

BAM RESEARCH | SEPTEMBER 2026

The State of Digital Asset Investing 2026

From speculation to allocation: where institutional capital, regulation and market infrastructure stand after the first full drawdown of the ETF era — and what it means for professional investors.

CONTENTS

Table of contents

About Block Asset Management	03
About the data and how to read this report	04
Welcome, from our CEO	05
Executive summary	06
Key numbers at a glance	08
The BAM Allocation Maturity Curve	09
PART 1 — P. 11	
Where the market stands: institutions after the 2026 drawdown	
1.1 The cycle: from a \$126k peak to a 50% drawdown and back to \$3 trillion	12
1.2 Fund flows: the regulated bid left, then came back	14
1.3 What allocators say: discipline, not retreat	16
1.4 Who owns the asset class now: ETFs, corporates and sovereigns	19
1.5 A changing risk profile: volatility and correlation	21
1.6 What held allocators back in 2026	23
PART 2 — P. 24	
Structural forces shaping the next phase	
2.1 Macro: inflation is back, and so are rate hikes	25
2.2 Regulation: Europe and the UK build, Washington stalls (master timeline)	27
2.3 The product universe: ETFs, staking and active wrappers	30
2.4 Tokenisation: real-world assets meet regulated rails	31
2.5 Stablecoins: a \$310 billion settlement layer	33
2.6 Bitcoin and Ethereum: supply, staking and utility	35
2.7 Spotlight: Swiss banking, nine years of bank adoption	36
PART 3 — P. 38	
How professional investors should access the asset class	
3.1 Lessons of the 2026 drawdown: beta is not a strategy	39
3.2 From stage to action: what unlocks each step of the curve	41
3.3 Five principles of institutional-grade digital asset investing	43
3.4 Scenarios to 2031 and signals to watch	44
Conclusion	46
About the BAM team	47
Methodology note	48
Sources	49
Important information	52

ABOUT BLOCK ASSET MANAGEMENT

Digital asset investment management and research since 2017

Block Asset Management (BAM) is a Luxembourg-headquartered alternative investment fund manager, registered with the Commission de Surveillance du Secteur Financier (CSSF), that has specialised in digital asset investing since 2017.

In 2018 BAM launched what we believe was the world's first institutional-grade multi-manager digital asset strategy, structured in Luxembourg with an independent depository, administrator and auditor from day one. The premise was simple and it has not changed: professional investors want diversified, actively managed exposure to a new asset class inside the legal and operational structures they already trust, rather than a single-manager or single-asset bet.

Today BAM's work covers four strategy families: multi-manager digital asset investing, market-neutral digital asset strategies, systematic digital asset strategies with daily liquidity, and systematic FX and commodities. Its research function draws on the manager due diligence, risk monitoring and regulatory work that those strategies require. The firm is headquartered at 30 Boulevard Royal, Luxembourg, and is led by a founding team with more than 100 years of combined experience across fund and asset management, private banking, compliance and fund distribution. This document is a research publication; it does not describe or offer any BAM product.

2017

BAM founded in Luxembourg; its first multi-manager digital asset strategy launched in 2018

CSSF

BAM is a registered alternative investment fund manager, RCS Luxembourg B219500

4

Strategy families: multi-manager, market-neutral, systematic daily-liquidity, systematic FX & commodities

Our research philosophy. BAM research sits between traditional asset management and digital asset markets. We do not publish price targets. We track the things that change how professional capital can be deployed: regulation, market structure, product wrappers, flows, volatility and the behaviour of the allocators themselves.

Official website: blockassetmanagement.com · Research enquiries: info@blockassetmanagement.com

ABOUT THE DATA

How to read this report

This report synthesises publicly available market, on-chain, flow, regulatory and survey data as of **29 September 2026**. It is not based on a proprietary BAM survey. Every figure that is not BAM's own analysis carries a numbered reference to the Sources section at the end of the document, so readers can check the underlying data themselves.

Three kinds of evidence are used throughout:

- **Behavioural evidence** on what allocators are actually doing: US spot ETF flows (SoSoValue, Farside), global ETP flows (CoinShares), corporate and sovereign holdings (SEC filings, treasury trackers) and 13F disclosures.
- **Stated intentions** from third-party surveys: the 2026 Coinbase / EY-Parthenon institutional survey (n=351, fielded in January and published in March 2026), the 7th AIMA / PwC Global Crypto Hedge Fund Report, the UBS Global Family Office Report 2026 (n=307), the Nexo Digital Wealth Survey 2026 (n=1,000 affluent investors) and Blockstories' September 2026 study of Swiss banks.
- **Structural evidence:** macro data from the IMF and the Federal Reserve; regulatory texts from the CSSF, ESMA, the FCA, the SEC and the Basel Committee; tokenisation and stablecoin data from rwa.xyz and DefiLlama.

A NOTE ON FRAMING

The **BAM Allocation Maturity Curve** is introduced on page 9 and applied in Part 3. It is a conceptual framework developed by BAM to organise the evidence, not a statistical index, and the placement of investor groups on it is a qualitative reading, not a measured distribution. Stage descriptions are BAM's interpretation of third-party data; they should not be read as measured shares of any investor population.

Where prices, flows or market capitalisations are quoted, they are point-in-time observations that will have moved by the time you read this. Directions of travel matter more than any single number.

Independence of sources. Survey data is quoted as published by the sponsoring institution. Where a source is an industry aggregator or a commercial publication rather than a primary dataset, the reference says so, and the figure should be treated as indicative. Where two industry composites measure the same thing differently, both are shown and labelled.

Currency figures are US dollars unless stated. "Digital assets" and "crypto assets" are used interchangeably, in line with MiCA terminology. Past performance is not a reliable indicator of future results; see Important Information.

WELCOME

The asset class just passed its first real institutional test

When we launched BAM's first fund of funds, an institutional allocator who wanted digital asset exposure had to accept operational risks that would have failed any mature-market due diligence. Eight years on, the same allocator can buy a spot Bitcoin ETF from BlackRock, hold tokenised US Treasuries issued by Franklin Templeton, and invest through established Luxembourg fund structures under rules the CSSF clarified as recently as April 2026.

The infrastructure question, in other words, has largely been answered. What 2026 answered instead was a harder question: **what happens to institutional capital when the asset class falls 50% inside a regulated wrapper?**

Our reading of the aggregate evidence is that the capital tightened its risk controls and, in aggregate, stayed. US spot Bitcoin ETFs were \$5.8 billion in net outflow for the year by mid-July; by 25 September they were back in positive territory after their largest weekly inflow in nearly a year.² Almost three-quarters of institutions surveyed in January, before the trough, planned to increase allocations, and nearly half said volatility had made them more disciplined, not less interested.¹³ Flow data cannot show whether the buyers of September were the sellers of July; what it shows is that the net bid returned.

That looks to us like an asset class being integrated into portfolios, not one being abandoned. It is also a reminder that **owning beta and having a strategy are two different things**. The dispersion between directional and non-directional approaches in this cycle was enormous, and it is the reason BAM has run several strategy families rather than a single one.

Europe, meanwhile, has quietly built the most complete regulatory perimeter in the world. MiCA is fully in force and its transitional period has closed, Luxembourg has clarified exactly how UCITS and AIFs may hold crypto assets, and the UK opens its authorisation gateway on 30 September. Washington, by contrast, failed to pass market-structure legislation on 15 September and is now regulating by exemption. Switzerland, as Blockstories' new study shows, offers nine years of evidence on what banks actually do once they have launched.

This report sets out where the market stands, which structural forces are pulling capital deeper, and how we think professional investors should access the asset class from here. We hope you find it useful.

The 2026 drawdown did not end institutional adoption. It ended the idea that adoption could be done without risk management.

Manuel E. De Luque Muntaner, Founder & CEO, Block Asset Management

EXECUTIVE SUMMARY

Adoption survived the drawdown. Discipline replaced enthusiasm.

Bitcoin peaked at \$126,080 on 6 October 2025, fell roughly 50% to a July 2026 low, and has since recovered to the mid-\$80,000s, lifting the total crypto market back above \$3 trillion for the first time since January.^{6,7,4}

Behind that price path sits the more important story. Institutional capital, the marginal buyer through 2024–25, became the marginal seller in the first half of 2026: by 13 July US spot Bitcoin ETFs were \$5.8 billion in net outflow for the year. From mid-August the flows reversed. The week to 25 September brought \$2.4 billion, the largest weekly inflow since October 2025, and took the year-to-date total to +\$0.9 billion. Cumulative net inflows since launch stand at \$57.6 billion and assets at \$108.4 billion.² Section 1.2 has the detail.

The survey evidence, all of it collected before the July trough, points the same way. In the Coinbase / EY-Parthenon survey of 351 institutions, fielded in January and published in March, 73% planned to increase digital asset allocations in 2026 and 74% expected higher prices over twelve months, while 49% said volatility had strengthened their emphasis on risk management, liquidity and position sizing. 81% now prefer regulated products, and the share allocating more than 5% of AUM was expected to rise from 18% to 29%.^{13,15}

FIVE FINDINGS

01 The regulated bid is structural. The ETF complex sold in H1 and bought back in H2; its cumulative footprint is \$57.6bn.²

02 Bitcoin's risk profile is changing: realised volatility at cycle lows and a 120-day gold correlation in the 99.5th percentile since 2020.^{49,50}

03 Europe has the more bankable regime: MiCA in force with its transitional period closed, CSSF fund rules clarified, UK gateway opening. The US failed to pass CLARITY.^{38,39,19}

04 Tokenisation and stablecoins are the growth engines: \$31–34bn of tokenised RWAs on rwa.xyz's count (May 2026) and a ~\$310bn stablecoin base.^{27,31}

05 Strategy dispersion was the defining feature of the cycle (Section 3.1). Diversification across strategies and managers, not more beta, is the next step for most allocators.

EXECUTIVE SUMMARY (CONTINUED)

Structural forces are stronger than the cycle

The macro backdrop that drove interest in non-sovereign assets has intensified rather than eased. The IMF's July update projects global headline inflation of 4.7% for 2026, up from 3.8% in its January forecast, after the Middle East war and the disruption of the Strait of Hormuz reversed two years of disinflation.³⁷ On 16 September the Federal Reserve raised rates for the first time since July 2023, to 3.75–4.00%, and markets now price a 70% chance of a second hike on 28 October.^{35,12} Gold set a record above \$5,500 an ounce in January.⁵¹ 65% of family offices surveyed by UBS expect confidence in the dollar's reserve status to weaken.¹⁷

Regulation has become a competitive advantage for Europe. MiCA has applied in full since 30 December 2024 and its transitional period for existing providers ended on 30 June 2026; the CSSF's crypto-assets FAQ, updated in February and again on 24 April 2026, sets out how Luxembourg UCITS and AIFs may invest in crypto assets and what it expects from the managers that run them; and the FCA's authorisation gateway opens on 30 September ahead of a regime that takes effect in October 2027.^{40,38,39} In Washington the CLARITY Act failed a cloture vote on 15 September, leaving the SEC, the Fed and the CFTC to build the rulebook by exemption and proposal (Section 2.2).^{19,24}

Tokenised real-world assets grew from about \$5.5 billion at the start of 2025 to \$31–34 billion by May 2026 on rwa.xyz's count, led by US Treasuries; stablecoins peaked near \$323 billion in May before easing to about \$310 billion as the prospect of a statutory US prohibition on stablecoin interest weighed on passive yield.^{27,31}

What it means for professional investors

The lesson of 2026 is that access is no longer the constraint; **construction is**. An allocator who held only spot beta through the year absorbed a 50% drawdown and, on the aggregate flow evidence, the ETF complex as a whole was a net seller near the bottom. Industry composites for 2025 show returns ranging from low double digits for market-neutral strategies to close to 50% for quantitative programmes, with far better risk-adjusted results in the non-directional sleeve; Section 3.1 sets out the figures and their limitations.^{56,55}

Part 3 introduces the **BAM Allocation Maturity Curve**: five stages from Observer to Integrator, each with a distinct constraint and a distinct unlock. In BAM's reading, most of the institutional capital that arrived through ETFs sits at the "Allocator" stage: a small, single-asset beta sleeve inside a regulated wrapper. The next step, for most, is not more beta but **diversification across strategies, managers and counterparties** inside regulated European structures; Part 3 sets out how.

