Bridges and wrapped assets

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A bridge is a mechanism that lets a token on one chain be represented on another. In the dominant lock-and-mint design, the user locks the original token in a contract on chain A and a corresponding wrapped token is minted on chain B. Wrapped Bitcoin (WBTC) on Ethereum is the best-known example and is operated by a custodian that holds the Bitcoin and mints the Ethereum token against it. The wrapped token is a claim, in economic substance, against whoever controls the locked assets.

That observation does most of the legal work. A wrapped token is only as good as the lock. If the bridge is a single company holding keys, the wrapped token is a claim against that company and the holder is an unsecured creditor in its insolvency unless a trust or segregation arrangement says otherwise. If the bridge is a multi-signature arrangement among known parties, the question is whether they are jointly liable, which under Swiss law raises the simple partnership of Art. 530 ff. CO, examined in Chapter VII and Part D, Chapter VII. If the bridge is a smart contract with no administrator, the holder has a claim against no one and bears the exploit risk alone. Chapter III returns to wrapped tokens as a classification problem.

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