

Why Digital Asset Treasuries Are Drawing Regulator Concerns

By **Sujay Dave and Anil Donmez** (December 4, 2025)

In September, the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority reportedly launched coordinated inquiries into more than 200 public companies that maintain significant digital asset holdings, often referred to as digital asset treasuries, or DATs.[1]

These investigations are said to focus on the possibility of insider trading activity prior to the announcement of crypto purchases. Although no enforcement actions have been announced to date, the inquiries underscore that DATs are a clear focal point for financial regulators.

DATs are firms that hold crypto-assets not merely as speculative investments, but as deliberate components of their corporate asset base. MicroStrategy Inc., now operating as Strategy Inc., is often cited as the pioneer and archetype: It is a publicly traded company that holds more than 600,000 bitcoins, worth tens of billions of dollars.[2]

Strategy Inc. is no longer unique, however, as the number and scale of DATs have expanded rapidly in recent years. According to CoinGecko, more than 190 publicly traded entities now maintain DATs, with an aggregate value exceeding \$121 billion.[3]

DAT holdings have accelerated sharply in recent months. As illustrated in Figure 1, the total dollar value of crypto-assets held by top DATs, defined as those with total crypto-asset values exceeding \$500 million, doubled from roughly \$60 billion to \$120 billion between this May and October, primarily driven by the acquisitions of bitcoin and ethereum. Figure 2 shows that reported bitcoin holdings grew by about 40% over the same period, while collective ethereum positions rose even faster.



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Figure 1: The USD Value of Crypto-Assets Held By Top Digital Asset Treasuries[4]

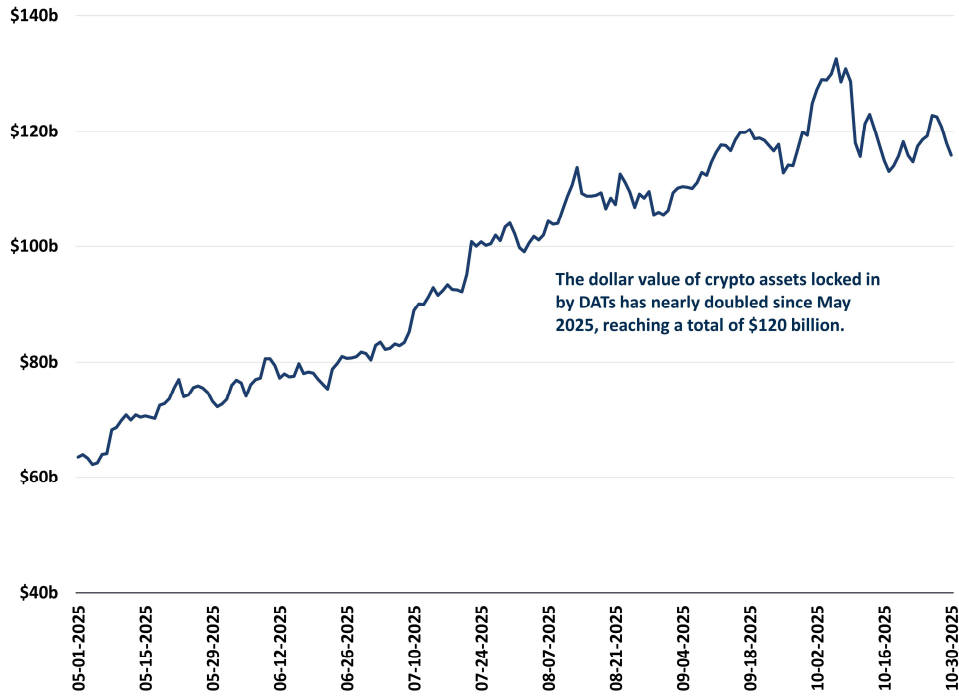
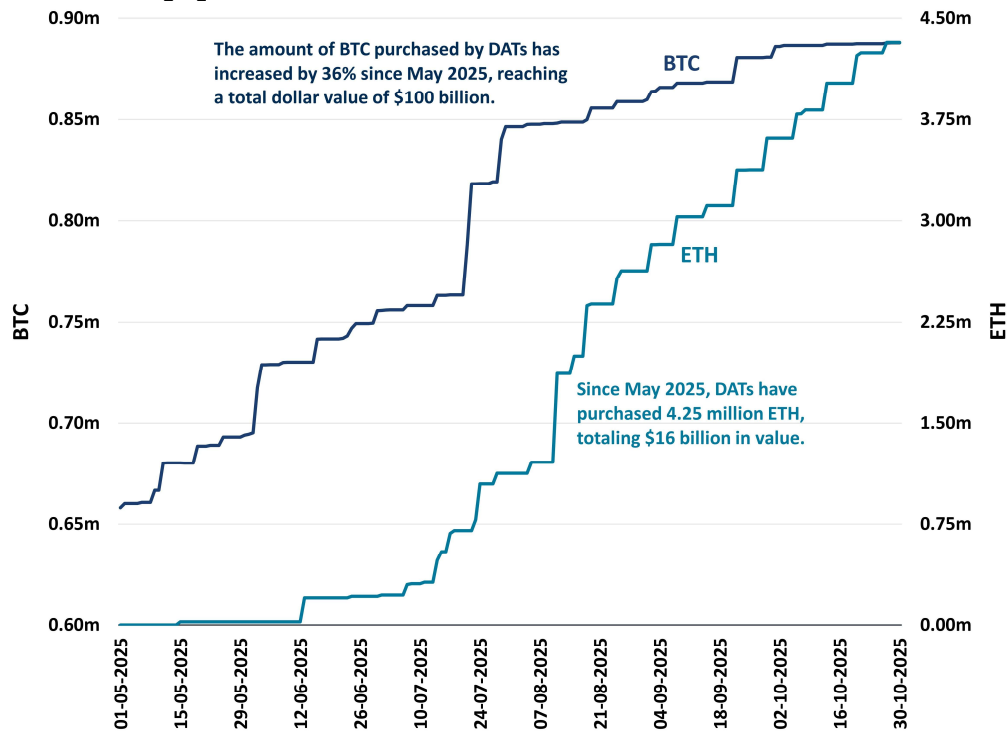


