The Institutional BTCFi Report

RootstockLabs

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From Digital Gold to Productive Capital: The Institutional BTCFi Report

A Strategic Report to Unlocking Secure, Compliant Yield in the Bitcoin Standard

RootstockLabs

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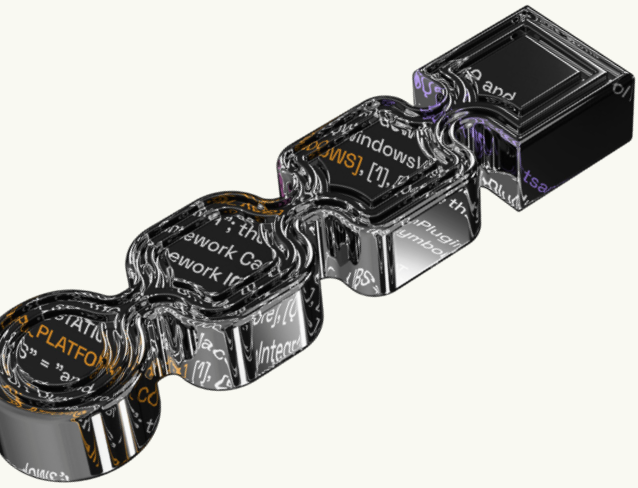
Executive Summary

The BTCFi Opportunity: From Passive Digital Gold to Productive Capital



Institutional Bitcoin holdings have entered a new era. More than 2.6 million BTC now sits in ETFs, corporate treasuries, and mining reserves, yet over 99% earns no yield. At today's prices, that's hundreds of billions in idle capital. The cost of inaction is no longer theoretical: custody fees and balance sheet drag erode value every year.

This inefficiency is not inevitable. Bitcoin-native decentralized finance (BTCFi) is now operational, secure, and capable of delivering up to 7% annualized yield without wrapped tokens, off-chain minting, or loss of self-custody.

Less than 0.8% of BTC earns yield. The other 19 million coins sit idle, costing holders billions in lost opportunity.

That's the BTCFi opportunity.

Closing Bitcoin's Capital Efficiency Gap

BTCFi isn't a new bet, it's a correction to a known inefficiency.
Spot ETFs prove that institutions are ready to hold Bitcoin. But without a way to generate yield, BTC remains a drag on balance sheets. Wrapped BTC (WBTC) offered early access to DeFi, but its architecture introduces unacceptable risks for many treasury teams: single-custodian exposure, off-chain minting, and redemption friction.

BTCFi changes the equation.

- It preserves Bitcoin-native security.
- It enables smart contracts via EVM compatibility.
- It offers real, risk-tiered yield.

BTCFi is what happens when capital efficiency, custody control, and yield converge, without needing to compromise on Bitcoin-native security.

* INSTITUTIONAL INSIGHT

BTCFi turns Bitcoin's pristine collateral into productive collateral, without compromising its settlement assurances.

BTCFi Is a Trillion-Dollar Gap Hiding in Plain Sight

Most of Bitcoin sits idle. BTCFi turns it into productive capital, without giving up Bitcoin's core ethos.

Opportunity-at-a-Glance:

- **Addressable Idle BTC**
  ≈2.6M BTC (ETFs + Treasuries)
- **Current Native BTCFi Penetration**
  <0.8% of supply (<160k BTC deployed)
- **Native BTCFi Yield Range**
  Up to 7% APY (vs. 0% on ETFs or cold storage)
- **Custody Cost Baseline**
  10–50 bps/yr (negative yield)
- **Security**
  83% of Bitcoin's hashrate (merged-mining Rootstock)

BTCFi's Promise

Native yield on the world's hardest asset. No rehypothecation. No compromises.

Once BTC has a transparent, institutional-grade yield and credit layer, it becomes more than digital gold–it becomes productive collateral and the benchmark rate of crypto.

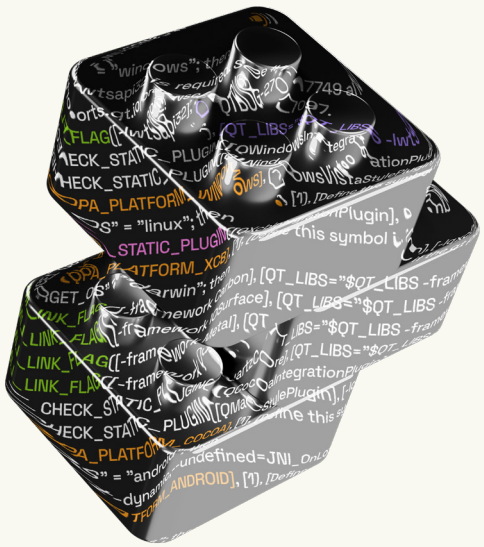
Yield Generation: Put idle BTC to work through lending pools, structured vaults, and market-neutral strategies.*

- Sovryn lending pools: 0.5–6.5% APY.
- SolvBTC via Pendle: ~2–3% APY.
- MoneyOnChain BPro: ~4% annualized yield.
- Midas mBTC: ~2% annualized, market-neutral yield.
- LayerBank structured vaults: variable, fixed-rate institutional pools

Borrowing Against BTC: Unlock working capital while holding BTC.

- Expand operations, enter new markets, or follow MicroStrategy's playbook by leveraging BTC to buy more BTC.

*Yield figures are based on public data sources as of Aug 2025. They are illustrative only, not assurances of performance or recommendations. Past or current yields are not indicative of future results. All data current as of Aug 2025.



STRATEGIC TAKEAWAY

BTCFi turns Bitcoin's pristine collateral into productive collateral, without compromising its settlement assurances.

The Time is Now

ETF Access Is Unlocked

$54B in net inflows since Jan 2024.
$146B AUM proves institutional demand.

Custody Drag Is Real

Qualified custody costs 10–50 bps per year. It's a guaranteed negative yield on the world's hardest money.

Treasury Stacks Are Growing

Nearly 1M BTC now sit on corporate balance sheets, yet earn 0% yield.

Wrapped BTC Fatigue is Rising

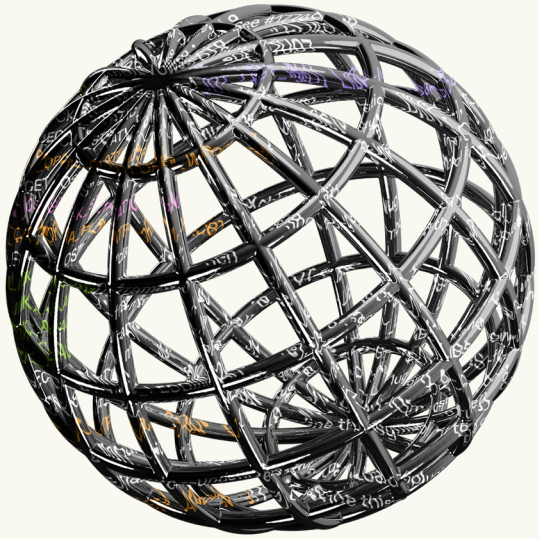
Jan 2025: Redemptions lagged mint burns as BitGo handed off custody. Institutions waited days.

[Cointelegraph, Bitcoin Treasuries, Advisor Perspectives, Altitude.fi]

BTCFi Infrastructure is Ready
Rootstock now secured by 83.5% of Bitcoin's hashrate, with mining pools such as SpiderPool and Foundry.

From Passive Digital Gold to Productive Capital: Evaluating the BTCFi Landscape

This report is designed to help institutions understand the emerging shift from passive BTC holdings to productive, secure, and auditable BTCFi deployments.



In this report, you'll find:

A side-by-side comparison
of wrapped BTC models vs. Bitcoin-native DeFi.

- **Risk, custody, and yield considerations**
  as described in publicly available frameworks.
- **Case studies**
  highlighting how miners, treasuries, and allocators are engaging with BTCFi.
- **Examples of how protocols structure products**
  for different BTC balance sizes.
- **Evaluation frameworks**
  that CFOs, fund operators, and risk committees can reference when assessing options.

Bitcoin is already on balance sheets. Now let's look at where institutional capital actually sits and what's stopping it from moving.

1.
BTC Institutional Adoption Landscape

From HODL to ROI: The Bitcoin Treasury Dilemma

From HODL to ROI: The Bitcoin Treasury Dilemma

Institutions now control more than **10% of Bitcoin's supply** through ETFs, corporate treasuries, mining reserves, and fund holdings. What began as a conviction-based hedge has matured into a portfolio pillar. Spot ETFs have opened new rails. Boardrooms are no longer debating if they should hold BTC. They're asking a different question:

What's the most effective way to hold it?

So far, the dominant answer has been **passive custody**. These BTC positions are growing in size, but most remain unproductive, generating **0% yield while incurring custody** and opportunity costs. For capital allocators managing a billion-dollar position, that's **$5M+ in annual cost without return.**

BTCFi closes this gap, enabling yield on Bitcoin without compromising security, compliance, or control.

The Shape of Institutional Exposure Today

BTC is on the books, but not yet in motion.

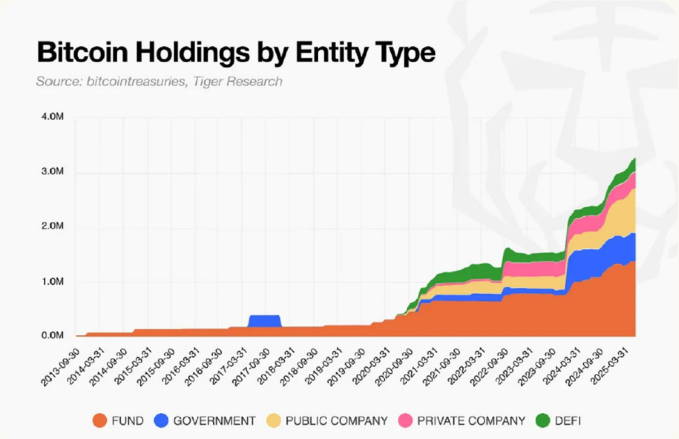
Spot ETFs have reshaped how financial advisors and institutions access BTC:

- $54.2B net inflows into U.S. spot BTC ETFs since Jan 2024.
- ETFs now hold 6.5% of all circulating BTC.
- 22% of financial advisors currently allocate to crypto.
- 56% say ETF approval makes them more likely to recommend BTC in 2025 (vs. 11% in 2023).

[Cointelegraph, Bitwise]

INSTITUTIONAL INSIGHT

BTC is now easy to buy.
But still hard to use.



The ETF-Driven Shift in Capital Flows
Chain Catcher

Corporate Treasury Stacks

Public companies now hold over 1 million BTC, or roughly 4% of the total supply, across ~160 firms. MicroStrategy alone controls 628,791 BTC as of August 2025. [Mitrade, Barron's]
The corporate strategy remains simple: accumulate, store, defend. But treasury teams are starting to reconsider the opportunity cost. Yield-bearing options that preserve native BTC exposure, and avoid risky wrappers, would mark a step-change in treasury strategy.

* STRATEGIC TAKEAWAY

The precedent has been "buy and park."
Native BTCFi invites a new model: "hold and earn."

Miner Reserves Under Pressure

Miners hold some of the most BTC-aligned treasuries in the market, by necessity and by conviction. But with the post-halving revenue squeeze, balance sheets are under stress.

* Miner reserves peaked at 1.808 million BTC in July 2025 before drawdowns began.
* Marathon Digital holds 50,639 BTC, navigating between operating costs and strategic reserves.

[The Currency Analytics, Marathon Digital]

* INSTITUTIONAL INSIGHT

BTC is now easy to buy.
But still hard to use.

"BTCFi isn't just about yield, it's about rails and policy engines: deterministic redemption, per-venue caps, and transparent risk buckets."

solv

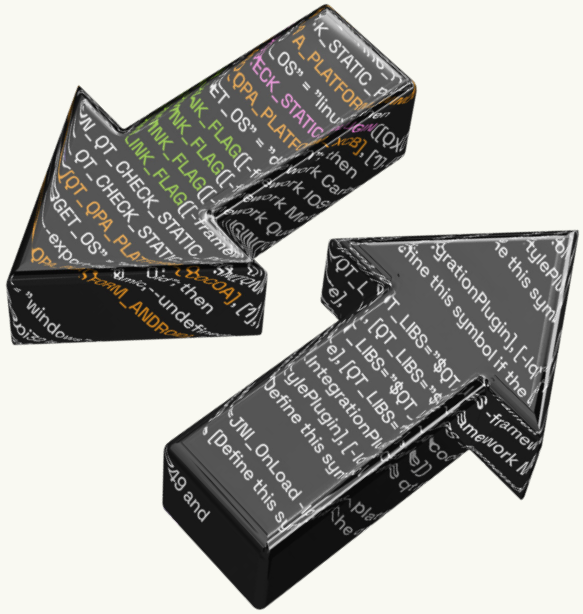
The BTCFi Penetration Gap

The infrastructure has matured.
The capital hasn't followed yet.