Dates that matter. The full regulatory and market calendar to 2028 is on page 27. The nearest items: August PCE on 30 September and September payrolls on 2 October, which decide the October hike; the MiCA review consultation closing and the FCA gateway opening on 30 September; comments on the SEC's Regulation Crypto Assets closing on 20 October; the FOMC on 28 October; the US midterms on 3 November; the GENIUS Act effective on 18 January 2027.^{12,25,39,24}

KEY NUMBERS AT A GLANCE

The market in twelve figures

~\$3.0tn

Total crypto market capitalisation, back above \$3tn in late September for the first time since January 2026

Bloomberg via CryptoDaily, 24 Sep 2026 [4]

-50%

Peak-to-trough Bitcoin drawdown from the \$126,080 October 2025 high to the July 2026 low

IG; CoinGecko [6,7]

+\$0.9bn

US spot Bitcoin ETF net flows year-to-date on 25 Sep, after a \$5.8bn deficit on 13 July; \$2.4bn in the final week alone

The Block / SoSoValue, 26 Sep 2026 [2]

\$57.6bn

Cumulative net inflows into US spot Bitcoin ETFs since January 2024; \$108.4bn of net assets

The Block / SoSoValue [2]

73%

Institutional investors planning to increase digital asset allocations in 2026 (49% tightened risk controls)

Coinbase / EY-Parthenon, n=351 [13]

55%

Traditional hedge funds with digital asset exposure, up from 47% in 2024 and 29% in 2023

AIMA / PwC, 7th Global Crypto Hedge Fund Report [16]

1.29m BTC

Bitcoin held by 174 listed companies (6.2% of maximum supply); Strategy alone holds 846,000

Trinity Insights, 25 Sep 2026 [44]

\$31-34bn

Tokenised real-world assets on public chains (rwa.xyz, ex-stablecoins, May 2026), from ~\$5.5bn in Jan 2025; Treasuries >\$15bn

rwa.xyz via crypto.news [27]

\$310bn

Stablecoin market capitalisation (2 Sep 2026), from a \$322.6bn peak on 17 May

DefiLlama via Coinpaprika [31]

3.75-4.00%

Fed funds target after the first US rate hike since July 2023, decided 12-0 on 16 September; 70% odds of another on 28 October

Federal Reserve via CNBC, Schwab; Yahoo Finance [35,36,12]

4.7%

IMF projection for global headline inflation in 2026, revised up from 3.8% in January

IMF WEO Update, July 2026 [37]

0.52

Bitcoin's 120-day correlation with gold, in the 99.5th percentile of readings since 2020 (vs 0.34 with the S&P 500)

The Coin Republic, 20 Sep 2026 [49]

THE BAM ALLOCATION MATURITY CURVE

Owning digital assets and being allocated to them are not the same thing

Ownership statistics have stopped being informative on their own. A pension fund with a 0.3% position in a spot ETF, a family office with 5% in a diversified fund of funds, and a corporate treasury holding Bitcoin as its primary reserve asset all “own crypto”. They are not at the same stage of integration, they face different constraints, and different things move them forward.

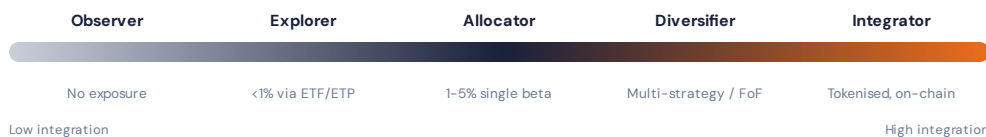
The BAM Allocation Maturity Curve organises the evidence in this report into five stages. It is a framework, not a measured index: the descriptions below are BAM’s reading of third-party behavioural and survey data, and are intended to help investors locate themselves and identify their next step.

Two observations run through the rest of the report. First, in our reading of the survey and flow evidence, most institutional capital that has entered the asset class since 2024 sits at the **Explorer** or **Allocator** stage: a small, single-asset beta position inside a regulated wrapper. Second, the constraint that dominates at those stages is not conviction or access, but the absence of downside control and diversification, exactly the constraint that the 2026 drawdown exposed.

FIVE STAGES

- 1. Observer** — no exposure; the constraint is mandate, knowledge or governance.
- 2. Explorer** — sub-1% test position, usually a spot ETF; the constraint is drawdown tolerance and custody comfort.
- 3. Allocator** — a sized 1–5% beta sleeve; the constraint is concentration in one asset with no downside control.
- 4. Diversifier** — multi-strategy, multi-manager and absolute-return exposure; the constraint is manager selection and operational due diligence.
- 5. Integrator** — digital assets as portfolio infrastructure: tokenised funds, on-chain treasury, systematic overlays; the constraint is the regulatory perimeter and depositary capability.

Integration bands



THE BAM ALLOCATION MATURITY CURVE

Where the evidence places different investor groups

The table maps the third-party evidence used in this report onto the five stages. Placements are BAM's interpretation of published data, not measured distributions.

Investor group	Typical stage	What the evidence shows	Dominant constraint
Global family offices	Observer → Explorer	24% invested; typical allocation around 1%; 44% of those invested treat it as part of strategic asset allocation. 60% plan to change SAA in the next 12 months. ¹⁷	Governance, succession, dollar diversification framing
Traditional hedge funds	Explorer → Allocator	55% have exposure (up from 29% in 2023); average 7% of AUM but more than half commit under 2%; 71% plan to increase. ¹⁶	Prime brokerage, derivatives access, regulatory clarity
Institutional investors (survey)	Allocator	73% plan to increase; 81% prefer regulated products; ETF/ETP usage 66%; share above 5% of AUM expected to rise from 18% to 29%. ^{13,15}	Position sizing, liquidity, governance after volatility
Swiss banks	Explorer → Diversifier	More than 30 banks offer crypto access but only five of 24 cantonal banks are live; specialist private banks add lending and staking, most offer execution only. ⁶¹	Differentiation once basic access is commoditised
Corporate treasuries	Allocator → Integrator (concentrated)	174 listed companies hold 1.29m BTC; one holder accounts for 65%. Miners disclose cost bases well above mid-2026 fair value. ⁴⁴	Balance-sheet volatility, financing cost, dilution
Sovereigns and public funds	Explorer	US Strategic Bitcoin Reserve (~328k BTC, largely forfeited coins); Luxembourg's FSIL allocated 1% via regulated ETFs, the first eurozone sovereign fund to do so. ^{58,45}	Custody, mandate, political durability
Affluent private investors	Explorer → Allocator	Two in three affluent investors surveyed across the US, UK and Argentina hold crypto, but positions are small, horizons short and only 13.6% of the largest holder cohort treat it as a core retirement asset. ¹⁸	Volatility, security, tax, lack of infrastructure
Asset managers and banks	Integrator	BlackRock, Franklin Templeton and Circle run tokenised Treasury funds of \$2.4–3.0bn each; UCITS may now hold up to 10% in eligible crypto-asset securities in Luxembourg. ^{29,38}	Depository, prudential capital, distribution rules

Reading the curve. The centre of gravity of institutional capital sits at the Allocator stage. That is precisely the stage at which a single-asset beta position offers no protection in a drawdown, and at which manager-level and strategy-level diversification does the most work. Part 3 sets out what unlocks each stage.

PART 1

Where the market stands: institutions after the 2026 drawdown

The first part of this report examines what allocators actually did through the first full drawdown of the ETF era: prices, flows, stated intentions, ownership, and the changing risk profile of the largest digital asset.

1.1 THE CYCLE

From a \$126,000 peak to a 50% drawdown, and back to \$3 trillion

Bitcoin set its all-time high of \$126,080 on 6 October 2025, closed the year below \$88,000 and printed a yearly high near \$97,000–98,000 in mid-January before a February correction that took total ETP assets to their lowest level since March 2025.^{8,48} By late July it traded around \$64,500, a decline of roughly 50% from the peak in about nine months: shallower and faster than the 2014, 2018 and 2022 bear markets, which fell 76–85% over 12–18 months.^{6,7}

The turn came in August. On 21 August the US Treasury said it would at least double its purchases of longer-dated government debt to stabilise the bond market; yields fell, the dollar weakened, more than \$4 billion of bearish crypto positions were liquidated and Bitcoin rose over 20% in a week from the low-to-mid \$60,000s, ending August near \$78,000.^{9,64} On 21 September it broke through \$87,000 intraday for the first time since January, a move BAM's own monthly commentary attributes to falling oil prices, a technical breakout and a short squeeze; ETF creations followed, with the year's largest single day, \$999 million, printed that session and \$2.4 billion over the week.^{63,8,2} Total crypto market capitalisation climbed back above \$3 trillion and perpetual futures open interest reached about \$160 billion, its highest since October 2025.⁴ On 28 September the rally paused when President Trump rejected Iran's seven-day plan to reopen the Strait of Hormuz; Bitcoin eased to about \$83,000.^{10,11}

Two features distinguish this cycle. First, the drawdown was shallower than the three previous bear markets and the rebound from the low has so far been quicker, though Bitcoin remains a third below its peak and the cycle is not complete; both are consistent with a deeper, more institutional holder base. Second, forecasters were divided into a "cycle intact" camp (Fidelity, veteran technicians) and an "institutional era, cycle broken" camp (Grayscale, Bitwise); as of July, Citi, Standard Chartered and Bernstein had all cut 2026 targets and none had raised.⁷ Sell-side capitulation in July preceded the best two months of the year, a pattern allocators will recognise from other asset classes.

BAM view. A 50% drawdown inside a regulated wrapper is the price of single-asset beta. It is not an argument against the asset class; it is an argument for strategy diversification, position sizing and systematic risk control, the topics of Part 3.

**\$143k →
\$82k**

Citigroup's 2026 Bitcoin target, cut twice during the year; no major bank raised a target in H1

CoinGecko, July 2026 [7]

\$38–39k

NYDIG scenario for an October low if the drawdown matched 2014, 2018 and 2022; a scenario, not a forecast

CoinGecko [7]

Bitcoin price path: selected reference points, October 2025 to September 2026

USD, plotted on a true time axis. Approximate levels at the dates indicated, compiled from the sources cited; not a continuous price series. The 21 September intraday high above \$87,000 is not plotted; the 28 September point shows the subsequent easing to about \$83,000.



1.1 THE CYCLE (CONTINUED)

Bitcoin lagged equities in 2026: a decoupling worth understanding

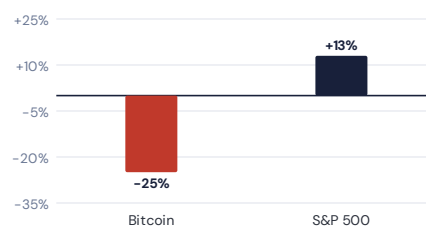
For much of 2026, Bitcoin consolidated while the S&P 500 set repeated records, near 7,757 by early August with year-to-date gains above 13%; Bitcoin was down more than 25% year-to-date at that point.⁵² Gold, having set a record of \$5,589 in January, traded around \$4,300 in August, well off its high but far above where it had been a year earlier.^{51,52} Capital that had rotated into digital assets in 2024–25 moved to AI infrastructure and semiconductors, and spot ETFs turned from a structural buyer into a source of mechanical selling.⁵²

The gold relationship cut both ways. On CryptoQuant's short-window measure (the window length is not stated in the source), Bitcoin's correlation with gold fell to -0.88 in early 2026, its lowest since the 2022 bear market, and the one-year rolling correlation fell to -0.17, implying the two assets offered genuine diversification to each other rather than doubled exposure to a single "debasement" thesis.⁵¹ By September, on a 120-day window, that relationship had flipped to a record positive reading, with realised volatility at cycle lows (Section 1.5). The two measures use different windows and are not directly comparable; the point is how quickly the relationship moves.

The practical implication for allocators is that digital assets are neither "digital gold" nor a leveraged Nasdaq: they are an asset class with their own liquidity cycle, driven in 2026 by ETF flows, Treasury and corporate-treasury financing conditions and derivatives positioning as much as by macro. An asset that moves independently of equities, bonds and gold is what portfolio theory prizes, but only if it is sized and managed for its volatility.

2026 year-to-date performance, early August 2026

Percent. Indicative levels as reported on 14 August 2026; Bitcoin at ~\$65,000, S&P 500 at ~7,757.



Gold is omitted because published year-end 2025 and August 2026 levels in the cited sources are not on a consistent basis; the direction (record in January, lower by August, well above 2025 levels) is as described in the text.

What the sell-side got wrong, and why it matters. Every major bank target cut this year was published within weeks of the July low; the +35% rally from 19 August to 23 September followed, on roughly \$4.6 billion of ETF inflows over that window and an estimated average ETF holder cost basis near \$82,000.^{7,4} Behavioural evidence of this kind is why Part 3 argues that rebalancing rules must be written before the drawdown, not during it.

1.2 FUND FLOWS

The regulated bid left in the first half and came back in the second

US spot Bitcoin ETFs are the single most important structural buyer in the asset class. Through 2025 global digital asset investment products attracted a near-record \$47.2 billion of net inflows and total ETP assets peaked at \$264 billion in October.⁴⁸ Then the wrapper worked in reverse. Two consecutive weeks of \$1.7 billion outflows each in late January flipped 2026 flows negative, and by 9 February total AuM had fallen to \$129.8 billion, its lowest since the tariff shock of March 2025.⁴⁸

By 30 June the US spot Bitcoin ETF complex had accumulated a year-to-date deficit of roughly \$5.5 billion, which deepened to \$5.8 billion at the 13 July trough.^{3,2} From 19 August the picture changed: nine consecutive inflow sessions through 27 August, \$3.5 billion for the month, and a further \$2.7 billion in September to the 25th, including the \$999 million creation day on 21 September and the \$2.4 billion week that followed. Year-to-date flows turned positive at \$934 million on 25 September, a swing of about \$6.7 billion from the July trough. Cumulative inflows since launch reached \$57.6 billion and assets \$108.4 billion.^{2,64,1}

The composition of the flows matters as much as the sign. Even on outflow days, redemptions were frequently concentrated in the legacy Grayscale trust while the newer products from BlackRock, Ark, Bitwise and Fidelity were net positive; that is rotation and fee-driven switching, not distribution.⁵ In the \$2.4 billion week, IBIT took \$1.2 billion and FBTC \$702 million.²

Why the swing matters. ETF flows are the most visible measure of regulated demand, but they are not a direct measure of spot buying: since July 2025 the SEC has permitted in-kind creations and redemptions, so an authorised participant may deliver or receive Bitcoin rather than cash, and execution can be spread across days.⁶⁷ What a swing from -\$1bn to +\$1bn a week does show is that the marginal regulated bid changed sign, which is what matters for the argument of this report.

