enflux

OTC Masterclass 2025: The Guide for Projects and Investors

WHY OTC MATTERS, HOW TO USE IT RIGHT, AND WHAT OTHERS GET WRONG. THE ONLY GUIDE YOU NEED TO STRUCTURE SMARTER DEALS AND RAISE CAPITAL ON YOUR TERMS.

Jelle Buth
@J_BUTH
CO-FOUNDER

What to Expect

OTC DEALS are the hidden engine of Web3 fundraising. While most eyes are on token launches and VC announcements, the real capital flows often happen off-chain, behind the scenes. This guide pulls back the curtain on OTC—from large institutional hedging strategies to flexible treasury-building tools that emerging projects can use today.

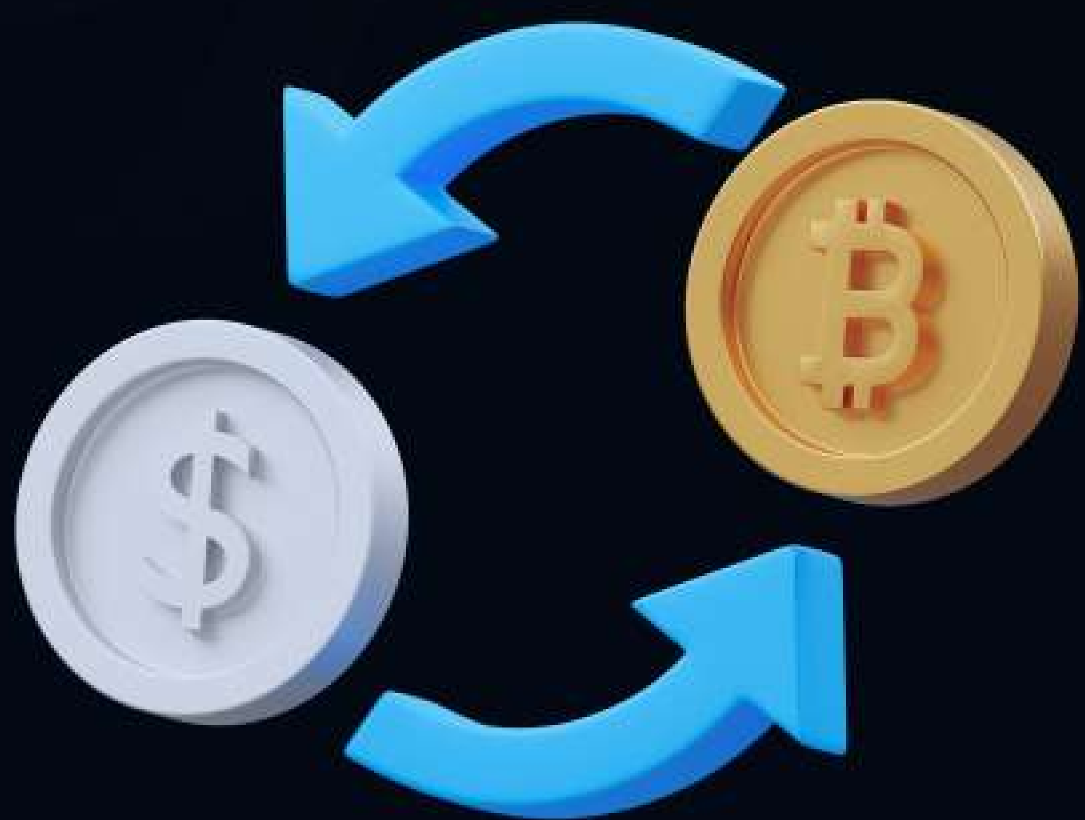
Whether you're a project raising capital or an investor seeking structured exposure, this Masterclass offers a practical, transparent breakdown of how OTC works—and how to make it work for you.

Table of Contents

Foreword — Why OTC Deals Matter

OVER-THE-COUNTER (OTC) DEALS are one of the most important yet least visible elements in Web3 markets. They aren't the typical deals you see on X or in press releases. Foundations rarely talk about them openly. Even when there's an announcement about an "investment" in a project, that investment may actually be an OTC deal behind the scenes.

These deals move markets too often. They are used to raise capital that can fund buybacks, KOL campaigns, or other simply to grow the projects treasury. Sometimes, the same OTC investors will take their returns and reinvest into other projects, continuing the cycle. This movement of capital is part of where sell pressure later comes from.



Foreword — Why OTC Deals Matter

FROM THE INSIDE, it's clear how critical OTC deals are for anticipating market behavior and spotting anomalies. Retail investors usually have no idea they exist, or that institutions have access to them on terms retail never sees. That's why understanding OTC flows is crucial. If you know the kind of OTC deals a project has done, at what discount, and under what terms, you have insight into what could happen to price in the future.

