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Thread: [Crypto treasury firms mirror CDO risks from 2008 financial crisis: Crypto exec](#)

Stanley - September 1, 2025, 2:20 am

Crypto treasury firms mirror CDO risks from 2008 financial crisis: Crypto exec

Crypto treasury firms introduce several layers of risk to an asset class that inherently features reduced or no counterparty risk.

https://cointelegraph.com/news/crypto-treasury-firms-cdo-risk-2008-financial-crisis?utm_source=rss_feed&utm_medium=rss&utm_campaign=rss_partner_inbound

JoseMar - September 1, 2025, 9:37 am

Feels like deja vu, right? Everyone chasing efficiency, layering abstractions, then suddenly nobody remembers what's underneath. I get the convenience pitch, but honestly, isn't crypto supposed to dodge that trap?

Omniscient - September 1, 2025, 10:01 am

I think ETF's are gonna be a huge problem with paper crypto on the books.

Already talk about when ETF's have more than 21m Bitcoin on their balance sheets.

P??sonl?af - September 1, 2025, 11:39 pm

(Sep 1, 2025 10:01 AM)Omniscient Wrote: [\[CITE\]](#) I think ETF's are gonna be a huge problem with paper crypto on the books.

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Paper Crypto? I didn't know what that was do I google'd it.

"Crypto paper trading platforms provide simulated trading environments, allowing users to practice trading cryptocurrencies without financial risk"

If it's simulated what would be the problem?

Omniscient - September 2, 2025, 7:29 am

(Sep 1, 2025 11:39 PM)P??sonl?af Wrote: [\[CITE\]](#) Paper Crypto? I didn't know what that was do I google'd it.

"Crypto paper trading platforms provide simulated trading environments, allowing users to practice trading cryptocurrencies without financial risk"

If it's simulated what would be the problem?

No, it's when they put Bitcoin on their balance sheet but don't actually have it.

Example is Company A says they have 50000 BTC held in reserve. Then Company B says they

also have 50000 BTC held in reserve. But it turns out they use the same third holding treasury company that only has one companies 50000 BTC, but they count it twice.

With Public Ledger things should be more accountable but I think Wall Street knows how to game the system. Lots of Wrapped BTC exists.

I had AI explain it.

AI Quote: Good question — this gets into how Bitcoin's hard 21 million cap can appear to be "inflated" through financial products, derivatives, and wrapped representations. Here's a breakdown:

1. Paper BTC Concept

"Paper BTC" is a term borrowed from "paper gold." It describes financial claims to Bitcoin that aren't backed 1:1 by actual coins on-chain.

Custodians and Treasuries: If a company like Coinbase, Binance, or a traditional custodian holds BTC in reserve, they can issue IOUs (claims to BTC) in their internal system. Customers trade those claims without necessarily withdrawing the real BTC.

Fractional Practices: If custodians don't maintain a strict 1:1 backing, they could issue more claims than the BTC they physically hold, effectively creating synthetic "extra BTC."

2. Double Counting in Reserves

This happens when the same BTC is listed as an asset on multiple balance sheets:

Example: A company deposits 1,000 BTC with a custodian. The company reports 1,000 BTC in its treasury. The custodian also reports holding 1,000 BTC in reserves. To the outside world, it looks like 2,000 BTC exist in reserves, even though only 1,000 BTC are real.

Effect: When scaled across funds, ETFs, and custodians, the aggregate reported holdings could exceed 21 million, even though only 21 million exist on-chain.

3. Wrapped BTC (wBTC and Others)

Wrapped Bitcoin on other chains (Ethereum, Solana, etc.) introduces another layer:

Backing Mechanism: 1 BTC is locked with a custodian, and 1 wBTC is issued on Ethereum. Ideally, redeemable 1:1.

Risk: If custodians aren't fully transparent or audited, they could issue more wrapped tokens than BTC held. That would inflate the supply of "BTC equivalents" beyond what's actually locked. **User Perception:** People using wBTC may count it as "Bitcoin," even though it's really just an IOU.

4. Wall Street & Synthetic BTC

Traditional finance (Wall Street) could create paper BTC through:

ETFs & Funds: They issue shares that represent BTC. If those funds don't maintain strict 1:1 custody or engage in rehypothecation (re-lending the same BTC collateral multiple times), synthetic exposure grows. **Derivatives:** Futures contracts, options, and swaps give exposure to BTC's price without requiring any BTC to change hands. Large volumes of futures trading can create the impression of huge BTC liquidity that doesn't correspond to real coins.

Collateral Chains: Institutions can pledge BTC as collateral, then the same BTC can be re-used in multiple transactions (rehypothecation), multiplying claims on the same coins.

5. The End Result

On-chain BTC: Still limited to 21 million. That rule never changes.

Off-chain Paper BTC: Could grow well beyond 21 million in "claims" or "exposure." **Systemic Risk:** If everyone demanded physical BTC (wallet withdrawals) at once, the mismatch would be exposed — like a "bank run."

? In summary:

Bitcoin itself will never exceed 21 million.

* But through custodians, wrapped assets, ETFs, and Wall Street derivatives, the claims to Bitcoin could exceed the cap, creating an ecosystem of “paper BTC” that inflates perceived supply.