US spot Bitcoin ETF net flows, 2026 year-to-date cumulative

USD billions, cumulative net flow since 1 January at the dates shown. *31 July is implied by BAM from the reported 13 July trough, August total and 25 September figure, and is approximate.



1.2 FUND FLOWS (CONTINUED)

Europe held up better during the soft patch; altcoin wrappers absorbed rotation

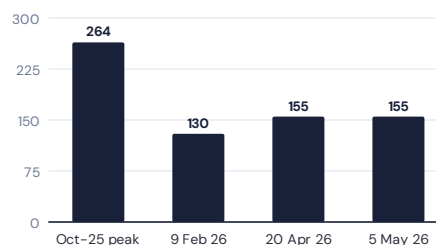
Flow data is dominated by the US, which accounted for 95% or more of weekly activity in the recovery weeks.⁴⁸ But the regional detail is instructive for European allocators. During the February drawdown, Germany (\$87.1m) and Switzerland (\$30.1m) recorded inflows while US products bled; in early May, when US inflows fell to \$47.5m in a risk-off week, Germany was the standout at \$43.8m, “suggesting European appetite held up better during the soft patch” in CoinShares’ words.⁴⁸ CoinShares itself captured close to 15% of European net inflows in the first half of 2026 and reported group AUM up from \$5.5 billion at end-June to \$6.9 billion by 31 August as prices recovered.⁴⁸

Within the US, 2026 also saw rotation rather than exit. Ether ETFs turned positive for the year in August, with \$1.8 billion of inflows that month according to BAM’s August commentary, and reached about \$1.6 billion year-to-date by 25 September (\$13.9 billion cumulative, \$17.8 billion of assets).^{63,2} Spot XRP ETFs have drawn about \$1.7 billion since their November 2025 launch, and spot Solana ETFs, several of which stake the underlying and distribute yield, hold a record \$1.5 billion of assets.^{53,2}

Reading the flows. CoinShares notes that changes in the pace of outflows have historically been more informative than the flows themselves, often signalling inflection points; the sharp deceleration in early February preceded the April recovery by roughly eight weeks.⁴⁸ For allocators, weekly flow data is best used as a sentiment gauge, not a timing tool.

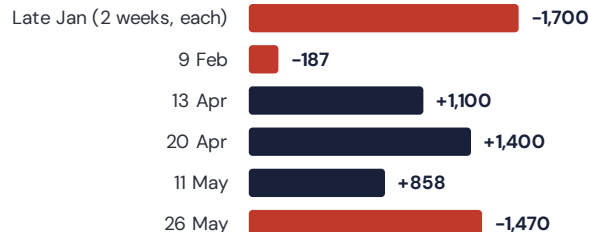
Global digital asset ETP assets under management

USD billions, CoinShares weekly data at selected dates.



Weekly ETP flows at inflection points, 2026

USD millions, global digital asset investment products; bars scaled by absolute value, red = outflow.



1.3 WHAT ALLOCATORS SAY

Discipline, not retreat: the 2026 institutional survey evidence

The most useful barometer of institutional intent is the annual Coinbase / EY-Parthenon survey, fielded in January 2026 among 351 institutional decision-makers after the October peak and the first leg of the drawdown, and published in March. Its headline is a paradox that resolves on inspection: nearly half of respondents said volatility had strengthened their emphasis on risk management, liquidity and position sizing, yet 73% still planned to increase allocations in 2026 and 74% expected prices to rise over twelve months.¹³

EY's own summary is that the message of 2026 is "not blind optimism, but sustained intent paired with more disciplined execution": institutions are prioritising repeatable access models and clearer risk guardrails as they scale.¹⁴ Attention has shifted, in their words, from access to application: infrastructure, tokenisation and practical use cases.

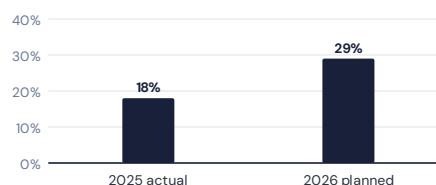
Two structural preferences stand out for European managers. 81% of institutions now prefer regulated products, and ETF/ETP usage has risen to 66%; governance, compliance, security and custody are prioritised over cost.¹³ The largest institutions are the most cautious: 64% of firms managing \$501bn-\$1tn plan to increase holdings versus 77% of those managing \$1-50bn.¹⁵

Coinbase / EY-Parthenon 2026 institutional survey: selected results

Share of 351 institutional respondents; fielded January 2026.



Share allocating more than 5% of AUM to digital assets



1.3 WHAT ALLOCATORS SAY (CONTINUED)

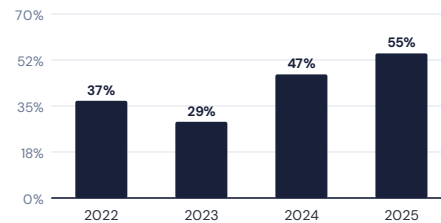
Hedge funds crossed the halfway line; family offices remain at the door

The 7th AIMA / PwC Global Crypto Hedge Fund Report found that, for the first time, a majority of traditional hedge funds (55%) had some exposure to digital assets, up from 47% in 2024 and 29% in 2023.¹⁶ Average allocations are modest, 7% of AUM on average but with more than half committing under 2%, and 71% of those invested plan to increase exposure over the next twelve months. The report attributes the shift to a more constructive regulatory environment and to the expectation that mainstream custodians, prime brokers and settlement providers will enter the space.¹⁶

Family offices are the contrast. The UBS Global Family Office Report 2026, drawing on 307 family offices with an average net worth of \$2.7 billion surveyed between January and March 2026, finds only 24% invested in crypto and digital assets, typically at low single-digit levels and usually around 1%. But 44% of those invested now consider it part of their strategic asset allocation, 60% of all family offices plan to change their SAA in the next twelve months (the highest UBS has recorded) and 65% expect confidence in the dollar's reserve status to weaken.¹⁷

Traditional hedge funds with digital asset exposure

Share of respondents, AIMA / PwC annual surveys.



UBS Global Family Office Report 2026



BAM view. The family office data is the clearest illustration of the Observer-to-Explorer gap. Three-quarters have no exposure, and the quarter that does holds a token position. Yet the same offices are re-thinking dollar concentration and strategic allocation at a record rate. The bridge between those two facts is a vehicle they already understand: a regulated, diversified, multi-manager fund with independent custody and administration.

1.3 WHAT ALLOCATORS SAY (CONTINUED)

The affluent investor: ownership is high, integration is shallow

Private wealth is the other half of the demand picture, and it is where the gap between owning and allocating is widest. The Nexo Digital Wealth Survey 2026, covering 1,000 affluent investors in the United States, United Kingdom and Argentina, found that two in three hold some cryptocurrency and that nearly one in five expect it to be the single biggest driver of their personal wealth over the next decade, ahead of salary, equities and property.¹⁸

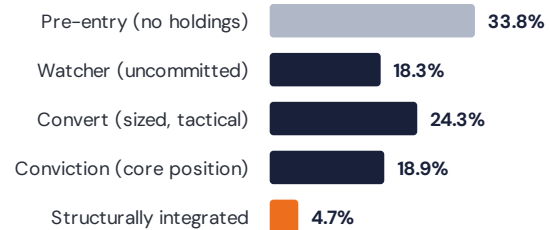
Yet positions remain small and tactical. The largest holder cohort (“the Convert”, 24% of the sample) typically holds 10–24% of its portfolio in crypto, on a three-to-ten-year horizon, but only 13.6% treat it as a core retirement asset; their top barriers are security concerns and volatility (36.6% each) and tax uncertainty (33.7%).¹⁸ As integration deepens, the survey finds, barriers turn operational: tax, security, fees and platform complexity replace volatility and lack of understanding.

Demand is also structurally different by market: in Argentina crypto displaced cash as a store of value under 80%+ average inflation; in the US it competes with equities inside the growth sleeve and is funded 41% from stocks; in the UK it is a diversification line funded from several asset classes at once.¹⁸ Switzerland tells the same story from the bank’s side: 18% of Swiss adults held crypto by early 2026, up from 11% in 2024, yet digital platforms rather than banks still led provider usage (Section 2.7).⁶¹

Why this matters to institutions. The affluent segment is the future client base of every private bank and multi-family office in Europe. Its stated barriers, security, tax, fees and volatility, are exactly the problems a regulated, diversified fund structure with independent custody is designed to solve.

Affluent investors by integration stage

Share of 1,000 respondents, Nexo Crypto Integration Index archetypes, 2026.



Top barriers cited by affluent investors, by market

Share of respondents, 2026.

Barrier	Argentina	US	UK
Volatility	26%	38%	38%
Lack of understanding	36%	32%	32%
Security concerns	31%	34%	35%

1.4 WHO OWNS THE ASSET CLASS NOW

ETFs, corporates and sovereigns: a holder base that barely existed in 2021

The most important structural difference between this cycle and the last is who holds the coins. US spot Bitcoin ETFs collectively hold more than 1.3 million BTC, with BlackRock's IBIT alone carrying roughly half the category's assets.^{2,54} Regulatory disclosures identify Goldman Sachs, Morgan Stanley and Millennium Management among the largest ETF holders.¹⁵

Corporate balance sheets are the second pillar. As of 25 September 2026, 174 listed companies across 30 countries hold a combined 1,294,821 BTC, about 6.2% of the maximum supply.⁴⁴ The distribution is extremely concentrated: Strategy holds 846,000 BTC, 65% of the total, and the five largest holders shown opposite account for about three-quarters. Strategy reported no purchases in one week of March, its first weekly pause of the year, and in early September spent about \$176 million repurchasing its own preferred shares rather than buying coins, while smaller treasury companies continued to issue paper to accumulate.^{15,44}

Miners illustrate the balance-sheet risk of the model: CleanSpark disclosed a cost basis of \$90,188 per Bitcoin against a fair value of \$58,524 at 30 June 2026.⁴⁴

Largest corporate Bitcoin holders

BTC held, latest disclosures to September 2026.

Strategy (MSTR)	846,000
Twenty One Capital	43,514
Metaplanet	43,000
MARA Holdings	35,577
CleanSpark	12,205
Tesla	11,509

1.29m

BTC on 174 listed corporate balance sheets, 6.2% of max supply

[44]

65%

Share of corporate holdings in a single company

[44]

BAM view. Concentration is the hidden risk in the “corporate bid” narrative. One issuer’s financing conditions now matter to the marginal demand for the asset. Diversified, multi-manager exposure is one way for allocators to participate in the institutionalisation of the asset class without underwriting a single balance sheet.

1.4 WHO OWNS THE ASSET CLASS NOW (CONTINUED)

Sovereigns: from seized coins to policy allocations

The United States holds roughly 328,000 BTC in its Strategic Bitcoin Reserve, largely from forfeitures rather than purchases.⁵⁸ The BITCOIN Act sponsored by Senator Lummis would direct the Treasury to buy 200,000 BTC a year for five years; it remains contested on funding, pace and custody, and no purchase programme has begun.⁵⁸ Combined US government and corporate holdings are estimated at 1.5–2.0 million BTC, 7–9% of supply.⁵⁸

Europe's first sovereign step came from Luxembourg. During the 2026 budget presentation in October 2025, Finance Minister Gilles Roth confirmed that the Intergenerational Sovereign Wealth Fund (FSIL) had allocated 1% of its portfolio, about €7 million, to Bitcoin through regulated ETFs, under a July 2025 policy revision allowing up to 15% in alternatives including digital assets; the fund is expected to reach €850 million by end-2026.⁴⁵ The same budget announced a CSSF- and central-bank-supervised pilot of blockchain-based short-term treasury certificates, building on the DLT issuance the Luxembourg Treasury had already tested through HSBC's Orion platform in 2025.^{45,46}

The choice of a regulated ETF rather than direct custody is instructive: the first sovereign allocations in Europe are being made in the same wrappers institutions use, for the same operational reasons.

OWNERSHIP SNAPSHOT, SEPTEMBER 2026

Holder type	BTC (approx.)
US spot ETFs	>1,300,000
Listed corporates (174)	1,294,821
US Strategic Bitcoin Reserve	~328,000
Maximum supply	21,000,000
Already mined	>95%

ETF, corporate and sovereign holdings do not overlap; together they represent roughly 14% of maximum supply.