Importantly, small OTC deals and big OTC deals differ greatly in risk, execution, and outcomes. Recognising which type is in play is critical for both investors and projects.

What "OTC" Means in Web3

> IN CRYPTO, "OTC" ISN'T ONE SINGLE THING. PEOPLE USE IT TO DESCRIBE DIFFERENT TYPES OF ACTIVITY:

1. **Block Trading Desks**

These are for very large trades, think 1,000 or 10,000 BTC at once. A desk will execute across multiple exchanges, quickly and with minimal slippage. They capture profit from the spread between buy and sell prices. This is more "block trading" than investing.

2. **OTC Brokerage Desks**

Here, the desk acts like a broker between a project and potential buyers. If a project wants to raise $10 million via OTC, the broker will find investors to put in the money. The broker earns a specific commission from the project and another fee from the buyers

What “OTC” Means in Web3

3. **Direct OTC Investments**

These deals happen directly between the project’s foundation (the seller) and an investor such as a hedge fund, LP, or market maker. Sometimes they come through OTC desks, sometimes directly through existing relationships. Enflux operates in this space, connecting directly with foundations and market-making services to add value.

Understanding whether an OTC deal is small or large is essential. Large OTC deals often involve established tokens with liquid markets and hedging opportunities. Small OTC deals usually involve emerging projects with thinner liquidity and no hedging options, making risk management entirely different for both sides.

Funding Options and How They Compare

WHEN A PROJECT NEEDS CAPITAL, IT HAS SEVERAL PATHS TO CHOOSE FROM, EACH WITH TRADE-OFFS:

- **VC or Pre-Seed Investment**

This is slower. You need to convince someone to believe in your mission and vision enough to put down capital. The benefit is that you get long-term partners who can help grow the project. Typical vesting is 12–36 months.

- Launchpads

Faster than VC, but not instant. Retail participants buy in, often with no lockup or maybe just 30 days. Sell pressure after launch is higher. Access to capital is quicker than VC but not as quick as other routes.

enflux

Funding Options and How They Compare

- **Vested OTC Deals**

Often used by large projects post-launch. Shorter investment horizons than VC, faster access to capital, and discounts ranging from 15% to 40%.

- **Flexible OTC Deals**

Suitable for ongoing treasury building. Can be combined with other funding sources. Access to capital is very fast, with both sides able to adjust participation based on market conditions.

Importantly, you don't have to pick only one route. A project might take VC funding early on, and later add a vested OTC deal or a flexible OTC arrangement to supplement its capital.

enflux

Investment Decisions vs Trading Decisions

NOT ALL OTC BUYERS APPROACH DEALS THE SAME WAY. BROADLY, THERE ARE TWO MINDSETS:

Investment Decision

This approach is fundamentals driven. The buyer believes in the project, understands the tokenomics, and is comfortable taking a longer-term view. Investors in this category hold through lockups, align with the project's growth, and aim to profit primarily from price appreciation over time rather than short-term mechanics.

enflux

Investment Decisions vs Trading Decisions

Trading Decision

This approach is numbers driven. The buyer looks at the deal structure such as discount, lockup, vesting, and liquidity profile, and decides if the math works regardless of fundamentals. Trading decisions can take several forms:

- **Short term:** buying with little or no lockup, then quickly selling into bids or hedging via perps to lock in profits.
- **Longer term:** entering deals with vesting or cliffs, but managing exposure through hedging, partial exits, or structured positions that monetize the discount while limiting risk.

Investment Decisions vs Trading Decisions

Both approaches exist across OTC markets. The distinction is whether the buyer is primarily backing the project's long-term trajectory or treating the deal as a trade in its own right.
Key factors influencing deal structure:

- **Perps Market:** A liquid perps market pushes deals toward trading decisions since buyers can hedge.
- **Discount and Terms:** Large discounts with short or no lockup often align with trading strategies.
- **Market Health:** The token market needs to have organic activity, a healthy 2% depth, and ideally being listed on at least one centralized exchange.

Investment Decisions vs Trading Decisions

Large OTC deals often involve hedging strategies due to perps availability. Small OTC deals cannot be hedged, making them pure trading decisions by default.

enflux

OTC Deals for Large-Cap Projects

LARGE-CAP OTC DEALS, ARE COMMON AMONG TOKENS ALREADY LISTED ON EXCHANGES WITH ACTIVE PERPETUAL MARKETS.

