



Why ETPs might be the best wrapper for crypto

WisdomTree Market Insights



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Introduction

Transparency has become a cornerstone of modern financial products. Today’s investors demand clarity on where their capital is allocated, the risks they are exposed to and the fees they are paying. In the crypto space, however, this level of insight is often lacking.

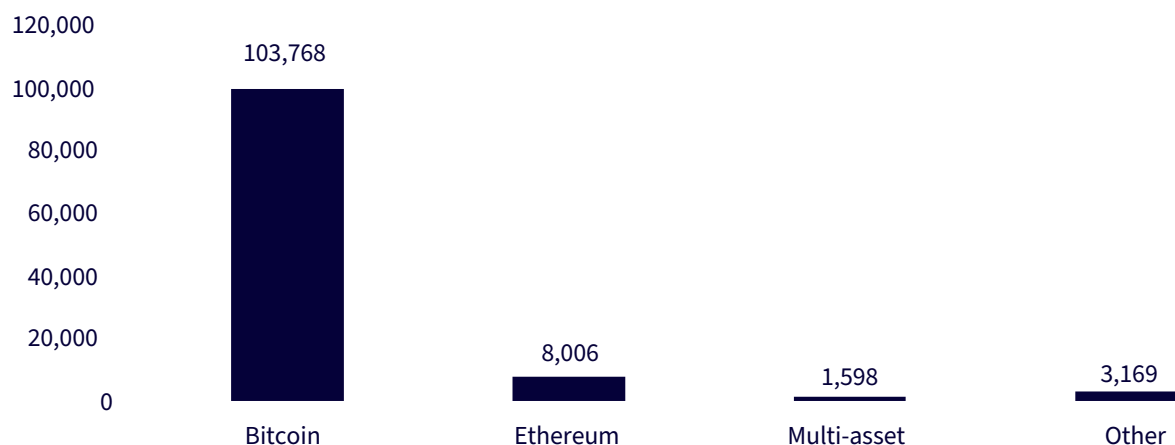
This is where crypto exchange-traded products (ETPs) stand out. By design, they deliver the structural transparency that traditional investors expect. But transparency is just the beginning.

The core features of ETPs — liquidity, exchange listings and standardised product design — are now considered essential in building resilient, institutional grade portfolios. Just as equities, bonds, currencies and commodities were transformed by the ETP wrapper, crypto is undergoing the same evolution.

Crypto ETPs open a new dimension of accessibility and credibility for digital assets by offering:

- + Institutional grade custody and security
- + Seamless integration with existing brokerage platforms
- + Transparent and efficient trading on regulated exchanges
- + Clear and competitive fee structures
- + Greater institutional participation, enhancing liquidity and price discovery

Figure 1: Global assets under management in physical crypto ETPs, in USD million



Source: Bloomberg, WisdomTree. 1 April 2025. **Historical performance is not an indication of future performance, and any investment may go down in value.**

As the asset class matures, ETPs are becoming the professional standard for gaining responsible and transparent exposure to crypto.

The advantages of crypto ETPs

The ETP wrapper brings a range of benefits that are difficult, if not impossible, to replicate with other crypto investment vehicles. For investors focused on efficiency, security and transparency, crypto ETPs are a best-in-class solution.

Product standardisation is at the heart of the ETP structure. Listed on regulated exchanges, ETPs provide a uniform framework to compare performance, fees and liquidity. This simplifies portfolio construction and helps investors allocate across cryptocurrencies with the same precision they apply to traditional investments.

As adoption grows, major brokerages are expected to support crypto ETPs alongside equities — streamlining execution, reporting, and compliance. Unlike closed-end funds or futures, crypto ETPs offer direct access to the underlying asset, free from persistent discounts to net asset value (NAV) or roll costs.

Security is non-negotiable in cryptocurrency investing. Leading crypto ETPs employ institutional grade custody models that mitigate the key vulnerabilities of direct ownership, such as hot wallet hacks and private key mismanagement.