Despite a rising appetite for yield, most institutional BTC remains in passive custody or routed through.
Ethereum-based wrapped BTC (WBTC), introducing new layers of custodial concentration and liquidity risk:

- WBTC (Ethereum): ~126,851 BTC (~0.65% of supply).
- rBTC (Rootstock): ~2,432 BTC peg-in (July 29, 2025).
- Core (lstBTC + staking): ~5,700 BTC staked (~0.03% of supply).
- Stacks (sBTC): ~3,000 BTC locked via PoX and DeFi protocols.
- Combined native BTCFi exposure: still <0.8% of total BTC.

[Messari, Bitbo, CryptoRank, Coingecko]



MARKET IMPLICATION

WBTC dominates BTC-in-DeFi, but it carries single-custodian and off-chain exposure.
Native BTCFi, secured by Bitcoin itself, has barely begun to absorb capital.
That creates asymmetric upside for early movers.

Institutional Pain Points

A Widening Gap Between Strategy and Execution

Even the most BTC-aligned institutions face friction: cost drag, redemption risk, and regulatory ambiguity. Native BTCFi directly addresses these constraints, while preserving security and ethos alignment.

Pain Point	Current reality	Institutional consequence
Yield drag	0% return; custody fees up to 50 bps	BTC becomes a cost center instead of an asset.
Accounting friction	Quarterly mark-downs under GAAP/IFRS fair-value	Volatility hits EPS. Yield can smooth the optics.
Custodial risk (WBTC)	BitGo 2-of-3 multisig + off-chain minting	Redemption delays, reputational risk, hidden rehypothecation.
Liquidity constraints	60+ min average peg-out + ETH gas fees	Slower redeployment of treasury assets.
BTC ethos mismatch	Off-chain custody, centralized control	Resistance from miners, treasuries, and long-term allocators.

INSTITUTIONAL INSIGHT

BTCFi can't just offer yield, it must solve for trust, flexibility, and reporting friction.

Wrapped BTC vs Native BTCFi: Institutional Comparison

What's really at stake: custody control, security guarantees, and yield composition.

CUSTODY

Wrapped BTC (WBTC on ETH)	SBTC (Stacks BTC)	Native BTCFi (Rootstock rBTC)
Off-chain minting by BitGo + partners	Pegged via PoX consensus (Stacks validators + Bitcoin settlement)	Peg-in via onchain PowPeg (Proof-of-Work + Federation)
2-of-3 multisig with off-chain exposure	Redeemable 1:1, but liquidity depends on custodians and bridge design	~9 active HSM signers today (expandable to 100+)
Rehypothecation risk	Hybrid custody (partly decentralized, partly custodial)	Auditable, decentralized custody anchored to Bitcoin LO
Single point of failure		

SECURITY

Wrapped BTC (WBTC on ETH)	SBTC (Stacks BTC)	Native BTCFi (Rootstock rBTC)
Relies on Ethereum L1 + custodial trust	Anchored to Bitcoin via PoX (blocks settle on Bitcoin L1)	Secured by 83.5% of Bitcoin's hashpower
DAO-governed freeze/ pause functions	Security depends on Stacks miners, not direct Bitcoin hashrate	Finality via Bitcoin PoW
Trusted but externally secured	Bitcoin-anchored but not hashpower-merged	Bitcoin-grade finality

YIELD & LIQUIDITY

Wrapped BTC (WBTC on ETH)	SBTC (Stacks BTC)	Native BTCFi (Rootstock rBTC)
0.2–0.5% APY on Aave/Compound*	Integrated into Stacks DeFi	Up to 7% APY (Sovryn, SolvBTC)*
Redemption delays > 60 min	2–5% APY depending on platform*	20-min Fast Mode redemption
High ETH gas fees	Redemption liquidity still maturing, some delays	60% lower gas post-Lovell
Low returns with delay + cost drag	Moderate yields, but less mature liquidity	Real-BTC yield, faster access

COMPOSABILITY

Wrapped BTC (WBTC on ETH)	SBTC (Stacks BTC)	Native BTCFi (Rootstock rBTC)
ETH-only DeFi stack	Built on Stacks-native Clarity smart contracts	EVM-compatible (Solidity, MetaMask, Truffle)
Limited to Ethereum ecosystem	Strong composability within Stacks ecosystem	Integrated with LayerZero for cross-chain messaging
	Limited cross-chain liquidity today compared to EVM	Plug-and-play for ETH-native teams
	Ecosystem-constrained Composability	

*Yield figures are based on public data sources as of Aug 2025. They are illustrative only, not assurances of performance or recommendations. Past or current yields are not indicative of future results.

INSTITUTIONAL INSIGHT

Institutions don't need to leave EVM. They just need to move to a Bitcoin-secured EVM.

The Mindset Shift

When BTCFi first emerged, the conversation was framed around if institutions would ever touch it. That question has already been answered. Spot ETFs, corporate treasuries, and miners are all holding BTC at scale. The new question is with whom. Allocators are no longer debating whether BTCFi works, they are deciding which platforms can deliver yield while clearing the compliance and custody bar.

Institutions are looking for infrastructure they can trust: rails, transparency, and standardized exposures that map to risk-committee workflows. The next phase of adoption is not just about finding yield, but about finding **yield that is auditable, policy-governed, and institution-ready.**

What remains is platform selection: who institutions will trust to be their bridge into BTCFi.

"The next wave will center on tokenized credit, structured yield, and composable products that sit on top of BTC as a base layer."

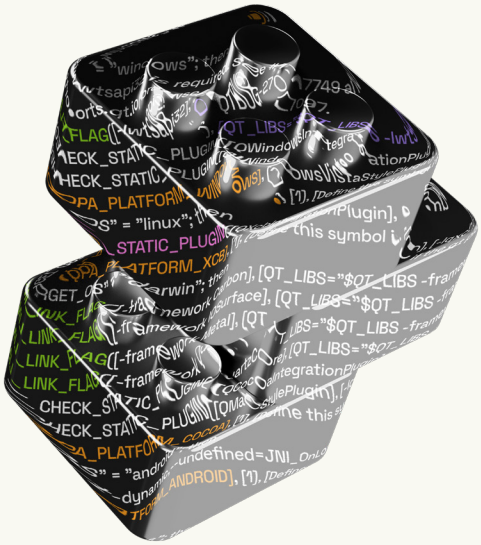
MIDAS

"BTCFi isn't just about yield, it's about rails and policy engines: deterministic redemption, per-venue caps, and transparent risk buckets."

solv

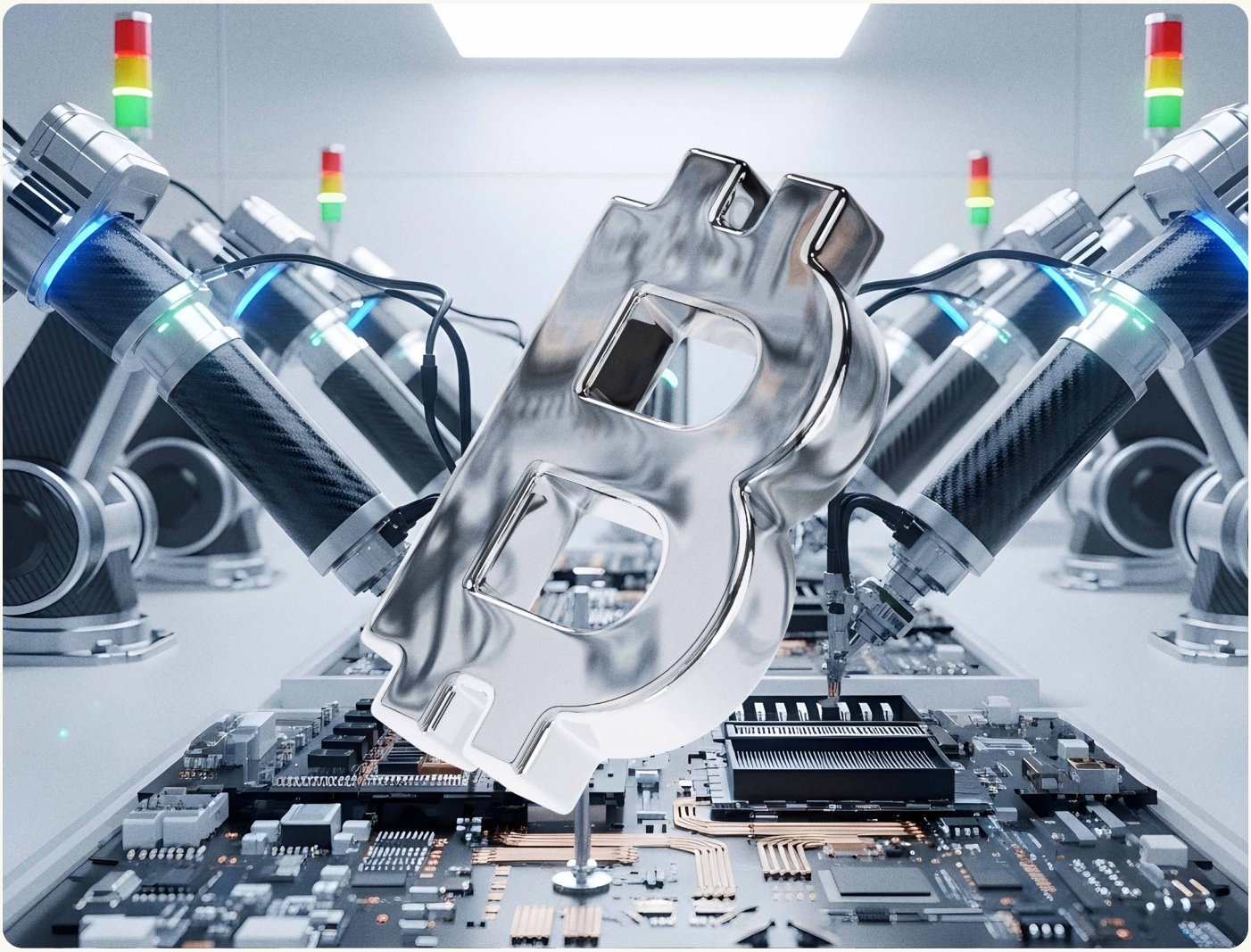
What this means for Institutions

- Spot ETF inflows, treasury holdings, and mining reserves show just how far institutional BTC exposure has come. But structurally, BTC remains under-deployed.
- Wrapped BTC offered a temporary path to yield, but at the cost of custodial risk, slow liquidity, and off-chain dependencies.
- Now, with native BTCFi protocols maturing, institutions have a new decision to make.



STRATEGIC TAKEAWAY

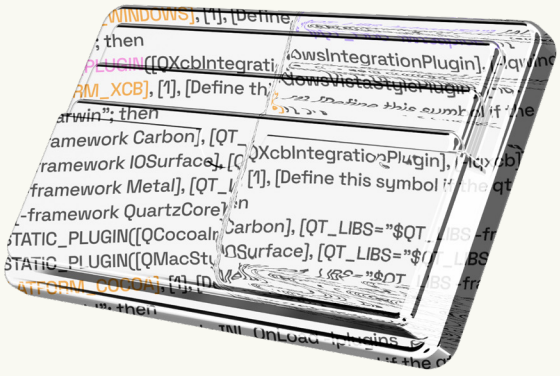
Stay passive, or activate capital in a way that is secure, auditable, and aligned with Bitcoin's foundations.



