

# Comment on MSCI Consultation on Digital Asset Treasury Companies (DATCos)

## Ensuring Accurate Classification of Operating Digital Asset Companies Within MSCI Equity Indices



**Submitted by:**

**Charles Allen**

Chief Executive Officer

BTCS Inc. (Nasdaq: BTCS)



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## **1. Executive Summary**

BTCS Inc. appreciates the opportunity to comment on MSCI's consultation regarding the treatment of Digital Asset Treasury Companies ("DATCos"), defined here as companies whose digital assets function primarily as balance sheet investments rather than productive operating inputs, and whose valuation and performance are dominated by those holdings.

We support MSCI's objective of ensuring that equity indices represent operating businesses whose performance reflects business execution, revenue generation, and operational scale, rather than passive exposure to underlying digital assets.

Our concern is that a single balance sheet threshold, such as digital assets exceeding a fixed percentage of total assets, risks conflating two economically distinct categories of companies. The first category consists of blockchain-centric operating companies, where digital assets are productive inputs required to generate revenue. The second category consists of DATCos, where digital assets function primarily as balance sheet investments and dominate valuation.

BTCS falls squarely in the first category. Although BTCS maintains a high concentration of Ethereum on its balance sheet, those assets are essential operating capital that support validator operations, block building, and DeFi-based infrastructure services that generate recurring and scalable revenue.

We therefore respectfully propose for consideration a multi-factor approach that would supplement balance sheet metrics with revenue-based and operational criteria to help distinguish operating companies from DATCos.

## **2. The Risk of Over-Broad Categorization**

A balance sheet-only approach, while correctly identifying passive treasury vehicles, risks excluding innovative operating companies that equity investors expect to find in MSCI indices, particularly within small-cap, technology, and growth segments.

Digital asset concentration alone does not determine economic behavior. The critical question is how those assets are used.

## **3. Economic Distinction Between Non-Productive and Productive Digital Assets**

Bitcoin, along with certain other digital assets that lack native programmability or embedded utility, functions primarily as a non-productive digital commodity. Holding such assets does not, in itself, generate operating revenue.

By contrast, smart contract-based blockchain networks such as Ethereum underpin a programmable digital economy. Ethereum is required to operate validators, execute smart

contracts, support block building, enable DeFi services, and participate in protocol-level infrastructure.

For companies like BTCS, Ethereum functions as productive capital equipment rather than a passive treasury asset.

By analogy, an aircraft components manufacturer may hold a large concentration of capital equipment, such as CNC machines, on its balance sheet. While those machines are commodities in isolation, when deployed within the company's production process they become productive assets that enable the manufacture of aircraft components. As demand for those components grows, the company acquires additional machines to expand output, increasing balance sheet concentration without altering the fact that it is fundamentally an operating business.

Similarly, for blockchain infrastructure companies, exchanges, and other blockchain-focused operating businesses, digital assets such as Ethereum are required operating inputs that enable validator participation, block building, protocol-level services, and the provision of on-chain markets and services. In this context, higher digital asset concentration reflects operating scale and capital intensity rather than passive asset accumulation.

#### **4. Two Distinct Economic Buckets**

Based on the economic characteristics described above, publicly traded companies with material digital asset exposure generally fall into two distinct categories.

##### **Bucket 1: Blockchain-Centric Operating Companies**

Companies in this category generate the majority of their revenue through active participation in blockchain ecosystems. Digital assets function as productive operating inputs required to support infrastructure, services, or technology-enabled business models.

Revenue is derived from activities such as block building, validator and node infrastructure, exchange operations, custody, settlement, protocol-level services, and other blockchain-based operating activities. In these cases, digital asset concentration reflects operating scale and capital intensity rather than a treasury strategy.

Examples include Coinbase Global, Inc., which generates substantial revenue from exchange, custody, and settlement services; BTCS Inc., which derives a super majority of its revenue from block building operations supported by validator infrastructure; and Marathon Digital Holdings, Inc., a Bitcoin mining company whose core operations reflect an infrastructure-based operating business.

