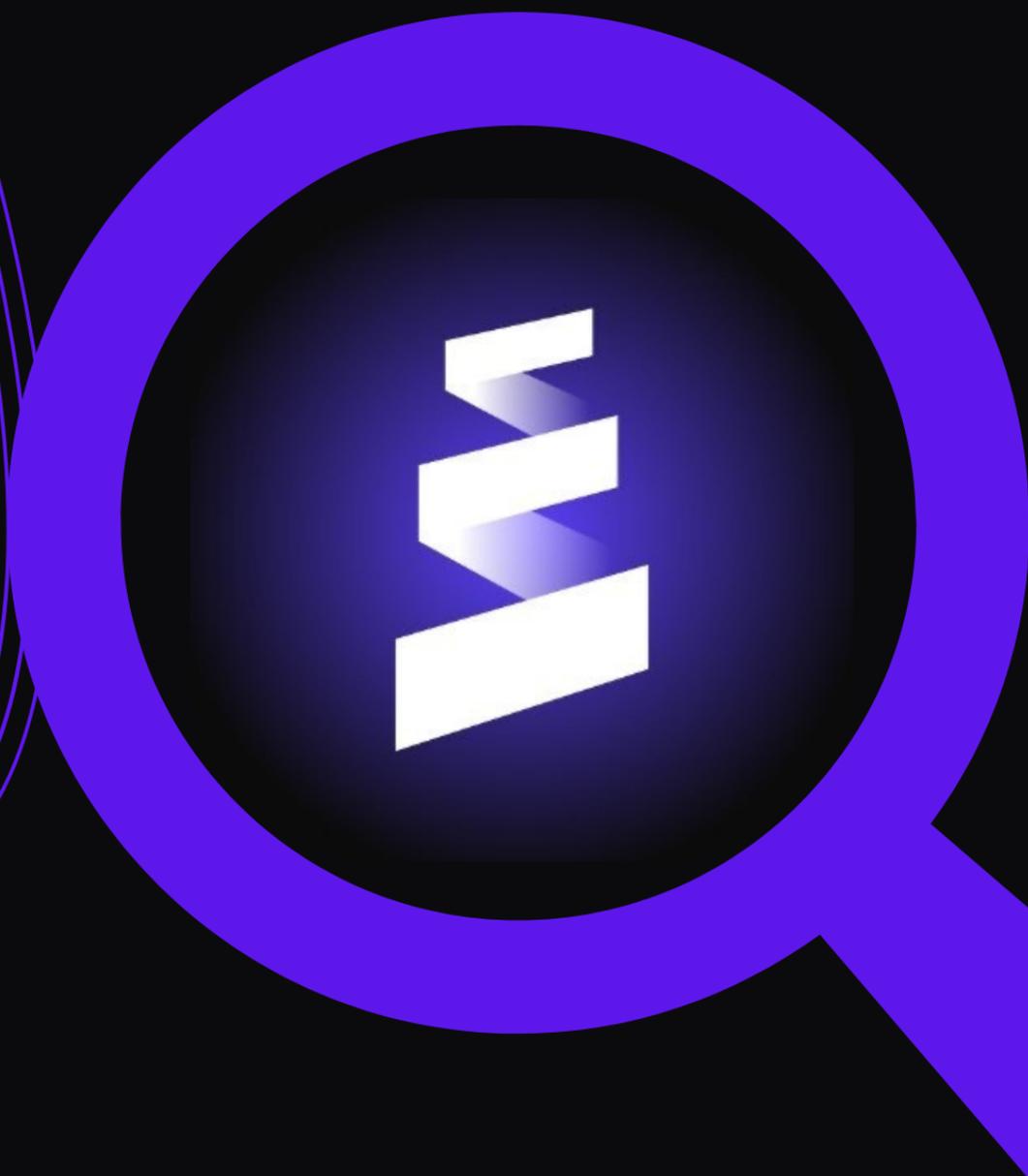




**PHAROS**  
RESEARCH

# RWA and DeFi Integration- Asset Restructuring and Market Evolution



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# Abstract

This paper aims to explore in depth the underlying logic and evolutionary path through which RWA and DeFi move from parallel development toward deep integration. Against the macro backdrop of monetary policy normalization and increasingly clear regulatory frameworks, the combination of the two has broken through the proof-of-concept stage and evolved into the key solution to the structural mismatch between "hollowed-out on-chain assets" and "inefficient traditional financial settlement."

The paper first deconstructs the interaction mechanisms of RWA and DeFi at the asset, yield, and trading layers, pointing out that price-accumulating yield strategies—by embedding off-chain cash flows into token net asset values—clear the critical barrier to RWA accessing DeFi. It then analyzes the current state of integration across three core product categories—standardized fixed income, structured credit, and equity assets—and, using the Asseto project within the Pharos ecosystem as a case study, demonstrates the dual-track architecture for RWA issuance and circulation: a parallel model combining strictly compliant primary markets with permissionless secondary market trading.

Finally, the paper identifies systemic risks including credit decoupling, liquidity mismatch, and compliance scrutiny, along with their mitigation mechanisms, and offers an outlook: RWA will transition from a passive yield-generating instrument to a functional collateral asset with DeFi liquidity, leveraging vertical public chain infrastructure and multi-strategy asset allocation to build a more robust on-chain financial system through a dual-track mechanism.

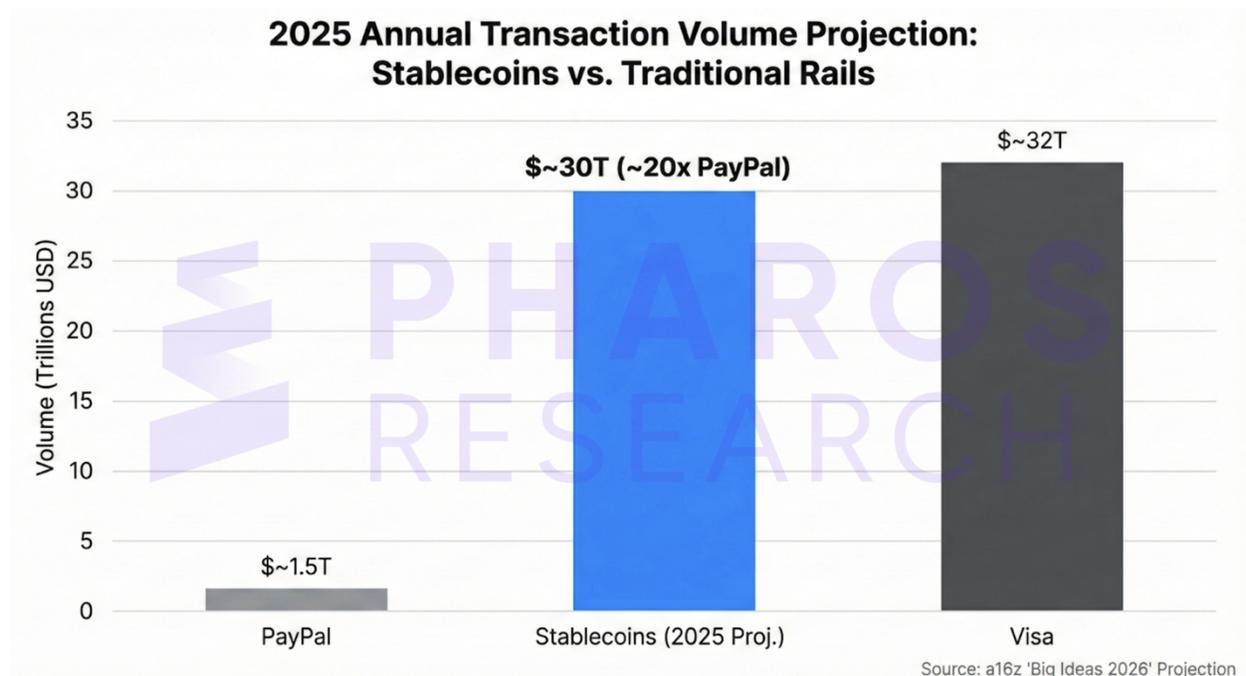
At the level of specific case studies, this paper selects the Asseto project within the Pharos ecosystem as a representative example: its team spans deeply across both traditional fixed income and DeFi protocol sides, validating through practice—via a 'price-accumulating yield + primary/secondary dual-track architecture'—the balanced path between RWA issuance compliance and DeFi permissionless liquidity.

