasuries**: After a qualified custodian or wallet management alternative (especially popular with protocol treasuries and DAOs, as this supports projects within their ecosystem), the staking route can be as simple as delegating funds to an integrated staking provider. Accounting and reporting requirements will depend on the structure of the firm, with DAOs likely needing a lighter touch in data sharing with the community, and DATCOs requiring data that can be input into 10-K, 10-Q, and other necessary reporting structures.
- **ETFs/ETPs**: With robust reporting requirements, ETFs may need multiple staking reporting routes to ensure accuracy and have suitable backup channels. They are most likely staking through a qualified custodian and will require any tax,,accounting, and other fund management solutions to be deeply integrated with staking-related data.

  ETFs are required to report the Net Asset Value (NAV) of their vehicles on a periodic basis and at predetermined intervals. The NAV serves as the authoritative measure of the fund's underlying asset value, and the ETF's market price is expected to remain closely aligned with it, typically within a small premium or discount. This NAV–price parity is essential for maintaining investor confidence and enabling the arbitrage mechanism that underpins the ETF structure, allowing authorised participants to create or redeem shares when deviations occur.

  To ensure this parity is maintained, NAV reporting must be both accurate and timely. This requires incorporating sufficiently granular data points and properly accounting for differences across global time zones, given that many ETFs hold assets traded in multiple markets with varying closing times. Inaccurate or stale valuations can lead to significant discrepancies between the price and NAV, compromising transparency, disrupting the arbitrage process, and eroding the efficiency of the vehicle.

Given these considerations, treasuries have the potential to outperform the staking yield of ETFs - by staking more and engaging more, treasuries could indirectly benefit from things like improved network health (which could appreciate the asset price) and from new opportunities (e.g. being first in line for airdrops or extra incentives that ETFs might not be able to engage with). That said, ETFs will remain an essential avenue for institutional access to cryptoassets, and ultimately, the institutional market may develop hybrid models. For example, we might see more

“staking trusts” or listed funds that function like DATCOs but with some investor protections.

Twinstake’s experience with products like the REX-Osprey SOL Staking ETF in the US[4] demonstrates that innovation is also occurring within the fund wrapper. The Osprey fund, with Twinstake’s infrastructure, effectively behaves part like an ETF (investors buy shares on the an exchange) and part like a treasury (the fund actively stakes SOL, using a basket that includes liquid staking tokens). It’s a hybrid that tries to take the best of both worlds. We expect to see more such products, and indeed,, Twinstake already supports numerous ETPs in Europe that stake underlying assets.

Where the Market Is Headed

Looking forward, we anticipate a bifurcation in how institutional capital engages with crypto staking: one branch optimises for accessibility and regulatory simplicity (ETFs and similar funds), and the other optimises for performance and deeper integration (treasuries and direct holdings). Both will grow, but they will serve different needs and likely evolve different standards.

ETFs for Access: Crypto ETFs (and ETPs globally) will proliferate as on-ramps, especially as more jurisdictions approve them and embrace staking as a core component. They will be the vehicles that allow *any* institutional investor to get exposure to crypto in their brokerage or custodial accounts. However, these funds will likely remain vanilla in terms of staking activity. We expect most will take cautious approaches: perhaps staking a portion of assets or using liquid staking to remain liquid, but not venturing into complex strategies. They will cater to investors who primarily optimise for price exposure and are content with a modest yield enhancement if available. ETFs will essentially become the “access layer” that is widely available, easy to use, but not necessarily the most performing. For example, a future BlackRock Ethereum ETF might stake a conservative 30% of its ETH and still attract tens of billions in AUM because many investors can access BlackRock’s platform and services. That ETF’s yield might underwhelm relative to what’s possible within the broader ecosystem, but its value is in the access and trust it provides.

Treasuries for Performance: Meanwhile, crypto-native institutions and forward-thinking funds will increasingly route their exposure through, or create their own, treasury-like structures to capture reward-boosting opportunities. We foresee more Digital Asset Treasury Companies (DATCOs) listing publicly, possibly specialised by strategy (some focusing on staking ETH, others on cross-chain yields, etc.). They may start to resemble asset managers in their own right, but with permanent capital aligned with a long-term hold strategy. The advantage these treasuries have is flexibility; they can pivot strategies, stake across multiple networks, and even engage in new forms of yield optimisation (such as EigenLayer restaking and other emerging yield sources). In effect, they become active yield-generating companies, much like active bond funds that aim to outperform passive indexes.

A key requirement for treasuries to succeed at scale will be utilising institutional staking services, allowing them to focus on company management and yield-boosting strategies. As more capital flows into these vehicles, they will face scrutiny similar to that of traditional financial institutions and will need to ensure that any staking firm they engage with can support requirements around risk, legal, compliance, and security. Twinstake is uniquely positioned for this as an exclusively institutional staking provider, built for the needs of growing institutions as their needs and the regulations grow more complex and nuanced - with an emphasis on SOC 2 certification, compliance with frameworks like MiCA, slashing insurance, and 24/7 monitored infrastructure. We anticipate, and look forward to, the rise of industry

standards for staking operations, e.g. independent certification of validator performance, standardised reporting of staking returns, and insurance policies against slashing or protocol failures.

Another expected development is the integration of traditional finance tools to support staking treasuries. For example, credit lines secured by staked assets: if a treasury needs liquidity but doesn't want to unstake, it could borrow against its staked tokens. This mirrors how ETF issuers consider credit lines to handle redemptions without unwinding stakes (as discussed in Twinstake's *Redemption Ready* report, *"why credit lines, not improvisation, are becoming the standard"*[10]). We envision a scenario where a large DAO or company may have arrangements with a bank or market maker to obtain a fiat loan against its staked cryptocurrency, thereby bridging traditional and cryptocurrency finance seamlessly.

Ultimately, the coexistence of both models could benefit the ecosystem. ETFs attract new capital by lowering entry barriers; treasuries ensure that capital is actively contributing to network security and innovation, rather than sitting idle. Both funnels lead to more secure and more valuable networks, and ideally, to better returns for investors. In such an era, those who merely provide access (ETFs) will play a crucial role, but those who fully embrace on-chain operations (treasuries) will drive the frontiers of value creation.

In closing, the quiet giants, the digital treasuries, are quietly but decisively taking the lead in the staking arena. As explored in this report, these treasuries are not only embracing native staking but also exploring yield-boosting potentials due to their reduced liquidity constraints and increased risk tolerance. The giants may have been quiet so far, but their footsteps are growing louder, and the financial world is starting to take notice.

About Twinstake: Twinstake is the premier non-custodial staking provider for institutional clients, offering white-glove service and market-leading performance to our clients. Twinstake offers extensive asset support, easy integration with custodial partners, a comprehensive approach to compliance and reporting, and the ability to build custom products to support our clients' needs. To learn more about how Twinstake can support your crypto asset staking needs, please contact us at info@twinstake.io or speak to your Twinstake Customer Success Manager.

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Recommended Further Reading

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