Why supply concentration matters. With annual supply growth below 1% after the April 2024 halving and the next halving expected in April 2028, marginal demand from regulated holders is met by an increasingly inelastic float.⁵⁹

1.5 A CHANGING RISK PROFILE

Realised volatility at cycle lows, correlation with gold at a record

Bitcoin's volatility has compressed structurally as the holder base has broadened. K33 Research identified 2025 as the least volatile year on record; Fidelity documented seventeen new all-time lows in one-year realised volatility in January 2026 alone; ARK reported one-year rolling volatility below 50% for the first time since 2011; and by early 2026 Bitcoin was less volatile than 33 individual S&P 500 constituents.⁵⁰ The Deribit implied volatility index (DVOL) hit a nine-month low of 36% in May 2026, and 30-day realised volatility has ranged between roughly 23% and 45% across 2025–26.⁵⁰

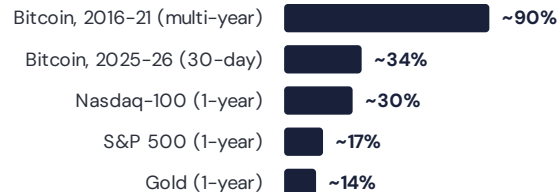
The macro relationship has shifted too. On 19 September 2026, analyst Adam Livingston reported that Bitcoin's 120-day correlation with gold had reached the 99.5th percentile of all readings since 2020, at 0.52, while its 120-day realised volatility sat in the bottom fifth of its historical range. Correlations with the S&P 500 and Nasdaq-100 were 0.34 and 0.33.⁴⁹ For most of the period since 2020 the median correlation was about 0.4 with the Nasdaq-100 and only 0.11 with gold; in September 2022 it was 0.64 with the Nasdaq and 0.22 with gold.⁴⁹

Bitcoin 120-day correlations: September 2026 vs post-2020 median

Correlation coefficient, per analysis reported 19–20 September 2026. Post-2020 medians are reported for gold and the Nasdaq-100 only.



Annualised volatility, indicative and measured over different windows



Bitcoin 2025–26 shown at the mid-point of the reported 23–45% range.

Interpretation. Correlation measures co-movement over a defined window and does not establish causation or persistence. But the combination of falling volatility and rising co-movement with gold is consistent with an asset being priced increasingly on monetary and liquidity considerations rather than as a high-beta technology proxy. It also means naive “Bitcoin equals leveraged Nasdaq” risk models are likely to misstate portfolio risk in both directions.

1.5 A CHANGING RISK PROFILE (CONTINUED)

What a 50% drawdown inside an ETF taught the allocator base

Lower volatility does not mean small drawdowns. A 30-day realised volatility of 35–40% is still more than double that of equities, and the 2026 cycle produced a peak-to-trough decline of about half in nine months even as headline volatility metrics set record lows. Bitcoin's beta to risk assets of roughly 1.5 means that in a growth shock, capital leaves high-beta holdings first; a stronger dollar and rising real yields raise the opportunity cost of a non-yielding asset and can trigger forced selling where positions are leveraged.⁵⁴

The August squeeze was a reminder that Bitcoin's marginal move is still driven by derivatives: crowded shorts squeezed higher; crowded longs can cascade lower. Perpetual open interest of about \$160 billion in September is the highest since the October 2025 peak.⁴

The practical conclusions for portfolio construction (sizing to drawdown rather than volatility, pre-committed rebalancing rules, and exposure to strategies whose returns do not depend on the direction of the underlying) are set out as Lessons 1–3 in Section 3.1.

Bitcoin bear markets compared

Peak-to-trough drawdown and duration, as compiled by CoinGecko (July 2026).

Cycle	Drawdown	Duration
2014, 2018 and 2022 (range)	-76% to -85%	12–18 months
2025–26 (to July)	~-50%	~9 months

RISK IN THREE NUMBERS

~-50% peak-to-trough in the ETF era, versus -76% to -85% in prior cycles.⁷

~1.5 beta to risk assets in growth shocks.⁵⁴

\$160bn perpetual futures open interest, September 2026.⁴

1.6 WHAT HELD ALLOCATORS BACK IN 2026

Five frictions, one of them self-inflicted

01 · MARKET

A 50% drawdown with no yield to cushion it

The first-half decline turned the ETF wrapper into a source of mechanical selling and pushed a large share of ETF holders below their cost basis; the estimated average holder cost of \$82,000 was only recovered in September.^{4,52}

02 · COMPETITION FOR RISK CAPITAL

The AI trade absorbed incremental risk budget

Equity indices printed records on AI infrastructure and semiconductor earnings; speculative and growth-oriented flows rotated toward those themes in H1, leaving Bitcoin without a comparable catalyst once post-halving and ETF-launch enthusiasm faded.⁵²

03 · POLICY (US)

Market-structure legislation failed

The CLARITY Act, passed by the House 294-134 in July 2025 and by the Senate Banking Committee 15-9 in May 2026, failed a Senate cloture vote on 15 September over ethics provisions, law-enforcement language and a stablecoin-yield ban that led Coinbase to withdraw support. Prediction markets tracked by NYDIG had cut passage odds from above 70% after the committee vote to around 30% by August.^{19,20}

04 · POLICY (STABLECOIN YIELD)

The prospect of a US interest ban closed off passive yield

Stablecoin supply contracted from a \$322.6bn peak in May to \$310.5bn by 2 September, the sharpest contraction since Terra. One explanation offered in the trade press is the prospect of the GENIUS Act's prohibition on paying interest on balances, which does not take effect until January 2027; the summer's deleveraging is at least as plausible a cause, and the two cannot be separated in the data.³¹

05 · CONSTRUCTION (SELF-INFLICTED)

Most institutional exposure was single-asset beta with no downside plan

Survey data shows 66% of institutions accessing the asset class through ETFs/ETPs, and more than half of invested traditional hedge funds committing under 2% of AUM.^{13,16} That construction guarantees full participation in drawdowns and none of the return dispersion available across strategies. The gap between owning the asset class and being well-constructed within it is the central theme of Part 3; the 2025 strategy-return evidence is in Section 3.1.

What did not hold allocators back: custody, which is now offered by Fidelity, BNY, Goldman Sachs, Citi, Standard Chartered and BBVA, with Deutsche Bank due by year-end; European regulation, which is fully in force; or product availability, which now spans spot, staked, index and actively managed wrappers.^{13,26,54} The remaining constraints are cyclical and constructional, not infrastructural.

PART 2

Structural forces shaping the next phase

Part 1 examined how allocators behaved. This part looks at the environment shaping that behaviour: a macro regime of renewed inflation and rate hikes, a regulatory map that now favours Europe, the growth of tokenisation and stablecoins as the asset class's infrastructure layer, and what nine years of Swiss bank adoption teach the rest of the continent.

2.1 MACRO

Inflation is back, and so are rate hikes

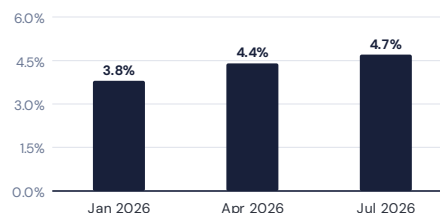
The macro case for non-sovereign, borderless assets rested on three pillars in 2025: sticky inflation, fiscal excess and geopolitical fragmentation. All three intensified in 2026. The war in the Middle East and the disruption of the Strait of Hormuz, through which roughly 20% of the world's oil and LNG normally passes, drove crude sharply higher and reversed the disinflation trend in place since early 2024.³⁷

The IMF's July 2026 update projects global growth of 3.0% in 2026 and 3.4% in 2027, but raised its 2026 headline inflation forecast to 4.7%, from 4.4% in April and 3.8% in January, with trade growth slowing to 3.5% from 5% in 2025. The euro area forecast was trimmed to 0.9%; the US held at 2.3%.³⁷ In the Fund's words, "the disinflation trend that has been in place since early 2024 has stalled."³⁷

Central banks have responded. On 16 September the Federal Open Market Committee voted 12-0 to raise the funds rate by 25 basis points to 3.75-4.00%, the first increase since July 2023, with 16 of 18 participants projecting at least one further hike in 2026 and the Fed's own core PCE forecast for the year lifted to 3.4%.^{35,36} By 28 September bond markets priced a 70% probability of a second move at the 28 October meeting, the 10-year yield had closed at its highest since July 2007, and two prints stood between the market and that decision: August PCE on 30 September (consensus +0.4% headline, +0.3% core m/m) and September payrolls on 2 October (consensus +100,000, unemployment 4.2%).¹²

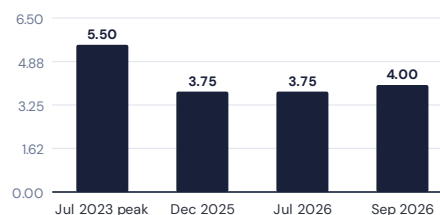
IMF global headline inflation forecast for 2026, by vintage

Percent, World Economic Outlook editions.



Fed funds target range, upper bound

Percent. The Fed held 3.50-3.75% from December 2025 until the September 2026 hike.



4.7%

IMF global headline inflation projection, 2026; euro area growth cut to 0.9%

IMF, July 2026 [37]

70%

Market-implied odds of a further 25bp hike on 28 October; Brent back above \$100 on 28 Sep

Yahoo Finance [12,10]

16 of 18

FOMC participants projecting another hike in 2026; four see two

Schwab, 16 Sep 2026 [36]

2.1 MACRO (CONTINUED)

Why a hawkish Fed is a headwind for beta and a tailwind for the thesis

The near-term effect of higher rates on a non-yielding asset is unambiguous: a higher opportunity cost of capital and tighter financial conditions weigh on risk assets, and digital assets sit at the high-beta end of that spectrum. J.P. Morgan Wealth Management flagged the risk of oil reaching \$120 if Hormuz blockades persisted.³⁵ Yet Bitcoin rallied some 35% between 19 August and 23 September, through the September hike, and ETF flows turned positive precisely as expectations of a second hike firmed.⁴

The resolution is that the market is looking through the hike to what caused it, and at the Treasury's response. The 21 August decision to double long-dated bond buybacks was read as an attempt to hold down borrowing costs despite elevated inflation, in potential tension with Fed policy, and it fed the "debasement trade" into gold and Bitcoin.⁹ Persistent above-target inflation, debt-servicing costs rising into a defence-led fiscal expansion, and a central bank forced to choose between credibility and the Treasury market are the conditions under which the "assets of fear against currency debasement" thesis, in Larry Fink's phrase, attracts capital.⁶⁰ The IMF projects global public debt approaching 100% of GDP by the end of the decade and estimated in April that a typical defence-spending boom worsens deficits by 2.6 points of GDP within three years.³⁷

Gold's January record above \$5,500 and the UBS finding that 65% of family offices expect the dollar's reserve status to weaken are the same signal from the traditional side.^{51,17}

Macro headwind	Digital asset property reinforced	What could change it
Fragile, uneven growth; MENA contracting; euro area at 0.9% ³⁷	Borderless, permissionless access outside the formal system	Broad AI productivity gains lifting all economies
Persistent inflation; Fed hiking; energy shock ^{35,37}	Bitcoin's programmatic scarcity (<1% supply growth) ⁵⁹	Hormuz resolution; energy normalises; hard-asset premium compresses
Fiscal excess; debt approaching 100% of GDP; defence-led deficits ³⁷	No sovereign issuer, no counterparty, no balance-sheet risk	Credible fiscal consolidation weakens the debasement narrative
Geopolitical fragmentation; dollar contestation ¹⁷	Settlement independent of jurisdictions and trade regimes	A sovereign bond crisis triggers a risk-off in which crypto falls with other risk assets

BAM view. The macro regime argues for exposure to the asset class and, simultaneously, for the strategies least dependent on its direction. A hawkish Fed, an inflationary energy shock and a \$160bn derivatives complex are exactly the environment in which systematic, market-neutral and multi-manager approaches earn their place.

2.2 REGULATION

Europe and the UK build the perimeter; Washington stalls

Regulatory clarity is, in every institutional survey, both the main catalyst and the main obstacle to further adoption.¹³ In 2026 the two sides of the Atlantic diverged sharply. The EU's Markets in Crypto-Assets Regulation has applied in full since 30 December 2024; the transitional period for providers grandfathered under national regimes ended on 30 June 2026, and ESMA stated on 23 June that any entity offering crypto-asset services in the EU without a MiCA licence is in breach of EU law.^{40,32} Circle is authorised; licensed EU venues delisted USDT in early 2025; and the eight MiCA-compliant euro stablecoins grew 128% to \$674 million in a year, still roughly 400 times smaller than their dollar counterparts.^{32,33} The Commission's MiCA review, with a report and possible legislative proposal due by 30 June 2027, closes its consultation on 30 September; on 22 September the ECB used its response to call for the ban on stablecoin interest to be extended to lending, staking and loyalty rewards, for EU-level rules on staking and lending, and for CASP licensing to move from national regulators to ESMA.^{41,25}

The United Kingdom has legislated its regime: the FSMA (Cryptoassets) Regulations 2026 were made on 4 February; final rules (PS26/9 to PS26/13) were published on 30 June; perimeter guidance (PS26/18) followed on 16 September; the authorisation gateway opens on 30 September 2026 and closes on 28 February 2027 for firms relying on transitional provisions; and the regime takes effect on 25 October 2027.³⁹

Master timeline, 2026–2028

The single reference calendar for this report; other sections point here. Cut-off 29 September 2026: entries after that date were scheduled, not observed, at publication.

