Cryptocurrency and Securities Exchanges

The following is based on research and commentary published in the June 2025 Horizon Kinetics Fixed Income & Cryptocurrency Compendium.

In simple terms, a Bitcoin treasury is a company that holds bitcoin on its balance sheet in lieu of traditional cash equivalent assets, or to supplement existing pools of cash. The bitcoin's purpose is to hedge against the erosion of cash's purchasing power over time. The most prominent example of a bitcoin treasury is a firm called Strategy, more commonly known by its old name, MicroStrategy.

It appears that companies are no longer content to merely hold bitcoin as a reserve, and now realize it can be lent to third parties in exchange for interest income—or perhaps transformed into another sort of structured investment product. In addition, Bitcoin has become part of a corporate finance strategy, with MicroStrategy being one example. The firm has been able to issue shares at a substantial premium to net asset value and issue convertible bonds on the same basis. This results in an antidilutive transaction that benefits existing shareholders, since it increases net asset value per share.

MicroStrategy has a $116 billion market capitalization. It owns 597,325 bitcoin as of July 10th, 2025; these are worth about $67 billion. The company has over $8.2 billion of debt and some deferred tax liabilities, largely due to bitcoin appreciation. A variety of software products generate substantial revenue, but they appear to operate collectively at the breakeven level. The historical appreciation of MicroStrategy stock shows that the corporate finance strategy has contributed quite successfully to shareholder value.

In light of this success, it should not be surprising that the company has begun to attract imitators after a fashion. The most recent example is the proposed merger of Cantor Equity Partners (CEP)—a special purpose acquisition company, or SPAC, sponsored by Cantor Fitzgerald with support from Tether, Bitfinex, and Softbank—into a much larger company to be known as Twenty One. The combined entity will hold approximately 42,000 bitcoin at the transaction's closing.

For now, CEP is the only element of the proposed entity that is trading. It had a $100 million market capitalization at its issuance last August; that has since swelled to $430 million. The average daily trading volume is 3.75 million shares, even though there are 12.8 million shares outstanding. In other words, this rather small SPAC has 100% shareholder turnover every three-plus days.

Upon the completion of the transaction, Twenty One will have 370.7 million shares outstanding. The current CEP shareholders will own about 3% of the combined entity. Based on CEP's market capitalization at this writing, the combined company will be valued at $12.2 billion.

Twenty One is expected lend its bitcoin to traders on a very secure basis, for very short periods, so they will be able to take advantage of the bitcoin arbitrage opportunities around the world. This is because bitcoin is still largely not traded on organized and regulated exchanges. Transaction rules and practices among nations can be very different; in many instances, there are no transaction rules.

A lender of bitcoin for arbitrage, therefore, will be able to deploy and redeploy the lending capital many times throughout the year, or at least more frequently—and at far better rates and spreads—than a conventional bank could with traditional fiat currency. Twenty One will have reasonable prospects of increasing its bitcoin held on a per-share basis.

It is possible, of course, that some cryptocurrency—perhaps one yet to be devised—will displace Bitcoin. And it is possible that the entire cryptocurrency project will be a failure. Nevertheless, it is indisputable that MicroStrategy's daily average trading volume is 11 million shares and CEP's is 3.75 million. This is additive to the marginal revenue and marginal profitability of the publicly traded securities exchanges.

The company's daily trading volume is actually exceeded by multiple single-stock ETFs based on MicroStrategy. These provide leverage on an investment in the firm without the recourse attained by purchasing it with leverage offered by a conventional margin account. The four most popular MicroStrategy single-stock ETFs, and their trading volumes, are provided below.

Table 1: Average Daily Trading Volume (ADTV) of MSTR Single Stock ETFs

		ADTV (millions of shares)
MSTU	T-Rex 2X Long MSTR Daily Target ETF	38.928
MSTY	Yieldmax MSTR Option Income Strategy ETF	10.888
SMST	Defiance Daily Target 2X Short MSTR ETF	1.119
MSTZ	T-Rex 2X Inverse MSTR Daily Target ETF	36.459
Total		87.393

Source: Bloomberg, As of July 10, 2025, 30d average daily trading volume

The trading volume of these ETFs absolutely dwarfs that of MicroStrategy and CEP, considerable though they may be. Again, these figures represent marginal revenue and profit for the publicly traded exchanges.