Best practices include:

- + Safe storage of private keys¹
- + Multi-regulated custodian models
- + Geographic, environmental, human and device redundancies
- + Robust approvals process for moving the assets²

Some crypto investment vehicles expose investors to lending risk — often without full transparency. Top-tier crypto ETPs prohibit lending, recognising that cryptocurrencies are most vulnerable when they leave secure custody.

Crypto ETPs offer competitive pricing, often with fees at or under 0.50%. In some cases, best-in-class products are twice as cheap as legacy alternatives like closed-end funds, hedge funds or app-based offerings; especially those impacted by futures roll costs or custody inefficiencies.

1 ETPs are physically backed with air-gapped storage solutions in offline vaults.

2 Multi-approver signatures of the transaction with offline intervention through a multi-tier security process.

Minimising counterparty risk

A critical yet often overlooked factor in crypto investing is counterparty risk.

Centralised crypto exchanges such as Binance do not offer asset ownership, only a claim on the exchange. In the event of insolvency, investors are treated as unsecured creditors. Similarly, structured bank-issued products often expose investors to the solvency of the issuer without proper ring-fencing.

Crypto ETPs are purpose-built to mitigate these risks. Assets are held in bankruptcy-remote and ring-fenced vehicles. Choosing a seasoned issuer with a proven track record in physically backed ETPs and diversified business operations adds another layer of protection.

Transparency and regulatory oversight

Transparency is a defining feature of the ETP model — and even more essential in crypto. Leading issuers provide real-time, auditable information on holdings, NAV calculations and fund operations.

Key disclosures include:

- + Daily coin entitlement
- + Staking yield (if applicable)
- + NAV pricing methodology
- + Prospectuses and legal documentation

This allows investors to independently verify NAVs and monitor pricing in real time, eliminating ambiguity and helping ETPs consistently trade in line with fair value.

Additionally, crypto ETPs benefit from clear regulatory oversight. Listed on regulated European exchanges, these products adhere to strict know your customer (KYC), anti-money laundering (AML), and investor protection standards — features absent in many offshore trusts, lending platforms, or app-based accounts.

Liquidity: beyond the headlines

Liquidity is frequently cited as a potential weakness in the ETP structure. Critics argue that ETPs could exacerbate volatility during market stress. But these concerns often misunderstand that ETP liquidity originates from the underlying assets, not the ETP itself.

The most accurate way to evaluate liquidity is through implied liquidity, a metric estimating how much of an ETP can be traded without materially impacting the price of the underlying asset.

This is calculated by analysing:

- + Each asset's weight in the ETP
- + The trading volume of the underlying asset
- + A buffer, commonly 20% - 25% of average daily volume (ADV), to avoid market disruption

For example, over the past 30 days, physical bitcoin trading volume has averaged \$30.9 billion per day³. With a 25% buffer, up to \$7.7 billion could be theoretically traded per day without significant market impact. Adding in CME futures further enhances available liquidity.

In summary:

- + ETP liquidity stems from the underlying asset, not just ETP volume
- + Implied liquidity is the superior metric for institutional due diligence
- + Crypto ETPs enable access to deep, liquid markets in a regulated wrapper