A typical example might be:

- 30% discount
- 4-month cliff, 4-month linear vest
- $1M minimum buy-in

OTC Deals for Large-Cap Projects

TO PUT THIS INTO A USE CASE a typical trading approach for these deals might look like this - enabling traders to lock in profits almost immediately, even with lockups:

1. Buy $1M worth of tokens at a 30% discount.
2. Immediately short the same notional amount on perps to lock in the discount as profit.
3. Optionally hedge only part of the position, keeping some exposure to the token's upside.
4. Collect funding rates while waiting for tokens to vest.

This is sometimes described as "funding rate arbitrage plus discount." The return comes from both the initial discount and any positive funding rates earned on the short position.

enflux

OTC Deals for Large-Cap Projects

IT'S IMPORTANT TO ASSESS FACTORS such as slippage, open interest, and funding rates before entering such a trade. For example, if funding rates are negative (shorts pay longs), the trade's profitability decreases.

One key point: even with vesting, sell pressure via shorting is immediate. Projects may think vesting delays selling, but hedging creates sell pressure in the perps market from day one.

enflux

OTC Deals for Small-Cap Projects

SMALL CAPS, WITHOUT PERPS MARKETS, CAN'T BE HEDGED. THAT CHANGES THE CALCULUS:

With Vesting

The investor must believe in the project enough to hold locked tokens. This makes capital harder to source, but stronger fundamentals can secure better terms.

No Vesting

Easier to raise capital quickly. Discounts are usually smaller (e.g., 10%). However, sell pressure is more or less immediate.

enflux

OTC Deals for Small-Cap Projects

Projects face a trade-off: Is a higher discount for short-term vesting worth the cost compared to raising a smaller amount now with no vesting? Sometimes a 1-month vesting at a 20% discount is less attractive than no vesting at a 10% discount.

Some small-cap projects prefer no vesting because it allows for quick capital infusion, even if it means faster selling.

enflux

Flexible OTC and the Enflux Approach

ENFLUX OFFERS A FLEXIBLE OTC MODEL: SMALL, REPEATABLE TRANSACTIONS THAT BUILD TREASURY STEADILY.

For example:

- $5K-$50k daily deals at 10-20%% discount
- Executed and quoted daily when both sides agree
- Option to skip weeks or days, based on market conditions

This approach has been used daily for months by some projects. Others use it only when they feel it's the right moment.

enflux

Flexible OTC and the Enflux Approach

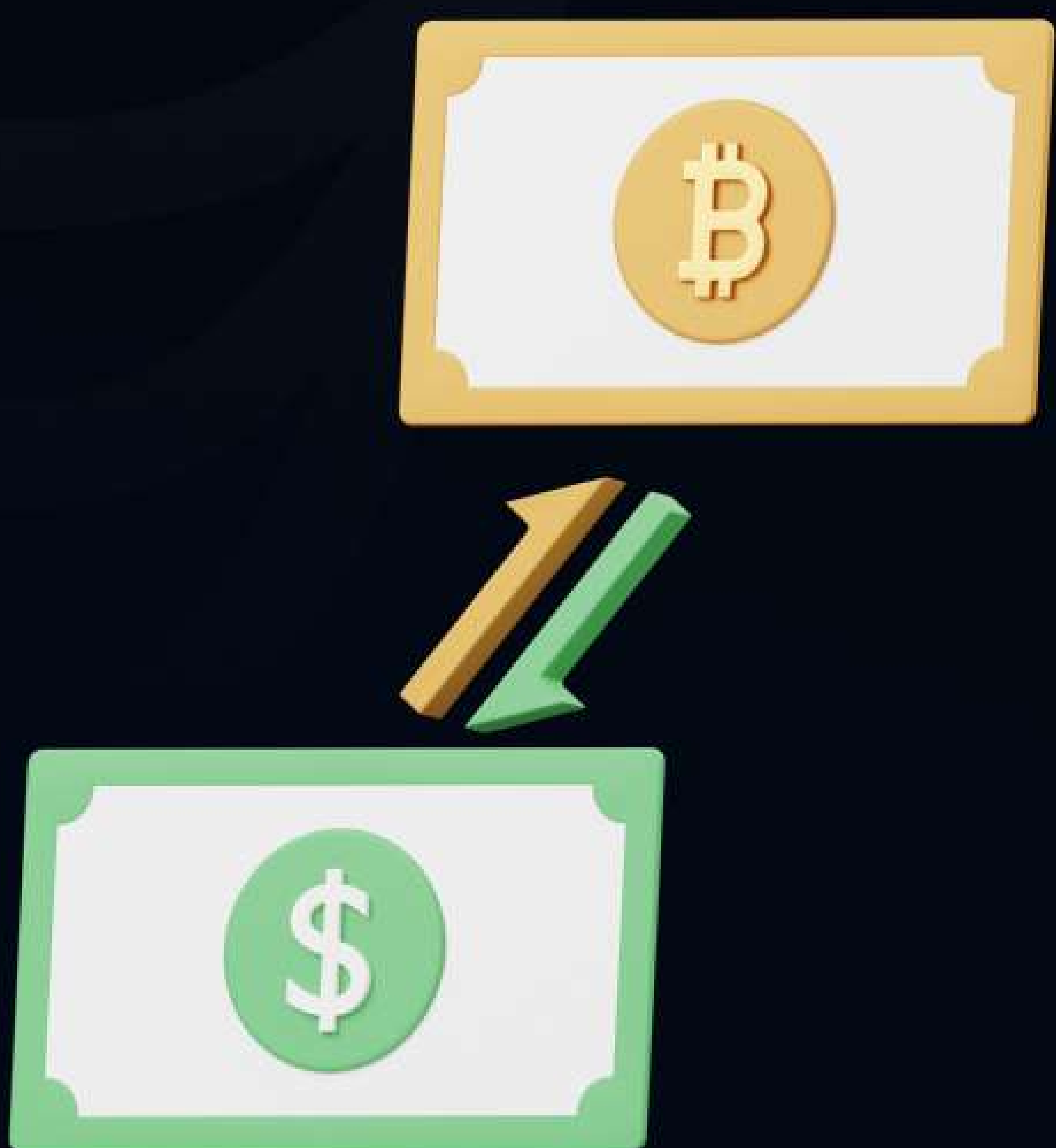
As a market maker, Enflux's algorithms liquidate tokens in a way that avoids large market orders and minimizes price impact. Flexible OTC works best for projects with enough depth and organic volume to absorb steady sales. It's not for every project, very low-volume markets can't sustain it. For some, long-term vested deals are better. In many cases, the best approach is a combination: larger vested deals for core funding plus flexible OTC for day-to-day treasury needs.