Figure 2: Total Bitcoin (BTC) and Ethereum (ETH) Held by Top Digital Assets Treasuries[5]



As regulators take a closer look at these rapidly expanding holdings, their attention is expected to center on two key areas: potential insider trading risks and the adequacy of disclosures about digital asset exposures. In this article, we examine these topics and what they may mean for DATs.

Insider Trading Investigations

The underlying economics of DATs may help explain both their rapid growth and the regulatory focus. The typical DAT business model involves raising capital through the issuance of equity or convertible debt and deploying the proceeds to purchase crypto-assets.[6] By holding digital assets on their balance sheets, these companies provide investors with indirect exposure to crypto through traditional equity markets.

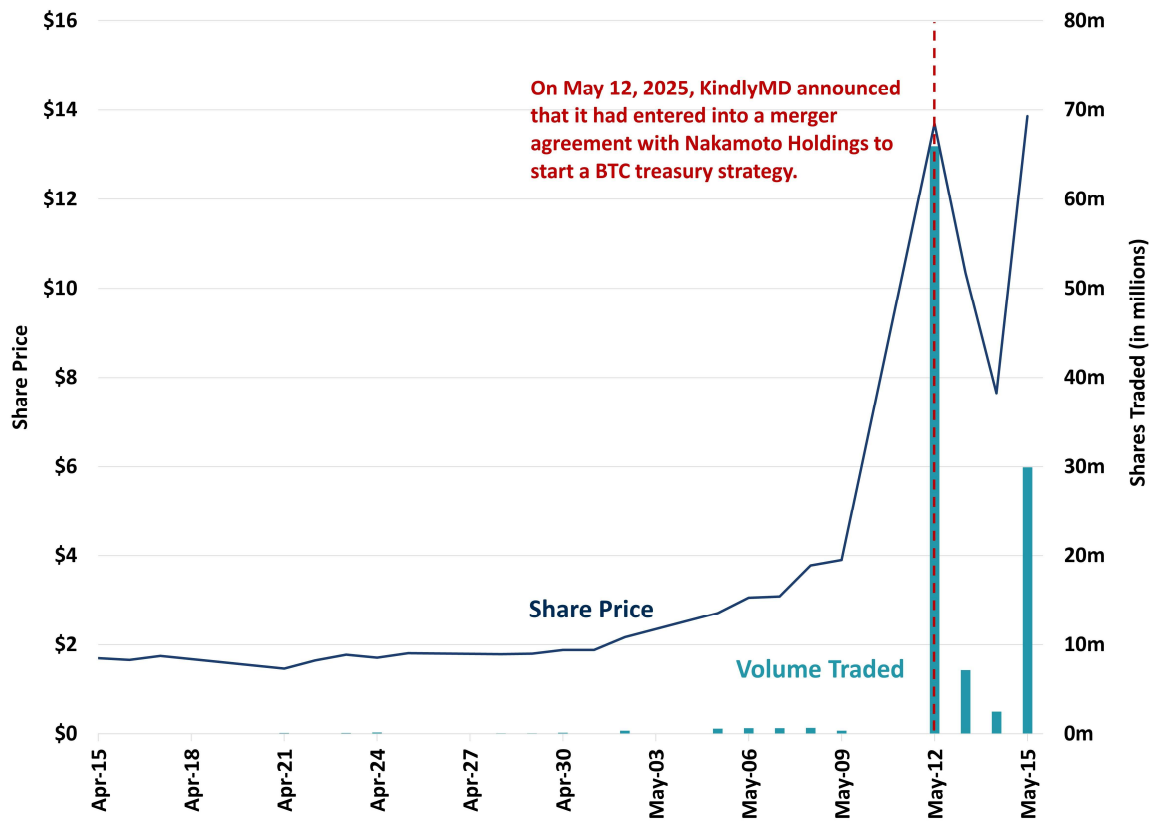
During periods of market optimism, DAT shares frequently trade at substantial premiums to their net asset value, meaning that investors may be willing to pay more for each dollar of underlying crypto held than its market worth. This premium may reflect a preference for crypto exposure through a traditional security instrument or confidence that the company will expand its treasury through future capital raises. Recent research indicates that Strategy Inc. was trading at a 53% premium to its net asset value in August.[7]

