Off-ramping a treasury

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A protocol treasury that needs fiat for salaries, rent and taxes has to convert tokens. Four routes exist. The first is sale on a centralised exchange and withdrawal to the entity's bank account. That requires the exchange to have onboarded the entity, the bank to have accepted the exchange as a counterparty and the amounts to fit the exchange's and the bank's limits. The second is an over-the-counter trade with a regulated broker, which handles larger amounts with less market impact and delivers fiat from the broker's own bank, so the entity's bank sees a transfer from a regulated counterparty. The third is conversion to a stablecoin and redemption with the issuer, which for USDC and the Swiss franc stablecoins requires an account with the issuer and delivers fiat from the issuer's reserve bank. The fourth is a loan against the tokens from a bank or lender, which produces fiat without a sale and without a taxable event, at the cost of interest and a margin call risk.

The choice is driven by three considerations. The tax consequence of a sale is covered in Chapter V for the issuer and Chapter I for the founder. A loan defers it. The market impact of a sale of a thinly traded token is severe and signals to the market that the treasury is selling, which an over-the-counter trade reduces. The bank's reaction to the inflow depends on the counterparty. A transfer from a

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regulated Swiss broker or a stablecoin issuer's bank arrives with a known origin. A transfer from an exchange in a jurisdiction the bank has not approved will be held and questioned.

Example

A Zug foundation holds a treasury of 20 million of its own token, worth about CHF 30 million, and needs CHF 2.4 million of fiat a year for grants and operations. It approaches its Swiss bank with a plan: quarterly sales of CHF 600,000 through a Swiss OTC broker regulated as a securities firm, with the broker's compliance team having onboarded the foundation and reviewed the treasury addresses. The bank approves the counterparty and the schedule. Each quarter the foundation transfers tokens to the broker's address and receives Swiss francs from the broker's bank with a reference to the trade confirmation. The bank's transaction monitoring sees a regulated counterparty and an expected amount. The foundation's auditor receives the trade confirmations and the on-chain records and signs off the realisation at the trade price. The alternative plan, a weekly sale on an offshore exchange with withdrawal to the foundation's account, would have produced forty-eight unexplained inflows a year and a bank that asked questions each time before closing the account.

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