2.
Risk of Wrapped Bitcoin Strategies

A Fragile Foundation for Institutional Capital

Over **$3B in BTC** is currently held as wrapped BTC (WBTC) on Ethereum, the dominant format for getting Bitcoin into DeFi. WBTC solved for liquidity but created a custody and governance model that **Falls Short of Fiduciary Standards.** For retail users, the trade-off between access and security may feel acceptable. For institutions, it conflicts directly with mandates for **Asset segregation, Operational resilience, and Audit Transparency.**



If your BTC is wrapped, it's no longer Bitcoin. It's a tokenized claim subject to off-chain risk and on-chain control that institutions don't govern.risky wrappers, would mark a step-change in treasury strategy.

That means yield is earned at the expense of:

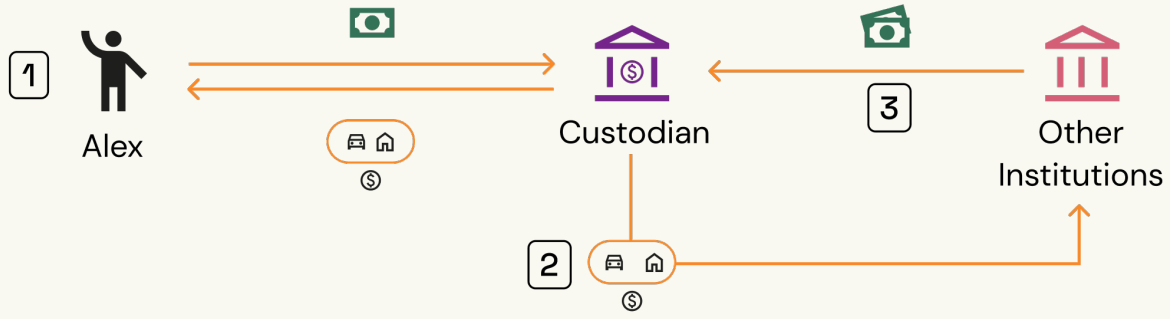
- **Custodial Concentration**
  Single point of failure
- **Governance Control**
  Pause, freeze, and mint authority
- **Delays and bottlenecks**

Rehypothecation Risk: BTC That Isn't Really Yours

WBTC relies on **BITGO** as its sole custodian. Under typical U.S. custody agreements, unless explicitly prohibited, assets can be legally **Re-Pledge** meaning institutional BTC can become collateral in third-party leverage cycles.

Rehypothecation is what brought down Genesis, BlockFi, and FTX. For many investment committees, it's a hard veto.

What is Rehypothecation?



- Alex deposits his assets at the custodian
- The custodian posts Alex's assets at another institution as collateral
- The custodian receives a loan from the other institution

River

* KEY FACT

Control over BTC depends on the custodian's solvency and perational discipline. There is no native Bitcoin consensus enforcement, only legal recourse. Ego Death Capital

[Ego Death Capital]

Governance & Control Risk

The WBTC contract includes a **PAUSE**() function, allowing the contract to halt all token activity at once. **In 2024, after initial denials, BitGo representatives acknowledged** the existence of this global control switch. DAO governance does not remove this authority, it merely delegates or abstracts it.

Meanwhile, the multisig signer set has contracted from **18 to 13 keys**, with critical mint and burn authority concentrated between BitGo and BiT Global. This consolidation creates a narrow control surface over **$3B+ in BTC**, magnifying both operational and regulatory risk.

Concentrating mint/burn authority into a two-key cluster violates core decentralization principles, fails internal control tests, and exposes treasuries to counterparty and jurisdictional risk.

[Crypto.com]

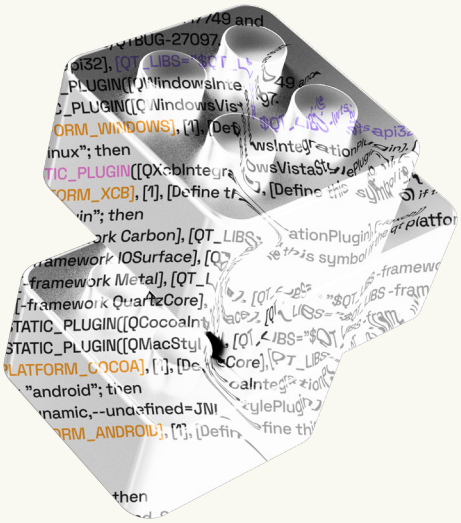
* OPERATIONAL IMPACT

A governance decision, custodian dispute, or regulatory order could freeze redemptions or transfers across the entire WBTC supply. Institutions cannot afford exposure to a system where yield-bearing positions can be suspended without recourse.

Redemption Bottlenecks & Liquidity Friction

In January 2025, WBTC's design collided with operational fragility.

A BitGo custody migration to BiT Global triggered a redemption bottleneck, highlighting the risks of off-chain minting and centralized custody.
Some 1-BTC burns were marked "Mint Rejected" for multiple business days.



WBTC Redemption Delay (Jan 2025)

Trigger	Custody migration to BiT Global
Impact	Redemptions outpaced **Mints 68:1**
Backlog	**1,350 BTC** in redemption queue
Failure Mode	**"Min Rejected"** status for multiple burns
Duration	Delays spanned multiple **Business days**
SLA Violation	**Breached 24**-hour treasury unwind protocols

Unchained Crypto

* OPERATIONAL IMPACT

Even without a hack, operational changes at a single custodian can freeze billion-dollar positions.

Wrapped Token Shutdown Scenarios

Institutions often focus on yield and security, but overlook protocol continuity risk.

- **RenBTC**, backed by Alameda, shut down in December 2022. Burns were disabled, and unredeemed assets became stranded.
- **BTCB** (Binance-wrapped BTC) relies on centralized custody and self-attested PoR. Its solvency is tied to the exchange itself.

[Binance, Blockworks]

STRATEGIC TAKEAWAY

If the wrapper's operator fails or changes course, holders may lose access to redemptions.
This is not a theoretical risk. It has happened.

Transparency Gaps and Audit Challenges

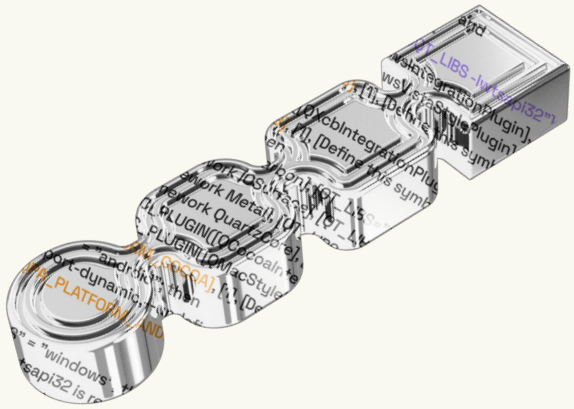
While wrapped **BTC providers** often tout “proof of reserves,” most rely on CSV files, monthly snapshots, or off-chain audits.

Token	Transparency gap
WBTC	Monthly address **REPORTS + CSV** exports; no real-time audit
BTCB	**Binance** self-reports reserves; opaque auditor relationship
RENBTC	**No Active** PoR system; network was sunset

In contrast, **Rootstock’s rBTC** offers a different model entirely. Every peg-in and peg-out is fully traceable on-chain and enforced by the PowPeg. Unlike custodial wrappers that rely on snapshots or trust in a single entity, PowPeg combines a federation of hardware security modules with Bitcoin’s proof-of-work.

Liquidity Fragmentation & Hedging Inefficiencies

Wrapped **BTC Plits liquidity** across chains - **ETHEREUM, BNB CHAIN, AVALANCHE**, and others -into siloed pools. This fragmentation increases slippage, reduces depth, and complicates hedging for large allocators.



Every SolvBTC is continuously verified to be 1:1 backed by BTC in auditable vaults. SER is the first industry-grade oracle with Proof of Reserve natively embedded, that’s the real innovation.

solv

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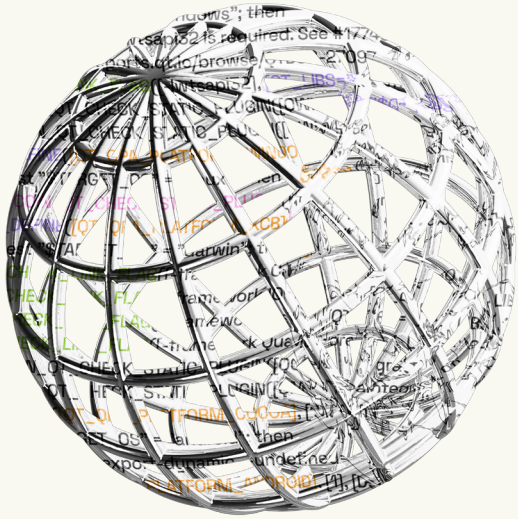


- WBTC (Ethereum mainnet): ~127k BTC
- Arbitrum: ~8.3k BTC
- Optimism: ~850 BTC
- Avalanche (WBTC.e): ~410 BTC
- Starknet: ~150 BTC
- BNB Chain (BTCB): separate wrapper with >65k BTC

Etherscan, Arbiscan, OECD, Coingecko

* OPERATIONAL TAKEAWAY

Fragmented liquidity impairs treasury agility. Native BTCFi on Rootstock consolidates flows while maintaining L1 security.

What This Means for Institutions

Wrapped BTC provided a bridge into DeFi but replicates many of the risks that on-chain finance was meant to eliminate: rehypothecation, custodial concentration, opaque governance, and redemption uncertainty. These are not **theoretical risks,** they have already materialized.

BTC-Native DeFi changes the equation.

By anchoring yield to Bitcoin's security layer and eliminating centralized failure points, it offers institutions a new posture:

- **Deterministic Redemption** with no single custodian.
- **Real-Time, On-Chain auditability.**
- **EVM Native Composability** without leaving Bitcoin security.

* OPERATIONAL TAKEAWAY

For institutional allocators, that's not just more yield, it's a governance-aligned operating model for productive Bitcoin.

3.
BTCFi: The Native DeFi Market Map

From Passive Holdings to Productive Bitcoin Capital

Wrapped BTC was a workaround. BTCFi is the architecture.

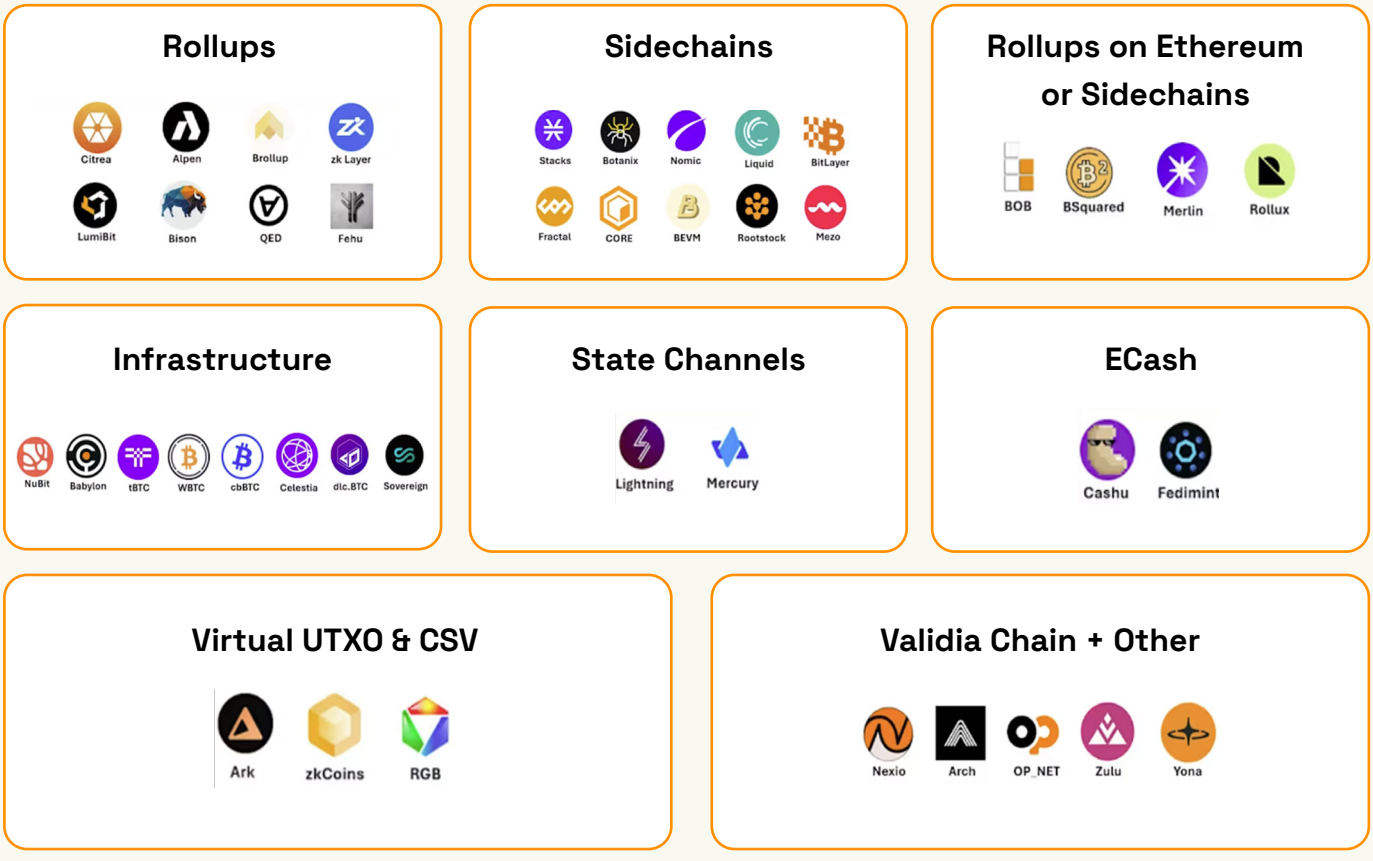
Institutions now control over 10% of Bitcoin's circulating supply, yet almost none of it is productive. The bulk sits in ETFs, corporate treasuries, or custodial accounts, earning no yield and incurring storage costs.