**Keywords: RWA; DeFi; Dual-Track Architecture; Price-Accumulating; Public Chain Infrastructure**

# 01 / Introduction: The Structural Mismatch Between On-Chain and Off-Chain Assets in RWA

From late 2025 to early 2026, the annual outlooks from mainstream crypto investment institutions showed a high degree of consensus: stablecoins and RWA have transcended the proof-of-concept stage, transforming into substantive financial infrastructure and accelerating their penetration into DeFi protocols. According to the a16z annual report, stablecoin transaction volumes in 2025 reached 20 times that of PayPal, approaching the scale of traditional payment giants such as Visa, while the report also emphasized the narrative direction of 'RWA and lending protocol (Lending) integration.'<sup>[1]</sup> Coinbase Ventures, in its outlook, focused on the combination of RWA with derivatives such as perpetual contracts, exploring new models for asset deployment.<sup>[2]</sup> Galaxy's predictions were even more direct, indicating that RWA will officially enter the mainstream collateral market.<sup>[3]</sup> The views of these leading institutions collectively point to the market evolution path of RWA and DeFi moving from parallel development toward deep integration.

Figure 1: 2025 Stablecoin Transaction Volume vs. Visa/PayPal Data (a16z figures)



Source: a16z 2025 Annual Report, compiled by Pharos Research

The focus of leading institutions on the RWA-DeFi convergence is rooted in the misalignment between traditional finance and the crypto market in terms of asset characteristics and transaction efficiency. For a long time, returns in the crypto market have relied primarily on token inflation incentives and high-frequency speculative trading; the excess returns exemplified by DeFi Summer essentially derived from the stacking of liquidity, lacking inherent support from the real economy. By contrast, traditional financial assets such as U.S. Treasuries can provide baseline yields of 3% to 6%, but are constrained by outdated settlement systems and high intermediary costs. Capital has thus been trapped in an allocation dilemma between 'high efficiency but hollow assets' and 'low efficiency but high-quality assets.' Against this backdrop, the combination of DeFi and RWA becomes the key breakthrough point: its core logic is to introduce the value certainty of RWA underlying assets while preserving the composability and liquidity advantages of DeFi. This report focuses precisely on the combination of DeFi and RWA, with emphasis on analyzing the asset logic and interaction mechanisms behind their integration, and offers judgment on the future market evolution path.

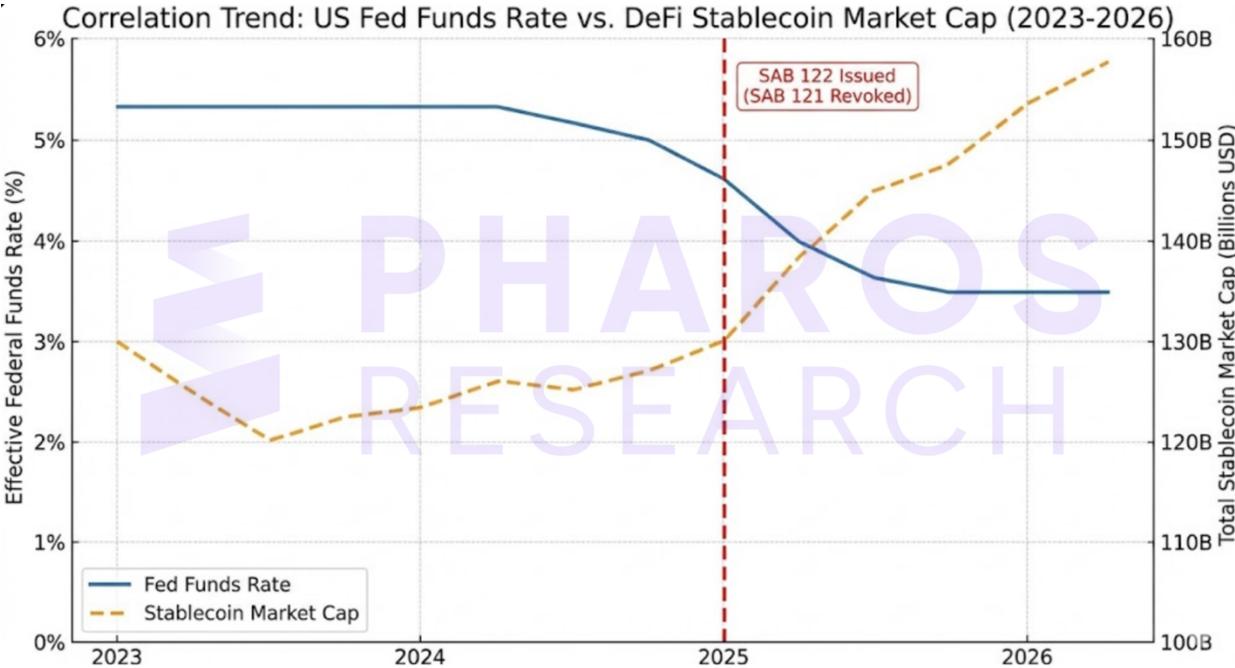
In contrast to macro narratives that depart only from 'asset categories' or 'regulatory progress,' Asseto co-founder Bridget's perspective places greater emphasis on the mismatch in distribution structures: the problem on the traditional finance side is not a lack of quality assets, but that these assets are locked within licensing, channel, and geographic restrictions; the problem on the DeFi side is not a lack of capital, but that stablecoins and wallets lack standardized channels to connect with institutional-grade assets. In this sense, the deep integration of RWA and DeFi is fundamentally about rewriting—through a new set of yield and liquidity infrastructure—the rules of 'who can hold assets' and 'how assets are discovered and traded,' and what Asseto has built is precisely a template for yield infrastructure facing wallet and payment entry points in the stablecoin era.

