PHAROS
RESEARCH

On-Chain U.S. Equity: The Turning Point of RWA Regulatory

Table of Contents

Abstract

Within the 2025 global-liquidity framework of “limited easing and a firm U.S. dollar,” capital has not exited U.S.-dollar assets; instead, it is seeking more efficient distribution and settlement rails within the dollar asset complex. Against this backdrop, on-chain U.S. equities have become the critical inflection for the institutionalization of RWA and the re-routing of global liquidity.

By combining whitelist/KYC controls, TA/NAV disclosure, and T+1 clearing connectivity, on-chain U.S.-equity products bring both yield and compliant access to the chain, extending trading hours from 24×5 to toward 24×7. For the first time, U.S. equity risk can be settled near-real-time on chain and distributed cross-border.

RWA is evolving along a “cash-flow base → equity increment” path: Treasuries and private credit build the verifiable cash-flow base; on-chain U.S. stocks and ETFs provide the equity increment—pushing the on-chain capital stack from fixed income toward equities.

At the same time, HashKey’s DAT (Digital Asset Treasury) exemplifies a “three-factor return model” (price, token supply, management NAV/mNAV), creating a new capital flywheel that links macro liquidity, on-chain income, and secondary-market pricing—delivering valuation elasticity and recirculation capacity for equity-type RWA.

Conclusion: The rise of on-chain U.S. equities marks the shift of RWA from a “passive mirroring phase” to an “institutional expansion phase.” Its core value lies in binding the compliant dollar-asset channel to on-chain liquidity efficiency, laying a new infrastructure for global capital re-allocation on chain.

01 / Macro & Background

1.1 Interest Rates, the Dollar, and Risk Appetite

In H1-2025, the AI wave drove global tech valuations sharply higher; on July 9, NVIDIA's market cap nearly touched $4T.

On September 17, the Fed executed a first, pre-emptive 25 bp rate cut to 4.00–4.25%. Historically, pre-emptive cuts align with soft landings and equity rallies (e.g., 1995), whereas crisis-era cuts (2007–08) struggle to lift risk assets.[2]

Unlike the broad easing of 2020, this cycle is more restrained: real rates and term premia rose, DXY strengthened in phases, and overseas capital remained in the dollar system—pivoting instead to better distribution/clearing channels.

Year	Nature of interest rate cuts	Main Background	S&P 500 1-year performance (after first decline)	Key Points
one thousand nine hundred and ninety-five	Preventive/technical fine-tuning	Mild inflation and no economic recession; The stock market is at a high level	Approximately+19-23% (12 months)	The market continues its bull market as it receives a 'liquidity handle' at a high level; Interest rate cuts are more of a 'lubricant'
2007-08	Relief oriented (responding to the spread of financial crisis)	Financial system under pressure, credit contraction, followed by recession	Significant decline after 12 months (approximately -20% to -24%)	Interest rate cuts cannot immediately stop the bleeding, and the stock market continues to decline in the early stages of interest rate cuts until systemic risks are alleviated
2020 (March)	Emergency relief+non-traditional easing	COVID-19 shock triggered the liquidity crisis; The Fed significantly reduces interest rates and launches unconventional tools	After an initial sharp decline, there was a strong rebound in the following 1-2 years (with significant gains from the bottom of 2020-03 to early 2022)	Large scale unconventional policies combined with fiscal stimulus quickly restore risk appetite and stimulate a bull market
Source: Pharos Research				

Accordingly, RWA growth is not about "liquidity spillover," but about upgrading the distribution of dollar assets:

- Phase 1: On-chain verifiable cash-flow assets (USTs, MMFs, private credit) → the cash-flow base.
- Phase 2: On-chain equity assets (U.S. stocks, ETFs) → the equity increment.
  Together they form a measurable, auditable, and regulable on-chain distribution layer.

1.2 U.S. Equity Market Size and Tokenization Potential

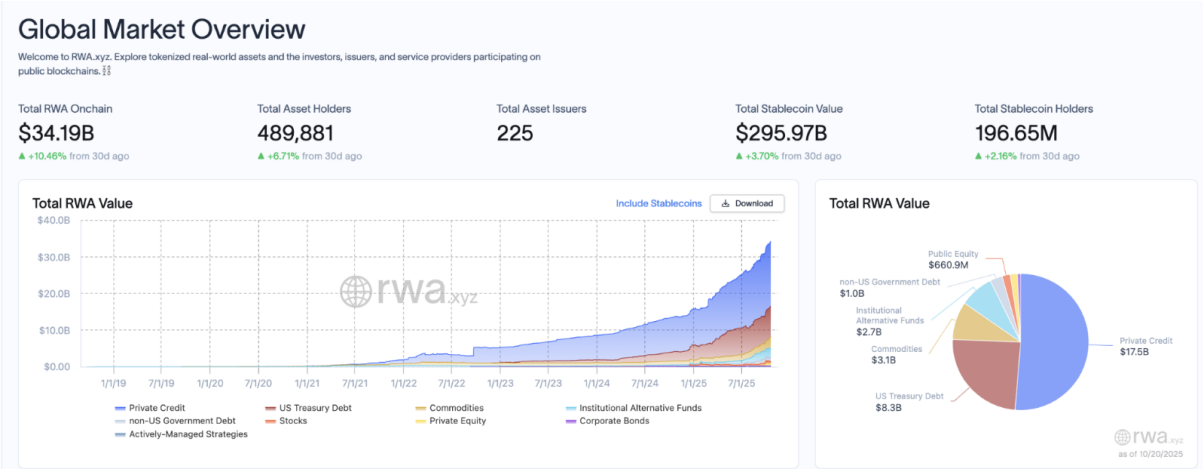
The U.S. is the world's most liquid, institutionally complete equity market—the primary base pool for tokenization. As of July 1, 2025, the total U.S. equity market cap was about $62.8T, nearly half of global equity capitalization.[3] Its deep ETF/options/futures/market-making ecosystem is ideal for on-chain mapping and layered settlement.