BTCFi is what happens when capital efficiency, custody control, and yield converge, without needing to rely on third parties intermediaries.

BTCFi changes that equation. In the past 12 months, Bitcoin-native DeFi has moved from niche experiments to an investable market:

* $8.6 billion in total value locked (TVL) as of March 2025 a **2,700% Year-On -Year** [Cointelegraph]
* **Only 0.79% of Bitcoin supply is in DeFi** compared to Ethereum's ~48% TVL ratio [Binance]
* Even modest adoption of 5% of idle BTC would **unlock $100+Billion in Yield-Bearing Capital.**

Bitcoin L2 Ecosystem



A Market Repricing in Motion

BTCFI refers to decentralized finance protocols built on Bitcoin or Bitcoin sidechains that enable native BTC to earn yield, without being wrapped, bridged, or custodied off-chain.

It's what happens when **capital efficiency, custody control, and yield converge without sacrificing Bitcoin-grade security.**

In traditional DeFi, BTC gets tokenized. In BTCFi, BTC stays BTC.

These aren't yield experiments. They're production-grade protocols secured by Bitcoin PoW and governed by on-chain logic.

✳ STRATEGIC TAKEAWAY

The most resilient institutional portfolios will have the opportunity to interact with multiple protocols to blend and diversify their BTC-native yield strategy.

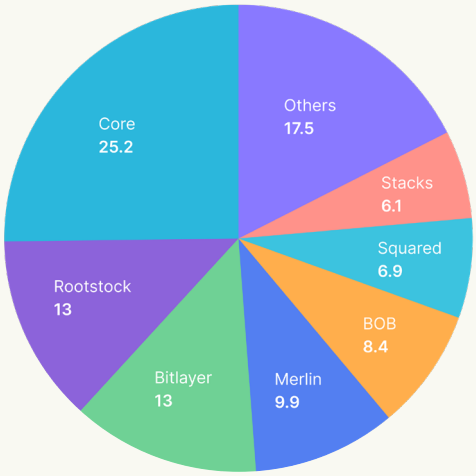
BTCFi is not a single product, it's a growing stack of protocols allowing different yield opportunities and liquidity strategies:

Strategies	Transparency Gap
Lending	Sovryn, Avalon, LayerBank
Staking & Restaking	Core, Babylon, Pell
Stablecoin Collateralization	MoneyOnChain, Sovryn Zero, Liquid USDT
Fixed & Variable yield tokens	Solv + Pendle, Pell Network
DEX Liquidity Provision	Sovryn AMM, ALEX, BitFlux
Cross-Chain Liquidity	LayerZero, Merlin, Portal

Competitive Landscape: Execution Layers in Play

BTCFi today is fragmented across multiple execution environments, each with its own security model, custody framework, and developer ecosystem. No single chain has locked down liquidity or institutional adoption, and that's exactly what makes the space dynamic.

As of **Q1 2025**, Core leads with **25.2%** of TVL, driven by its self-custodial staking and liquid staking derivatives. Rootstock and Bitlayer follow at **13%** each, one anchored in merged-mined EVM compatibility, the other aiming for zk-rollup scalability. Merlin holds 9.9% with a cross-L2 liquidity focus, while the rest is divided among **BOB (8.4%), BSquared (6.9%), Stacks (6.1%)**, and a long tail of emerging L2s.
It's a profile that feels a lot like Ethereum's L2 landscape in 2021: clear early leaders, but plenty of runway for challengers. For institutional allocators, the message is simple: market share doesn't equal readiness. Liquidity depth, custody model, and operational maturity can vary as much as the architecture itself.



Current Share of BTCFi Projects by Execution Layer

- **OTHERS (17,5%)**
- **STACKS (6,1%)**
- **SQUARED (6,9%)**
- **BOB (8,4%)**
- **MERLIN (9,9%)**
- **BITLAYER (13%)**
- **ROOTSTOCK (13%)**
- **CORE (25,2%)**

* STRATEGIC TAKEAWAY

The most resilient institutional portfolios will have the opportunity to interact with multiple protocols to blend and diversify their BTC-native yield strategy.

Security & Peg Models: The Three Axes of Evaluation

Execution layers differ in how they secure BTC, manage custody, and enable interoperability.

Peg Custody Model	Examples Chains	Instituional Implication
Hybrid peg (PowPeg)	Rootstock	Federation of HSM signers + Bitcoin PoW validation; signers cannot access keys
Federated peg	Liquid	Multi-sig custody, reliant on trusted signers
Hybrid consensus	Stacks, DeFiChain	Anchored to BTC but validated externally
Self-custodial staking	Core, Babylon	BTC remains in owner control, yield via consensus
Trust-minimized bridges	Portal, Xlink, LayerZero	Atomic swaps, lower counterparty exposure

These models are not interchangeable. Peg mechanisms affect custody risk, consensus design affects transaction assurance, and bridge architecture impacts regulatory exposure. Institutions will need to assess each execution layer on three axes:

- **Custodial Concentration**
  Single point of failure
- **Liquidity Depth**
  Is there enough depth to support institutional position sizes?
- **Operational Integration**
  Does it fit with existing custody, compliance, and reporting systems?

Capital Efficiency without Custodial Drag

The biggest psychological and procedural hurdle for institutional **BTC Deployment** has always been custody risk. In most DeFi, participation means relinquishing BTC to a third-party custodian or bridge operator, creating operational drag, regulatory uncertainty, and a break in the audit trail.

BTCFi changes that calculus. In well-designed **Bitcoin - Native Protocols**, peg-ins are non-custodial, recorded on-chain, and provably collateralized. Positions are transparent from day one, allowing **Treasuries and Auditors** to verify holdings without additional reconciliation layers.

Control:

BTC never leaves your ownership domain. Every peg-in is verifiable on-chain, and there's no dependency on a discretionary counterparty release.

Exitability:

Redemption is measured in minutes, not days. Some peg systems, like Rootstock's PowPeg Fast Mode, allow deterministic exits within 20 minutes.

Efficiency:

Capital can be redeployed across lending, staking, stablecoins, and DEX liquidity from a single on-chain position, optimizing for risk, return, and liquidity without constant custody transfers.

Example:

A miner pegs in 500 BTC to Rootstock allocates 200 BTC to protocol A, 200 BTC protocol B, and 100 BTC to protocol C, all from a single custody position. Exit to L1 in 20 minutes if needed.

* OPERATIONAL IMPACT

Institutions gain the ability to generate yield without introducing custodial drag. Control, visibility, and exit options remain intact, which means BTC can finally move at the speed of markets while still passing a compliance audit.

Institutional Fit: BTCFi's Four Non-Negotiables

For CFOs, treasury leads, and risk committees, BTCFi isn't about chasing DeFi alpha, it's about solving persistent balance-sheet problems while respecting the rules of the house.

Security first

Pegged BTC must be transparently collateralized, with on-chain proofs and safeguards that reduce rehypothecation and single-custodian risk.

Capital Efficiency

Idle BTC is redeployed into productive, yield-generating assets without leaving the Bitcoin security envelope.

Liquidity with control

Fast pegs, atomic swaps, and liquid staking provide exit routes in hours, not days, critical for treasury responsiveness.

Audit Alignment

rBTC, LBTC, and SolvBTC are BTC-denominated assets under both GAAP and IFRS. Yield is recognized separately as income, eliminating the derivative bifurcation issue that plagues hybrid products.

STRATEGIC TAKEAWAY

BTCFi is infrastructure-ready for institutional deployment, but only if products are vetted against these non-negotiables from day one.

Challenges & Risks

BTCFi's growth trajectory is promising, but far from guaranteed. Institutions considering
allocation need to account for the same headwinds that have slowed adoption in other frontier
markets.

* **Liquidity Bootstrapping:**
The vast majority of BTC remains in passive custody or ETF wrappers. Until more holders shift to active deployment, liquidity will be uneven across platforms, creating potential slippage and price impact for large trades.

* **UX Barries:**
Onboarding processes, transaction flows, and bridging steps can still feel opaque to non-crypto-native teams, adding operational risk and training overhead.

* **SECURITY MODEL TRADE-OFFS:**
Pegs, bridges, and hybrid consensus models each carry unique failure modes. Without thorough due diligence, platform risk can offset yield gains.

* **Cultural Resistance:**
Bitcoin's conservative ethos prizes security and simplicity over experimentation. This can delay adoption of new yield models, even when they meet technical and compliance standards.

* **Regulatory Ambiguity:**
Yield products remain in a gray area in many jurisdictions, especially
when tied to cross-chain flows or wrapped asset mechanics. This can complicate compliance
reviews and slow go/no-go decisions.

"When you talk to institutions, they're okay with centralized solutions. But when you talk to the actual owners, the people whose money it is, they want to really own the money."

Manuel Ferrari
Money on Chain

4.
Rootstock: The Institutional Backbone for BTCFi

Rootstock: The Institutional Backbone for BTCFi

BTCFi is no longer a whitepaper, it's a live market with over $8B in TVL, growing protocol diversity, and an emerging set of institutional-grade yield strategies. But scale alone isn't enough. For institutions to move meaningful capital, the rails must match the rigor of their existing infrastructure.

Rootstock is that base layer.

Unlike many newer BTCFi proposals still in testnet or design phase, Rootstock has been live on mainnet since 2018, with seven years of proven security, custody, and operational resilience. It is battle-tested, built to last, and already trusted by leading Bitcoin-native protocols.

The result is an institutional base layer for BTCFi that provides the opportunity to deliver security, custody, compliance, and yield without altering the fundamental asset you hold. rBTC is 1:1 Bitcoin, just made
programmable.

Security

Anchored to Bitcoin's Proof-of-Work via merged mining (83.5% hashpower), not an alternative consensus model.

Custosy

SOC 2-ready integrations with BitGo, Copper, and Fireblocks; direct Ledger support for treasury key control.

Compliance

Fair-value accounting under GAAP and IFRS; BTC-denominated with no derivative classification.

Execution

Full EVM compatibility for immediate deployment of existing Solidity strategies.