# 02 / Core Drivers: Macro Cycle, Market Evolution, and Asset Complementarity

## 2.1 Macro Drivers: The Dual Adjustment of Rate Cycle and Regulatory Policy

From 2025 to early 2026, the macro backdrop for the integration of RWA and DeFi underwent a fundamental change. The asset market was no longer in the one-sided rate-hike channel of 2023, but entered a new phase of monetary policy normalization. Public market data showed that the Federal Reserve initiated a rate-cutting cycle in the second half of 2024; as of December 10, 2025, the federal funds rate target range had fallen back to 3.50%–3.75% [4]. Driven by this, short-end risk-free yields adjusted in tandem, with the 3-month U.S. Treasury yield stabilizing around 3.7% in mid-January 2026. This shift in the benchmark rate was directly transmitted to the crypto market; combined with expectations of a bear market downtrend, it revised the allocation logic of on-chain capital: funds no longer purely chased high-risk speculative returns, but instead sought to allocate dollar-denominated safe assets to lock in baseline returns. This shift in allocation demand—from 'high-risk speculation' toward 'building a safe core position'—established the fundamental drivers of this cycle's RWA growth.

Figure 2: Correlation Figure of the Federal Funds Rate and DeFi Stablecoin Total Market Cap (2023–2026)



Source: Federal funds rate data from the St. Louis Fed; stablecoin data from DefiLlama

While macroeconomic liquidity improved, the clarification of the regulatory framework removed key barriers for traditional institutions to enter the market. In early 2025, the SEC formally withdrew the SAB 121 accounting guidance, substantively lifting the balance sheet constraints on banks and other custodians holding crypto assets; by year-end, the SEC concluded its two-year review of Ondo Finance without taking any enforcement action, sending a clear signal for compliant RWA projects to proceed. At the infrastructure level, DTCC (the Depository Trust & Clearing Corporation) announced that its subsidiary DTC had received a 'no-action letter' from the SEC, authorizing it to advance tokenization pilots for Russell 1000 index constituents, ETFs, and U.S. Treasuries, with commercial launch planned for the second half of 2026. These successive compliance breakthroughs indicate that the regulatory focus has shifted from pure risk control toward institutional acceptance; RWA is moving from peripheral innovation to the core of mainstream financial infrastructure.

It is precisely against this macro backdrop of 'normalizing interest rates and clarifying regulatory boundaries' that Asseto chose to accelerate the deployment of its RWA product line from 2025 onward: by providing technology services for tokens backed by fund products—including CASH+ and BOND+, managed by licensed institutions—while simultaneously completing technical integration across multi-chain DeFi protocols, it channels dollar-denominated yields available under the macro interest rate environment to global stablecoin users in the form of programmable tokens.

## 2.2 Market Evolution: A Mature Landscape Driven by Both Treasuries and Credit

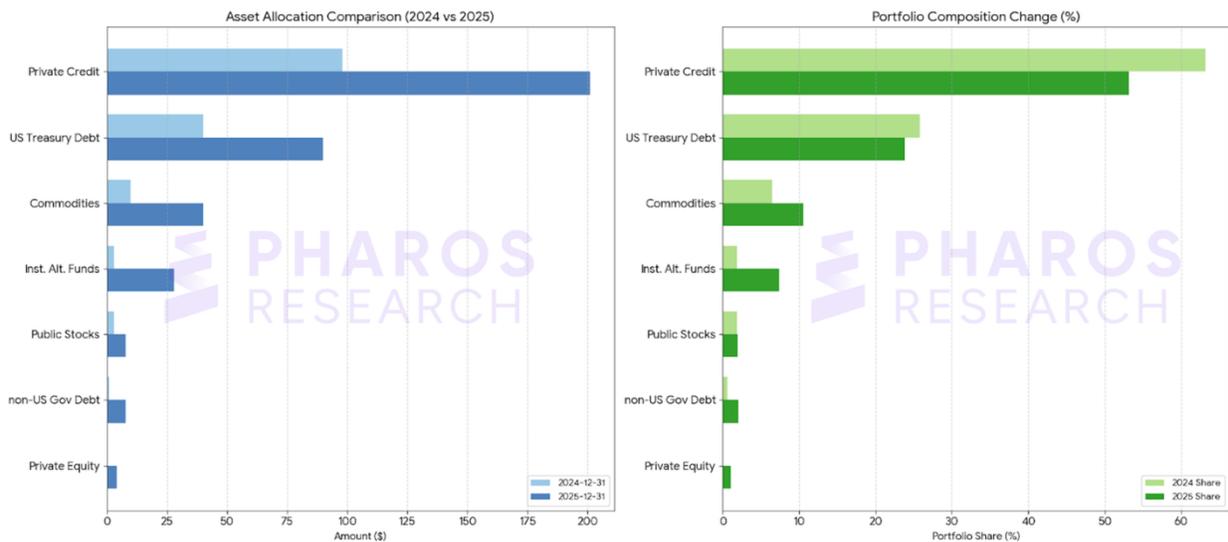
Under the combined effect of macro tailwinds and regulatory loosening, the RWA market demonstrated characteristics of overall growth and structural differentiation. By end-2025, the total market stock had approached \$37.7 billion, achieving 2.4x year-on-year growth <sup>[5]</sup>. Unlike the earlier market primarily driven by liquidity, the current asset composition had evolved into a stable pattern of 'credit as foundation, Treasuries as ballast.' Private Credit led with \$19.9 billion, doubling in scale, serving as the core base position for on-chain yield-generating assets; while Tokenized Treasuries grew to \$9 billion, they largely served as the high-liquidity safety cushion within investment portfolios. These two pillars combined to account for nearly three-quarters of the market, providing an extremely resilient asset anchor for the DeFi ecosystem.

Figure 3: Comparison of RWA Market Conditions in 2025 vs. 2024

Asset Class	End-2024 Stock	End-2025 Scale	Growth Multiple	Commentary
Private Credit	\$9.8B	\$19.9B	2x	Scale doubled; as the core base position, it maintains steady natural growth
US Treasury Debt	\$4.0B	\$9.0B	2.2x	Same logic as above; serves as the liquidity safety cushion of the portfolio
Commodities	\$1.0B	\$4.0B	4x	Scale quadrupled, mainly benefiting from gold price increases and macro safe-haven demand
Inst. Alt. Funds	\$0.3B	\$2.8B	9x	Fastest-growing segment; strong capital allocation into non-traditional assets, visible risk appetite shift
Non-US Gov Debt	\$0.1B	\$0.8B	8x	Extremely high growth; investors diversifying USD asset risk and capturing global yields
Public Stocks	\$0.3B	\$0.75B	2.5x	Scale steadily increasing, though the sector experienced internal reshuffling
Private Equity	\$0	\$0.4B	New	A brand new segment, completing build-up from zero
Total	~\$15.5B	~\$37.7B	2.4x	Overall scale more than doubled; multi-asset allocation strategy proves effective

Source: rwa.xyz

Figure 4: RWA Asset Comparison Figure 2024–2025



Source: Bitget Wallet

This pattern of 'credit as foundation, multi-asset advancing together' indicates that market capital is highly rational: investors are no longer purely chasing the risk-free returns of Treasuries, but are beginning to seek higher risk-adjusted returns. Private Credit meets the rigid demand of institutions for baseline yields, while the explosive growth of Institutional Alternative Funds and Commodities demonstrates the latent appeal of DeFi protocols for diversified assets. Overall, the RWA sector in 2025 did not exhibit an irrational bubble boom; instead, driven by the dual engines of private credit and U.S. Treasuries, and supplemented by the ground-up buildup of long-cycle assets such as private equity, it achieved a substantive leap from single-asset tokenization to complex asset allocation.