With tokenization accelerating globally, multiple institutions project ~$16T in tokenized assets by 2030, with equities as a major incremental source.[3] If a portion of U.S. equities migrates on chain compliantly, the addressable tokenized equity opportunity could reach multi-trillion scale, bringing material institutional and liquidity dividends.

TradFi is moving from tech pilots to institutionalized rollout. For example, in September 2025, Forward Industries (NASDAQ: FORD) announced issuance of tokenized FORD shares on Solana via Superstate's Opening Bell platform (launched May 2025). Shareholders can map brokerage shares to programmable on-chain tokens for 24×7 trading and near-real-time settlement—without fully migrating corporate charters or shareholder ledgers on chain. This shows listed U.S. companies experimenting with compliant tokenization and traditional custody bridges.

1.3 The RWA Market Today

As of October 10, 2025, total on-chain RWA stood at $8.37B, with an average YTM ~3.95%, spanning 51 on-chain assets, 52,709 holders, and roughly 250 issuers.[4] While still small versus stablecoins, the market has established a coupon cash-flow core (Treasuries + credit) and is steadily expanding.



Source: rwa.xyz, as of October 20, 2025

Structurally, stablecoins function as "transactional money" for payments/settlement/cross-border flows, while RWA serve as "allocation instruments," offering stable income via verifiable cash flows and compliant custody—hence a smoother growth path. Treasuries and private credit built an auditable, quantifiable, distributable coupon base; U.S. equities and ETFs are the next increment, shifting RWA from fixed income to equity allocations. This marks the move from "mirroring" to institutional expansion, with growth tethered to the institutional distribution efficiency of the dollar system.

1.4 Taxonomy of On-Chain U.S. Equity Models

From a product-structure standpoint, we group current models into four types:

1. Custodied 1:1 Tokens (e.g., xStocksFi, Robinhood App EU): Licensed entities use SPVs to hold real shares and mint 1:1 tokens. Transparent custody/redemption stabilizes pricing, but securities-law constraints are tight.
2. ETF/RWA Hybrids (Ondo Finance): Combining ETF structures and tokenization, gaining traction with institutions, though retail access can be gated.
3. SPV/Pre-IPO (e.g., Jarsy, Republic): Offers exposure to scarce names but with liquidity and investor-rights shortcomings.
4. Synthetic Assets (e.g., PreStocksFi): Use over-collateralization and oracles to mirror stock prices. Convenient to trade, but without real-asset backing, closer to speculative instruments.

From a regulatory-evolution standpoint, the SEC's "Project Crypto" initiative launched in 2025 is actively promoting the integration of securities law and blockchain technology, laying the groundwork for a clearer compliance framework. Market practice shows that the transparency of custody and redemption mechanisms directly determines the stability of product premia, while a credible regulatory framework is the primary foundation of trust. In aggregate, custody-backed tokens—by virtue of their structural clarity—are the most feasible path at present; however, projects that truly break out will have to solve both compliance and liquidity as twin pain points in order to open a scalable channel for the migration of traditional financial capital into the DeFi ecosystem.

In parallel with these four archetypes, U.S. regulators are exploring reform. In July 2025, the SEC announced Project Crypto, aiming to align existing securities rules with blockchain technology.[5] SEC Chair Paul Eakins stated that the agency will draft new rules to define which crypto assets constitute securities, establish compliant custody and issuance frameworks, and provide disclosure guidance and safe-harbor mechanisms. This signals a regulatory push to build the legal foundations for on-chain securities, while still allowing measured innovation.

Overall, fully backed "parity" tokens are currently the most mainstream and compliance-viable route; synthetic tokens, while flexible and convenient, face higher regulatory scrutiny and technical risk; and native on-chain equity represents the long-term direction but remains constrained in the near term by legal and institutional frictions. For issuers, designing tokenized equity requires a balanced approach to investor-rights allocation, redemption mechanics, compliance constraints, and on-chain security—only then can products meet market demand and earn the confidence of regulators and institutional investors.

