Crypto ETPs: inside the wrapper

Published 2 October 2025

Dovile Silenskyte
Director, Digital Assets Research

Key Takeaways

- Beneath the simplicity of a physical crypto ETP lies a complex infrastructure – custody, reconciliation, and transparency – that ultimately determines product credibility.
- While physical crypto ETPs offer wallet-free exposure to digital assets, poorly structured wrappers can amplify risk rather than reduce it, especially under market stress.
- Compared to physical gold ETPs, physical crypto products demand even greater scrutiny, as custody and regulatory standards continue to mature and prove themselves through volatility.

- Related Products WisdomTree Physical Bitcoin, WisdomTree Physical CoinDesk 20 Find out more

When a click is more than a trade

Buying a crypto exchange-traded product (ETP) is no different to buying an exchange-traded fund (ETF). For example, you would enter a ticker, place the order and then the crypto exposure would appear.

But beneath that click lies a complex infrastructure of market makers, authorised participants, custodians, and cold storage vaults. That hidden machinery determines whether exposure is secure, efficient, and worthy of institutional trust.

For investors, the real question is not just what they own, but how it is held. In crypto, structure is not a detail. It is the determinant of credibility.

The lifecycle of a crypto ETP

Think of a crypto ETP as a finely tuned logistics chain. Every stage must work flawlessly to deliver safe and efficient exposure.

- Trade execution: investors place their orders on secondary markets – exchanges or brokers. Market makers ensure liquidity, quoting throughout the day to keep spreads tight and prices aligned with fair value.
- Primary market, settlement and acquisition: authorised participants exchange crypto for new shares (or redeem them). To settle, they source crypto through regulated over the counter desks or exchanges.
- Custodianship: assets move into segregated cold storage, legally separated from the issuer's balance sheet. Independent audits, multi-signature controls, and insurance guard against operational failures.

- Ongoing reconciliation: issuers, fund administrators, and custodians reconcile daily to match holdings with outstanding shares. Any inconsistency erodes trust, and in crypto, trust is everything.
- Transparency: credible issuers publish daily holdings and coin entitlements per share. Transparency is not optional. It is the lifeline of confidence.

If one link weakens – custody, liquidity, or transparency – the entire chain is compromised.

Opportunity vs. risk

Crypto ETPs democratise access. They wrap a relatively new asset in a familiar format. For institutions, they provide a compliant gateway without the burden of wallets, private keys, or exchange accounts.

But wrappers vary. Some issuers cut corners on custody, transparency, or execution partners. In those cases, the ETP hides risks instead of reducing them. Investors may only discover the weakness in moments of stress.

Figure 1: Globally physical crypto ETPs have grown to AUM of $186 billion

Source: WisdomTree. 1 September 2025. AUM = assets under management. **Historical performance is not an indication of future performance and any investment may go down in value.**

In other words, not all ETPs reduce risks that tend to be associated with direct crypto holdings. Some amplify them by creating an illusion of safety.

Investor checklist: questions that matter

Before allocating, investors should ask the following, very important questions (Figure 2).

Figure 2: Questions that matter

Source: WisdomTree. 8 September 2025.

Ultimately, these questions form the backbone of due diligence as the answers separate vehicles that merely provide exposure from those that deliver true institutional-grade security and trust.

Why lifecycle clarity matters

Crypto has both scarcity-driven promise and a history of fragility. Exchange failures and opaque custody models have scarred the industry. Understanding the full lifecycle is not operational trivia. It is essential due diligence.

Fees, custody, and credibility are not separate levers. They reinforce one another.

- Low fees without institutional-grade custody are a false economy.
- Custody without transparency is insufficient.
- Credibility is proven only under stress.

Together, these pillars remind investors that lifecycle clarity is not an academic exercise but a real-world filter. Products that fail any one of these tests should be treated with extreme caution.

Building on this logic, it is useful to compare crypto ETPs with another long-standing wrapper: physical gold products.

Comparison between crypto ETPs and gold ETPs

Both crypto and gold ETPs offer investors a way to access hard-to-hold assets through familiar wrappers, but the underlying mechanics differ in important ways:

- Custody: physical gold ETPs store bullion in vaults under strict, long-established custody standards. Physical crypto ETPs rely on segregated cold storage with multi-signature protocols, an infrastructure still maturing compared to gold.
- Transparency: gold products typically disclose bar lists and serial numbers. Most crypto issuers disclose daily holdings and coin entitlements per share. Both aim to prove one-to-one backing, though crypto's real-time verifiability can offer even higher transparency.
- Liquidity: gold has centuries of trading history and deep liquidity. Crypto markets are younger and more fragmented, making the quality of market makers and liquidity partners even more critical.

- Regulation: gold's custody and auditing frameworks are deeply embedded in financial regulation. Crypto is catching up, but standards vary by jurisdiction and issuer.

The comparison highlights that while physical crypto ETPs echo gold's wrapper model, they require even greater scrutiny. Gold has earned institutional trust over centuries. Crypto must prove it under stress.

Figure 3: At a glance: physical gold vs. physical crypto ETPs

Source: WisdomTree. 8 September 2025.

Conclusion: beneath the wrapper lies trust

Every crypto ETP trade is more than a market transaction. It is a bet on the strength of hidden infrastructure. For investors, understanding that lifecycle is the safeguard against complacency.

At WisdomTree, we design ETPs with these safeguards built in institutional-grade custody, transparent reporting, and resilient liquidity partnerships. Because in crypto, structure is not an afterthought. It is the foundation of investor confidence.

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an oer for sale nor a solicitation of an oer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and aer seeking independent investment, tax and legal advice.

The application of regulations and tax laws can oen lead to a number of dierent interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and aer seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public oering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any ailiate, nor any of their respective oicers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.