## Bucket 2: Asset-Centric Digital Asset Treasury Companies (DATCos)

Companies in this category primarily hold digital assets as balance sheet investments, and their valuation, performance, and capital allocation are dominated by those holdings. Operating revenue, if present, is limited, ancillary, or unrelated to blockchain ecosystem participation.

Metaplanet Inc., historically a hospitality company, pivoted to a Bitcoin-centric treasury strategy. While it maintains a legacy operating business, that activity is economically immaterial relative to its digital asset holdings, and investor interest is driven primarily by Bitcoin exposure rather than operating performance.

Strategy Inc., formerly MicroStrategy Inc., maintains a large Bitcoin treasury that dominates valuation and capital allocation. While it operates a legacy enterprise software business, that revenue is not tied to blockchain ecosystem activity, and Bitcoin is not a productive input to those operations. In recent years, Strategy Inc. has increasingly relied on capital markets instruments, including multiple classes of preferred equity and convertible debt, structured to provide investors with differentiated exposure and yield profiles linked to its Bitcoin holdings. These instruments are financial structures designed to repackage Bitcoin exposure rather than revenue-generating operating products, reinforcing the asset-centric nature of the company's business model.

### 5. Proposed Considerations for Differentiating DATCos from Operating Companies

In light of the distinctions described above, we respectfully offer for MSCI's consideration a set of potential additional criteria that may help differentiate DATCos from blockchain-focused operating companies, recognizing that MSCI may identify other relevant factors as part of its methodology review. These considerations are intended to supplement balance sheet thresholds with objective, operationally grounded indicators that better reflect how a company generates value and the type of equity exposure investors would reasonably expect.

- **Revenue productivity metrics:** This category focuses on whether digital assets function as productive operating inputs rather than passive holdings. One potential metric is revenue relative to digital asset or total asset value. Higher and consistently growing ratios indicate that digital assets are being actively deployed to generate revenue, while lower ratios may indicate a primarily treasury-oriented profile.

*Illustrative example:* Operating revenue exceeding approximately 2.5% of total assets over a trailing twelve-month period.

- **Revenue growth relative to digital asset or total asset growth:** This comparison helps distinguish operating leverage from asset accumulation. Revenue growth that materially exceeds growth in digital asset or total asset value suggests scalability driven by business execution, while revenue growth that closely tracks digital asset or total asset growth may suggest a treasury-driven model.

*Illustrative example:* Annual revenue growth exceeding annual total asset growth by 10%.

- **Revenue composition metric:** This category evaluates the nature of revenue sources, particularly the distinction between operating revenue and staking-related income. Staking revenue, especially when outsourced to third parties, can resemble passive yield similar to asset holding. A revenue mix dominated by operating activities indicates an active business model.

*Illustrative example:* Staking-related revenue representing no more than 10% of total revenue.

- **Revenue derived from blockchain-based ecosystem activities:** This category assesses whether revenue is generated through active participation in blockchain ecosystems rather than through unrelated or legacy businesses. Relevant activities include block building, validator and node infrastructure, Bitcoin mining, protocol-level services, DeFi infrastructure, exchange operations, and related activities that require ongoing operational engagement.
- *Illustrative example:* Over 80% of total revenue attributable to blockchain-based operating activities, as disclosed through segment reporting.

Considered collectively, these revenue-based considerations are intended to function as a multi-factor framework rather than as standalone tests. In practice, the presence of two or more of the criteria described above, or other similar indicators identified by MSCI, may reasonably suggest that a company's digital assets are being deployed as productive operating inputs rather than held primarily for treasury purposes. Recent changes to U.S. GAAP segment reporting requirements, specifically FASB Accounting Standards Update 2023-07, expanded mandatory disclosure of revenues and expenses by operating segment. As a result, these indicators are increasingly transparent, consistently disclosed, and readily measurable, making them practical inputs for index classification.