These same dynamics may also help explain why concerns about insider trading have emerged around DATs. Because the announcement of a major crypto purchase or a strategic shift toward a DAT model can materially influence market perceptions, access to this information before it becomes public could create opportunities for early trading. A recent analysis noted that the share prices of several DATs have shown sharp upward movements in the days immediately preceding announcements of large bitcoin acquisitions or treasury expansions.[8]

In a market where valuations depend heavily on investor enthusiasm and expectations of continued crypto accumulation, even small information advantages may translate into trading profits. Regulators may have therefore become attentive to whether insiders or affiliates might be using nonpublic knowledge of upcoming transactions or rebranding efforts to accumulate shares before anticipated announcements.

In a public post made this autumn on LinkedIn, an independent market observer discussed a scenario involving KindlyMD, a healthcare company. On May 12, KindlyMD announced its planned merger with Nakamoto Holdings, a bitcoin treasury company, as part of a rebranding strategy (see Figure 3).[9] In the LinkedIn post, the author speculated that trading activity observed around the time of these announcements resembled patterns that might occur if certain investors had advance knowledge of the transactions.[10]

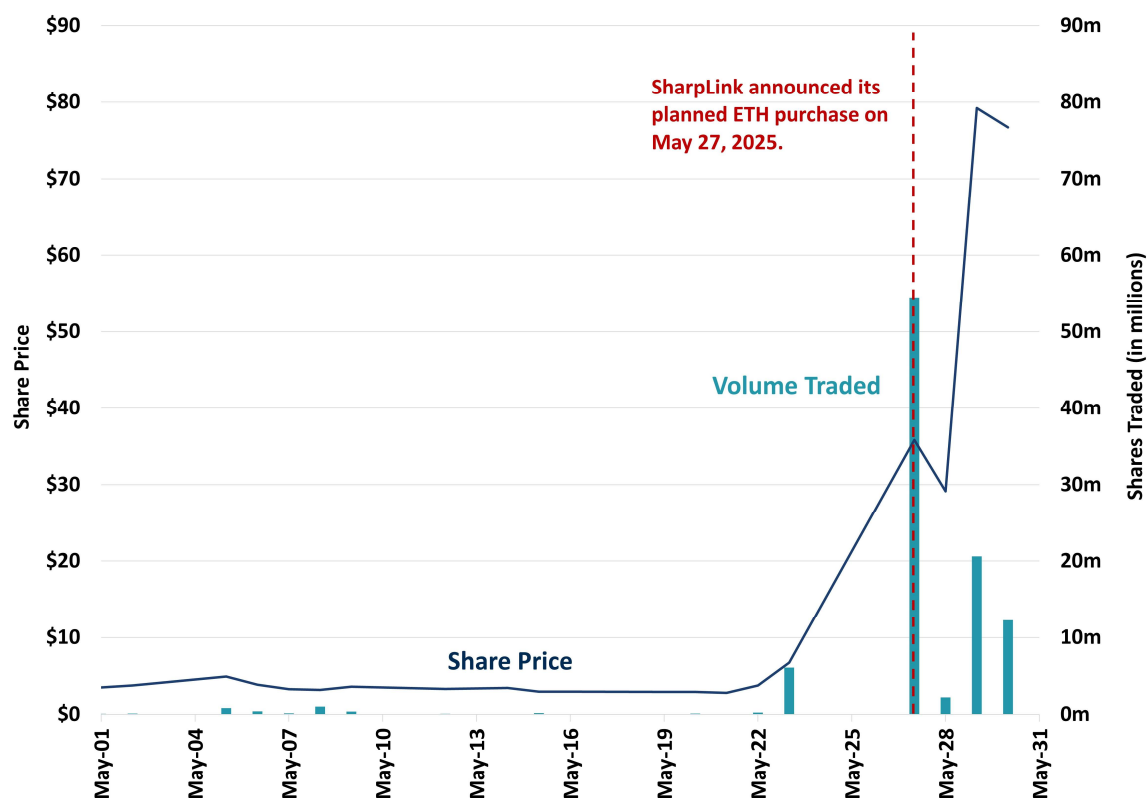
Figure 3: Share Price vs. Shares Traded — KindlyMD Inc.[11]