1.5 Progress in Clearing and Compliance

Effective May 28, 2024, the U.S. securities markets shortened their settlement cycle from T+2 to T+1, marking a transition to a more efficient settlement regime.[5] This move materially reduces margin requirements and counterparty risk for market participants, while laying the institutional groundwork for near–real-time settlement and on-chain clearing. Structurally, it brings the securities settlement system closer to the blockchain's atomic settlement logic, creating both technological and regulatory room for subsequent asset-tokenization pilots.

In parallel, the U.S. Securities and Exchange Commission (SEC) is advancing rulemaking under "Project Crypto" around post-tokenization processes—issuance, custody, disclosures, and whitelist/transfer-restriction mechanisms—for on-chain securities.[5] The project signals the

regulator's intent to establish compliant interfaces within the existing securities-law framework so that digital-asset distribution can be auditable and supervisable.

On the market-infrastructure side, Nasdaq has filed a Rule 19b-4 proposal to permit tokenized equities to list on exchange, provided they maintain full homogeneity with traditional shares in rights structure, price discovery, and clearing workflows, with DTC (Depository Trust Company) responsible for final settlement.[5] This indicates that mainstream venues are exploring infrastructure-level connectivity to on-chain assets.

Taken together, the macro backdrop of "measured easing + a firm U.S. dollar" and the institutional shifts of "T+1 + tokenization rulemaking" are reinforcing one another, jointly lowering the frictions to the digital distribution of U.S.-dollar assets. This synchronized policy-and-market evolution provides the practical soil for RWA to migrate from a "cash-flow base layer" to an "equity growth layer," and marks the U.S.-dollar asset system's entry into a programmable, verifiable, and institutionalized phase.

02 / The Realistic Path for RWA: Why Debt Broke Out First

2.1 Why U.S. Treasuries and Private Credit Scaled Early

Two attributes: verifiable cash flows and standardizable compliance. Yields, maturities, defaults, and recoveries are auditable; risks are quantifiable. The workflow (whitelists/KYC, fiduciary custody, TA/NAV accounting, redemption) is standardized and repeatable. Economically, USTs deliver stable "risk-free" coupons, while private credit offers 8–15% credit spreads, fulfilling institutional/HNW "coupon-replacement" demand.[1] Hence, these assets formed the first-layer base in system, yield, and liquidity.

2.2 Structure and Process: A Standard Tokenization Workflow

At the operational level, the tokenization of Treasuries and money market funds (MMFs) generally follows a standardized structure. An SPV or fund holds the underlying T-Bills/MMF assets, which are safeguarded by a regulated custodian. Platforms such as Securitize, Franklin, and Ondo then issue redeemable on-chain shares through smart contracts.

These tokenized shares typically come with whitelisting requirements and restricted transfer clauses to ensure participation by compliant investors only. Meanwhile, dividends and net asset values (NAVs) are recorded and updated directly on-chain, achieving full transparency across the investment lifecycle.

For private credit, the process is more complex. Assets are originated by Originators, then packaged through an SPV or trust structure into pools of receivables, trade finance, or merchant financing.[4] The SPV subsequently issues tranches of debt tokens (Senior/Junior) and facilitates risk assessment and deal structuring via platforms such as Centrifuge, Maple, and Sky. Interest income is distributed on-chain according to periodic cycles, while redemptions are based on the cash flows of the underlying asset pools, thereby enabling real-world credit assets to exhibit cyclical repayments and risk exposure on-chain.

This process enables Treasury and credit assets to achieve regulatory compliance, valuation transparency, and redemption flexibility comparable to traditional securities, forming a scalable foundational architecture for on-chain finance.

2.3 Sample Data and Platforms (as of 2025-10-10)

Tokenized Treasuries AUM ~ $8.30B, 51 products, 52,708 holders, avg YTM ~3.90%.
Private Credit active loans ~$17.6B, cumulative loans ~$31.97B, current avg APR ~9.79%.
Flagship lines: BlackRock BUIDL (Securitize) ~$2.84B AUM; Ondo OUSG/USDY ~$1.48B, with USDY ~4.2% APY and >15k holders. Together, Treasuries + private credit represent >70% of on-chain RWA—cementing the verifiable cash-flow / compliant-process base.

03 / Equity Increment: On-Chain U.S. Stocks—Exemplars and Mechanisms

3.1 Three Pillars of Institutionalization

1. Whitelist/KYC & Restricted Transfers — KYC/AML at issuance and in secondary trading, enforced by smart-contract transfer rules.
2. Custody / TA / NAV / Distributions Synchronized Off-Chain — Full alignment with traditional registries, custody, and corporate-action processes.
3. Trading-Hour Extension & T+1 Alignment — Expanding from 24×5 toward 24×7, while staying anchored to T+1 for risk-controlled clearing.