### 6. BTCS as a Digital Asset Operating Company

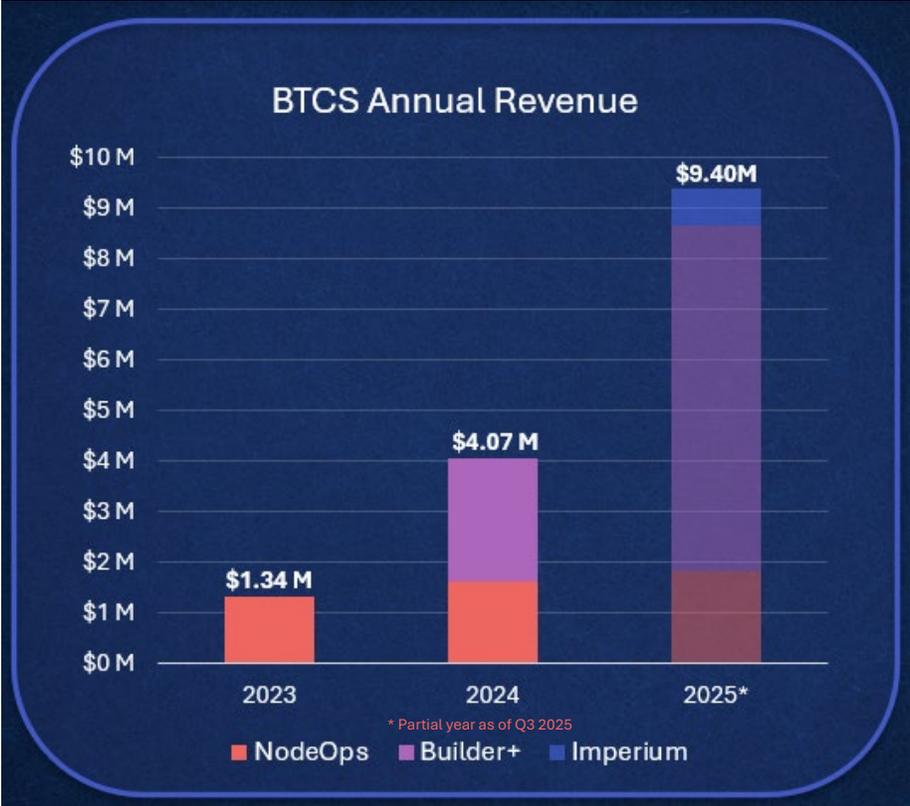
The framework described above can be applied in practice to distinguish blockchain-focused operating companies from DATCos. BTCS provides a representative example of how a blockchain-centric operating business may be characterized under a multi-factor approach, supported by both revenue composition and comparative operating metrics.

BTCS operates three distinct and complementary business lines:

- **NodeOps** consists of validator operations and staking infrastructure.
- **Builder+** consists of block building.
- **Imperium** consists of DeFi infrastructure strategies.