A Fortune report described similar trading patterns involving SharpLink Gaming Inc., a marketing company serving sportsbooks and casinos, whose stock traded below \$3 per share through April and early May.[12] On May 27, the company announced plans to add approximately \$425 million in ethereum to its balance sheet, after which its share price rose sharply to nearly \$36 (see Figure 4).[13]

According to Fortune, the stock had already more than doubled from below \$3 to \$6 in the three trading days preceding the announcement, even though the company had issued no SEC filings or press releases during that period.[14]

Figure 4: Share Price vs. Shares Trade — SharpLink Gaming[15]



These patterns described by commentators mirror behavior long familiar in traditional securities markets, where traders seek to benefit from information asymmetries before merger announcements or earnings disclosures. What differentiates DATs is the speed with which treasury decisions — effectively asset allocation decisions — can move equity valuations.

The DAT model appears to be transforming balance sheet management into a market-moving event: Each new acquisition of a crypto-asset can serve as both a financial investment and a signaling device to investors. This structural linkage between treasury activity and equity valuation is likely to heighten the potential risks of selective information sharing.

Risk Disclosures

The quality and completeness of risk disclosures may be another focus for regulators, as they remain uneven across the DAT sector. Some large and established DATs, such as Strategy Inc., explicitly describe how crypto market volatility, custody arrangements and collateralized borrowing affect their financial positions.[16] Their quarterly reports typically include dedicated sections outlining price, liquidity and counterparty exposures consistent with Accounting Standards Update 2023-08, guidance issued by the Financial Accounting Standards Board in December 2023.

For example, in its most recent 10-Q, Strategy Inc. states:

We hold our bitcoin with regulated custodians that have duties to safeguard our private keys. We continually seek to engage additional custodians to achieve a greater degree of diversification in the custody of our bitcoin as the extent of potential risk of loss is dependent, in part, on the degree of diversification.

...

Although we continue to initially record our bitcoin purchases at cost, upon adoption of ASU 2023-08 on January 1, 2025, any subsequent increases or decreases in fair value are recognized as incurred in the Consolidated Statements of Operations, and the fair value of our bitcoin is reflected within the Consolidated Balance Sheets each reporting period-end.

...

We have used a significant portion of our cash, including cash generated from capital raising transactions, to acquire bitcoin. We account for our bitcoin as indefinite-lived intangible assets. ... Bitcoin is a highly volatile asset that has traded below \$60,000 per bitcoin and above \$120,000 per bitcoin in our principal market in the 12 months preceding September 30, 2025. A significant decrease in the price of bitcoin would have a material adverse effect on our earnings.

In contrast, several other DATs have not adopted comparable disclosure practices. For example, SharpLink discusses ethereum staking and counterparty risks but omits price sensitivity analysis and custodian identification.[17] Similarly, Semler Scientific Inc., another DAT, does not provide a custodian breakdown or quantification of crypto price exposure.[18]

Under SEC disclosure standards, registrants are expected to provide both quantitative and qualitative disclosures about market risk exposures, including fair values, contract terms, expected cash flows, sensitivity analyses, and any material changes in exposures or models, to enable readers to assess potential losses in fair value, earnings, or cash flows resulting from market rate or price changes.[19] Thus, questions over whether a disclosure provides a clear crypto risk discussion may invite regulatory scrutiny or private litigation.