Gold ETPs: a blueprint for crypto

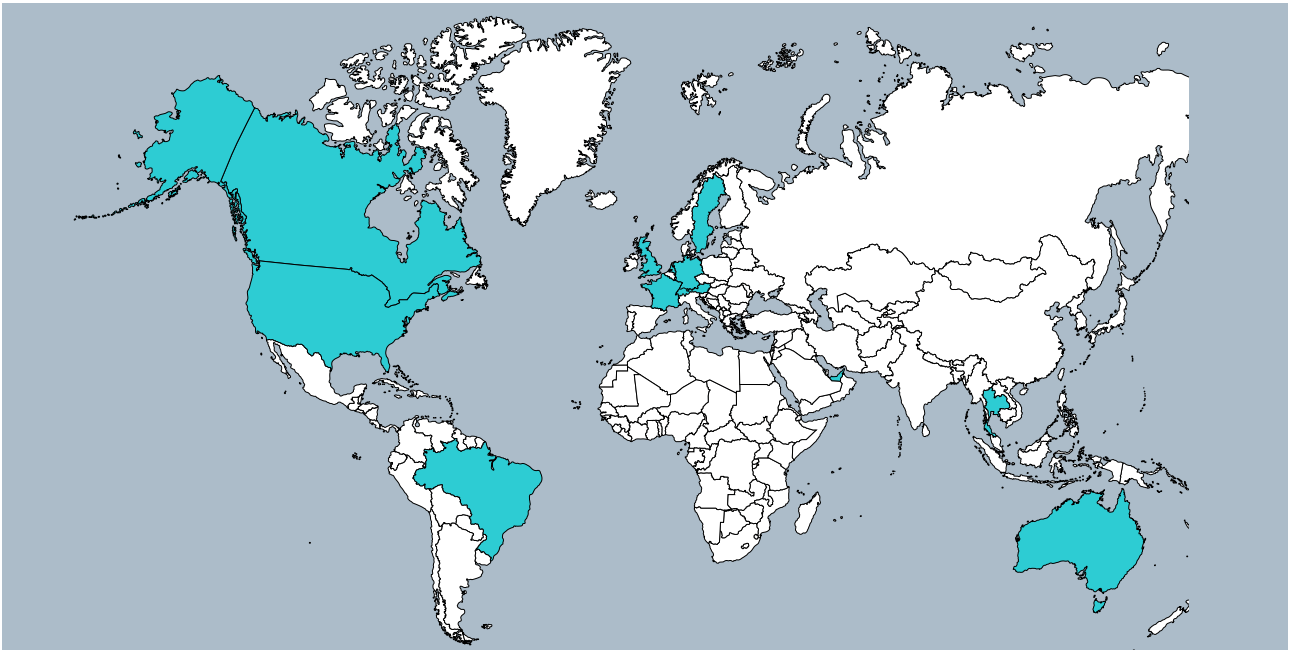
The launch of gold ETPs in 2004 was a turning point for commodity investing. Before then, accessing gold meant buying coins, bars or mining stocks — each with unique drawbacks. The ETP wrapper brought gold into mainstream portfolios by offering simplicity, transparency and institutional grade storage.

Crypto markets today resemble gold before ETPs. Direct access is possible, but it's fragmented, opaque and operationally burdensome. Wallet security, key management and tax reporting introduce cost and complexity that many investors are not equipped to handle.

Crypto ETPs change that. They bring institutional protections, pricing transparency and scalable infrastructure — similar to what gold ETPs did for precious metals.

³ Artemis Terminal, WisdomTree. 14 April 2025.

Figure 2: Bitcoin ETPs are now listed in most developed markets, opening the door to institutions across the globe



Source: WisdomTree. 31 March 2025. 2015: Sweden; 2019: Switzerland; 2020: Germany, Austria; 2021: Canada, Brazil; 2022: United Arab Emirates; 2024: United States, Hong Kong, United Kingdom, Australia, Thailand. Bitcoin ETPs are listed in countries shaded in teal.

Just as gold ETPs catalysed the commodity investment ecosystem, crypto ETPs are doing the same for digital assets. They also help consolidate pricing across fragmented venues, acting as real-time reference points and reducing the impact of fictitious volume or off-market spreads.

Importantly, ETPs gatekeep access, removing the need to move assets between risky venues where custodial and insurance standards are inadequate.

Conclusion: the standard for crypto exposure

As financial markets evolve, investor expectations are clear:

- + Simplicity in access
- + Transparency in pricing
- + Security and regulatory protection
- + Cost efficiency and operational clarity

The ETP structure delivers on all fronts. And just as it revolutionised access to gold, bonds and equities, it is now transforming crypto, bridging the gap between digital innovation and institutional trust.

For investors looking to position their portfolios for the future of finance, crypto ETPs are not just a convenient solution — they are the optimal one.

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