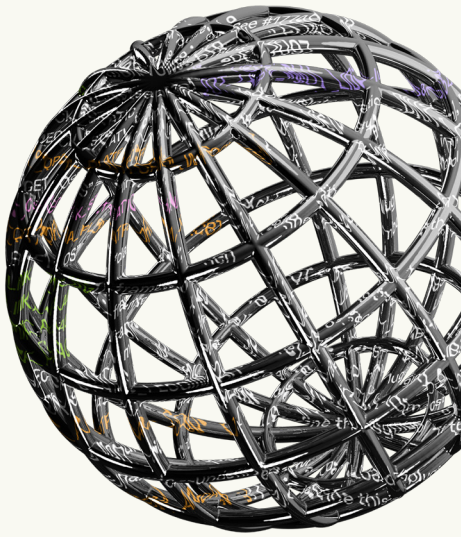
The Four-Factor Radar: Measuring Institutional Readiness

Institutional allocators don't choose platforms based on hype, they evaluate them across a few hard, measurable dimensions.
We map BTC venues against the four that matter most to risk committees:

Security X Custody X Yield X Liquidity

Factor	Rootstock BTCFi (rBTC)	Wrapped BTC	Spot BTC ETF
Security	83.5% BTC hashpower, on-chain PoW finality	Ethereum + custodian risk	Custodian-only
Custody	PowPeg HSM, SOC 2 custody	BitGo only, 13 signers	Traditional ,custodians
Yield	Up to 7% BTC-native yield*	0.2-0.5% APY*	0%*
Liquidity	20-min Fast Mode, 17h native peg	24–48h peak periods	Broker cycles

*Yield figures are based on public data sources as of Aug 2025. They are illustrative only, not assurances of performance or recommendations. Past or current yields are not indicative of future results.

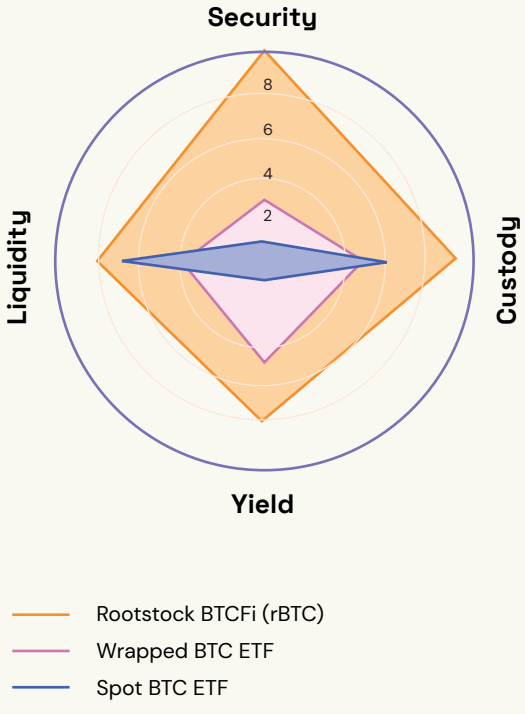


The Four-Factor Radar: Measuring Institutional Readiness

What the radar shows:

For institutions, the radar confirms that Rootstock sits in a unique zone: Bitcoin-grade security + institutional custody + BTC-native yield + competitive liquidity. It's not about being "the most decentralized" or "highest yield" in isolation, it's about being balanced across all four dimensions that drive allocation decisions.

Four-Factor Radar: BTCFi vs wBTC vs ETFs



Security: Bitcoin's Hashpower, Finally Productive

- Rootstock isn't secured by promises, it's secured by Bitcoin itself. Today, over 83.5% of the network's total hashpower, including Foundry and SpiderPool, actively merged-mine Rootstock. That means every block comes with Bitcoin-level finality. No alternate consensus mechanism. No validator set drift. No L2 trust assumptions.

- But Rootstock doesn't stop at passive security. BitVMX introduces programmable L0 verification, allowing smart contracts to anchor their dispute resolution directly on Bitcoin. No multisig signers to trust, no off-chain arbitration to explain to your auditors. Just deterministic, on-chain enforcement.

- And for institutions who need both speed and security, the Rootstock's PowPeg "Fast Mode" offers peg-ins and peg-outs in under 20 minutes—trust-minimized via liquidity providers, with the option to fall back to Rootstock's native ~17-hour flow for more conservative control environments.

"If you are a Bitcoiner, you want to build things with the security of the main chain."

Manuel Ferrari
Money on Chain

Compliance & Custody: Same Vendors, New Venue

- Integrating BTCFi shouldn't mean reinventing your infrastructure stack, and with Rootstock, it doesn't. Ledger wallets are fully supported for peg-ins and peg-outs, giving treasury teams direct key control with no additional hardware or procedural overhead.

- Institutional custody providers already on your board-approved vendor list support rBTC, whether BitGo, Fireblocks, or Copper.BitGo lists it under its qualified custody asset roster, and Fireblocks includes Rootstock assets in its SOC-2 MPC network. That means instant compatibility with your policy engine, ops workflows, and audit flows.

OPERATIONAL IMPACT

Rootstock-based BTCFi doesn't require a new custodian, a new legal risk memo, or a new exception from your compliance team. It's a venue shift, not a risk framework reset.

Yield Readiness: From Idle Asset to Structured Return

For years, “Bitcoin yield” meant one of two things

- Wrapped BTC in Ethereum DeFi, carrying custodian and bridge risk.
- Centralized lending platforms, with opaque rehypothecation and no on-chain proof.

Rootstock changes the equation. By combining Bitcoin-grade security with EVM programmability, it enables developers to structure BTC-native yield protocols that are deployable today, with transparent on-chain peg proofs, decentralized custody with the PowPeg federation, and no FX drift.

Live and Structure

1. Base Layer
rBTC staked or restaked in protocols like Solv for BTC-denominated rewards.

2. Lending & Liquidity
Platforms like Sovryn and LayerBank offer BTC-native yield through lending and market-making.

3. Structure Yield
Fixed and variable-rate principal tokens from SolvBTC and Pendle, backed by real-world assets or BTCFi markets.

4. Stablecoin Yield
BTC-backed stablecoins such as DOC and DLLR (MoneyOnChain) for dollar-linked returns without selling BTC.

STRATEGIC TAKEAWAY

Rootstock doesn’t just make Bitcoin programmable, it makes it productive at scale.
With a functioning yield ladder across multiple risk bands, treasuries can finally treat BTC like a true portfolio asset class, not just digital gold.

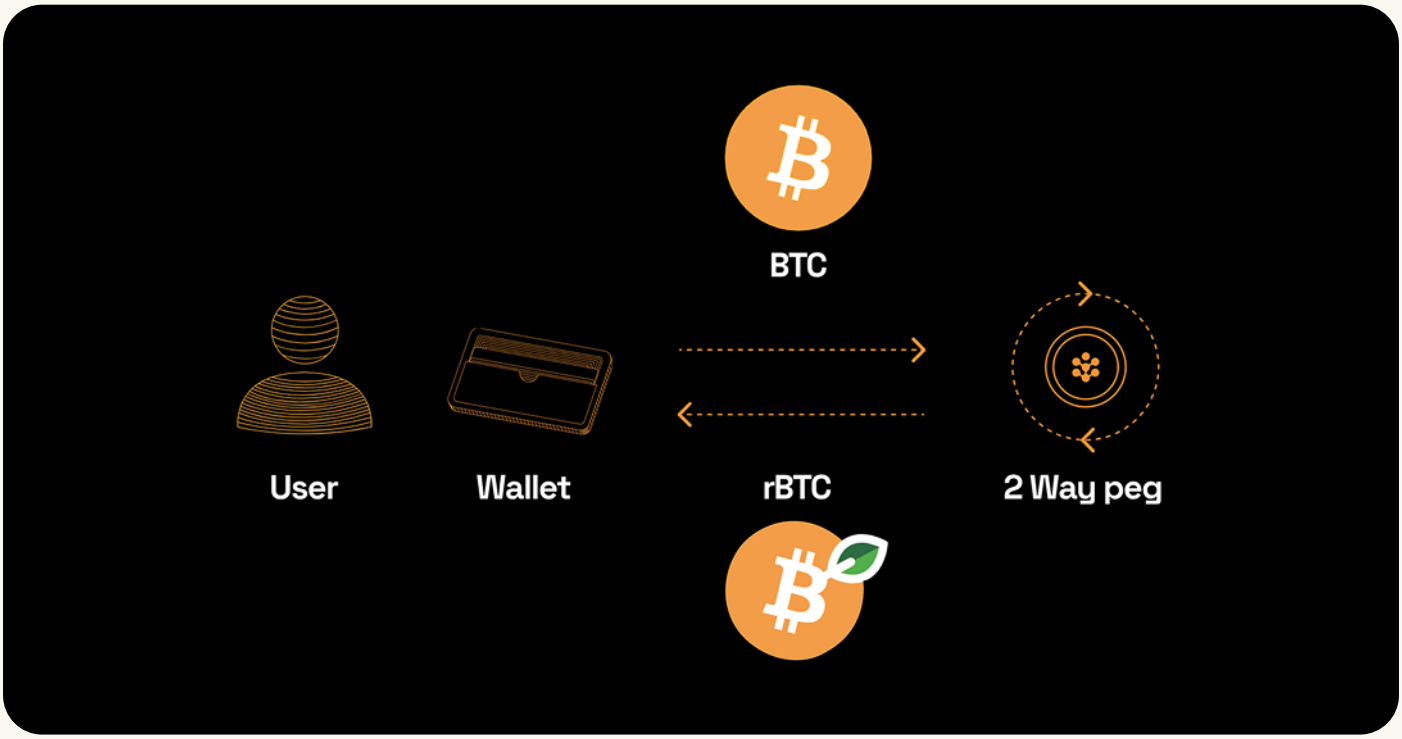
Purity: No Extra Token, No FX Drift

- Rootstock doesn't introduce a synthetic asset or inflationary bridge token. With rBTC, what you hold is what you deploy: a 1:1 Bitcoin-pegged asset, secured through Rootstock's decentralized PowPeg and merged mining. Unlike WBTC on Ethereum, rBTC isn't dependent on a single custodian or external governance token.

- There's no FX drift. No synthetic exposure. Just real Bitcoin, made programmable.

OPERATIONAL IMPACT

Institutions can stay fully aligned with Bitcoin's monetary thesis while activating their treasury. For boards and committees who signed off on BTC for its scarcity, finality, and independence, this is yield without compromise.



Momentum Snapshot: A Market Just Waking Up

Bitcoin-native yield used to mean limited tools and siloed liquidity.
That era is over. Today, the Rootstock ecosystem offers deep, composable infrastructure without asking institutions to compromise on security, control, or alignment with the Bitcoin thesis.

Included Protocols

- MoneyOnChain $120M+
- Sovryn $60M+
- Tropykus Finance $14M+
- LayerBank $6M+
- Midas $5M+
- Pell Network $4M+

[Messari, CoinGecko, DeFiLlama]

$260M+
TVL

170+
protocols live

$14M+
stablecoin

Bitcoin-native yield used to mean limited tools and siloed liquidity. That era is over. Today, the Rootstock ecosystem offers deep, composable infrastructure without asking institutions to compromise on security, control, or alignment with the Bitcoin thesis.

Rootstock Ecosystem

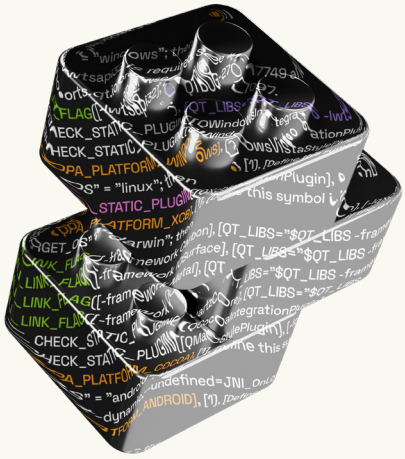
STABLECOINS	USDRIF, tether, MONEY ON CHAIN
LENDING	SOVRYN, tropykus, Avalon Labs, LayerBank
DECENTRALIZED EXCHANGES	Sushi, WoodSwap
AGGREGATORS	Beefy, Symbiosis, OpenOcean
BRIDGES & INTEROPERABILITY	JUMPER, Rubic, Stargate
LIQUIDITY MANAGEMENT	GAMMA, Merkl, SteerProtocol, Keyrock
IDENTITY & REPUTATION	Galxe, RNS, HNDL
DAOS & GOVERNANCE	ROOTSTOCK COLLECTIVE, tally*
DERIVATIVES & RWAS	Sailing Protocol, MIDAS
STAKING	solv, PELL, ROOTSTOCK COLLECTIVE, SOVRYN, MONEY ON CHAIN, BEDROCK
CUSTODY	FORDEFI, cobo, utila, Fireblocks

Ledger Fit: BTCFi That Fits the Books

For treasuries and controllers, the biggest question isn't "Can we do this?", it's **"Can we book this without rewriting our risk and accounting frameworks?"**

Accounting Clarity:

- **US GAAP (ASU 2023-08):** BTC and rBTC are reported at fair value through net income, meaning no derivative bifurcation, and no special hedge documentation.
- **IFRS (IAS 38)**: Eligible for revaluation models, keeping rBTC treatment consistent with BTC.