Date	Event
1 Jan 2026	Basel cryptoasset standard and disclosure framework in force; targeted review since expedited ⁵⁷
4 Feb 2026	CSSF Crypto-Assets FAQ for UCIs, version 7 (version 8 followed on 24 Apr); UK Cryptoassets Regulations made ^{65,39}
10 Apr 2026	Hong Kong grants first two stablecoin licences (HSBC, Anchorpoint) ³¹
30 Jun 2026	MiCA transitional period ends; FCA final rules published ^{40,39}
18 Jul 2026	GENIUS Act rulemaking deadline passes with no final rules ³¹
15 Sep 2026	CLARITY Act fails Senate cloture vote ¹⁹
17 Sep 2026	SEC five-year Innovation Exemption for tokenised NMS stock ²¹
24–25 Sep 2026	Fed proposes GENIUS issuer rules; CFTC clears tokenised permitted investments; SEC staking-token FAQs ²⁴
30 Sep 2026	FCA gateway opens; MiCA review consultation closes; August PCE ^{39,25,12}
2 Oct 2026	US September payrolls; SEC Commissioner Peirce departs ^{12,24}
20 Oct 2026	Comments close on SEC Regulation Crypto Assets ²⁰
28 Oct 2026	FOMC decision ¹²
3 Nov 2026	US midterm elections
18 Jan 2027	GENIUS Act effective date ^{31,33}
28 Feb 2027	UK transitional application window closes ³⁹
30 Jun 2027	Commission MiCA review report due ⁴¹
25 Oct 2027	UK cryptoasset regime in force ³⁹
Apr 2028	Fifth Bitcoin halving (projected) ⁵⁹

2.2 REGULATION (CONTINUED)

Luxembourg: the CSSF has written the rulebook for crypto in funds

For European allocators the most consequential document of 2026 may be the least publicised. The CSSF's **FAQ on crypto-assets for undertakings for collective investment** replaced the former FAQ on virtual assets on 4 February 2026 (version 7, aligning terminology with MiCA) and was revised again on 24 April 2026 (version 8, which rewrote the answer on UCITS).⁶⁵ What follows is taken from the primary text.

- **UCITS** may not hold crypto-assets directly. They may invest indirectly, for up to 10% of net asset value, through transferable securities that do not embed a derivative. The FAQ states that such indirect investments "do not necessarily fall under Article 41(2)(a)" of the 2010 Law, the so-called trash ratio, if they qualify as transferable securities under Article 41(1)(a) to (d). A UCITS that plans such an investment must inform the CSSF in a timely manner.⁶⁵
- **AIFs** may invest directly or indirectly. An AIF open to retail investors other than well-informed investors is capped at 10% of NAV in crypto-assets; funds reserved to professional and well-informed investors are not subject to that cap.⁶⁵
- **Authorised IFMs** that manage an AIF investing more than 10% of NAV in crypto-assets need prior CSSF authorisation for the "Other-Other Fund-Crypto-assets" strategy, supported by a crypto-specific risk policy, valuation policy, custody arrangement, evidence of portfolio-manager experience and an AML analysis. The CSSF expects the initiator of any AIF that intends to invest in crypto-assets to present the project beforehand.⁶⁵
- **Funds of funds.** No separate crypto licence is required where the AIF invests through target funds with crypto-assets as underlying, but the manager must be able to assess the target managers' ability to identify and manage crypto-asset risk.⁶⁵
- **Depositaries** may act for funds holding crypto-assets directly if they notify the CSSF beforehand and have adequate organisational arrangements; ML/TF risk must be scored and mitigated in proportion.⁶⁵ The FAQ does not address registered (sub-threshold) AIFMs.

WHY IT MATTERS

Luxembourg is Europe's largest fund centre, with an €8.59 trillion fund ecosystem as of February 2026, AAA-rated stability and EU-wide passporting.⁴⁷ Four blockchain laws since 2019, the first tokenised UCITS in 2024, Coinbase's choice of Luxembourg for its MiCA licence and EU headquarters, and a sovereign fund holding Bitcoin ETFs make it the natural domicile for regulated digital asset strategies.^{46,45}

The FAQ defines the operating standard, risk, valuation, custody, experience and AML, that a professional investor should expect from any manager of crypto exposure. BAM is a CSSF-registered (sub-threshold) AIFM, not an authorised IFM; the FAQ's licensing steps do not apply to it, but its manager due diligence for its multi-manager strategy is built around the same five elements.

ESMA and UCITS eligibility. ESMA's review of the UCITS Eligible Assets Directive found four member states treating delta-one crypto ETPs as eligible and nine treating them as not; ESMA has proposed that such indirect exposure be permitted within the 10% ratio, which would harmonise the Luxembourg approach across the EU.⁴³

2.2 REGULATION (CONTINUED)

The United States: regulating by exemption and proposal after CLARITY failed

On 15 September 2026 the Senate voted 49–50 against cloture on H.R. 3633, the Digital Asset Market Clarity Act, leaving the bill stalled despite a 294–134 House vote in July 2025 and a 15–9 Banking Committee vote in May 2026.^{19,20} The dispute was over ethics language on officials' crypto holdings, Section 604 law-enforcement provisions and a ban on passive stablecoin yield, not the market-structure framework itself; no new vote is scheduled before the post-election lame-duck session, and Senator Lummis has warned that a missed window could push comprehensive legislation out by years.²⁰

The agencies filled the gap within ten days. On 17 September the SEC issued a five-year "Innovation Exemption" allowing Tokenised Securities Venues to trade tokenised NMS stocks on-chain through permissioned automated market makers without registering as exchanges, with volume caps by liquidity tier and an explicit exclusion of synthetic tokens.^{21,22} On 24 September the Federal Reserve proposed two frameworks for Board-supervised payment stablecoin issuers under the GENIUS Act (reserves, capital, liquidity, redemption and an anti-tying rule; 60-day comment period), and the CFTC confirmed that clearing members may invest customer funds in tokenised permitted investments and keep records on-chain.²⁴ On 25 September the SEC's Division of Corporation Finance issued FAQs treating staking receipt tokens as "digital tools" or "digital commodities" depending on the facts; the same day Commissioner Hester Peirce, architect of the Crypto Task Force, announced she would leave on 2 October.²⁴ The proposed Regulation Crypto Assets (comments to 20 October), a transfer-agent modernisation proposal and generic ETF listing standards complete the picture.^{23,20,54}

The GENIUS Act, signed on 18 July 2025, remains the one comprehensive federal statute. Its one-year rulemaking deadline passed with no final rules from any agency; roughly ten proposals are outstanding across six agencies, and the statutory effective date is therefore 18 January 2027. Issuers above \$10 billion must move to federal supervision; offering a non-permitted payment stablecoin to a US person becomes unlawful after 18 July 2028.^{31,33}

IMPLICATIONS FOR ALLOCATORS

Durability risk. A regime built on exemptive orders, FAQs and proposals can be reversed by a future Commission; statute cannot. The November midterms are the next test, and Peirce's exit removes the most consistent pro-innovation voice on the Commission.

Product velocity. Regulation by exemption is fast: staked ETH ETFs, Solana and XRP ETFs, an actively managed T. Rowe Price multi-token ETP and tokenised-stock venues all arrived inside eighteen months.⁵⁴

Europe's advantage. For a fund manager, a statutory EU regime with a defined supervisory standard (MiCA plus the CSSF FAQ) is a more bankable foundation than a five-year US exemption. If the ECB's MiCA-review position prevails in 2027, passive on-chain yield inside EU-distributed products becomes harder to offer, which raises the relative value of strategies that earn their return from trading and arbitrage rather than token rewards.²⁵

2.3 THE PRODUCT UNIVERSE

From two assets to a full shelf: spot, staked, index and active wrappers

Two years ago US spot crypto products covered exactly two assets: the eleven spot Bitcoin ETPs approved in January 2024 and the Ether products that followed in July. The shelf now includes those Bitcoin products, a family of Ether products including BlackRock's staked ETHB launched in March 2026, spot Solana ETPs (approved September 2025, several staking up to 100% of holdings with monthly distributions), spot XRP ETPs (from November 2025), a Bitwise ten-asset index fund and, since 16 July 2026, T. Rowe Price's TKNZ, the first actively managed multi-token spot product.^{54,68} A point of precision: these are exchange-traded products under the Securities Act, not funds registered under the Investment Company Act of 1940, and they do not carry that Act's protections; T. Rowe Price's own launch release says so explicitly.⁶⁸ US spot Bitcoin ETFs alone hold \$108.4 billion of assets, Ether ETFs \$17.8 billion and Solana ETFs \$1.5 billion.²

Europe led on product breadth for years through the Swiss and German ETP markets, and continues to attract net inflows: CoinShares reports capturing close to 15% of European net inflows in H1 2026.⁴⁸ The UK moved in 2025 to allow retail investors to hold crypto ETNs, including in ISAs and pensions, ahead of its full regime.⁴⁵

What the wrapper does and does not do is worth stating plainly. A listed wrapper removes private-key management and direct exchange exposure and brings exchange listing rules and qualified custody; a 1933-Act ETP does not bring the governance and diversification requirements of a 1940-Act fund. It does nothing to the volatility, drawdown or correlation of the underlying asset.^{54,68}

Wrapper	What it gives	What it does not
Spot single-asset ETP/ETP	Cheap, liquid beta; qualified custody; brokerage and retirement account eligibility	Any downside control; diversification; yield (unless staked)
Staked ETF (ETH, SOL)	Network yield on top of beta: ~3% for ETH, ~6-7% for SOL ^{54,59}	Protection from drawdowns; slashing and lock-up risk borne by fund
Index / multi-asset ETF	Diversification across large-cap tokens	Diversification across strategies; tokens remain highly correlated in stress
Active multi-token ETP	Manager discretion over eligible assets ⁶⁸	Absolute-return objective; daily-liquid mandates limit strategy set
Corporate treasury equity	Leveraged exposure via listed stock	Anything resembling diversification; adds financing and premium/discount risk ⁴⁴
Regulated AIF / fund of funds	Multi-strategy, multi-manager, absolute-return sleeves; independent depositary, administrator and auditor; CSSF-standard risk and valuation policies ³⁸	Intraday liquidity; passive cost levels; adds a layer of fees; redemption notice periods and possible lock-ups; manager-selection risk

Altcoin wrappers in numbers. Spot XRP ETFs have drawn about \$1.7bn since launch; spot Solana ETFs hold a record \$1.5bn of assets, several staking up to 100% of holdings.^{53,2,54}

2.4 TOKENISATION

Real-world assets meet regulated rails

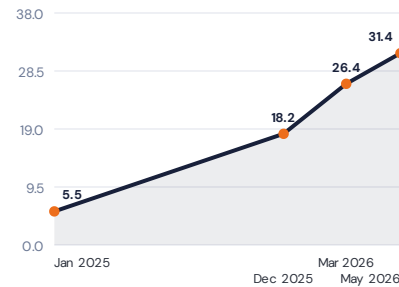
Tokenisation is the part of the digital asset market that traditional finance is building for itself. On rwa.xyz's count, which excludes stablecoins and platform-locked assets, tokenised real-world assets on public blockchains grew from about \$5.5 billion at the start of 2025 to \$18.2 billion by year-end, crossed \$20 billion on 11 January 2026, \$26.4 billion in early March (up roughly fourfold year on year) and \$31–34 billion by May.^{27,28} Broader counts that include permissioned private-credit platforms reached about \$60 billion by July, of which Figure's HELOC channel alone was \$18 billion.³⁰ Six categories exceed \$1 billion: private credit, commodities, US Treasuries, corporate bonds, non-US government debt and institutional alternative funds.²⁸

Tokenised US Treasuries are the anchor, passing \$15 billion in May, and are described by BelnCrypto Research as the only tokenised asset class to have reached production-grade maturity.^{27,30} Circle's USYC reached about \$3.0 billion to become the largest single fund; BlackRock's BUIDL exceeded \$2.8 billion by July 2026, has distributed more than \$100 million of dividends since launch, runs on eight chains and, in February 2026, began trading on Uniswap, the first regulated institutional product on a decentralised exchange; Franklin Templeton's BENJI reached \$2.44 billion.²⁹ Ethereum hosts roughly 60% of tokenised value.²⁷

Much of the activity is still issuance rather than trading: on-chain transfer data shows large allocations batched in \$10 million lots, consistent with institutional treasury movement rather than secondary liquidity.²⁸

Tokenised real-world assets on public blockchains

USD billions, rwa.xyz basis (excluding stablecoins), as reported at the dates shown.



Largest tokenised Treasury issuers, mid-2026

Circle USYC	\$3.00bn
BlackRock BUIDL	\$2.80bn
Ondo (USDY + OUSG)	\$2.60bn
Franklin BENJI	\$2.44bn

\$2tn

McKinsey base case for tokenised assets by 2030, excluding stablecoins and cryptocurrencies (2024 estimate)

via Nexo [18]

\$30tn

Standard Chartered estimate of tokenised real-world assets by 2034; wider scope and later horizon than McKinsey's

via Nexo [18]

63%

Institutions interested in allocating to tokenised assets; 61% expect it to reshape settlement

Coinbase/EY [13]

2.4 TOKENISATION (CONTINUED)

Why tokenisation is an infrastructure story for fund managers, not a token story

Three developments in 2026 turned tokenisation from a pilot theme into something a European fund manager must plan for.

