Appendix 5. Bitcoin Staking Competitive Landscape

This appendix establishes the competitive context for the bonding yield parameter proposed in this SIP. It surveys the live Bitcoin yield landscape as of May 2026, covering on-chain staking protocols, Bitcoin layer-2 networks, and institutional yield funds and lending desks. The objective is to derive the minimum Bitcoin-denominated annual percentage yield at which a self-custodial bonding mechanism remains competitive against the alternatives a Bitcoin holder can already access.

The central analytical point is that headline yields across this field are not directly comparable. Products differ on two structural axes that determine what a quoted rate actually means: the asset the yield is paid in, and the custody and trust assumptions a holder accepts to earn it. The tables below record both axes alongside the headline rate so that the comparison rests on like terms.

On-chain protocols and L2 staking

Product	Model	APY (headline)	Paid in	Self-custody	Source
Babylon	Native BTC staking securing external PoS chains	0.04% - 0.58%	BABY token	Yes	Babylon - Staking Dashboard
Lombard (LBTC)	Liquid staking on Babylon	~0.3–0.6% base 2-3% vault	BTC	No (consortium vault)	StakingRewards / crypto.news / Lombard Earn Dashboard
Solv (SolvBTC)	Staking/restaking aggregator	2–4% (to ~10% seasonal)	Native tokens (CORE etc.)	No (wrapped)	DL News / crypto.news
Core DAO	Self-custodial timelock + dual stake	2–4% base, tiered boosts	CORE token	Yes	CoinLaw / Core docs

Starknet (Endur / strkBTC)	Wrapped BTC securing a ZK rollup	~5–12% (incentive-driven)	STRK token	Partial (wrapped, non-custodial delegation)	Starknet / Blockworks
Botanix (stBTC)	L2 gas-fee redistribution	6–8% (at <100 BTC TVL)	BTC	Bridged via Spiderchain 1:1 peg; synthetic stBTC	Blockworks / CoinGecko

Institutional funds and lending desks

Product	Model	APY (headline)	Paid in	Self-custody	Source
Coinbase Bitcoin Yield Fund (CBYF)	Cash-and-carry / basis	4–8% net	BTC	No (third-party custody)	FXStreet
Bitwise Bitcoin Smart Accounts (w/ Lombard)	DeFi lending + RWA on custodied BTC	Not disclosed (Q2 2026 launch)	TBD	No (regulated custody, no transfer)	news.bitcoin
Two Prime (2Prime)	Derivatives carry/vol + lending (SMA)	Not disclosed (bespoke, $10M+ min)	BTC	No (non-rehypothecated / tri-party)	Two Prime / MARA IR
Galaxy (GalaxyOne)	Lending-desk-funded yield	8% accredited / 4% FDIC cash	USD (optional auto-invest to BTC)	No	Galaxy

Anchorage Digital	BTC-backed loans + short-term yield (w/ Mezo)	Not disclosed	Varies	No (regulated bank custody)	crypto.news
BitGo	Institutional lending / financing	Negotiated, not published	Varies	No (Go Account custody)	BitGo

Conclusion

The proposed bonding mechanism occupies a specific and largely uncontested position on both risk axes. It pays Native Bitcoin Yield in Bitcoin, and it preserves self-custody by locking Bitcoin on the base layer under a timelock script. Almost no other product in this survey combines those two properties, which is the structural advantage the yield parameter must be set to protect.

Setting that parameter requires identifying the right comparison set. Token-denominated yields are excluded because they do not represent a Bitcoin return. Among the products that actually pay in Bitcoin, the band runs from Lombard's 0.4 to 0.6 percent base, through Botanix's 6 to 8 percent target at negligible scale, to the Coinbase fund's 4 to 8 percent under surrendered custody. The relevant benchmark for a self-custodial proposal is the rate at which a Bitcoin holder would otherwise need to either accept near-zero passive returns from liquid staking tokens or surrender custody to a fund such as Coinbase to earn more.

A 3 percent Bitcoin-denominated yield clears that threshold. It sits well above the sub-1 percent base rates of the liquid staking tier, which removes the argument that holders should look elsewhere for a higher passive return on self-custodied Bitcoin. It sits below the custodial 4 to 8 percent institutional rate, which is appropriate because the proposed mechanism does not ask holders to give up custody to earn it, and the yield gap is the measurable price of that custody advantage. Below 3 percent, the proposal reads as inferior to options institutions already trust, and the self-custody advantage no longer compensates for the rate. At or above 3 percent, the mechanism presents a defensible position: a Bitcoin-denominated return, under self-custody, competitive with the cleanest custodial alternative once the custody premium is accounted for.

The 3 percent figure should therefore be read as a derived competitive floor rather than a target. It is the minimum at which the bonding mechanism remains rational for a Bitcoin holder weighing it against the live alternatives documented in this appendix.