Conclusion

The recent SEC and FINRA inquiries into DATs highlight the wide variation in how these companies report their crypto holdings and describe their risk exposures, differences that have drawn the attention of regulators. These inquiries are said to have coincided with share price movements preceding crypto-related announcements, suggesting that market participants are sensitive to both the valuation of digital assets and the timing of related disclosures.

As these companies continue to expand, the interaction among market volatility, disclosure practices and investor behavior will remain central to how DATs are evaluated and understood.

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[1] "Unusual Trading Ahead of Crypto-Treasury Deals Draws Scrutiny From U.S. Regulators," Vicky Ge Huang, Wall Street Journal, Sept. 25, 2025, available at <https://www.wsj.com/finance/regulation/sec-crypto-treasury-deal-trading-21d631ae>.

[2] Strategy Inc., Quarterly Report on Form 10-Q for the period ended Sept. 30, 2025, at 1.

[3] "Crypto Treasury Companies," CoinGecko, available at <https://www.coingecko.com/en/treasuries/companies>.

[4] The data is sourced from CoinGecko. It includes companies with total crypto-asset values exceeding \$500 million as of Oct. 30, 2025.

[5] The data is sourced from CoinGecko. It includes companies with total crypto-asset values exceeding \$500 million as of Oct. 30.

[6] "Implosion of Digital Asset Treasury Companies: Why This Could Spark the Next Crypto Downturn," Coinchange, Sept. 5, 2025, available at <https://www.coinchange.io/blog/implosion-of-digital-asset-treasury-companies-why-this-could-spark-the-next-crypto-downturn>.

[7] "Leverage Risks That Cannot Be Ignored: Hidden Concerns Behind the Prosperity of Digital Asset Treasury DATs," PANews Lab, Aug. 26, 2025, available at <https://www.panewslab.com/en/articles/b2a843cd-026e-4481-a13b-3e99f28d7d76>.

[8] "Crypto hoarding brings a stock pop for small firms — and in some cases shows patterns of possible insider trading," Ben Weiss, Fortune, Aug. 28, 2025, available at <https://fortune.com/crypto/2025/08/28/digital-asset-treasury-companies-insider-trading-front-running/>; "Crypto Treasury Boom Triggers Insider Trading Concerns — Fortune Report," XT Blog, Aug. 29, 2025, available at <https://www.xt.com/en/blog/post/crypto-treasury-boom-triggers-insider-trading-concerns-fortune-report>.

[9] "David Bailey and Bitcoin-Native Holding Company Nakamoto Announce Merger with KindlyMD to Establish Bitcoin Treasury," Nasdaq, May 12, 2025, available at <https://www.nasdaq.com/articles/david-bailey-and-bitcoin-native-holding-company-nakamoto-announce-merger-kindlymd>.

[10] Seth Ahrenbach, LinkedIn, September 2025, available at https://www.linkedin.com/posts/seth-ahrenbach_heres-how-the-insider-trading-for-digital-activity-7377339157251031040-b2F4/.

[11] Data is sourced from S&P Capital IQ.

[12] "Crypto hoarding brings a stock pop for small firms — and in some cases shows patterns of possible insider trading," Ben Weiss, Fortune, Aug. 28, 2025, available at <https://fortune.com/crypto/2025/08/28/digital-asset-treasury-companies-insider-trading-front-running/>.

[13] "SharpLink Gaming To Raise \$425 Mln Through PIPE For Ethereum Treasury Strategy With Consensus," Nasdaq, May 27, 2025, available at <https://www.nasdaq.com/articles/sharplink-gaming-raise-425-mln-through-pipe-ethereum-treasury-strategy-consensus>.

[14] These claims have not been independently verified, and no regulatory findings have established wrongdoing by any related entity. The discussion solely attempts to illustrate the types of conduct that regulators appear to be examining in their ongoing inquiries, rather than to imply that any specific violation has occurred.

[15] Data is sourced from S&P Capital IQ.

[16] Strategy Inc., Quarterly Report on Form 10-Q for the period ended Sept. 30, 2025, at 8-9 ("Notes to Consolidated Financial Statements — Digital Assets," discussing adoption of ASU 2023-08 and fair-value measurement of bitcoin holdings).

[17] SharpLink Gaming Inc., Quarterly Report on Form 10-Q for the period ended June 30, 2025.

[18] Semler Scientific Inc., Quarterly Report on Form 10-Q for the period ended June 30, 2025.

[19] U.S. Securities and Exchange Commission. (n.d.). 17 C.F.R. § 229.305: Quantitative and qualitative disclosures about market risk. Cornell Law School Legal Information Institute. Available at <https://www.law.cornell.edu/cfr/text/17/229.305>.