3.2 Representative Institutionalized Exemplars

Name	Networks	Ticker	Asset Class	Market Cap	Holders	Domicile	License or Regulatory Framework
Ondo Short-Term US Governme...		OUSG	U.S. Treasuries	$730,297,311 ▼	75 ▼	United States of America	U.S. Securities Act Reg. D Exemption SEC - U.S. Securities and Exchange Commission
Ondo U.S. Dollar Yield		USDY	U.S. Treasuries	$592,572,271 ▼	15,771 ▲	United States of America	U.S. Money Services Business FinCEN - Financial Crimes Enforcement Network
Ondo U.S. Dollar Token	Ethereum	USDon	Stablecoins	$55,724,085 ▼	16,771 ▲	British Virgin Islands	British Virgin Islands Securities and Investment Business A... FSC - British Virgin Islands Financial Services Commission
SPDR S&P 500 ETF (Ondo Toke...	Ethereum	SPYon	Stocks	$23,726,367 ▲	217 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Core S&P 500 ETF (Ond...	Ethereum	IVVon	Stocks	$20,168,644 ▲	35 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares 20+ Year Treasury Bond...	Ethereum	TLTon	Stocks	$17,312,123 ▲	47 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
Invesco QQQ (Ondo Tokenized)	Ethereum	QQQon	Stocks	$17,195,225 ▲	119 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Core MSCI EAFE ETF (...	Ethereum	IEFAon	Stocks	$14,128,790 ▲	20 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Core US Aggregate Bon...	Ethereum	AGGon	Stocks	$13,863,349 ▲	25 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares TIPS Bond ETF (Ondo T...	Ethereum	TIPon	Stocks	$10,920,555 ▲	18 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Core S&P Total US Stoc...	Ethereum	ITOTon	Stocks	$9,844,946 ▲	19 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares MSCI EAFE ETF (Ondo ...	Ethereum	EFAon	Stocks	$9,335,849 ▲	14 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Russell 1000 Growth ET...	Ethereum	IWFon	Stocks	$8,523,317 ▲	16 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission
iShares Gold Trust (Ondo Tokeni...	Ethereum	IAUon	Stocks	$8,260,967 ▲	19 ▲	British Virgin Islands	U.S. Securities Act Reg. S Exemption SEC - U.S. Securities and Exchange Commission

Source: rwa.xyz

- **Robinhood (EU):** Tokenized U.S. stocks/ETFs for EU users—launched on Arbitrum L2, zero-commission, 24×5 trading; migrating to a proprietary L2 for 24×7, self-custody, cross-chain withdrawals. Each token is 1:1 with shares held in a brokerage account; strict whitelists; early tokens often non-voting. ~207 contracts, 200+ active tickers.[6]
- **Ondo Global Markets (OGM):** Launched in September 2025, OGM introduced over 100 tokenized stocks and ETFs, reaching a TVL exceeding $300 million within its first month and covering 103 tickers. Its cash-based RWA products — such as OUSG and USDY, serve as foundational liquidity layers supporting the equity tokenization segment. Over the past year, Ondo generated approximately $55.5 million in revenue (from management fees and yield

spreads). For the 2024–2025 fiscal year, total revenue was around $56.41 million (according to DeFiLlama), primarily driven by its flagship Treasury-backed products: OUSG: ~$730 million AUM and USDY: ~$630 million AUM.[4,7] Through OGM, Ondo has established a dual-engine model combining cash-based RWA and equity-based RWA, positioning the platform for continued market share expansion as its equity tokenization business scales.[4]

Source: DefiLlama, data as of October 10, 2025.

As a representative issuer-operator, Ondo is approaching a full commercial flywheel. According to industry data (DefiLlama methodology), Ondo's revenue over the past year was roughly US$55.53 million, derived primarily from management fees and yield spread. [7] Its business remains anchored in two U.S. short-term Treasury–linked flagship products: OUSG and USDY.[4] The platform combines off-chain custody, on-chain settlement, and automated corporate-action (dividend) distribution, while enforcing KYC whitelists and restricted transfers, positioning it as a leading player in tokenized equities.

With 103 tickers, Ondo holds a leading market share in this niche. Securitize is in second place, with nearly $250 million, but it only offers a single ticker.

Ondo RWA League Table

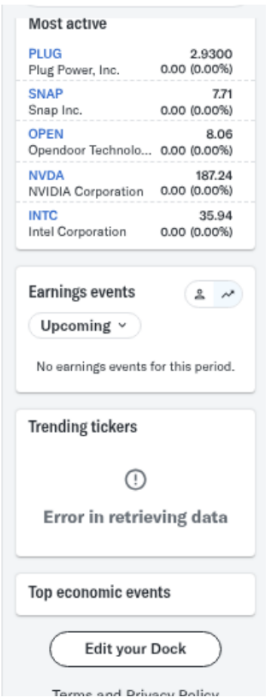
Networks | Asset Classes | Issuers

#	Asset Class	RWA Count	Total Value	30D%	Market Share
1	U.S. Treasuries	2	$1,385.1M	▼0.30%	79.75% ▼
2	Stocks	103	$302.9M	▲501,506%	17.44% ▲
3	Stablecoins	1	$48.8M	▲22.23%	2.81% ▲

rwa.xyz

Ondo Global Markets scale. Source: Rwa.xyz

In just a few weeks, the $300 million milestone is impressive, especially given that many other RWA players are still focused primarily on credit or treasuries and have yet to expand significantly into equities.