Collateral utility. Tokenised money-market funds are now accepted as collateral: DBS integrated them for lending, Binance enabled USYC and cUSDO as off-exchange yield-bearing collateral, and Aave's Horizon lets institutions borrow stablecoins against tokenised assets.²⁷ On 24 September the CFTC confirmed that US clearing members may hold customer funds in tokenised permitted investments.²⁴ An asset that keeps earning while it secures a position is more useful than one that does not, which is why issuance is concentrated in liquid, low-volatility instruments.

Public-market rails. The SEC's Innovation Exemption opens on-chain trading of tokenised listed US stocks with self-custody, fractional ownership, near-instant settlement and 24/7 hours, while excluding synthetic tokens and allowing issuers to block unauthorised tokenisation of their shares.^{22,23} In Europe, Luxembourg's treasury-certificate pilot and the DLT Pilot Regime are the sovereign and market-infrastructure equivalents; Switzerland's Project Helvetia is already settling tokenised securities in wholesale central-bank money in a production pilot (Section 2.7).^{45,46,61}

Fund plumbing. The CSSF authorised Luxembourg's first tokenised UCITS in 2024; Franklin Templeton followed in February 2025 with the first fully tokenised fund domiciled in Luxembourg (a different first: a fund whose entire register runs on-chain); and the 2026 implementation of AIFMD II / UCITS VI requires managers to adopt liquidity management tools, with reporting via the CSSF's eDesk.⁴⁶

REGULATORY CLASSIFICATION, EU

MiCA is a residual regime. Crypto assets that qualify as financial instruments under MiFID II, including fund units and tokenised securities, stay under MiFID, the Prospectus Regulation and UCITS/AIFMD. ESMA's December 2024 guidelines confirm that the technology used does not change the qualification.⁴²

Consequence: a US tokenised Treasury fund such as BUIDL or BENJI, marketed into the EU, would be treated as a collective investment undertaking requiring a passport, a PRIIPs KID and a MiFID distribution channel. The wrapper, not the token, determines the rules.

BAM view. Tokenisation lowers the cost of settlement, collateral and distribution. It does not lower the cost of due diligence. The managers who benefit are those with the regulatory perimeter, depositary relationships and valuation policies already in place; that is the Integrator stage of the maturity curve, and it is where Luxembourg-domiciled managers are structurally advantaged.

2.5 STABLECOINS

A \$310 billion settlement layer, now licensed on three continents

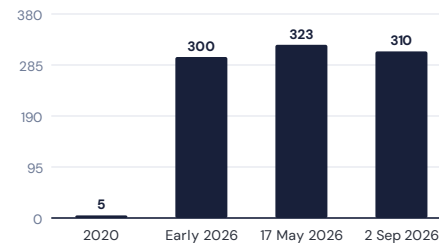
Stablecoins are the asset class's most-used product and its most-regulated. Market capitalisation grew from about \$5 billion in 2020 to over \$300 billion by early 2026, peaked at \$322.6 billion on 17 May and stood at \$310.5 billion on 2 September, the sharpest contraction since Terra. The prospect of the GENIUS Act's prohibition on paying interest on balances, which does not take effect until January 2027, is one explanation offered; the summer's deleveraging is another, and the data do not separate them.^{31,33} On-chain transfer volume exceeded \$33 trillion in 2025; that figure counts every on-chain movement, including exchange, settlement and automated flows, so it is not comparable with card payment volume (Visa's fiscal-2025 payments volume was \$14.2 trillion, \$16.7 trillion including cash transactions).^{33,66} Issuers hold about \$155 billion of US Treasuries, making them a structural buyer of US government debt.³³

Concentration is high: in early August USDT stood at about \$184 billion and USDC at about \$73 billion, together roughly four-fifths of supply. But the regulatory map is reshaping flows: after licensed EU venues delisted USDT in early 2025, once MiCA's stablecoin rules had taken effect, USDC's on-chain transfer volume reached \$1.21 trillion in June 2026, roughly twice USDT's.³³

Seven jurisdictions enacted enforceable stablecoin laws between 2023 and 2025. Hong Kong granted its first two issuer licences on 10 April 2026 to HSBC and Anchorpoint from 36 applicants, a 6% approval rate; Singapore requires monthly attestations; Japan's Payment Services Act and Brazil's VASP framework are in force; and on 24 September the Federal Reserve published its proposed GENIUS issuer framework.^{31,34,24}

Stablecoin market capitalisation

USD billions, selected dates; DefiLlama and industry data.



The two largest issuers, early August 2026

USD billions at the same date; the residual is not shown because the total above is measured on a later date.



\$33tn

2025 on-chain stablecoin transfer volume; not comparable with card payment volume

[33]

\$155bn

US Treasuries held by stablecoin issuers

[33]

+128%

Growth in MiCA-compliant euro stablecoins to \$674m

Decta [32]

2.5 STABLECOINS (CONTINUED)

Same activity, same risk, same rules: how the regimes compare

Jurisdiction	Framework and status	Key requirements	Investor relevance
European Union	MiCA in full effect since 30 Dec 2024 (stablecoin titles since 30 Jun 2024); transitional period ended 30 Jun 2026; review under way, ECB pressing for a wider yield ban ^{40,25}	E-money tokens issued only by credit or e-money institutions; ARTs carry heavier requirements; transaction caps for non-euro EMTs; Circle, SG-Forge, Banking Circle, Quantoz, StablR, Paxos authorised ³³	Euro stablecoins remain tiny (\$674m); dollar liquidity in the EU is migrating to compliant issuers
United States	GENIUS Act signed 18 Jul 2025; rulemaking deadline missed; Fed issuer proposal 24 Sep 2026; effective 18 Jan 2027 ^{31,24}	100% reserves in cash and short T-bills; monthly disclosure; audits; no interest on balances; issuers above \$10bn under OCC supervision; non-permitted issuers unlawful from 18 Jul 2028 ³³	Interest ban removes a source of on-chain carry; Treasury demand from issuers is structural
United Kingdom	Qualifying stablecoin issuance is a regulated activity under the 2026 Regulations; regime live 25 Oct 2027 ³⁹	FCA authorisation; safeguarding, Consumer Duty, SM&CR; PRA Dear CEO letter (18 May 2026) on prudential treatment of tokenised assets and stablecoins ^{39,57}	Gateway opens 30 Sep 2026; UK banks face defined prudential expectations
Switzerland	No dedicated statute; FINMA guidance treats each holder as an ongoing business relationship; CHF stablecoin sandbox in live testing since Sep 2026 ^{61,62}	Holder identification and transfer restrictions; proposed payment-instrument institution would lift the CHF 100m fintech-licence ceiling	Franc stablecoins remain small; the fastest-growing one (AllUnity's CHFAU) is issued under MiCA, not Swiss law
Hong Kong	Stablecoin Ordinance; first licences 10 Apr 2026 ³¹	Two licences from 36 applicants (HSBC, Anchorpoint)	Most selective regime globally; bank-led issuance
Basel Committee	Cryptoasset prudential standard in force 1 Jan 2026; targeted review expedited ⁵⁷	Group 1b preferential treatment for qualifying stablecoins; conservative treatment of unbacked and permissionless assets	Bank balance-sheet capacity for digital assets depends on the outcome of the review

The direction is the same everywhere: fully reserved, licensed, auditable digital dollars, euros and yen are welcome; everything else is being pushed out of the regulated system.³⁴ Stablecoins are becoming regulated payment instruments rather than crypto-native assets.

For allocators, the practical consequences are operational: which stablecoins a fund may hold as ancillary liquidity (in Luxembourg, e-money tokens up to 20% of a UCITS³⁸), how they are custodied, and whether on-chain yield strategies remain available once the US interest ban and any widened EU ban bite.

2.6 BITCOIN AND ETHEREUM

Scarcity on one side, utility on the other

Bitcoin: programmatic scarcity

More than 95% of Bitcoin's 21 million coins have been mined. After the April 2024 halving, annualised supply growth fell to about 0.85%, below gold's estimated 1.5–2%; the next halving, projected for April 2028, will roughly halve it again.⁵⁹ Over the past decade Bitcoin delivered an annualised return of 54% according to BlackRock, with each successive cycle producing shallower drawdowns, a pattern the 2026 cycle has so far confirmed.^{60,7}

Institutional recognition is the third leg: \$57.6 billion of cumulative ETF inflows, ~328,000 BTC in the US reserve, 1.29 million BTC on corporate balance sheets and 86% of surveyed institutions holding or planning to hold digital assets.^{2,58,44,13}

<1%

Annualised supply growth after the 2024 halving

Glassnode [59]

Apr
2028

Projected fifth halving

[59]

Ethereum: managed infrastructure

Ethereum is the settlement layer for the tokenisation and stablecoin growth described in this part: stablecoin transaction volume on Ethereum reached \$11.8 trillion in 2025, up 89% year on year, and the network hosts roughly 60% of tokenised RWA value.^{59,27} As of June 2026, 39 million ETH, 31% of supply, was staked, earning a native yield of around 2.8%; EIP-1559 has removed about 4.6 million ETH from circulation since 2021.⁵⁹ Five protocol upgrades since 2021 have reduced costs and expanded throughput, and spot ETH ETFs now include staked variants.⁵⁴

Ether traded at about \$2,660 on 28 September 2026, a market capitalisation of roughly \$320 billion, still well below its August 2025 high of \$4,954 and down about a third year on year.¹⁰ Ether ETFs turned positive for 2026 in August and hold \$17.8 billion of assets after \$690 million of inflows in the week to 25 September.^{63,2}

31%

Share of ETH supply staked (39m ETH), June 2026

Glassnode [59]

\$11.8tn

2025 stablecoin volume settled on Ethereum, +89% y/y

[59]

Complementary, not competing. Bitcoin's case rests on scarcity and monetary properties; Ethereum's on utility and cash-flow-like staking economics. The two are complements rather than substitutes: their return drivers differ, and so do the strategies that suit each. Which to hold, and in what proportion, is a question for each investor's own mandate.

2.7 SPOTLIGHT: SWISS BANKING

What nine years of bank adoption teach the rest of Europe

Blockstories' September 2026 study of Swiss banks is the most detailed field evidence yet of what happens after a bank launches digital assets. Its findings map closely onto the Allocation Maturity Curve.⁶¹

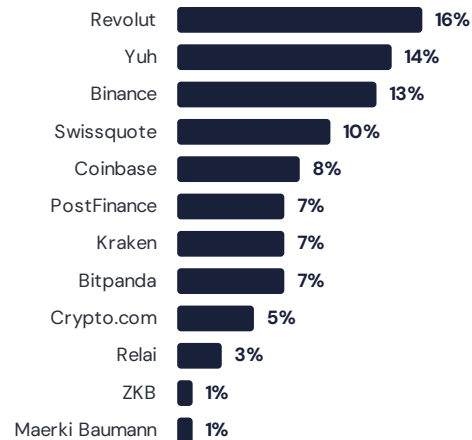
Switzerland entered earlier and across more types of bank than any other major market: Swissquote offered Bitcoin trading in 2017, Sygnum and SEBA (now AMINA) received banking licences in August 2019, and the DLT reforms of 2020–21 created ledger-based securities and insolvency segregation. More than 30 Swiss banks now provide some form of crypto investment access. Yet the lead is deep rather than broad: only five of 24 cantonal banks have launched, direct trading and custody remain absent from several major institutions, and among the 18% of Swiss adults who held crypto in early 2026 (11% in 2024), digital platforms rather than banks still led provider usage.⁶¹

The report's central commercial finding is that **the first-mover window in basic access has largely closed**. As major wealth managers add trading and custody, new launches will protect existing relationships rather than win crypto-native wealth, and differentiation shifts to lending, on-chain investment products and broader banking services. Three infrastructure models coexist: partner-led, hybrid (own custody, outsourced execution) and integrated; banks planning broader services value control over custody most.⁶¹

Why this matters beyond Switzerland. Swiss banks are the control group for every European private bank now deciding how to enter under MiCA: the same questions about custody, outsourcing, source-of-wealth and product breadth, answered with nine years of operating data. Two Swiss specialists, Sygnum and AMINA, are already exporting that experience into the EU through Liechtenstein and Austrian authorisations.⁶¹

Where Swiss crypto holders say they hold: reported provider usage

Share of Swiss crypto holders, HSLU/LUKB representative survey, early 2026, as reproduced by Blockstories.