From a project perspective, Asseto's evolutionary path from August to December 2025 provides a microcosm of the above 'credit as foundation, multi-asset advancing together' pattern: the team first entered the cash management and money fund sector by providing technology services for the CASH+ series, which uses money market funds managed by SFC-licensed institutions as underlying assets. This product series was introduced into the first DEX liquidity pools in October, integrated with payment institutions, exchange Earn products, and DeFi Vaults in November, and further connected to margin collateral and wallet integrations in December. The TVL of tokens supported by Asseto's technology grew to approximately \$387 million over 11 months, with products expanding to include bond funds, equity funds, multi-asset funds, and digital asset arbitrage funds. This process reflects a clear sequence—first building a compliant cash-like base position, then layering on multi-asset and multi-scenario integrations, rather than pursuing speculative, high-volatility, high-yield assets from the outset—thereby resonating with the mature pattern of 'credit as foundation, multi-asset advancing together' described in this paper.

## 2.2 Integration Logic: The Complementarity Between DeFi Asset Restructuring and RWA Liquidity Premium

The expansion of market scale is rooted in a deep fit between supply and demand. The combination of DeFi and RWA is not merely a conceptual overlay, but a complementary relationship between the two parties in balance sheet optimization and liquidity access.

**RWA-side demand:** Access to DeFi liquidity for traditional non-standardized assets. The core motivation for tokenizing traditional assets lies in leveraging DeFi mechanisms to release liquidity. While tokenizing assets can improve settlement efficiency, tokenization itself does not directly create liquidity. A key reason for traditional finance—especially non-standardized asset sectors—to embrace Web3 is to access DeFi's vast capital pools and automated trading depth. DeFi, through permissionless market access and composability, takes on the critical function of pricing and circulation, endowing traditionally illiquid assets with a significant liquidity premium.

**DeFi-side demand:** Introducing real-world value to hedge systemic risks. DeFi protocols incorporating RWA represent a structural shift in their balance sheets from self-referential cycles to external support. Traditional DeFi lending protocols rely heavily on highly volatile assets such as ETH and BTC, which can easily trigger cascading liquidations in market downturns, impairing the protocol's solvency. The introduction of RWA provides on-chain markets with high-quality collateral

linked to fiat value and backed by legal recourse, significantly reducing the overall risk exposure of protocols.

At the practical execution level, various protocols are already exploring different DeFi pathways for RWA assets. Falcon Finance allows users to stake Centrifuge's JAAA tokens (representing AAA-rated CLO portfolios) to mint stablecoins—effectively introducing investment-grade corporate credit into the on-chain world. Usual Protocol takes an even more comprehensive 1:1 backing model: its USD0 stablecoin is fully backed by RWA assets such as Treasuries, with bankruptcy isolation achieved through a special SPV structure to effectively avoid re-hypothecation risk.

In terms of integration path, Asseto within the Pharos ecosystem uses a 'price-accumulating yield + dual-track architecture' as the design starting point: the underlying assets of its cash management product CASH+ and bond product BOND+ are custodied by licensed institutions, with token net asset values anchored to the underlying asset NAV. Investors can directly mint and redeem tokens in the primary market through a permissioned process, and can also participate in the circulation of these tokens through DEXs and lending protocols within the Pharos ecosystem in a permissionless manner—enabling the same pool of assets to be both directly minted and held by investors, and used as on-chain collateral and liquidity assets for trading. This design allows the integration services provided by Asseto to establish a sustainable liquidity channel between traditional asset managers and DeFi protocols.

# 03 / Interaction Mechanisms: A Full-Chain Closed Loop from Asset Generation to Liquidity Distribution

## 3.1 Asset Layer: The Evolution of Credit Expansion and Issuance Mechanisms

The starting point for RWA entering the DeFi ecosystem is the monetization of assets; its core is no longer simply tokenizing assets on-chain, but transforming static off-chain claims into on-chain credit instruments with liquidity through smart contracts. This process primarily involves two mainstream pathways (note: synthetic assets without asset backing are excluded here): one based on over-collateralization for credit derivation, and the other based on a rigidly 1:1 full-reserve issuance, corresponding to different capital utilization efficiencies and risk preferences. In the collateral minting model (as in early MakerDAO logic), the core logic is to release asset liquidity, but this often comes with the problem of low capital utilization. A more robust and increasingly mainstream model is full-reserve issuance. In this model, on-chain tokens are a digital mapping of off-chain assets, requiring issuers to have rigid redemption capability.

When introducing RWA into DeFi protocols on the asset issuance side, the choice of underlying infrastructure is particularly critical. General-purpose EVM public chains often face performance bottlenecks and privacy concerns when handling high-frequency, large-value traditional financial settlements. This is why Layer 1 protocols specialized in the RWA domain—such as Pharos Network—have attracted attention. Unlike general-purpose chains, Pharos positions itself as the 'Trustless Internet of Assets,' achieving sub-second asset confirmation through a parallel execution architecture. For the full-reserve model, this underlying architecture can support real-time auditing and penetrative supervision of large-scale assets, resolving the settlement delay risks associated with traditional public chains in asset confirmation, and enabling the liquidation efficiency of on-chain assets to potentially match or even exceed the T+0 standard of traditional finance.

**Figure 5: Comparison of Over-Collateralization vs. Full-Reserve Issuance Models**

Dimension	Over-Collateralization Model	Full-Reserve Model
Core Logic	Collateralize estimable assets, borrow stablecoins	1:1 mapping; off-chain asset custody, on-chain token issuance
Capital Efficiency	Low (requires over-collateralization)	High (100% capital utilization)
Primary Risk	Liquidation risk, oracle attacks	Custodian credit risk, asset quality and audit transparency
Applicable Scenarios	On-chain collateral financing, leveraged lending	Payment settlement, institutional capital investment
Typical Examples	Sky	Circle, Tether