Audit-Ready Proof:

- Peg-in/peg-out activity is recorded on-chain, satisfying "existence and rights" audit tests.
- Custody integrations with BitGo, Copper, Fireblocks provide SOC 2 audit packs and policy enforcement.

Operational continuity:

- rBTC stays BTC-denominated, avoiding FX drift in portfolio reporting.
- Fits directly into existing crypto subledgers and quarterly accounting review workflows.

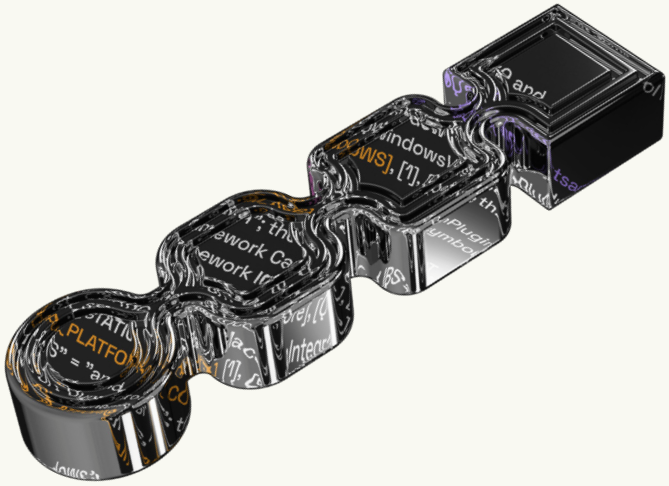
Rootstock doesn't force institutions to write a new chapter in their compliance manual. It's a venue shift inside the same regulatory, custody, and audit rails they already run. All that's changed is that Bitcoin can now be a productive asset.

The Readiness Curve

The Readiness Curve shows where the market stands today and where it seems to be headed.

Institutions are already holding Bitcoin, but most do so through custodians or ETFs. They've crossed the threshold of if, but remain early in engaging directly with decentralized protocols. The blockers aren't just regulation, they're understanding, scale, and trust. Institutions need rails, policy engines, and standardized exposures that risk committees can actually approve. They aren't chasing the highest yield; they are waiting for clarity and auditability.

For now, liquidity remains too small to move the biggest players. But that won't last. This is the classic innovation dilemma: the market looks small to incumbents, but it is scaling quickly and will eventually pull them in.

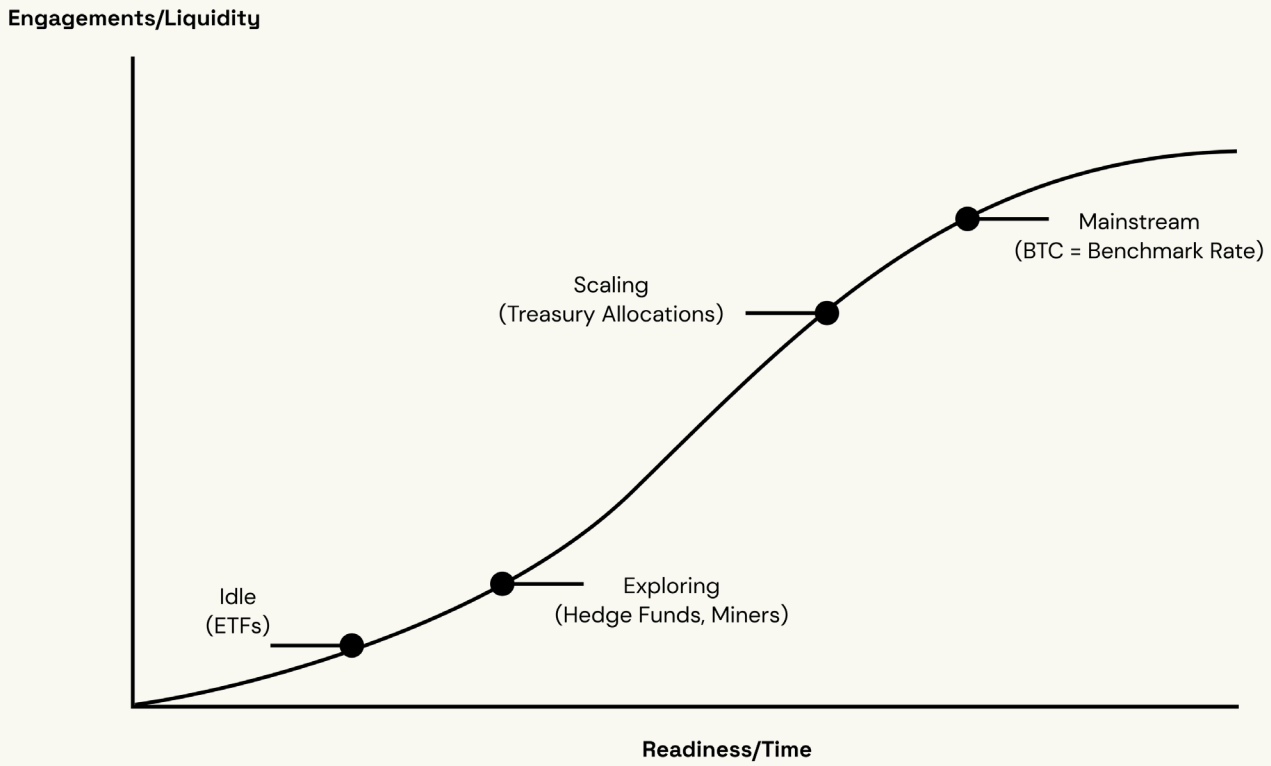


> The problem is not regulation, it's understanding. Banks ask: who is in charge? The answer is: the code.

Manuel Ferrari
Money on Chain

The takeaway is clear: adoption is not hypothetical, it's inevitable. Institutions may be slow to move, but once the curve turns, capital will flow quickly into BTCFi.

The Readiness Curve for Institutional BTCFi Adoption



"Once Bitcoin carries a transparent, verifiable yield layer, it has the foundation to become the benchmark rate of crypto."

solv

5.
Survey of BTCFi Yield Strategies

From Idle Reserves to an Income-Generating BTC Stack

Institutions now hold over **2 million** BTC, more than 10% of total supply. Yet over 99% of that
capital earns no yield. It sits on balance sheets as digital gold: trusted, secure, but financially inert.

BTCFi changes that equation. With custody-grade infrastructure, GAAP/IFRS-aligned accounting treatment, and a maturing set of native yield strategies, Bitcoin can now play offense
on the balance sheet.
These approaches vary widely in structure, risk, and liquidity, from stablecoin issuance and lending pools to liquid staking and structured credit. While adoption remains early, these protocols are designing ways to improve capital efficiency without leaving Bitcoin's security perimeter.

DISCLAIMER

Yield figures and examples in this section are provided for informational purposes only. They do not constitute financial advice, recommendations, or assurances of performance. Readers should consult independent advisors before making any allocation decisions.

Category: Stablecoin & Structured BTC Products
Network: Rootstock
TVL: $104M

Overview

[MoneyOnChain] is Rootstock's flagship BTC-collateralized stablecoin protocol. Launched in 2019, it enables Bitcoin holders to generate stable returns, hedge volatility, and access leverage, all while maintaining control of their private keys. With over five years of battle-tested performance and zero depegs, MoneyOnChain has become one of the most reliable primitives in Bitcoin-native DeFi.

Core Products

DOC (DOLLAR ON CHAIN): A Stablecoin in Full Bitcoin Mode

100% Bitcoin collateralized (no banks, no fiat reserves)

- **100% Bitcoin collateralized** (no banks, no fiat reserves)
- **1:1 USD peg** maintained through smart contract mechanisms
- **Self-sovereign and censorship-resistant:** Designed for Bitcoiners, built on Rootstock Ideal for miners, funds, and treasuries seeking USD stability without counterparty risk.

BPRO (BITPRO)

- A leveraged BTC exposure token for long-term holders.
- Tracks Bitcoin with a small leverage factor (≈1.04x), compounding gains over time. Leverage is variable.
- Liquidity providers have earned +23.2% cumulative BTC-denominated returns since launch, outperforming Bitcoin itself.
- Functions as a "yield BTC" instrument: passive exposure with incremental upside.
- BPRO holders had been receiving MOC tokens as part of a liquidity mining incentive program, on top of the 23.2% historical performance.

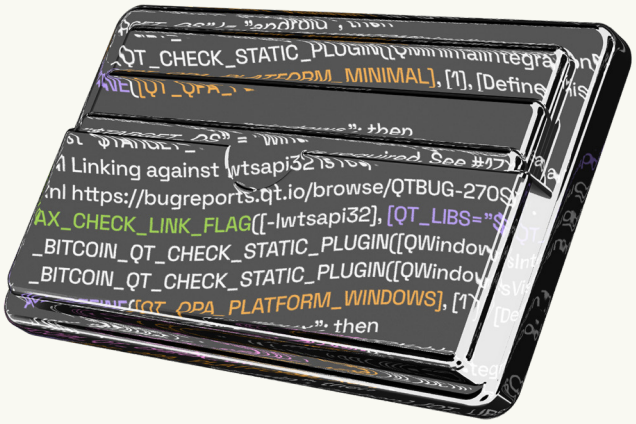
MOC (GOVERNANCE TOKEN)

- Decentralizes protocol governance and secures MoneyOnChain's oracle system.
- Token holders stake MOC to earn protocol fees.

Institutional Relevance

For institutions, MoneyOnChain provides USD stability without counterparty risk. Unlike fiat-backed stablecoins, DOC cannot be frozen, seized, or debanked. It offers a censorship-resistant mechanism for:

- Miners hedging operational costs in USD while remaining fully Bitcoin-collateralized.
- Funds and family offices seeking to park capital in a Bitcoin-native stable asset.
- Corporate treasuries that require stable working capital but do not want exposure to custodial or regulatory seizure risks.

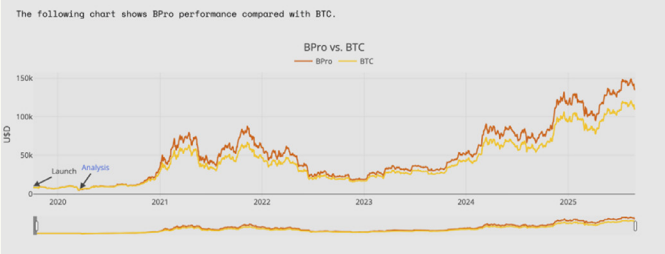


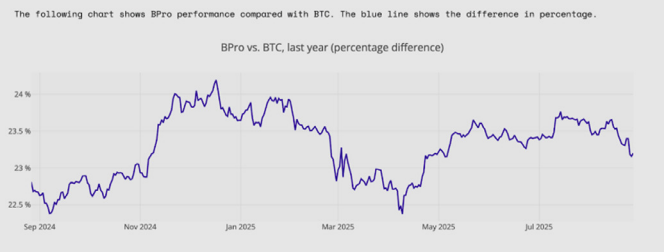
"99% of DeFi is completely centralized because it depends on centralized stablecoins. That's why we built a censorship resistant, overcollateralized, and transparent protocol."

Manuel Ferrari
Money on Chain

Case Study: BPro Performance

- When MoneyOnChain launched BPro in 2019, the vision was simple: give long-term Bitcoin holders a way to earn more Bitcoin without leaving the safety of Bitcoin collateral. The result was a token that behaves like Bitcoin, but with a small, built-in leverage factor and a passive income from fees.
- Over five years, that design has proven itself. BPro has not only tracked Bitcoin's upside, it has consistently outpaced it. Holders who stayed the course earned 23.2% more in Bitcoin terms compared to simply holding BTC, about 4% additional yield per year, denominated in Bitcoin itself. In Manuel Ferrari's words:"Liquidity providers in BPro have earned more than 24% in Bitcoin terms since launch."
- What makes this performance compelling is the resilience behind it. BPro weathered multiple liquidation cycles and some of the worst bear markets in Bitcoin's history without a collapse, a depeg, or a bailout. Its leverage is modest by design, giving holders upside without exposing them to the cascading risks that wiped out other protocols.
- For institutions, this track record demonstrates that Bitcoin-native yield is possible without introducing custodial counterparty risk. BPro shows how structured products can turn idle BTC into productive BTC while remaining anchored to Bitcoin's security model.
- Together with DOC, its censorship-resistant stablecoin, MoneyOnChain has built a proof point for BTCFi: financial primitives that are transparent, resilient, and built for Bitcoiners first. With $104M in TVL and over five years of flawless operations, MoneyOnChain is a cornerstone in the emerging Bitcoin DeFi stack. All charts from [Money on Chain]





Category: Yield Aggregator & Structured Credit
Network: MULTI-CHAIN (13 NETWORKS)
TVL: $1.9B
Reserves: 19,000+ BTC

Overview

Solv is the operating layer that turns Bitcoin from passive reserve into an orchestrated portfolio of opportunities. By aggregating lending, liquid staking, and structured yield strategies across 13 networks, Solv uncovers institutional-grade efficiencies and makes BTC a productive, liquid, and balance-sheet-ready asset.