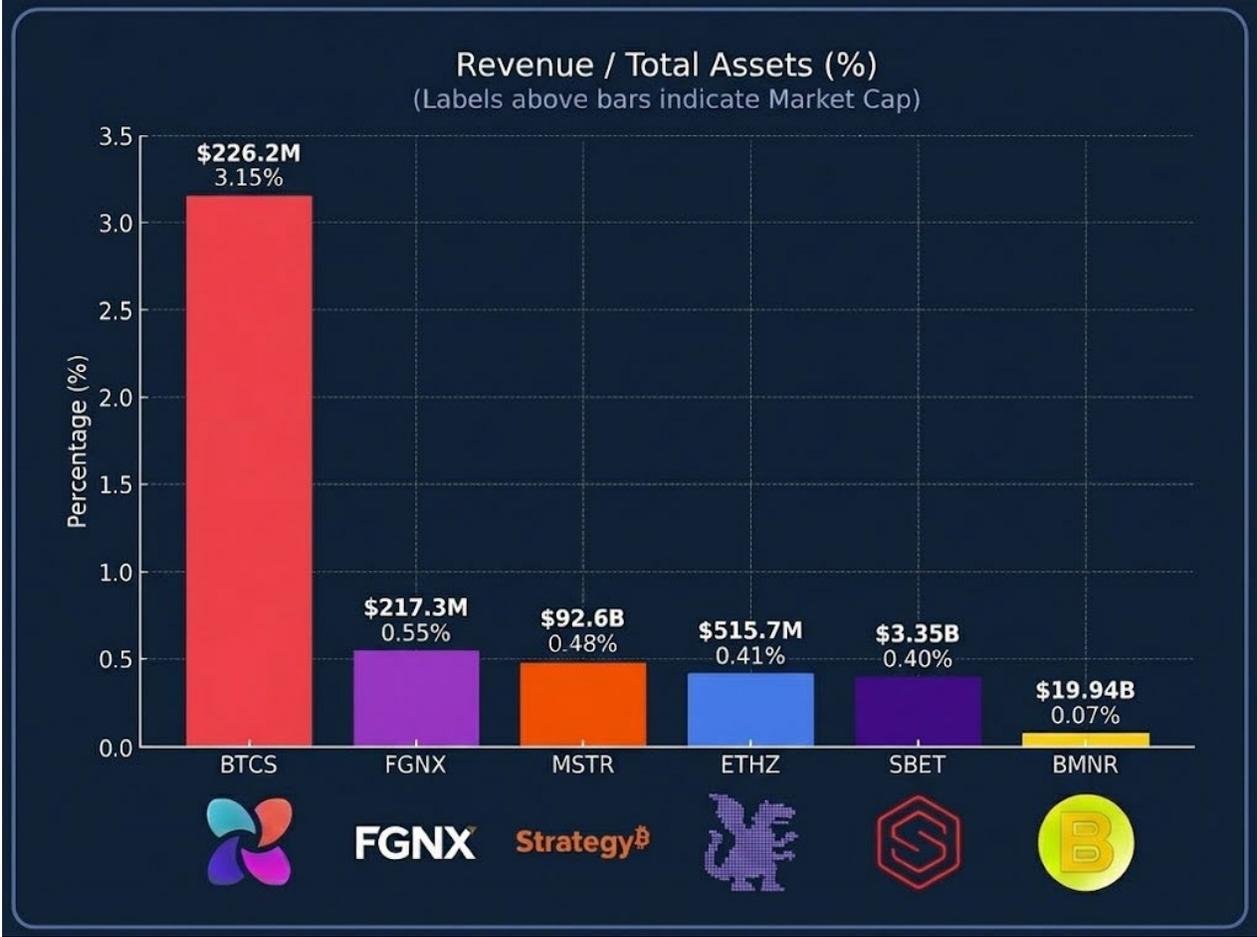
Figure 1 presents BTCS’s revenue growth over the past three years, broken out by operating segment. The figure illustrates both the scale of revenue growth and the increasing contribution from block building and DeFi activities relative to validator and staking operations. For clarity, revenue shown for 2025 reflects the nine months ended, rather than a full fiscal year. Approximately 80% of BTCS’s revenue is derived from block building operations. The resulting concentration of digital assets on BTCS’s balance sheet is therefore a direct consequence of operating efforts rather than a passive treasury strategy.

Figure 1. BTCS Revenue by Operating Segment (2023–2025)



In addition to revenue composition, BTCS’s operating profile can be evaluated relative to peers using revenue productivity metrics. *Figure 2* compares BTCS with certain other publicly traded digital asset–exposed companies based on revenue relative to total assets. This comparison highlights the extent to which BTCS generates operating revenue per unit of digital assets held, in contrast to companies whose revenues more closely resemble passive or treasury-oriented profiles.

Figure 1. Revenue Relative to Digital Asset Book Value



Source: SEC filings. 2025 Q3 9-month ended (BMNR full year 2025)

BTCS is currently the only publicly traded company combining block building, validator infrastructure, and DeFi activities at scale within a single operating platform, although we expect additional companies to adopt similar structures as blockchain infrastructure markets mature.

## **7. Conclusion**

BTCS supports MSCI's effort to address DATCos. The digital asset economy is nuanced, and balance sheet concentration alone does not define economic behavior.

A multi-factor approach centered on revenue productivity, growth dynamics, and ecosystem participation may help MSCI distinguish between asset-centric DATCos and blockchain-focused operating companies, preserving index integrity and investor expectations.

BTCS respectfully submits these considerations for MSCI's review and welcomes continued engagement.

**Charles Allen**

Chief Executive Officer

**BTCS Inc. (Nasdaq: BTCS)**