30+

Swiss banks offering some form of crypto investment access; 5 of 24 cantonal banks live

[61]

CHF 3.5tn

Managed by the 68 Swiss private banks KPMG analysed in detail (79 counted, May 2026)

KPMG via Blockstories [61]

2.7 SPOTLIGHT: SWISS BANKING (CONTINUED)

Four segments, one lesson: the money is in what comes after access

Segment	State today	Key driver	Operating model	What Blockstories expects next
Global universal bank (UBS)	Tokenisation ahead of crypto access: CHF 375m digital bond (2022), UBS Tokenize, first tokenised fund; no direct trading or custody; Bitcoin ETFs accepted as Lombard collateral since 2026	Building internal capability for a long-term tokenisation bet	Settlement networks built in consortia (Helvetia, Agorá, CHF stablecoin sandbox, G7-currency consortium)	From issuance to repeatable end-to-end workflows
Domestic and retail banks	Buy-and-hold trading and custody inside e-banking, mostly since 2023; few add transfers, staking or lending; most cantonal banks not yet live	Keeping customers' investment activity in-house	Partner at launch, own custody later	Selective depth beyond basic access
Private banks	Early start, uneven depth: a few specialist houses accept transfers and offer lending, staking and banking for crypto companies; several large wealth managers offer no direct access	Winning wealth made in crypto	Buy the infrastructure, keep the client decision	More lending (Maerki Baumann targets LTV above its current 20%); selective on-chain yield; tokenised portfolio operations
Digital-asset banks (Sygnum, AMINA)	Direct clients over three-quarters of Sygnum's revenue; B2B fastest growing; tokenised funds with Hamilton Lane, Apex, Fidelity International	Licence lets them bundle custody, execution, fiat accounts and balance-sheet lending	Increasingly modular as partner banks in-source custody	B2B shifts to the EU via Liechtenstein and Austrian MiCA authorisations; payments and treasury as recurring revenue

Digital money: can Switzerland keep its lead?

The report is more cautious on tokenisation and digital money. Four joint initiatives (Project Helvetia in production pilot, a deposit-token proof of concept, the CHF stablecoin sandbox and Project Agorá) show banks building settlement networks together, but the franc still lacks a stablecoin with domestic scale: the SNB's 0% policy rate undermines reserve economics, Bitcoin Suisse discontinued CryptoFranc in 2024, and FINMA's holder-identification requirements risk turning an open payment instrument into a closed network, whereas MiCA offers a clearer statutory route. AllUnity's MiCA-issued CHFAU reached CHF 50 million within months of its February launch.⁶¹ On 8 September the sandbox (UBS, PostFinance, Sygnum, Raiffeisen, ZKB, BCV, now joined by SIX and TWINT) entered live testing of the CHFD token through end-2026.⁶²

BAM VIEW

Three findings translate directly to the rest of Europe. First, basic access is commoditising: the banks that win are the ones that can offer something beyond a spot trade, which is the Diversifier stage of our curve. Second, crypto-generated wealth is the largest upside for private banks, but only for those able to verify its origin and connect it to diversification and investment management; that is a fund-selection and structuring problem, not a trading one. Third, the specialist banks' move into the EU under MiCA confirms that the single European rulebook is where the growth is.

Swiss private banks are likely to look to external managers for diversified, regulated exposure.

PART 3

How professional investors should access the asset class

The first two parts described the market and the forces shaping it. This part sets out what the 2026 drawdown taught about portfolio construction, and what unlocks each stage of the Allocation Maturity Curve.

3.1 LESSONS OF THE 2026 DRAWDOWN

Beta is not a strategy

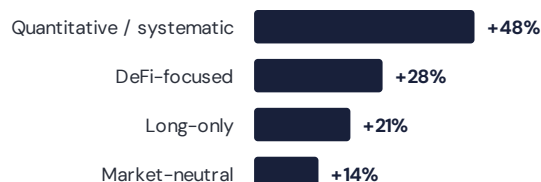
The defining statistic of this cycle is not the size of the drawdown but the dispersion of outcomes around it. The only strategy-level data available cover calendar 2025; they are used here as historical illustration, not as evidence of what protected capital in 2026. Two industry composites for 2025 make the point, and they are not directly comparable because they cover different fund universes. The Galaxy VisionTrack-based composites reported by StockMaven show quantitative strategies returning about 48% on average, DeFi-focused funds 28%, long-only funds 21% and market-neutral approaches 13–14%, the last with Sharpe ratios roughly twice those of long-only.⁵⁶ A separate CoinEdition composite has market-neutral funds at +14.4% and directional funds at –2.5% for the same year, and Bybit Institutional reports delta-neutral programmes positive in every month of 2025, with monthly gains between 0.43% and 1.42% and a maximum drawdown of 0.80%.⁵⁵ Average crypto hedge fund volatility was 46%, with monthly returns ranging from –18% to +52% across the universe.⁵⁶

These figures are indicative rather than audited, subject to survivorship and self-reporting bias, and the two composites disagree on how directional funds fared. What they agree on is that in 2025 the gap between strategy types was measured in tens of percentage points and the non-directional composites showed the lower volatility. Whether the same held through the 2026 drawdown will only be known when 2026 composites are published; none of these figures are net-of-fee, audited or drawn from a defined sample. In a 50% drawdown, the difference between a directional and a non-directional book is the difference between a portfolio that needs a 100% recovery to break even and one that does not.

The AIMA / PwC data adds a second dimension. Crypto hedge fund assets grew 20–25% year on year to approximately \$136 billion by mid-2025, the average fund manages about \$132 million, only around 9% exceed \$1 billion and 83% benchmark themselves to Bitcoin.⁵⁶ This is a fragmented, young manager universe in which selection and operational due diligence carry unusual weight.

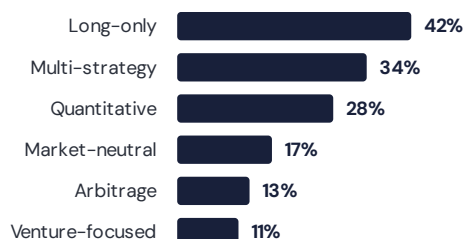
Indicative 2025 returns by crypto strategy type (Galaxy VisionTrack-based composites)

Percent, calendar 2025, gross/net basis not stated by the source. Industry composites as reported by StockMaven; unaudited, sample undefined, and not a guide to any BAM product or to 2026. The CoinEdition composite (directional –2.5%, market-neutral +14.4%) uses a different universe and is discussed in the text.



Strategy mix of crypto hedge funds

Share of funds by primary approach (categories overlap), 2025.



What this means. Access to the asset class is solved. The unsolved problem for most allocators is construction: how to hold exposure that participates in the structural growth described in Part 2 without underwriting the full drawdown of a single asset, and without concentrating manager and counterparty risk. The answer is diversification across strategies, managers and counterparties, inside a structure built to do the due diligence.

3.1 LESSONS OF THE 2026 DRAWDOWN (CONTINUED)

Four things the cycle taught allocators

LESSON 1

Position sizing must be set against drawdown, not volatility

Headline volatility metrics set record lows in the same months that produced a 50% decline.^{50,7} An allocation sized on a volatility assumption alone will not be sized for a 50% drawdown; the two measures answer different questions and a position must pass both tests. The aggregate ETF flow data suggest the complex as a whole was a net seller near the low.⁴

LESSON 2

Rebalancing rules must exist before the drawdown

A \$5.8bn year-to-date ETF deficit at the July trough and a \$6.7bn swing back to positive by 25 September, with the price some 35% higher, is consistent with discretionary rather than rule-based behaviour at the level of aggregate flows; the data cannot show whether the same holders sold and re-bought.^{2,4} Systematic rebalancing, or exposure through managers whose process is systematic, removes the decision from the moment of maximum stress.

LESSON 3

Inside the asset class, strategy is the main diversifier

Large-cap tokens are highly correlated in stress, so an index of tokens is not diversification on its own.⁵⁴ Market-neutral, arbitrage, basis, trend and systematic FX/commodity programmes are designed so that their return drivers do not depend on the direction of Bitcoin; the 2025 composites are consistent with that, with the limits set out on the previous page.^{55,56} A passive sleeve has its place in a diversified portfolio; it should not be the whole portfolio.

LESSON 4

Manager concentration is as real a risk as market risk

A young manager universe (average fund ~\$132m), sharp AUM mark-downs at concentrated single-strategy funds in the drawdown, and miners carrying cost bases \$30,000 above fair value are reminders that exposure to one manager or one balance sheet adds risks that diversification across managers removes.^{56,44} The CSSF now sets out exactly what a manager's risk, valuation, custody and AML framework should contain.⁶⁵

THE CONSTRUCTION PROBLEM, IN ONE CHART

Recovery required to break even after a drawdown. A portfolio that limits its drawdown to 20% needs a 25% recovery; one that absorbs the full 50% decline needs to double.



Arithmetic illustration by BAM; not a performance projection.

3.2 FROM STAGE TO ACTION

What unlocks each step of the Allocation Maturity Curve

Each stage of the curve has a dominant constraint and a specific unlock. The table below is BAM's synthesis of the survey and behavioural evidence in Parts 1 and 2; the right-hand column sets out the structural feature that addresses each constraint. It is an analytical framework, not a recommendation for any investor.

Stage	Who is here (evidence)	Dominant constraint	What moves them forward
1. Observer	76% of family offices; 45% of traditional hedge funds; most Swiss cantonal banks ^{17,16,61}	Mandate, governance, knowledge; no internal capacity to diligence a new asset class	Education; a familiar legal wrapper (Luxembourg AIF) with independent depositary, administrator and auditor; a manager that has operated through three cycles
2. Explorer	Family offices at ~1%; hedge funds under 2%; sovereigns via ETFs ^{17,16,45}	Drawdown tolerance; custody comfort; single-asset concentration	Daily-liquidity access with systematic risk control, so a first position does not require a view on timing
3. Allocator	Institutions at 1-5%; 66% via ETFs; 81% prefer regulated products ¹³	Full participation in drawdowns; no strategy diversification; behavioural selling	Diversification across strategies, managers and counterparties; absolute-return sleeves that lower portfolio beta without exiting the asset class
4. Diversifier	Allocators with multi-strategy exposure; 71% of invested hedge funds increasing; Swiss specialist private banks adding lending and on-chain yield ^{16,61}	Manager selection and operational due diligence in a fragmented universe; liquidity matching	Institutional-grade due diligence and ongoing monitoring; systematic programmes in markets unrelated to crypto beta
5. Integrator	Asset managers running tokenised funds; UBS-style consortium builders; corporates and sovereigns with on-chain treasuries ^{29,61,45}	Regulatory perimeter, depositary capability, valuation and AML policies	Managers whose risk, valuation, custody and AML frameworks already meet the CSSF standard; tokenised distribution when it adds value

The centre of gravity is stage 3. In BAM's reading of the evidence, most of the institutional capital that entered through ETFs in 2024-25 sits at the Allocator stage; the curve is a framework, not a measured distribution. The single most valuable step for that capital is not to add more beta but to add strategies whose returns do not depend on the direction of Bitcoin, held through managers who have been diligenced to a fiat-market standard.

3.2 FROM STAGE TO ACTION (CONTINUED)

Two composite allocators, and what changes for each

THE ALLOCATOR: A EUROPEAN SINGLE-FAMILY OFFICE

Assets of €400 million; a 2% position in a spot Bitcoin ETP bought in 2024 through its private bank; no other exposure. Treats the position as part of strategic asset allocation, as 44% of invested family offices now do, and is one of the 60% planning SAA changes this year.¹⁷

The position fell by roughly half between October 2025 and July 2026. The investment committee's question was whether to sell, add or hold; it held, but only because the position was small enough not to force a decision.

What moves this office forward is not conviction; it has that. It is a vehicle through which it could raise exposure towards 4–5% of assets with the aim of a lower beta to Bitcoin than the same exposure held in spot: a multi-manager fund that combines directional, market-neutral and systematic sleeves, inside a Luxembourg structure its lawyers and auditors already understand. Whether the beta actually falls depends on the mix and weights chosen; it is an objective of the construction, not a property of the wrapper.

THE DIVERSIFIER: A SWISS PRIVATE BANK

A mid-sized Swiss private bank that launched execution-only crypto trading through a specialist partner in 2023. Its clients can buy Bitcoin in three other places for less; Blockstories' finding that basic access "now offers little differentiation" describes its position exactly.⁶¹

Its constraints are operational and reputational: it will not run on-chain yield strategies itself, it cannot diligence a universe of sub-\$150 million crypto managers, and its investment committee wants exposure that a depositary bank would recognise.⁵⁶

What moves this bank forward is access to a regulated, diversified, multi-manager fund with independent custody that its relationship managers can offer alongside the spot trade, and a systematic FX and commodities programme whose return driver is independent of the crypto beta its clients already hold.

Both profiles are composites constructed by BAM from the survey evidence cited; they do not describe real clients and are not recommendations.