With **$1.9B IN TVL** and **19,000+ BTC Reserves**, SolvBTC is a **1:1 Backed Bitcoin reserve token**. Unlike staking-only models, SolvBTC provides access to yield opportunities across DeFi, CeFi, and TradFi markets, while maintaining transparent reserves and redemption rights.
SolvBTC is powered by the Secure Exchange Rate (SER) oracle, co-developed with Chainlink, which embeds Proof-of-Reserve directly into pricing logic. Every SolvBTC is continuously verified against auditable BTC vaults, creating a tamper-resistant standard that eliminates the black-box risks that plagued CeFi lenders and wrapped assets.

For institutions, this means Bitcoin can now be deployed for tax-efficient yield, liquidity, and collateral without leaving the security of audited, custody-integrated infrastructure.

How yield is Generated

SolvBTC is not yield-bearing by itself, it is the wrapper. Yield is unlocked when SolvBTC is deposited into the **BTC+ VAULT**, Solv's flagship yield engine:

Conservative Vaults (5–7% APY)

* Overcollateralized lending.
* Conservative basis trades.
* Designed for low volatility and stable income.

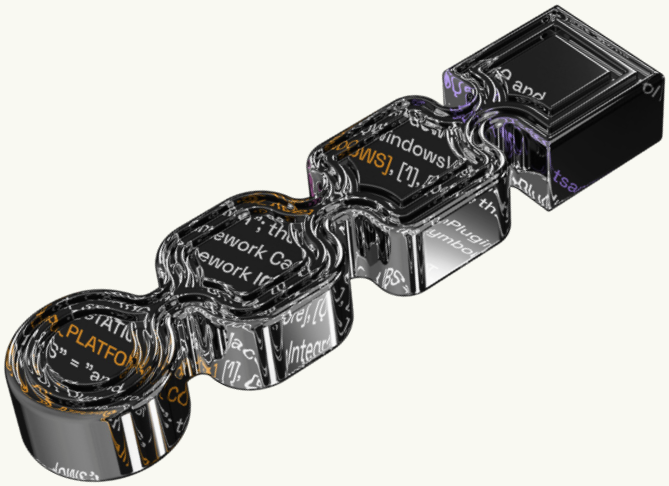
Opportunistic Vaults (8–12% APY)

All positions are auditable on-chain, monitored through the SER oracle, and bounded by policy guardrails such as per-venue caps, drawdown brakes, and deterministic redemption windows.

Case Study: How a Miner Uses SolvBTC

Problem

A mid-sized Bitcoin mining firm holds 2,000 BTC in reserve for treasury and operational liquidity. Traditionally, these holdings sit idle, earning nothing while incurring custody costs. Attempts to generate yield with wrapped BTC or CeFi lenders have exposed miners to bridge risk, opaque rehypothecation, and counterparty failures.



Solution

The miner mints 2,000 SolvBTC through a qualified custodian and deposits into a **BTC+ Conservative Vault.**

Results

- Yield: 5–7% APY generated from overcollateralized lending and basis strategies, all verifiable on-chain.
- Liquidity: Ability to redeem SolvBTC 1:1 for BTC at deterministic windows, avoiding liquidity lockups.
- Transparency: Real-time dashboards show reserve proof, yield source breakdown, and risk allocation.
- Integration: Custody handled through BitGo, with Solv's API feeding data into the miner's existing treasury reporting system.

BTC+

One-stop to Grow Your ₿

5% + 1%

Target APY ⓘ

Last Update: 27/08/2025

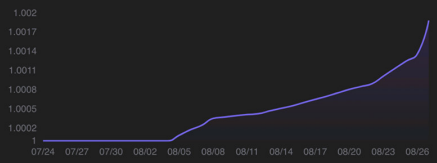
350.82 BTC

TVL

Last Update: 27/08/2025

Price Chart

1 BTC at the start of the vault is now 1.001882 BTC



For the first time, the miner can turn idle BTC into a productive treasury asset without leaving Bitcoin's security perimeter, converting a cost center into a predictable income stream.

Highlights

Low Fees
Spend little to none on fees

Sustainable Return
Back tested performance, trusted by over $2B fund

Chain-agnostic
Unlock a full DeFi experience across 20+ blockchains

Risk Managed
Contract assessed, exposure diversified

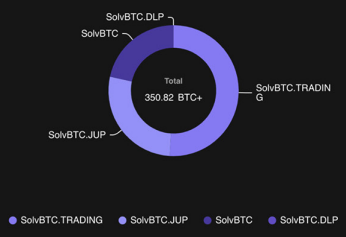
Daily Update
Transparently track your returns daily

No Minimum
Invest with any amount

Current Allocations

Last Update 27/08/2025

Holdings	Percentage
SolvBTC.TRADING	50.94%
SolvBTC.JUP	27.5%
SolvBTC	21.53%
SolvBTC.DLP	0.03%

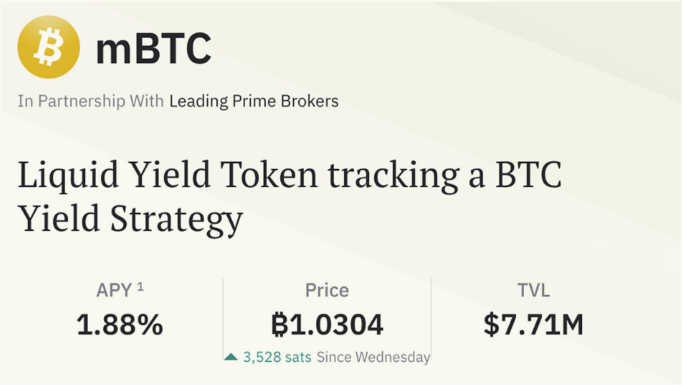


MIDAS

Category: Structured Credit & Market-Neutral Yield
Network: Multi-chain (6 networks)
TVL: $900M+

Overview

[Midas] provides BTC-denominated structured credit products engineered for stable, market-neutral yield. By combining CeFi-grade usability with on-chain transparency, Midas has emerged as a key BTCFi protocol for institutions seeking predictable returns without taking on directional Bitcoin risk. With over $900M in TVL across six networks and custody integrations through Fireblocks and Fordefi, Midas bridges institutional capital with Bitcoin-native yield strategies in a way that is both compliant and composable.



mBTC: Market-Neutral BTC Yield

- Tokenized certificates backed by BTC lending to regulated prime brokers. Diversified across basis trades, structured lending, and arbitrage strategies.
- **Target return:** ~2% annualized, denominated in BTC, with low volatility.
- **Neutral exposure:** yield without slashing, staking, or validator concentration risks.
- **On-chain transparency:** Fully auditable issuance structure, in contrast to opaque CeFi credit desks.

INSTITUTIONAL RELEVANCE

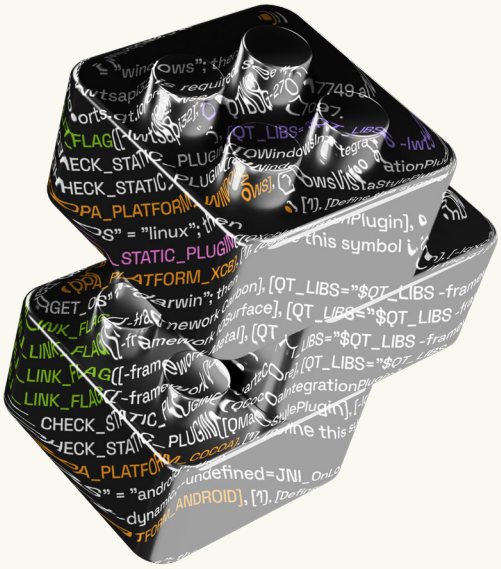
For funds, family offices, miners, and treasuries, Midas turns Bitcoin from a cost-center asset into a productive balance-sheet instrument. Allocators can deploy through familiar custody partners while maintaining their existing compliance, audit, and operational workflows. The market-neutral design ensures BTC can generate predictable yield without introducing additional price volatility or staking-related risks.

Case Study: mBTC Yield Strategy

In 2025, mBTC pooled allocations across prime broker lending, basis trading, and structured arbitrage strategies, generating ~2% annualized returns in BTC terms with minimal volatility. Institutional allocators represented a majority of flows, with miners using mBTC certificates as collateral in DeFi to enhance capital efficiency.

For institutions, the appeal is not outsized yield but predictable, custody-compatible returns. mBTC demonstrates how BTC can be redeployed at institutional scale with atomic redemption mechanisms for liquidity, integration across protocols like Morpho, Euler, and Pendle, and a transparent, auditable structure that aligns with regulatory and compliance standards.

Midas exemplifies how structured credit can unlock Bitcoin's potential as productive collateral, bridging the gap between institutional workflows and permissionless composability.



"Institutions won't adopt BTCFi just for incremental returns; adoption will be driven by composability."

Midas

LayerBank

Category: Crosschain Money Market & Structured BTC Products
Network: Multi-chain (16+ networks)
TVL: $100M+
Users: $690K+

Overview

[LayerBank] is the universal liquidity hub and cross-chain money market powering the next era of DeFi and scaling BTCFi yield. With $100M+ total market size and over 690,000 users, it enables Bitcoin holders to generate yield without selling BTC. By offering structured lending products that go beyond basic borrowing-and-lending, LayerBank provides both retail and institutional participants with capital-efficient, tax-aware yield opportunities.

Core Products

- Supply BTC to earn interest directly.
- Designed to keep principal intact while generating income.
- Tax-efficient: interest is taxed, but BTC principal remains untaxed.

Structure BTC Vaults

- One-click leverage loops and lending strategies.
- Optimize returns while maintaining BTC as underlying collateral.
- Accessible across 16+ integrated networks.
- Isolated, fixed-rate, institutional grade BTC-Fi pools.

INSTITUTIONAL RELEVANCE

Institutional Relevance
LayerBank is creating institutional-grade products such as isolated and fixed-rate structured investment offerings, combining the transparency and efficiency of DeFi with the performance and safeguards institutions expect. For corporate treasuries and funds, this enables BTC to be deployed into yield strategies with tailored risk and liquidity parameters.

- Miners hedging operational costs in USD while remaining fully Bitcoin-collateralized.
- Funds and family offices seeking to park capital in a Bitcoin-native stable asset.
- Corporate treasuries that require stable working capital but do not want exposure to custodial or regulatory seizure risks.