The fixed infrastructure necessary to trade these instrumentalities would exist with or without MicroStrategy, CEP, and the aforementioned single-stock ETFs. If something else were to someday displace Bitcoin, MicroStrategy, CEP, and these single-stock ETFs, it would probably also trade on an exchange.

Note, too, that MicroStrategy became a so-called bitcoin treasury company in 2020. The strategy involves issuing shares at a premium to NAV and using the proceeds to purchase Bitcoin. MicroStrategy started doing this in 2020 with 38.3 million shares outstanding; at the present time, it has 280.96 million shares outstanding.[1]

The investment public's appetite for shares of companies that hold bitcoin has clearly been stimulated by the success of MicroStrategy and CEP thus far. Not all of these are Bitcoin treasury companies, narrowly speaking, but they do hold bitcoin. Examples are below.

[1] Implied Shares Outstanding of common equity, assuming the conversion of all convertible subsidiary equity into common.

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Table 2: Selected Firms That Hold Bitcoin

		Number of Bitcoin	Daily Share Volume (millions)
MARA	MARA Holdings	48,137	46.367
RIOT	Riot Platforms	19,211	40.720
GLXY	Galaxy Digital	12,830	6.320
CLSK	CleanSpark	12,101	27.733
HUT	Hut 8 Corp.	10,273	6.715

Source: Company reports, Bloomberg

Notably, Tesla, Inc. is not mentioned above, but holds 11,509 bitcoin and has a great deal of trading volume. The $1.3 billion value of its bitcoin is considerable if viewed in isolation, but is obviously not material in the context of Tesla's broader business activities.

In any case, the figures above are large even in the context of the enormous U.S. share-trading volume. On a normal day, approximately 19.8 billion shares are traded. The largest constituent elements of this volume are the FINRA/NASDAQ Trade Reporting Facility (9.2 billion shares); NASDAQ (3 billion); New York Stock Exchange (2.3 billion); and ARCA (1.8 billion). Therefore, the aforementioned trading instrumentalities already exert a measurable impact on U.S. equity trading volume.

These five instrumentalities are only part of the total impact on U.S. equity trading volume generated by Bitcoin. Another element to consider is the aggregate trading volume of the ETFs. The primary Bitcoin ETFs and related trading volumes are as follows.

Table 3: Daily Trading Volume, Primary Bitcoin ETFs

		Daily Trading Volume *(millions of shares)*
IBIT	iShares Bitcoin Trust ETF	42.123
FBTC	Fidelity Wise Origin Bitcoin Fund	2.675
GBTC	Grayscale Bitcoin Trust	1.871
ARK	ARK 21Shares Bitcoin ETF	2.211
BTC	Grayscale Bitcoin Mini Trust ETF	0.885
BITB	Bitwise Bitcoin ETF	1.327
BITX	2x Bitcoin Strategy ETF	7.906
BITO	ProShares Bitcoin ETF	7.158
HODL	VanEck Bitcoin ETF	0.750
BITU	ProShares Ultra Bitcoin ETF	1.885
Total		68.790

Source: Bloomberg

For comparison, consider that Apple Inc.'s daily trading volume is 54.9 million shares, lower than the combined total of the Bitcoin ETFs. The S&P 500's two largest positions are Microsoft Corp. and NVIDIA

Corp., each of which have a 6.78% weight. Microsoft's daily trading volume is 19.4 million shares; NVIDIA's is 200 million. The combined volume of the leading Bitcoin ETFs is less than NVIDIA's, but is still significant, even in relative terms. The bitcoin-related share trading volume comfortably exceeds Microsoft's.

This table shows some volume figures for different kinds of assets.

Table 4: Average Daily Trading Volume by Asset Category (June 2025)

Asset Category	Avg. Daily Trading Volume *($ in billions)*	% YoY Change
U.S. Government Bond	$223.6	6.1%
Mortgage	226.5	8.4%
Swaps/Swaptions ≥ 1 Year	494.9	13.2%
Credit Derivatives	12.0	-18.5%
Repurchase Agreement (REPO)	765.1	27.7%
Other Money Market	275.7	1147.8%

Source: Tradeweb

There is no reason Bitcoin cannot or will not produce this magnitude of volume. It is truly possible. And, if this happens, it will drive securities exchanges trading volumes—because unlike bonds, the cryptocurrency products are listed products, just as if they were equities. In many cases, they count as equities.