Source: Pharos Research

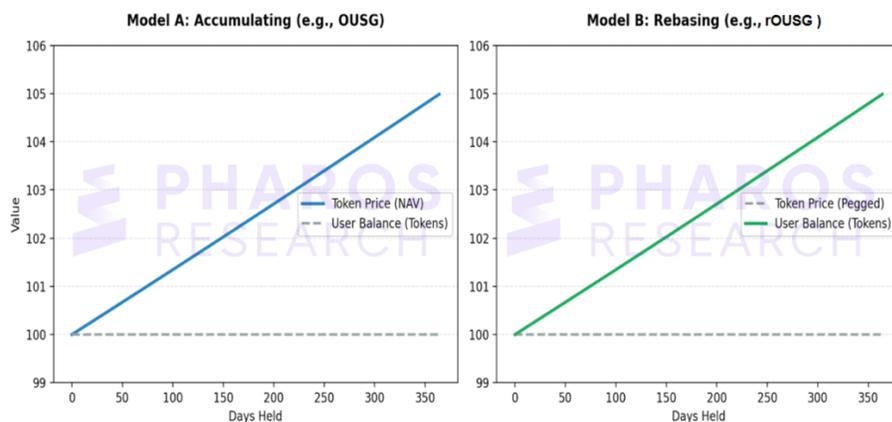
The current main challenge in combining RWA with DeFi on the asset side lies in asset quality control and state monitoring. Off-chain non-standardized assets (such as private credit and real estate) lack high-frequency fair value pricing from the crypto market; once defaults or value impairments occur, on-chain protocols are susceptible to systemic risks with lagged responses. Therefore, the industry's focus is being corrected from blindly expanding asset classes to prioritizing quality assets: standardized assets with high-frequency pricing capabilities—such as short-term U.S. Treasuries and high-rated bills—have become the preferred targets for reducing liquidation risk. Dedicated RWA public chains represented by the Pharos ecosystem, by introducing blue-chip oracles and establishing normative due diligence processes for on-chain assets, directly accomplish the screening and isolation of asset quality at the infrastructure level.

### 3.2 Yield Layer: On-Chain Transmission of Off-Chain Cash Flows

Accurately distributing interest and dividends generated off-chain to on-chain token holders is a core function of RWA protocols. Given that off-chain financial systems typically use T+1 or T+2 settlement cycles while blockchain networks require real-time settlement, the protocol layer must design specific mechanisms to smooth this spatio-temporal mismatch. The current market primarily uses two pathways—Price-Accumulating (Accumulating) and Rebasing—to implement yield transmission, with the core difference between them intuitively reflected in the relationship between changes in token price and holding quantity (see Figure 6).

- **Left Figure (Model A)** represents the price-accumulating strategy, characterized by the user's token quantity (gray dashed line) remaining constant while the token unit price (blue solid line) increases linearly as the underlying asset NAV accumulates. This design is similar to accumulating options in financial derivatives.
- **Right Figure (Model B)** represents the rebasing strategy, primarily implemented via Rebase technology, maintaining a 1:1 peg between token price (gray dashed line) and fiat currency, while the user's holding quantity (green solid line) increases over time. Although this model more closely resembles the user experience of traditional bond 'periodic coupon payments,' it often faces technical adaptation challenges when being bridged cross-chain or integrated into DEXs.

Figure 6: Schematic Diagram of Price-Accumulating vs. Rebasing Yield Models



Data Source: Pharos Research

As illustrated by Ondo Finance below: its OUSG is a typical price-accumulating token, while rOUSG is a dividend-distributing type.

Figure 7: Ondo Finance's Explanation of the Two Yield Methods

The screenshot shows the Ondo Finance Docs website. The main content area is titled "USDY vs Rebasing USDY (rUSDY)". Below the title, there is a section "What's the difference between USDY and rUSDY?". The text explains that the 'r' in rUSDY stands for 'rebasing'. rUSDY is intended to maintain a price of \$1.00 per token (with the accruing yield being represented by the division of rUSDY tokens into more tokens via rebasing). By contrast, the accruing yield of USDY tokens gets 'accumulated' into the price, such that the price of USDY is intended to appreciate over time. For example, let's say you held 100 rUSDY tokens and 100 USDY tokens that were each worth a dollar. The next day the USDY price per token increased to \$1.01 per token. After the price update and rebasing, your holdings of both rUSDY and USDY would each be worth \$101.00. You would still have a balance of 100 USDY tokens worth \$1.01 apiece. However, due to the rebasing nature of rUSDY tokens, you would now hold 101 rUSDY tokens worth \$1.00 per token.

Below this, there is a section "How do I decide between USDY and rUSDY?". The text states: "While we believe many tokenholders will want to hold rUSDY because of its intended price stability, certain protocols, exchanges, or custodians may not support rebasing tokens. Regardless, converting between USDY and rUSDY is easy."

Finally, there is a section "How do I convert between USDY and rUSDY?". The text states: "Use the [Ondo Converter](#) on our website to easily convert between USDY and rUSDY."

Source: Ondo Finance Official Documentation

It is noteworthy that regulatory compliance requirements for KYC and whitelisting often create significant obstacles to DeFi liquidity. Through the 'price-accumulating' (Model A) mode, yield is reflected as token price appreciation rather than periodic dividends; this means the protocol no longer needs to additionally verify the identity of secondary market holders in order to 'pay interest,' achieving the maximum balance between compliance and yield generation.

Taking the price-accumulating tokens supported by Asseto as an example: on the yield side, a more mature 'issuance layer / circulation layer separation' has been adopted. On one hand, the primary market uses KYC and whitelist mechanisms to restrict subscribers to products such as CASH+ and BOND+, ensuring that the subscription, redemption, and distribution of underlying assets only occur within an account system controlled by embedded whitelist controls; on the other hand, the secondary market allows ordinary addresses to freely trade the corresponding tokens on DEXs such as Uniswap, without requiring identity re-verification for each secondary transfer. This architecture technically decouples compliance requirements from on-chain liquidity by 'embedding yield into price rather than distributing it as cash flow,' enabling the same asset to achieve price discovery and collateral capabilities in DeFi scenarios with minimum friction, within regulatory-acceptable boundaries.

### 3.3 Trading Layer: Liquidity Protocol Integration and the Rise of Dedicated Markets

The primary structural tension facing RWA assets going on-chain lies in the liquidity mismatch between their low-volatility, stable-yield asset characteristics and existing general-purpose DEXs (which rely on AMM mechanisms dependent on high volatility to earn fees). To address this, market infrastructure is evolving from a single liquidity pool model toward a parallel approach combining 'broad protocol integration' and 'dedicated clearing markets.'

On one hand, RWA assets have achieved deep liquidity release by integrating with mainstream DeFi protocols. Thanks to the tax and gas fee advantages of the price-accumulating strategy, RWA tokens have met the technical prerequisites for becoming qualified collateral in lending protocols.

On this basis, Asseto has not limited liquidity to a single chain or protocol, but instead chose to engage market makers to simultaneously deploy liquidity pools for the CASH+ and BOND+ token series it supports on Ethereum, BNB Chain, Avalanche, Pharos, and other chains, while establishing yield distribution channels with different types of partners (payment institutions, centralized exchanges, wallets, and DeFi protocols). This transforms the originally isolated RWA pools into a cross-chain, cross-scenario yield network, making RWA no longer 'just a basket of bonds sitting on-chain,' but rather a fundamental yield layer that stablecoin holders can call upon at any time across multiple scenarios.