Source: Yahoo Finance

Ondo Finance: Ondo's primary sources of revenue come from asset management fees and yield spreads.

OUSG targets institutional and high-net-worth investors (U.S. Qualified Purchasers), with a minimum investment threshold of USD 100,000. Its underlying assets consist of money market funds and short-term U.S. Treasuries managed by top-tier firms such as BlackRock and Franklin Templeton, with approximately USD 730 million AUM.

USDY, by contrast, is open to global investors (excluding U.S. persons) and has no minimum investment requirement. It is backed by short-term Treasuries and bank demand deposits, and investor returns are reflected through NAV appreciation. Ondo captures revenue through a yield spread of roughly 0.3%–0.6%, with USD 630 million AUM, an annualized yield of around 4.2%, and over 15,000 holders.

Overall, OUSG anchors institutional liquidity, while USDY expands Ondo's global and retail coverage. Together, they serve as the core pillars of Ondo's cash flow and AUM base, while Ondo Global Markets (OGM) provides upside potential through equity tokenization.

Backed Finance / xStocks (Solana): Launched on June 30, 2025, Backed Finance's xStocks introduced over 60 tokenized U.S. equities, each fully backed 1:1 by real shares held by a regulated Swiss custodian. The platform allows 24/7 on-chain trading and integrates with DeFi protocols such as Orca and Kamino for market-making and liquidity purposes.

Backed Finance, headquartered in Switzerland, is recognized for pioneering on-chain securities issuance. At launch, xStocks listed major U.S. tech giants such as AAPL, NVDA, and TSLA, and the tokens became available on both centralized exchanges (Bybit, Kraken) and DeFi platforms (Orca, Kamino). Within two weeks, its on-chain market capitalization surged from approximately USD 35 million to over USD 100 million (at early peak levels) — highlighting strong investor demand for compliant tokenized equities. The team plans to expand coverage across multiple blockchains and

centralized platforms, enabling multi-currency and stablecoin gateways. Each token represents a 1:1 redeemable security, allowing investors to swap back into the underlying real shares under regulatory compliance, though voting rights are not yet included.

MyStonks / msx.com: MyStonks is a decentralized U.S. stock tokenization platform offering 200+ tokenized equities, serving over 50,000 users with daily trading volume exceeding USD 200 million. Its system architecture includes cross-chain bridges, Fidelity custody, and MSB/SEC STO registrations, and the company is currently pursuing MiCAR compliance.

On September 23, 2025, MyStonks announced a brand upgrade to “msx.com”, reaffirming its commitment to technological innovation, security, efficiency, and user experience.
Unlike Robinhood or xStocks, MyStonks places stronger emphasis on decentralized operations and cross-chain ecosystems, allowing greater flexibility in trading and portfolio composition — though its compliance and custody frameworks remain under development.

3.3 The Institutional Inflection and Its Market Significance

On-chain U.S. equities connect compliant dollar-equity distribution with all-hours trading, building a laddered asset stack from cash-flow base (UST/private credit) to equity increment (stocks/ETFs). As market-making/hedging mature, basis and spreads compress, institutional participation deepens, liquidity thickens, and the institutional flywheel closes—marking the equity-RWA inflection and paving the way for a more complete on-chain capital market.

04 / Microstructure & Cost Framework for On Chain U.S. Equity Trading

A defining feature of tokenized U.S. equities is continuous trading—a break from traditional market hours. Do persistent, harvestable price gaps exist? Our analysis: structural "time-window spreads" do exist, but monetization depends on creation/redemption, whitelists, clearing windows, etc. In essence, this is constrained arbitrage; opportunity half-lives and realizability hinge on product and rule design.

4.1 Pricing Benchmarks and Information Transmission

Secondary prices typically anchor to official closes, with references to pre-/post-market, related ETFs, and equity-index futures. Oracles and off-chain data feeds embed these benchmarks into smart contracts, linking on-chain valuation back to TradFi pricing.

4.2 Primary Drivers of Pricing Gaps

- Information Timing & Cross-Time-Zone Windows: Earnings/M&A often drop after the close; on-chain tokens keep trading and price the news first. By Asian hours, these priced-in expectations meet regional sentiment, producing gaps versus prior U.S. closes.

- Depth & Liquidity Asymmetries: Early-stage token markets are thinner than TradFi's dealer-backed depth; modest orders can move price, especially nights/weekends.

- Creation/Redemption Frictions: Many platforms don't offer real-time, bilateral convertibility. Off-chain redemption windows, minimum sizes, and fees create persistent premia/discounts vs. NAV.

- Execution & Compliance Costs: True cross-market arbitrage requires synchronized token trades and brokerage short/long legs, borrow, margin, and possibly FX hedging. Only gaps that cover all costs are actionable; much of the observed differential is a liquidity risk premium, not free arbitrage.

4.3 Structural Features of "Constrained Arbitrage"

Realizable alpha is product- and rule-path-dependent (whitelists, redemption cycles, hedge access); stability is limited and largely compensates liquidity provision risks. Thus, while on-chain U.S.-equity/ETF markets aid price discovery and liquidity, any arbitrage strategy must be designed within institutional constraints, risk management, and dealer behavior to truly serve institutional/HNW allocation needs.