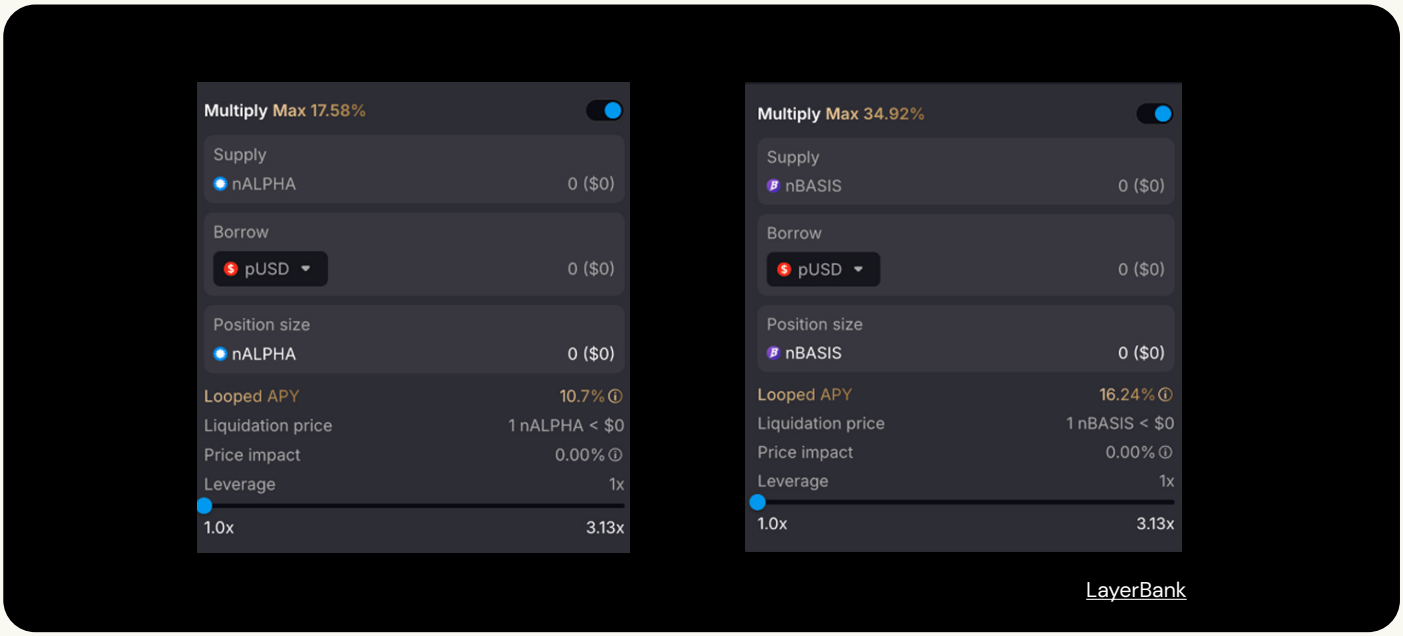
"The answer to institutional liquidity isn't CeFi, but a middle ground between CeFi and DeFi that is regulatory-aware."

LayerBank

Case Study: One-click RWA Looping Vault on Plume -I

LayerBank's Leverage Looping Vaults on Plume demonstrate how sophisticated yield enhancement can be executed with the operational simplicity and transparency required by institutional allocators. The infrastructure enables any supported collateral, whether stable, yield-bearing, RWA-backed, or volatile, to be compounded into a larger productive position through a fully automated, single-transaction process.

At deployment, the vaults integrated directly with audited vaults and institutional-grade price oracles to ensure reliable execution and asset protection. Once a collateral type is deposited, the system automatically executes a loop sequence–borrowing, minting or swapping, and redepositing until the pre-defined loan-to-value (LTV) threshold is met.



Case Study: One-click RWA Looping Vault on Plume -II

Key strategic advantages for institutional portfolios include:

Flexible strategy design

Supports both stable-on-stable structures for predictable returns without price exposure, and token-on-token structures for higher-yield, higher-volatility mandates.

Execution efficiency

One-click position creation eliminates multi-transaction complexity, reduces operational overhead, and minimizes execution slippage (via mint-based loops where available).

Risk governance

Real-time position monitoring with transparent metrics on collateral balances, debt levels, net APY, and liquidation buffers allows for continuous oversight.

Market adaptability

The architecture is agnostic to collateral type, enabling rapid deployment in new markets, including BTCFi on Rootstock, without redesigning core systems.

By combining institutional operating standards with the efficiency of DeFi yield generation, LayerBank is establishing itself as a foundational money market within BTCFi–delivering scalable, composable infrastructure for sustained capital deployment.

Pell Network

CATEGORY: BTC Restaking & Infrastructure Security
NETWORK: Multi-chain (16 networks)
TVL: $360M+

Overview

[Pell] is the first omnichain BTC restaking protocol, unlocking yield for BTC holders while securing the broader Bitcoin and RWA ecosystem. On Pell, Bitcoin-based assets–such as stBTC, wBTC, tBTC, LBTC, coreBTC, and liquid staking derivatives (SolvBTC, lstBTC)--are restaked into Decentralized Validated Services (DVS) including bridges, data availability layers, and oracles. Through its Megapool, Pell issues Liquid Restaking Tokens, giving users composable liquidity while layering yield from multiple sources. The result is a system where BTC not only earns yield but also provides shared cryptoeconomic security across chains.

Core Products

BTC Restaking Layer

- Restake BTC and BTC-LSTs into Pell's omnichain infrastructure.
- Extend Bitcoin's role from "digital gold" to a productive, collateralized security layer.

Megapool & Liquid Restaking Tokens

- Aggregate restaked positions into liquid tokens.
- Enable AI-driven, strategy-based allocation across multi-chain services for incremental yield.

Ecosystem Integrations

- Secures decentralized services such as crosschain bridges, oracles, and DA layers.
- Anchors critical infrastructure to Bitcoin's unmatched security and liquidity base.

INSTITUTIONAL RELEVANCE

Pell is built with institutional allocators in mind. It offers a three-layered yield stack:

- Base staking yield from underlying LST protocols.
- DVS rewards for extending security.
- Megapool incremental yield via dynamic allocation.

With >80% of TVL already from institutional wallets, Pell demonstrates strong alignment with compliance, reporting, and operational requirements. For institutions, this represents a new class of market-cycle resilient yield–stable, transparent, and directly tied to Bitcoin's role as pristine collateral.

Case Study: Restaking BTC for Crosschain Security

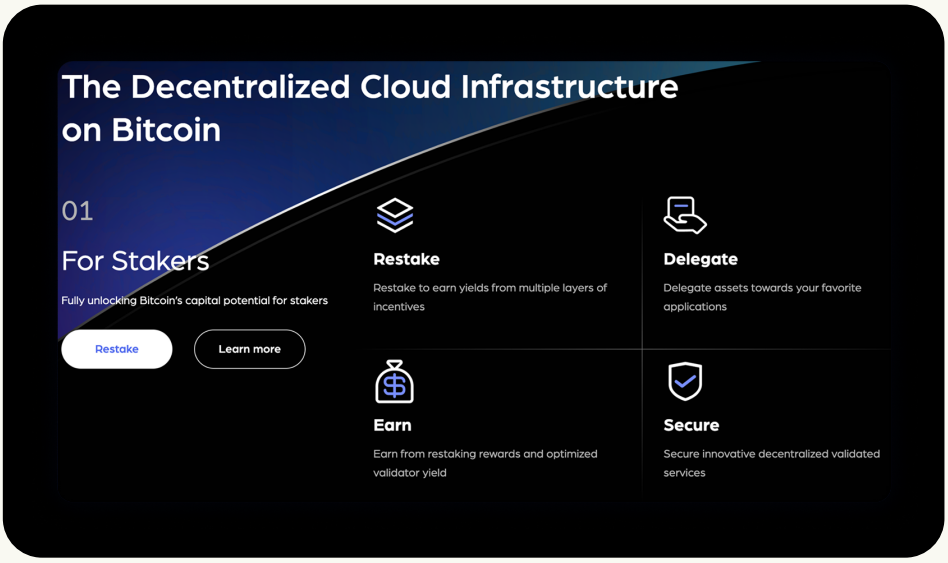
Early adopters have allocated Bitcoin LSTs into Pell to secure Rootstock's crosschain infrastructure. Through Pell's model, yield is generated when Decentralized Validated Services (DVS), such as bridges or oracles, leverage restaked BTC to provide shared security.

While Pell's mainnet has not yet launched, the expected floating yield from DVS modules is in the range of ~2–5%, depending on service demand and utilization. In practice, this creates a twofold outcome:

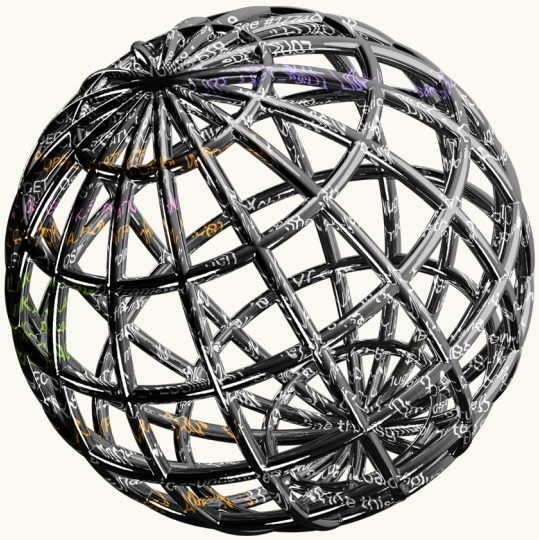
- BTC holders can generate income tied to real network security demand.
- Ecosystems like Rootstock gain stronger guarantees for critical infrastructure components such as bridges and oracles.

"Most of the market still sees BTCFi as just another yield layer for Bitcoin. We believe it's evolving into a new infrastructure layer where Bitcoin's native security can be programmatically leveraged across chains and protocols, unlocking entirely new DeFi primitives."

Pell Network



Just as EigenLayer redefined Ethereum's security model, Pell positions itself as the BTCFi equivalent, anchoring decentralized services to Bitcoin's unmatched collateral base while opening pathways for BTC to secure tokenized real-world assets.



Key Takeaways for CFOs and Treasury Leads

BTC is not a moonshot It's an emerging allocation framework. Industry participants increasingly describe BTCFi as an evolving set of structured strategies, comparable in some respects to allocation frameworks already familiar from bonds and real assets.

- **Infrastructure Alignment** Custody, accounting, and risk controls are developing in ways designed to align with GAAP/IFRS requirements and third-party SOC audit practices.
- **Productive yiled closes the cost gap** With custody fees running 10–50 bps, BTCFi flips BTC from cost center to yield engine, without leaving the Bitcoin network.
- **For miners it's margin stabiliser** BTCFi overlays smooth the post-halving revenue curve and offer programmable treasury strategies.For miners it's margin stabiliser
- **Institutional outlook.** For institutions that already hold BTC on balance sheet or in ETFs, BTCFi represents an emerging area of experimentation. While adoption is still early, case studies suggest growing interest in ways to make Bitcoin holdings more productive without leaving the Bitcoin network.

Market observers suggest that over the next 12 to 24 months:

- CFOs could test capped allocations of treasury BTC into lower-risk categories, expanding only after audit cycles validate controls.
- Miners may explore BTCFi overlays as tools to smooth post-halving revenues without liquidating reserves.
- Advisors and RIAs may push for ETF "yield share classes" once compliance templates mature.

The triggers won't be regulatory green lights alone; they will come when ownership and control are preserved, when the code itself is the guarantor, and when yield strategies prove resilience across cycles. For many institutions, that's the threshold that converts interest into allocation.

6.
Conclusion:
From Passive Digital Gold to Productive Bitcoin

Conclusion

A decade ago, adding Bitcoin to an institutional balance sheet was an act of conviction. It was about signaling alignment with the hardest asset in existence—a hedge against inflation, currency debasement, and systemic fragility. The strategy was simple: buy, custody, hold.

That era is coming to a close.

Today, holding BTC is no longer the final move, it's the starting position. CFOs, treasurers, and investment committees are asking a new question: How do we make this asset work for us without breaking the trust, security, and accounting frameworks that got it here?

The infrastructure is ready. Custody is SOC 2–aligned. Pegs are fast and verifiable. Accounting treatment under GAAP and IFRS is better understood. Industry research points to a growing spectrum of BTCFi strategies, from conservative, collateral-backed positions to more experimental, higher-volatility approaches, all operating within Bitcoin's security perimeter.

Rootstock positions itself as a key venue for these early institutional experiments. Combining Bitcoin-grade security, institutional custody integrations, and GAAP/IFRS-aligned treatment, it supports protocols such as Money On Chain, Solv, and LayerBank that are building auditable instruments for BTC allocation at scale.

For institutions, the leap from passive to productive BTC isn't a leap at all. It's a step into infrastructure that matches existing controls, risk mandates, and the long-term vision for Bitcoin's role on the balance sheet. And the trajectory is larger still: once Bitcoin has a transparent, institutional-grade yield layer, it doesn't just participate in DeFi, it redefines it, becoming the benchmark rate of the digital economy.

THE NEXT CHAPTER OF BITCOIN IS ALREADY BEING WRITTEN. BTCFI ON ROOTSTOCK IS WHERE IT BEGINS.

rootstocklabs.com