On the other hand, liquidity solutions are evolving from pure asset exchange toward functional collateralization, giving rise to dedicated trading and clearing markets designed specifically for RWA. Within the Pharos ecosystem, RWA assets are transitioning from static yield-generating instruments into dynamic settlement tools. RWA tokens (such as reUSD) will be deeply embedded into the margin system of trading engines, allowing users to use them as underlying collateral for contract trading—continuously capturing off-chain yields while maintaining trading exposure—significantly improving capital utilization efficiency. To support this system, Pharos has built a complete asset underwriting and distribution matrix:

- Basic components: Deploy TopNod wallet and R25 Vault platform (planned) as traffic entry points;
- Trading facilities: Proprietary OmniPort platform integrates Swap and Bridge functions to ensure cross-chain liquidity;
- Display and distribution: The Harbor platform is positioned as a comprehensive wealth management center, completing large-scale asset distribution in conjunction with institutional underwriting channels and subsidized incentives from blue-chip partners.

These mechanisms, by establishing dedicated lending markets and margin matching mechanisms, resolve the adaptation challenges of RWA assets in general-purpose facilities, enabling robust off-chain assets to perform instant settlement and financing functions in high-frequency on-chain financial scenarios.

## 04 / Analysis of Current DeFi Integration

# Status of Core RWA Asset Classes

The deep integration of the RWA sector with DeFi is demonstrating significant asset differentiation: standardized fixed-income assets are gradually evolving into the underlying collateral of the on-chain financial system, while credit and equity assets with non-standardized characteristics, leveraging structured finance technology, are becoming important sources of yield enhancement for the DeFi market.

### 4.1 Standardized Fixed Income (U.S. Treasuries): Evolution from Yield-Generating Instruments to Native Collateral

The role of tokenized U.S. Treasuries in the DeFi system has changed—evolving from a pure on-chain holding yield instrument into the fundamental anchor for crypto-native stablecoins and derivatives markets. As of January 26, 2026, according to RWA.xyz data, on-chain tokenized U.S. Treasury scale exceeded \$10 billion, accounting for more than 20% of total RWA excluding stablecoins. High standardization, T+0-level liquidity, and clear legal repayment paths make them the preferred safe-haven asset against crypto market volatility. In the post-low-interest-rate era, a risk-free yield of 3.5% to 5% exerts a rigid attraction for idle on-chain capital.

The current tokenized Treasury market shows a marked top-tier concentration pattern. As of January 26, 2026, the BUIDL fund launched by traditional financial giant BlackRock led the market with approximately \$1.7 billion in AUM. The product is issued by the Securitize platform, with underlying assets focused on short-term U.S. Treasuries and repo agreements, fully demonstrating the strong appeal of compliant financial institutions in the field of on-chain asset issuance. Close behind is Circle's USYC product at approximately \$1.6 billion—nearly on par with BUIDL—while Ondo's USDY stands third at \$1.3 billion. Additionally, products such as Franklin Templeton's BENJI and Hashnote's USYC each maintain volumes in the hundreds of millions, jointly building a clearly tiered market structure.

Figure 8: Tokenized U.S. Treasury Market Scale Figure

Product Name Issuer	Ticker	Platform	Networks	Market Cap	7D APY
> BlackRock USD Institutional Digital Liquidity Fund BlackRock USD Institutional Digital Liquidity Fund	BUIDL	Securitize		\$1,684,001,922 ▼	3.46% ▲
> Circle USYC Circle International	USYC	Circle		\$1,646,155,426 ▲	3.01% ▲
> Ondo U.S. Dollar Yield Ondo USDY	USDY	Ondo		\$1,280,155,976 ▲	3.63% ▲
> Franklin OnChain U.S. Government Money Fund Franklin Templeton	BENJI	Franklin Templeton		\$892,679,741 ▲	3.54%
> Ondo Short-Term US Government Bond Fund Ondo I	OUSG	Ondo		\$730,607,672 ▼	2.00% ▼
> WisdomTree Government Money Market Digital ... WisdomTree Government Money Market Digital Fund	WTGXX	WisdomTree		\$726,965,406 ▼	3.50% ▲
> Superstate Short Duration US Government Secu... Superstate Asset Trust	USTB	Superstate		\$645,473,260 ▲	2.95% ▲
ChinaAMC USD Digital Money Market Fund Cla... ChinaAMC	CUMIU	Libeara	Ethereum	\$513,141,352 ▲	—
> Janus Henderson Anemoy Treasury Fund Anemoy	JTRSY	Centrifuge		\$503,660,249 ▲	3.18% ▲
Theo Short Duration US Treasury Fund Theo	thBILL	Theo	Ethereum	\$205,166,107 ▲	2.53%
Fidelity Digital Interest Token Fidelity Investments	FDIT	Fidelity Investm...	Ethereum	\$204,859,164 ▼	—
> Spiko US T-Bills Money Market Fund Spiko	USTBL	Spiko		\$191,612,729 ▲	3.20% ▲
> Delta Wellington Ultra Short Treasury On-Chain ... Delta Wellington Ultra Short Treasury On-Chain Fund	ULTRA	Libeara		\$160,701,379 ▲	3.16% ▼
> OpenEden TBILL Vault Treasury Bills Institutional Liquidity Limited	TBILL	OpenEden Digital		\$102,055,582 ▲	2.61% ▼
Bosera Digital Liquidity Income Fund SP Bosera Digital Liquidity Income Fund	BELIF	Libeara	Ethereum	\$100,948,235 ▲	—

Data Source: RWA.xyz (as of January 26, 2026)

Against this backdrop, depth of DeFi integration has become a core competitive differentiator for Treasury RWA products. Leading lending protocols such as Aave have begun considering BUIDL and OUSG as collateral, achieving capital reuse combining 'interest yield + liquidity release.' Falcon Finance's stablecoin has already accepted multiple RWA assets as collateral.

Within this landscape, Asseto in the Pharos ecosystem is playing the role of 'bridge between RWA yield layer and DeFi native scenarios': by facilitating the integration of its supported products with mainstream stablecoins, providing multi-type RWA yield-generating products including money market funds; while simultaneously embedding yield-linked RWA stablecoins into DEX margin and market-making systems via rcUSD, forming a user experience similar to JupUSD. For end users, this means that when conducting contract trading or providing liquidity within the Pharos ecosystem, there is no need to switch back and forth between 'yield-generating assets' and 'assets usable as margin'—the margin itself is an RWA form with off-chain yield—which in practice significantly reduces idle capital costs and improves overall on-chain capital efficiency.

## 4.2 Structured Credit (Private Credit): Risk Tranching and Yield Enhancement Engine

If Treasury RWA is DeFi's safety cushion, then non-standardized assets represented by corporate credit and trade finance are DeFi's yield enhancement engine. Although such assets have weaker liquidity, through structured tranching technology, they can provide on-chain capital with returns significantly higher than risk-free rates.

**Among these, on-chain waterfall and risk tranching is an important DeFi pathway for private credit RWA assets.** Centrifuge's JAAA token is a typical case in this area. JAAA is not a simple single-enterprise loan, but rather a CLO Tranche based on an AAA rating (the senior tranche of a collateralized loan obligation). Its underlying assets typically consist of corporate loan pools primarily composed of leveraged loans, and the protocol successfully implements automated risk tranching through asset type:

- **Senior Tranche:** Such as JAAA holders, who enjoy priority repayment rights with a yield of approximately 4–6%.
- **Junior Tranche:** Bears the first-loss risk but enjoys the high residual returns.