05 / A New Capital Paradigm: Strategic Integration of RWA, Equities, and the DAT Flywheel

5.1 Building the Flywheel: DAT's ALM and Recirculation Mechanism

As the digital asset ecosystem matures, professionalized Digital Asset Treasuries (DATs) are emerging. A DAT functions as a hybrid between corporate cash management and a yield-generating investment fund, allocating across mainstream crypto assets, RWAs, liquid staking tokens, and DeFi yield strategies to build efficient on-chain liquidity pools for enterprises and institutions. Some companies are institutionalizing this model. For instance, BitMine Immersion Technologies (BMNR), originally an Ethereum mining company, disclosed that its Ethereum treasury holds approximately 1.71 million ETH (around USD 7.5 billion). The firm aims to control 5% of the total ETH supply and become one of the top 20 most traded liquidity assets on the U.S. stock market. Another example is HashKey Group, which launched a Digital Asset Treasury Fund in 2025 with an initial size of USD 500 million,[1] targeting institutional clients. The fund primarily allocates to BTC and ETH, while generating returns through staking and reinvestment strategies. These DAT products typically adopt multi-asset portfolio allocations, combining staking yields, reinvestment cycles, and structured products to create a continuous "asset-liability loop." Their core value lies in serving simultaneously as a corporate digital reserve and a yield-bearing capital management tool, gradually becoming a new mechanism for institutional treasury operations and capital deployment in the digital era.

5.2 The Three-Factor Return Model (DAT Flywheel Model)

The revenue structure of a Digital Asset Treasury (DAT) can be deconstructed into a compound multiplicative model:

Return = Token Price × Tokens per Share × Valuation Multiple

This "flywheel effect" is driven by three core factors:

1. Price Factor (Token Price) — Source of Beta Returns
   As the core holdings of DATs typically include major assets such as BTC and ETH, their price appreciation directly increases the net asset value (NAV) of the treasury. This forms the baseline market beta component of returns.
2. Growth Factor (Tokens per Share) — Mechanism for Alpha Generation
   Through staking yields, reinvestment strategies, and share buybacks, a DAT continuously increases the number of tokens represented by each share. This mechanism resembles the dividend reinvestment plans (DRIPs) of traditional equity markets, driving compound internal growth and creating a sustainable source of alpha.
3. Valuation Factor (mNAV Expansion) — Momentum for Revaluation
   As a DAT builds stable cash flow and liquidity, its management NAV (mNAV) tends to experience premium expansion or discount convergence, reflecting market recognition of the underlying asset quality, yield sustainability, and governance transparency.

Together, these three factors drive compound share price appreciation:

- Token Price delivers market beta

- Tokens per Share generates operational alpha
- mNAV expansion contributes to valuation uplift

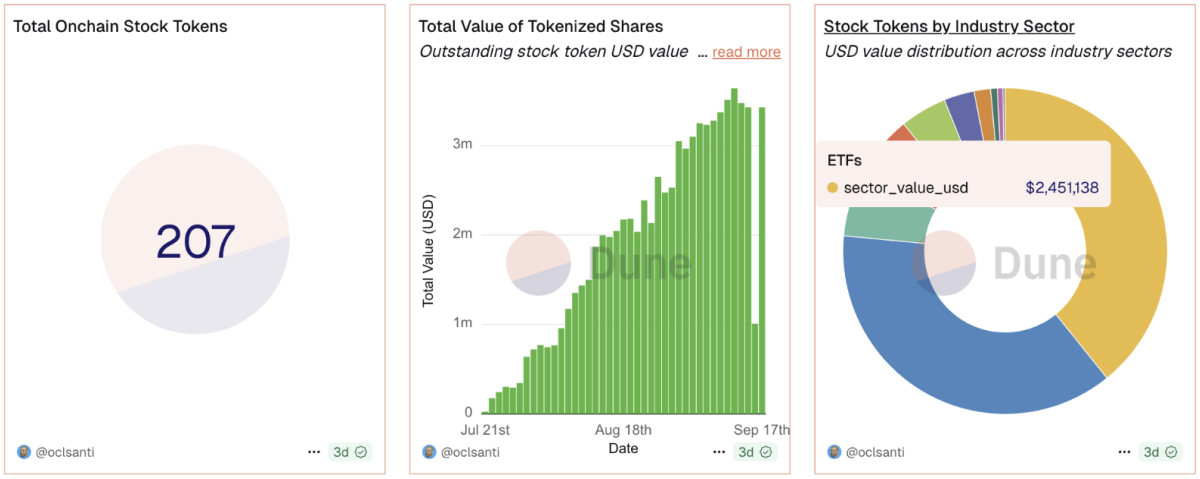
This structure enables DATs to capture a triple-layered return profile — Beta from the market, Alpha from operations, and Revaluation from credibility — forming a self-reinforcing “DAT Flywheel” of growth and value creation.