Overall, there's no one-size-fits-all or all-or-nothing approach. Investors can opt for locked deals with one party while simultaneously engaging in daily deals. This is often the preferred strategy, as it helps reduce risk for the project.

enflux

Flexible OTC and the Enflux Approach

For example, if an investor offloads $500K in tokens over three months, it can flood the market, drag down the price, and trigger volatility. Instead, if the deal is structured so that $250K is sold gradually through daily OTC or on-chain deals (otherwise in smaller tranches), and $250K released after a three-month lock. This spreads out the impact and keep the market price more stable.



enflux

Risks, Vesting Trade-Offs, and Strategic Choices

FUNDRAISING THROUGH OTC DEALS AND VESTING STRUCTURES IS NEVER ONE-SIZE-FITS-ALL.

Each path comes with distinct risks, hidden trade-offs, and strategic decisions that can shape a project's market stability and long-term trajectory. The following section breaks down these considerations across both large and small OTC deals, as well as the role vesting plays in managing sell pressure.

For **bigger projects** and large **OTC deals** carry the following risks:

Risks, Vesting Trade-Offs, and Strategic Choices

- **Escrow or Custodian Failure:** Tokens or funds could be at risk if the custodian fails.
- **Negative Funding Rates:** For hedged trades, paying funding over months can erode profits.
- **Immediate hedging sell pressure despite vesting:** Buyers may liquidate quickly without regard for market stability.

For small OTC deals, risks include:

- Illiquid markets that amplify selling pressure
- Sudden structural market changes affecting liquidity
- Small OTC projects face heightened risk of sudden structural changes in their markets
- Limited investor pool due to no hedging option.

enflux

Risks, Vesting Trade-Offs, and Strategic Choices

On vesting: In large caps, vesting often doesn't prevent immediate sell pressure because of shorting. In small caps, the choice is between paying a larger discount for lockup versus accepting immediate selling at a lower discount.

Ultimately, fundraising strategy comes down to how quickly capital is needed, how much can be raised without harming the market, and whether the partners involved are aligned for the long term. Quick capital is available through OTC, but strategic, long-term investment still requires partners who believe in the project's fundamentals.

Closing Remarks

Enflux participates in both large-cap vested deals and flexible OTC structures, applying its market-making expertise to ensure tokens are liquidated efficiently and transparently. For large OTC deals, we typically invest $500K–$5M with lockups and vesting tailored to the project's needs.

For smaller, ongoing requirements, we also execute daily OTC deals that provide fast, flexible capital without overwhelming the market. There's no one-size-fits-all structure, the right approach depends on a project's stage, liquidity profile, and capital needs.

Execution, counterparty choice, and aligning terms with strategy are what determine whether OTC will help a project grow or hold it back.

We don't create **hype.**

We don't manufacture **demand.**

We build the **liquidity** that makes real **adoption** possible.

SCAN THE QR CODE TO JOIN THE ENFLUX BD LISTING MANAGERS COMMUNITY AND START COLLABORATING TODAY

enflux