When the underlying assets generate repayments, smart contracts strictly execute 'Waterfall Payment' logic, prioritizing coverage of JAAA principal and interest. This approach of hard-coding traditional structured finance logic on-chain enables DeFi users to earn stable returns by holding senior tranche tokens without needing to evaluate the credit risk of each underlying loan individually.

Figure 9: Centrifuge JAAA Product Information



Source: RWA.xyz

Despite the technical logic maturing, non-standardized RWA in general DeFi protocols (such as Aave mainnet) has long faced the challenge of liquidity discounts. Since non-standardized assets lack secondary market pricing and are difficult to liquidate in real time, mainstream lending protocols often limit the collateralization ratio of such assets. To address this pain point, dedicated RWA infrastructure for vertical domains such as Pharos is attempting to resolve liquidity issues through in-ecosystem integration—by deeply binding asset issuers with trading scenarios to build specific liquidity pools for non-standardized credit assets—though the widespread deployment of this model still requires further market validation.

### 4.3 Equity Assets (Stocks): Composability and Permissionless Financial Operations

The core value of equity asset tokenization lies in leveraging DeFi's permissionless composability to break through the capital closed loop of traditional securities accounts. Unlike traditional U.S. stock trading that relies on intermediaries, on-chain stock tokens grant global users the freedom to allocate assets and construct complex strategies, materially extending the financial boundaries of equity assets.

Taking Backed Finance's xStocks series as an example: by issuing granular single-underlying stock tokens (such as Coinbase and NVDA), it demonstrates the deep adaptability of equity assets in DeFi. Users can not only collateralize such assets in Falcon Finance to mint the stablecoin USDf, but can also use them as collateral for leveraged lending in the Kamino market within the Solana ecosystem. This mechanism allows users to release liquidity to capture on-chain yields while maintaining long equity exposure, achieving both asset appreciation and capital efficiency improvements simultaneously.

Furthermore, hybrid liquidity market-making mechanisms are reshaping the trading form of equity-class RWA.

Asseto plans to deploy equity ETF and Private Equity tokens it supports within the Pharos ecosystem, leveraging Pharos's high-performance infrastructure to introduce professional market-maker mechanisms. This model—combining underlying asset issuance with a high-performance matching engine—aims to provide tokenized stocks with bid-ask depth comparable to centralized exchanges (CEX), thereby resolving the pain point of excessive on-chain trading slippage and effectively narrowing the experience gap between on-chain derivatives markets and traditional financial markets. From a product perspective, Asseto does not view U.S. Treasuries, private credit, and equity ETFs as isolated standalone products, but rather incorporates them into a unified product matrix covering cash management, bonds, equities, and private equity, then channels them to wallet and payment partners through a unified yield accounting and liquidity interface—forming a complete set of freely composable RWA components on the DeFi side.

**Figure 10: Summary Table of DeFi Integration Pathways for Three Core RWA Asset Classes**

Asset Class	DeFi Ecosystem Positioning	Core Characteristics	Yield Logic	Typical Applications
Tokenized U.S. Treasuries	Safe-haven base position and underlying collateral	Highly standardized with real-time settlement	Risk-free benchmark yield	BlackRock BUIDL
Private Credit	Yield enhancement engine	On-chain structured risk tranching	Credit default spread return	Centrifuge JAAA
Equity Stocks	Global asset allocation tool	Permissionless composability	Capital appreciation and dividends	Backed Finance

Source: Pharos Research

## 05 / Risk Analysis

While the deep integration of RWA and DeFi introduces yield sources backed by real-world assets to the crypto market, this cross-system combination also introduces complex structural contradictions. Unlike the closed loop of purely on-chain assets, RWA protocols must handle friction between off-chain legal entities, the traditional banking system, and on-chain smart contracts. The current market faces three primary structural risk dimensions:

### **First: Credit Decoupling and Custodian Entity Default Risk**

This is the fundamental legal risk facing the full-reserve RWA model. On-chain tokens are not the assets themselves, but digital claims on off-chain assets. This means asset value depends entirely on the performance capability and legal status of the off-chain custodian. Once the off-chain custodian entity (such as a bank, SPV, or trust) enters bankruptcy liquidation proceedings or faces regulatory freezing, on-chain tokens will lose their value anchor. Although most projects claim to have constructed bankruptcy isolation mechanisms, whether on-chain token holders can be recognized by courts as direct creditors of the underlying assets in cross-jurisdictional legal practice remains legally uncertain. This legal separation of physical assets from digital claims in extreme circumstances represents the core tail risk of this sector.

### **Second: Liquidation Failure Caused by Liquidity Mismatch**

RWA assets universally exhibit a spatio-temporal mismatch between low-frequency settlement and high-frequency trading. DeFi lending protocols rely on millisecond-level oracle quotes and round-the-clock automated liquidation mechanisms, while underlying RWA assets (especially real estate and private credit) often have poor liquidity and follow T+1 or longer traditional financial settlement cycles. When the crypto market encounters severe volatility, collateral values may quickly fall below liquidation thresholds, but off-chain assets cannot be liquidated in a short time to fill on-chain shortfalls. Additionally, the market closure mechanisms of traditional financial markets on weekends and public holidays can temporarily close redemption channels; this asymmetry in settlement cycles may cause protocol-level liquidity exhaustion within specific time windows.

### **Third: The Impact of Compliance Scrutiny on Protocol Composability**

To meet regulatory requirements, the overwhelming majority of RWA tokens embed address freezing or forced callback functions at the smart contract level. This centralized rights management creates an inherent conflict with DeFi protocols' permissionless operational logic. When such assets are introduced as underlying base assets into decentralized trading or lending protocols, they transmit the boundaries of regulatory scrutiny to the entire ecosystem. Once the underlying asset issuer freezes specific addresses or assets pursuant to an enforcement order, liquidity pools or nested derivative contracts interacting with them may be unable to function normally due to logic interruption. This compliance constraint undermines DeFi composability and introduces external intervention risks that technical audits cannot identify.

In response to these systemic risks, the market is building a hybrid response framework integrating legal confirmation and technical constraints, and Asseto within the Pharos ecosystem provides a typical solution template. In managing liquidity and compliance risks, tokens receiving technology support from Asseto adopt a 'dual-track' architecture for structural mitigation: on one hand, strict compliance access and settlement consistent with the underlying asset settlement cycle are enforced in the primary market, establishing legal bankruptcy isolation and asset confirmation; on the other

hand, by using the 'price-accumulating' mechanism to embed yield into token price, secondary market participants do not need identity verification for interest distribution, thereby allowing assets to achieve T+0 real-time exit in DEXs, effectively resolving the liquidity mismatch caused by traditional financial settlement delays. Meanwhile, Pharos as the underlying network provides sub-second asset confirmation through its parallel execution architecture and introduces blue-chip oracles to ensure the real-time accuracy of non-standardized asset pricing, preventing arbitrage attacks and liquidation failures caused by valuation delays at the infrastructure level.