5.3 Strategic Fusion: Rewiring the Capital Cycle Between RWA and Equities

As the funding engine of the RWA stack, DATs perform “deposit → allocation → reinvestment.” When DAT inflows are coupled to cash-flow RWA (USTs/private credit), a full cycle emerges: stable coupons → mainstream allocation → secondary re-rating. This strengthens the funding and reinvestment capacity for on-chain U.S. equities/ETFs and equity-type RWA, advancing the market toward an institutional, layered capital-market structure. DATs are not just vehicles; they are the connective tissue between traditional equities and digital assets—marking a new stage in the digital reconstruction of capital markets.

06 / The On-Chain U.S. Equity Investor Ecology: From Address Attribution to Retention

As Robinhood, OGM, xStocks, and others expose more on-chain data, researchers can use block explorers and Dune Analytics to study flows and behavior. Early patterns show distinct geographies, holdings, and ecosystem preferences:



Source: Dune.com

- Robinhood–Arbitrum: ~207–213 on-chain contracts, 200+ active tickers. Buyers cluster in Eurasian time zones; holdings show long-tail distribution—indicative of institutional/HNW allocation traits.
- xStocks (Solana): Market cap jumped in the first two weeks; activity correlates with Solana DeFi—early adopters skew DeFi-native, liquidity-driven.
- MyStonks / msx.com: 50k+ users; >$200M daily volume; decentralization and cross-chain tilt; attracts active traders with KYC and cross-chain proficiency.

Early users include both institutional and crypto-native cohorts. Concentration, activity, and cross-market behavior shape liquidity, price discovery, and the pace of institutionalization—providing the behavioral base for RWA expansion.

Risk Type	Risk Content	Issues of Special Concern to the Chinese Side
Legal/Ownership and Rights Confirmation Risks	Whether tokenized securities truly grant shareholders voting rights, dividend rights, and legal ownership; If it is only a price exposure or synthetic product, it may be identified as a derivative or securities contract; Whether the company law, company registration, and shareholder identity are recognized	If Chinese investors purchase tokenized US stocks, can they be recognized as shareholders under US corporate law; Can I exercise my voting rights; Is it possible to enjoy only a small amount of benefits due to packaging products; High possibility of legal disputes
Regulatory uncertainty	The US SEC and other regulatory agencies have not yet unified rules for all forms of tokenized securities; The Nasdaq proposal may be approved, but the implementation details (custody, liquidation, legal responsibilities) are not yet fully clear	Chinese institutions or individuals need to be cautious about compliance, especially whether they have obtained securities law registration/whether they are considered "illegal securities" subject to cross-border legal frameworks; If China has foreign exchange/capital flow/cross-border fund control policies, attention should be paid to the risks of supporting policies
Tax and accounting risks	Whether income tax, capital gains tax, dividend tax, token transfer trigger value-added tax or transaction tax, etc; There are tax registration issues in the token holding and clearing process; How accounting standards recognize tokenized equity assets; Depreciation, amortization, and valuation fluctuations	Chinese investors may face tax deductions on the source of dividends from US stocks, and whether US tax laws and US China tax agreements recognize holding tokenized equity; Can it be treated as ordinary stocks in accounting; How to classify in China's balance sheet
Liquidity and Market Operation Risk	In theory, tokenization and traditional securities can coexist on the order book, but in the initial stage, there may be low liquidity, few market participants, large price differences, and high slippage points; Risk of transaction/liquidation failure; Wallet and private key management risks; The risk of anonymous tokens is particularly high	Chinese investors may find it difficult to find reliable custody and wallet services; The legal recognition risk of anonymous tokens; Legitimacy of the trading platform; Whether the liquidity channels are unobstructed; If tokenized securities are not recognized as real equity in certain regions, their prices may rely solely on market confidence
Technical/Security Risks	Blockchain network security issues (private key loss, contract vulnerabilities, oracle distortion, network attacks/51% attacks, etc.); Integration risks between clearing/settlement systems and traditional systems; Inadequate compliance identity verification may be abused	If the tokenized securities system or platform is located overseas, it may not be protected by Chinese regulations; Difficulty in cross-border data and asset tracking; Investors may suffer losses due to platform bankruptcy or technical malfunctions; Both technical and legal security are critical
Cross border legal and capital flow/compliance risks	Involving laws from multiple countries: securities law, tax law, company law, anti money laundering law, foreign exchange control; The degree of legal recognition of tokenized securities varies among different jurisdictions; Chinese domestic laws may not explicitly recognize their representative rights and interests	Chinese investors trading and holding tokenized securities overseas may be subject to foreign exchange control restrictions; Does Chinese law recognize the right to hold shares; The attitude of Chinese regulatory authorities towards digital assets; May face issues such as frozen funds, compliance review, tax traceability, etc

Source: Pharos Research

6.1 Challenges and Risks

Multiple headwinds span regulation, technology, market microstructure, and incumbents' incentives. In the U.S., substance-over-form prevails: tokens with ownership or income rights must register or qualify for exemptions under the 1933/1934 Acts; purely price-linked synthetics face higher compliance risk. Cross-jurisdiction legal differences hinder issuance and circulation.