None of the aspiring bitcoin treasury companies have announced plans to engage in either cryptocurrency arbitrage or even in lending to practitioners of cryptocurrency arbitrage. Nevertheless, these markets do exist, and offer more profitable opportunities than foreign currency arbitrage. In foreign currency, the price differences in pairs are very small, yet perfectly exploitable by computers.

In cryptocurrency arbitrage, the market is open seven days a week, 24 hours a day. There are three types: cross-exchange arbitrage, spatial arbitrage, and triangular arbitrage. Cross-exchange is the easiest to understand; an example would be that Bitcoin would trade at a different price at Coinbase versus Kraken. Spatial involves the simultaneous purchase and sale of bitcoin in different nations. Triangular involves either trading Bitcoin/Ethereum pairs versus the Ethereum/Litecoin pair, or back into Bitcoin via the Litecoin/Bitcoin pair.

One can either engage in an arbitrage or lend to its practitioners. Litecoin-related pairs are very popular. This is why 80,071,669 Litecoin have been transmitted on that blockchain in the 24 hours prior to this writing, although there are only 77,406,950 Litecoin in existence.[2]

An organized institutionalized cryptocurrency arbitrage market is being created. It will mirror the foreign exchange market in size and scope, and offer many opportunities for Bitcoin treasury companies. On the

[2] Source: https://bitinfocharts.com/. As of July 10th, 2025.

other hand, if Bitcoin treasury companies only choose to simply hold bitcoin, their shares will soon be trading at simple net asset value.

The stated purpose of a bitcoin treasury company is to increase the amount of bitcoin held per share, quite different from the stated purpose of ETFs. With a conventional Bitcoin ETF, the amount of bitcoin held per share will gradually—but nonetheless inexorably—decline. This is because a Bitcoin ETF only holds bitcoin, which does not generate interest and dividends, unlike the securities held in a conventional ETF. A Bitcoin ETF must undertake some periodic sale of bitcoin to pay fees and expenses; consequently, the bitcoin held on a per-share basis will decline.

This is merely the state of affairs right now. As the bitcoin treasuries develop means of generating income—presumably denominated in bitcoin—with which to increase bitcoin held per share, it is reasonable to assume ETFs will follow suit, to some extent.

For example, one can readily visualize a future where ETFs will be permitted to lend bitcoin to counterparties. This might just be on a secured basis at first. But ultimately, some Bitcoin ETFs might be permitted to take principal risk, with adequate disclosure to shareholders, in an effort to earn higher returns. Other ETFs might remain more conventional. None of this factors in the possibility that other cryptocurrency ETFs and treasury companies will be created. An Ethereum ETF already exists.

Again, the clear beneficiaries of this activity are the publicly traded exchanges. In the U.S., this includes Cboe Global Markets, Inc. (market capitalization: $24 billion), CME Group Inc. ($99 billion), Intercontinental Exchange, Inc. ($104 billion), and Nasdaq, Inc. ($52 billion). The combined market capitalization of these four companies is $279 billion, roughly 35% of JPMorgan Chase & Co. ($800 billion).

Unlike a conventional bank, these four companies do not risk capital in a loan portfolio. In fact, relative to current levels of cash flow, they are not very capital-intensive. The inevitable path of securitization and growth of Bitcoin by itself, even ignoring other cryptocurrency possibilities, is adequate to supply years of growth to these exchanges.

The exchanges still have a vast panoply of opportunities to prosper, even if Bitcoin as a project—or cryptocurrency more generally—were to fail. If, on the other hand, the Bitcoin project or the larger cryptocurrency venture succeeds, a new asset class will have been created. It could well be considerably larger than the existing U.S. equities class, which amounts to $48.6 trillion.

Bitcoin's market capitalization comfortably exceeds $2 trillion, equal to roughly 5% of the U.S. equities asset class; the capitalization of all cryptocurrency exceeds $3 trillion. Bitcoin may not only be a new asset class. It may well be a long-term threat to the equity asset class.

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