# 06 / Conclusion: Market Outlook Under the Integration Trend

## 6.1 Trend Outlook

Based on the current asset logic complementarity and infrastructure evolution of RWA and DeFi, the future deep integration of the two will exhibit the following four core trends:

**First: Asset allocation structures will shift from single Treasury dominance to multi-strategy portfolios.** As market awareness of single-asset risks deepens, the RWA sector will move beyond reliance on short-term U.S. Treasuries as the sole core safety cushion, gradually evolving toward an asset structure of 'Treasuries as base, credit as enhancement.' Over the next one to two years, highly standardized tokenized government bonds may continue to serve as high-liquidity on-chain collateral, while private credit, trade finance, and equity tokens will—leveraging structured tranching technology—take on the function of enhancing overall portfolio yields. This diversification of asset classes will drive DeFi protocols to evolve from pure token interaction toward on-chain asset management platforms capable of multi-asset-class allocation, with capital automatically dynamically rebalancing across different jurisdictions and asset classes according to risk preferences.

**Second: RWA asset characteristics will deepen from passive yield-generating instruments to functional collateral.** The value capture logic of RWA assets will shift from purely holding for yield to becoming mainstream collateral in DeFi systems. Thanks to the popularization of price-accumulating yield mechanisms, the pricing and tax friction of yield-generating assets in DeFi protocols is alleviated, enabling yield-generating RWA to serve as collateral analogous to USDT or ETH—as the underlying asset for lending, derivatives trading, and stablecoin minting. This transformation will significantly improve on-chain capital utilization efficiency; when users engage in contract trading or leveraged lending, their margin itself will be a yield-generating asset, reducing idle capital costs and establishing the new liquidity model of 'yield while trading.'

In the joint design of Pharos ecosystem and Asseto, this trend has already been embodied in concrete use cases: products such as CASH+ and BOND+ serve not only as yield-generating instruments backed by real cash flows, but also—through integration with protocols such as Morpho and rcUSD—as functional collateral that can directly participate in leveraged trading and multi-asset strategies, heralding that 'yield while trading' will move from concept to reality at the infrastructure level.

**Third: Infrastructure will evolve toward verticalization and compliance-native layers; dedicated RWA public chains will become mainstream.** The performance bottlenecks of general-purpose public chains in handling high-frequency financial settlement and complex compliance requirements will drive RWA infrastructure toward specialization. Vertical Layer 1 networks represented by Pharos will move identity authentication, asset confirmation, and compliance review from application-layer smart contracts down to the protocol layer. This architectural innovation at the underlying layer can not only support sub-second transaction confirmation but also achieve penetrative supervision of asset status at the chain-native level. In the future, compliance will no longer be an external constraint impeding liquidity, but a fundamental parameter embedded in the transaction execution process—technically achieving bilateral compatibility between permissionless trading and financial regulatory requirements.

**Fourth: Trading forms will exhibit normalized dual-track architecture of compliant primary issuance and permissionless secondary circulation.** To resolve the liquidity discount problem of

traditional financial assets going on-chain, the dual-track architecture separating primary and secondary markets will become an industry standard. The issuance side will continue to strictly adhere to traditional finance's KYC/AML standards to ensure asset legality, while the circulation side will use technical means to decouple identity verification from yield distribution, leveraging DEXs' permissionless characteristics to build deep liquidity pools. With the introduction of professional market makers and hybrid liquidity mechanisms, the bid-ask spreads for on-chain non-standardized assets and equity tokens will narrow significantly, ultimately achieving substantive alignment between on-chain trading depth and traditional financial markets.

## 6.2 Conclusion

The integration of RWA and DeFi is not a short-term market hotspot, but an inevitable path for the release of liquidity throughout the entire crypto world. This process requires not only the asset side to resolve the contradiction between compliance and liquidity through structural design, but also relies on breakthroughs at the infrastructure level. Against this backdrop, dedicated RWA public chains represented by Pharos Network—by constructing an underlying architecture that is compatible with both traditional compliance requirements and DeFi's permissionless characteristics—are reshaping the standards for asset confirmation and circulation.

From the practice of Pharos Network and Asseto, one can see that the integration of RWA and DeFi is not an isolated stacking of products, but a reconstruction of an entire 'yield and liquidity infrastructure' centered around stablecoins and wallets: the top layer is a multi-strategy, multi-asset product matrix; the middle layer is a KYC and compliance risk control system; the bottom layer is a vertical public chain supporting sub-second confirmation and penetrative supervision. When these three layers are systematically connected, RWA will no longer be merely a keyword in a narrative, but will gradually evolve into the asset foundation supporting long-term stable growth of on-chain finance.

As the dual-track issuance model matures and native collateral characteristics are activated, RWA will no longer be an appendage of DeFi, but will constitute the most solid asset foundation of the future on-chain financial system, leading the crypto market into a period of stable growth supported by real-world value.

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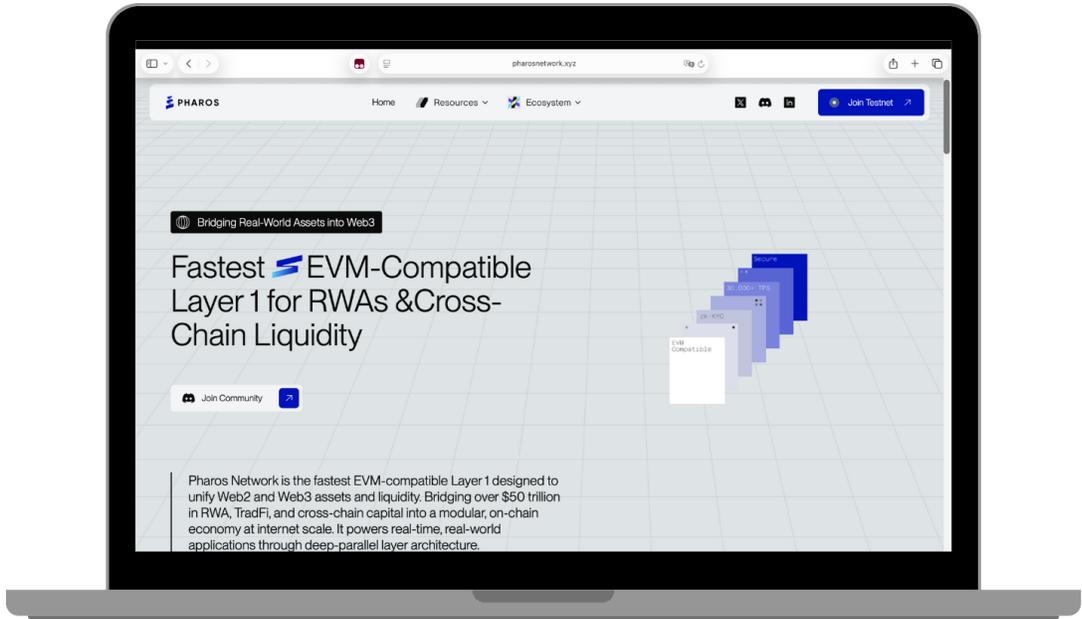
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Pharos' Official Website: <https://www.pharosnetwork.xyz/>



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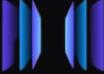
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