On tech/infrastructure, current public chains struggle to support hundreds of millions of daily transactions with low-latency, high-stability performance, and to keep synchronized with DTC shareholder records. Smart-contract risk, oracle integrity, and bridge security are non-trivial. Liquidity is still shallow, spreads are wide, MMs limited, and secondary-market toolkits immature. Whitelists, KYC, and minimum subscriptions constrain liquidity formation.

Incentive conflicts matter: brokers/exchanges/custodians fear cannibalization; WFE has called to crack down on "fake-stock tokens," while Citadel has warned tokenization could siphon TradFi liquidity. Proponents include public chains, DeFi protocols, and new trading venues. This coopetition will shape the pace and direction of tokenized securities.

6.2 Scenario Analysis and KPI Tracking

Assuming a 1% tokenization rate for U.S. equities implies >$1.3T addressable market—strategic scale for RWA.

Pathways:

- Fast-Track: SEC clarifies tokenized-securities rules; Nasdaq/DTC integrate; scaling by 2026.
- Steady-Track: Gradual rule clarity; MM/hedging improve; cross-market basis converges; steady expansion.
- Slow-Track: Policy lags; remains within QPs and private pilots.

KPI Systems:

- Net-Flow Curves: Weekly subscriptions/redemptions and holder counts across Treasuries, private credit, equities.
- Secondary-Quality Metrics: MM depth, spreads, time-zone basis.
- Institutionalization Metrics: Whitelist coverage, T+1 connectivity, TA/NAV disclosure compliance.

Together, these form a quantitative maturity framework for tokenized markets.

6.3 Conclusion: The Institutional Inflection Is Here

Treasure and private credit have already brought verifiable cash flows on chain (Tokenized Treasuries ~$8.3B AUM; 51 products; 52,708 holders; avg YTM ~3.9%. Private credit ~$17.6B active; cumulative ~$31.97B; avg APR ~9.79%). This provides a replicable process and data base. On top of this, on-chain U.S. stocks/ETFs route dollar equity risk into whitelist/KYC, TA/NAV disclosure, and T+1 clearing, while extending trading from 24×5 toward 24×7 (e.g., Robinhood EU, Backed xStocks). This is the key inflection from “passive mirroring” to an institutional expansion phase for RWA.

Meanwhile, DAT’s three-factor model (price, tokens per share, mNAV) creates a flywheel that couples coupon bases with equity-type RWA: cash-flow base → funding sink → re-allocation → secondary re-rating, enhancing absorption and recirculation. In short, on-chain U.S. equities fuse the compliant dollar-asset channel with on-chain liquidity efficiency, reshaping the entry points and routes for global liquidity and laying a dual foundation—technology + regulation—for scaled institutionalization.

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Disclaimer

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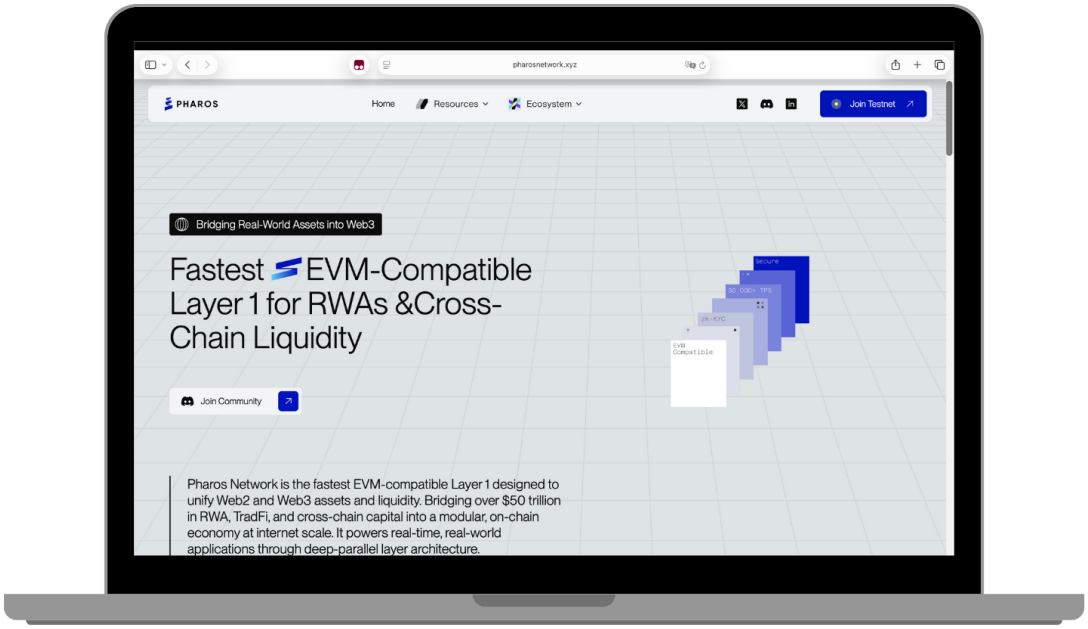
Pharos' Official Website: https://www.pharosnetwork.xyz/



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