Barriers cited by institutions, and the structural feature that addresses each

Barrier (survey evidence)	Structural answer
Volatility and drawdown (49% tightened sizing and liquidity) ¹³	Strategy diversification; absolute-return sleeves; systematic risk control
Security and custody (top-three barrier at every stage) ^{18,13}	Independent third-party depositary; segregated custody; CSSF custody-arrangement requirement ⁶⁵
Regulatory clarity (main catalyst and obstacle) ¹³	Statutory EU regime (MiCA plus CSSF fund rules); vehicles within the AIFMD framework with independent depositary, administrator and auditor
Governance and repeatable access models ¹⁴	AIFM-level risk, valuation and AML policies; audited NAV; standard subscription documents
Fees and platform complexity at deeper integration ¹⁸	One due-diligence standard applied across strategies, so that adding a strategy does not mean adding an unvetted manager or custodian

3.3 FIVE PRINCIPLES

Institutional-grade digital asset investing, as BAM practises it

01

Diversify across strategies, managers and counterparties

No single manager, strategy or venue should be able to determine the outcome. BAM's fund-of-funds model was built in 2017 on exactly the feedback institutions still give today: they are reluctant to invest in a single manager or strategy. A passive sleeve of exchange-traded products can sit inside that portfolio; it does not replace it.

02

Operate inside recognised European fund frameworks

Luxembourg and Malta vehicles within the AIFMD framework, each with an independent depositary, administrator and auditor and a manager subject to a regulator's registration or licence. In BAM's experience the structures, service providers and manager obligations are what give investors their protections, whether or not the vehicle itself is prudentially supervised.

03

Diligence managers to a fiat-market standard

Many crypto funds do not pass a mature-market due diligence. Strategy, operations, custody, counterparties, key-person and regulatory status are assessed before allocation and monitored after it, with the authority to redeem.

04

Match liquidity to strategy

Daily-liquidity certificates for systematic strategies; fund-of-funds terms aligned with underlying manager liquidity. Mismatched liquidity is how good strategies produce bad outcomes in stress.

05

Control risk systematically, not discretionally

Position limits, drawdown controls and rebalancing rules defined in advance; systematic and AI-driven programmes where the edge is repeatable, so that the moment of maximum stress does not become a moment of decision.

THE TEST

Would this pass the due diligence of a Luxembourg depositary bank?

Every BAM structure, manager and counterparty is assessed against that question. It is the standard the CSSF's crypto-assets FAQ (version 8, 24 April 2026) codifies for the whole market, and the one professional investors should apply to any digital asset exposure, including their own ETF positions.⁶⁵

Where these principles came from. They were not written after the 2026 drawdown. They are the operating rules BAM adopted when it structured its first fund of funds in 2017-18, when the only way to give a Luxembourg depositary comfort with the asset class was to diversify across managers, keep custody independent and document every counterparty. The drawdown tested them; it did not change them.

3.4 SCENARIOS TO 2031

Three structural states for institutional integration

The scenarios below are structural states, not forecasts. They describe how regulatory, macro and product conditions over the next five years could shape the distribution of institutional capital along the Allocation Maturity Curve. Direction, not probability, is the point.

FAST · INTEGRATION ACCELERATES

Constraint-removal regime

At least one major market removes a structural barrier: comprehensive US market-structure law in the 120th Congress; ESMA harmonises UCITS eligibility of crypto ETPs at the 10% ratio; UK ISA and pension eligibility scales; Basel's review reduces bank capital charges.^{43,57} Tokenised funds become standard distribution. Allocators move from stage 3 to stages 4-5 in cohorts; the ETF complex is joined by multi-strategy and tokenised wrappers as primary access routes.

BASE · INTEGRATION CONTINUES

Continuity regime

Europe's statutory regime and US regulation-by-exemption persist; GENIUS rules take effect in January 2027; CLARITY returns in some form after 2027; the MiCA revision of 2027 tightens rather than loosens. Price is led by institutional flows and tracks liquidity, real rates and the dollar rather than retail rotation.¹⁸ Volatility persists but its drivers shift to balance-sheet rebalancing and policy. Growth comes from existing holders deepening allocations and diversifying strategies rather than from net new entrants; a modest cohort of new entrants arrives around the 2028 halving.

SLOW · INTEGRATION STALLS

Friction-dominated regime

A risk-off macro environment with a sovereign bond crisis, regulatory reversal in the US after the midterms, a prolonged drawdown that resets allocations, or a major custody or issuer failure, typically in combination.¹⁸ Stage 1-2 shares stay elevated; stage 5 remains a small minority; capital that entered in 2024-25 does not deepen. Even here, the European perimeter and the tokenisation of traditional assets continue, because they are driven by cost and settlement efficiency rather than by crypto prices.

What is common to all three. In every scenario the constraint on allocators is construction rather than access, and the premium on diversification, systematic risk control and recognised fund structures rises rather than falls. The Slow scenario, in particular, is one in which market-neutral and systematic strategies matter most.

3.4 SCENARIOS TO 2031 (CONTINUED)

Signals to watch over the next eighteen months

Regulatory continuity

In the US, the November 2026 midterms decide whether regulation-by-exemption is durable and whether CLARITY returns in 2027; the SEC's Regulation Crypto Assets (comments to 20 October), the Fed's GENIUS issuer proposal and the GENIUS effective date of 18 January 2027 are the live tracks.^{20,24,31} In Europe, the Commission's MiCA review by 30 June 2027 will decide whether the ECB's wider yield ban and ESMA-level licensing are adopted and whether tokenised financial instruments stay under MiFID; ESMA's UCITS eligibility work will decide whether crypto ETPs are harmonised at 10%.^{41,25,43} In the UK, the gateway closes on 28 February 2027 and the regime goes live on 25 October 2027.³⁹

Bank balance-sheet capacity

The Basel Committee's expedited review of its cryptoasset standard and the PRA's May 2026 expectations will determine how much digital asset exposure banks can warehouse, which in turn sets prime brokerage and custody capacity for funds; Deutsche Bank's year-end custody launch and the Swiss banks' in-sourcing of custody are early indicators.^{57,26,61}

Macro path

Whether the Fed delivers the second hike now priced for 28 October, whether Hormuz normalises and energy prices fall, and whether the IMF's 4.7% inflation projection proves too high or too low.^{12,37} A hawkish Fed with sticky inflation is a headwind for beta and a tailwind for the debasement thesis; a swift normalisation compresses the hard-asset premium.

Flows and positioning

Whether US spot ETF inflows hold with Bitcoin above the ~\$82,000 average holder cost basis; whether European ETP flows continue to diversify away from US dominance; and whether the \$160bn perpetual open interest is unwound gradually or in a cascade.^{4,48}

Tokenisation crossing \$50 billion on rwa.xyz's count

The pace at which tokenised Treasuries, private credit and fund units grow, and whether secondary trading develops beyond issuance; the SEC exemption, Luxembourg's treasury pilot and Switzerland's Helvetia and CHF sandbox are the venues to watch.^{27,28,45,62}

AI-crypto convergence

Agentic systems executing transactions autonomously are natively compatible with blockchain settlement. If that convergence extends into investable products, tokenised assets, AI-mediated portfolio management and yield-bearing structures, it becomes a non-regulatory acceleration mechanism.¹⁸ BAM's own AI-driven systematic programmes are one expression of the same trend.

Dates. All of the dates above, from the 30 September PCE print to the April 2028 halving, are collected in the master timeline on page 27.

CONCLUSION

Access is solved. Construction is the next phase.

The evidence assembled in this report points to one conclusion that runs beneath the price cycle, the flow data and the regulatory map alike. Digital assets passed their first full institutional stress test in 2026: a 50% drawdown inside regulated wrappers, absorbed inside a holder base of ETFs, corporates, hedge funds, family offices and sovereigns. What the data show is that aggregate ETF flows turned positive again by September and that investors surveyed before the trough intended to keep allocating; they do not show that the same investors who sold in July were the ones buying in September.^{2,13,16}

Three consequences follow for the next phase.

01 · Ownership statistics have stopped being informative. What separates allocators is not whether they hold the asset class but how: position sizing, rebalancing discipline, strategy diversification and the quality of the structure through which exposure is held. In 2025 the same asset class produced composite returns ranging from low double digits to close to 50% depending on strategy type, with one composite showing directional funds losing money; in 2026 it produced a 50% drawdown in single-asset form.^{56,55,7}

02 · Europe has the more bankable regime. MiCA is statute and its transitional period has closed; the CSSF has codified the operating standard for crypto in funds; the UK has legislated; Switzerland shows what banks do with nine years of practice. The US has the deepest product market and the least durable rulebook.^{38,39,19,61}

03 · The structural forces are stronger than the cycle.

IMF-projected global inflation of 4.7%, a Fed that has started hiking again, public debt projected to approach 100% of GDP, a fragmenting trade order, \$31–34bn of tokenised assets on rwa.xyz’s count (May 2026) and a ~\$310bn stablecoin base move with the cycle but are not created by it; they are the environment in which the next five years of allocation decisions will be made.^{37,35,27,31}

The practical answer, after the evidence, is the set of principles in Section 3.3: diversification across strategies, managers and counterparties; recognised European fund structures with independent custody, administration and audit; due diligence to a mature-market standard; liquidity matched to strategy; and risk controlled systematically rather than in the moment.

IN ONE SENTENCE

The market’s centre of gravity has moved from access to construction, and construction is a question of diversification, structure and discipline rather than conviction.

ABOUT THE BAM TEAM

The people behind this report

This report was prepared by BAM's research function and reviewed internally before publication. BAM was founded in Luxembourg in 2017 by a team with more than 100 years of combined experience in fund and asset management, fund structuring, compliance, private banking and distribution; the firm is described on page 3.

Firm leadership:

- **Manuel E. De Luque Muntaner**, Founder and Chief Executive Officer
- **Kevin Ballard**, Co-Founder and Chief Commercial Officer
- **Juan Carlos Serrano**, Partner, Chief Operating and Financial Officer
- **Paul Brown**, Partner, Global Head of Distribution
- **Antonio Llabrés**, Partner, Chief Marketing Officer

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BAM RESEARCH

The State of Digital Asset Investing is BAM's comprehensive annual research publication for professional investors and the first systematic application of the BAM Allocation Maturity Curve. BAM also publishes monthly market commentary and strategy research.

To discuss any of the themes in this report, contact info@blockassetmanagement.com or visit blockassetmanagement.com.

Editorial standards. This document is a research publication. It does not publish price targets or trading recommendations and does not describe or offer any investment product. Third-party data is quoted as published; BAM frameworks and views are identified as such. Where BAM's own strategy areas are mentioned, they are described in general terms only.

METHODOLOGY NOTE

Data, definitions and limitations

Scope and date

All data is as reported by the cited sources up to 29 September 2026. Prices, flows and market capitalisations are point-in-time observations and will differ from live values. Where this report and BAM's monthly commentaries describe the same event, the wording has been aligned; the ETH ETF year-to-date turn (August) and the drivers of the 21 September move follow the August commentary.

Flow data

US spot Bitcoin ETF flows are as compiled by SoSoValue and Farside Investors and reported in the cited sources; monthly and year-to-date totals may be revised by the compilers. One flow window is used for the recovery throughout: the swing from the 13 July trough (–\$5.8bn YTD) to 25 September (+\$0.9bn YTD), about \$6.7bn; the 19 August–23 September price move (+35%) is reported with its own inflow figure (\$4.6bn) where the two are shown together. The 31 July cumulative value in Section 1.2 is implied and approximate.

Survey data

Institutional survey results are quoted as published: Coinbase / EY-Parthenon (fielded January 2026, published March 2026, n=351); AIMA / PwC 7th Annual Global Crypto Hedge Fund Report (2025); UBS Global Family Office Report 2026 (22 January to 30 March 2026, n=307); Nexo Digital Wealth Survey 2026 via Attest (February–March 2026, n=1,000 affluent investors); Blockstories, Swiss Banking and Digital Assets (September 2026, interview-based, with HSLU/LUKB and KPMG data). Samples differ in population, geography and definitions and are not directly comparable.

Strategy return composites

Returns by strategy type in Part 3 come from two industry composites with different universes (Galaxy VisionTrack-based figures via StockMaven; CoinEdition and Bybit Institutional via TV-Hub). They are unaudited, subject to survivorship and self-reporting bias, disagree on directional returns, and are used only to illustrate dispersion. They do not describe the performance of any BAM product.

Tokenisation and stablecoin data

Tokenised RWA figures use rwa.xyz's basis (public chains, excluding stablecoins) unless stated; broader counts that include permissioned private-credit platforms are labelled as such. Stablecoin market capitalisation is DefiLlama data as reported; the market-share chart dates USDT and USDC to early August and the balance to 2 September.

Regulatory material

Regulatory descriptions summarise primary texts (CSSF, ESMA, European Commission, FCA, SEC, Federal Reserve, CFTC, Basel Committee, Bank of England) and law-firm commentary on them. They are not legal advice; readers should consult the primary texts and their own advisers. Statements about BAM's own regulatory status are set out in Important Information.

The BAM Allocation Maturity Curve

The curve is a conceptual framework. Stage placements of investor groups are BAM's interpretation of the third-party evidence cited and should not be read as measured shares of any population. The composite allocators in Section 3.2 are illustrative constructions, not real clients. The stage mapping is set out in Section 3.2.

Charts

Charts are drawn by BAM from the figures cited on each page. Where a chart uses approximate or BAM-derived values, the caption says so. The Bitcoin price path in Section 1.1 is plotted on a true time axis. Negative values are drawn in red.

Currency and terminology

US dollars unless stated. "Crypto assets" follows the MiCA definition; "digital assets" is used interchangeably. "Professional" and "well-informed" investors are as defined under MiFID II and Luxembourg law respectively.

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