WHITEPAPER

S&P RATING ON STRATEGY: OVERVIEW, IMPLICATIONS, AND INDUSTRY DIRECTION

by Allard Peng

THIS WHITEPAPER IS MADE POSSIBLE BY BFC MEMBERS

Founding Members

Strategy

BTC

Chairman's Circle

treasury

Executive Members

aifinyo
Avalon Labs
BitGo
bytefederal
crypto.com
ddc enterprise
FOLD
kraken INSTITUTIONAL
KULR
The London Bitcoin Co.
LQwD
méliuz
mNAV.com
1723.HK
NaaS
NAKAMOTO
Prenetics
SALT
PublicSquare
SAMARA ASSET GROUP
Solar Strategy
STRIVE
V3TC Vaultz Capital

Premier Members

BLOCKSPACES
Capital B
Jetking
METAPLANET
NEXT LAYER CAPITAL
Semler Scientific
UTXO

Industry Members

MATADOR
Locate Technologies
UPROOT COMPANY

CONTENTS

ABSTRACT

The S&P rating on Strategy shows that when bitcoin is fully deducted from adjusted common equity, total adjusted capital turns negative and the rating is forced to anchor on weak capitalization. That outcome is predictable under the 2024 RACF and 2025 hybrid criteria. The practical takeaway for issuers seeking higher credit ratings is to build recognized TAC first via retained earnings and qualifying hybrids, design preferreds that truly defer without governance penalties, and disclose bitcoin, liquidity, and hedging in RACF language. A second takeaway is that agencies will flag the same underlying risk—"long BTC, short USD"—in several places unless the issuer presents a clear fiat-liquidity ladder. These lessons apply not only to Strategy but also to peers like Strive and Metaplanet pursuing bitcoin-backed credit.

1

INTRODUCTION

Strategy has done something ratings criteria are still learning to absorb: it turned a listed operating company into an on-ramp for large, recurring bitcoin purchases, then funded that program through a mix of equity, convertible debt, and a suite of perpetual preferred equity. That business decision creates a specific credit profile. Reported assets are large and liquid; reported operating cash flow is modest; nearly all outflows, including dividends on several preferred lines, are in U.S. dollars (and recently euros with the introduction of STRE); and management has stated a clear reluctance to sell bitcoin holdings.

S&P's rating response was to center the analysis on liquidity, capital, and market-access risk tied to that structure. It cited "high bitcoin concentration, narrow business focus, weak risk-adjusted capitalization, and low U.S. dollar liquidity," while acknowledging "strong access to capital markets" and "prudent management" of the capital stack. That basic framing is sound and consistent with the criteria the agency published in 2024 and refreshed in 2025.

Where the rating begins to overreach is in how much weight it assigns to a single accounting and capital adjustment. By fully deducting bitcoin from Adjusted Common Equity, the analysis turns a balance sheet with tens of billions of liquid assets into one with negative Total Adjusted Capital, so the Risk Adjusted Capital ratio collapses before any consideration of the maturity ladder, the flexibility in the preferreds, or the issuer's ability to borrow against bitcoin, hedge its exposure, or simply sell the holdings. Once that happens, every other risk—currency mismatch, market-access dependence, cache of non-cumulative preferreds—is read through the lens of "already weak capital," so the narrative becomes more bearish than the operating facts require.

This paper rebuilds the methodology story so that both the fair parts of S&P's call and the duplicative parts are highlighted. It also extends the analysis to peers that are now attempting similar capital-markets strategies with bitcoin, notably Strive in the U.S. and Metaplanet in Japan, both of which have moved to issue preferred equity to enlarge their treasuries.

2

RELEVANT DEFINITIONS AND CALCULATION METHODOLOGY

S&P's capital lens for this rating is the 2024 Risk-Adjusted Capital Framework (RACF). The framework does two things: it normalizes the firm's capital into a measure S&P calls total adjusted capital (TAC), and it builds a denominator of risk-weighted assets (RWA) that reflects the risks the firm actually runs. The formula:

RAC = TAC ÷ RWA

A higher ratio signals stronger capitalization on S&P's scale. The complexity sits in the way TAC and RWA are constructed and the parallel frameworks—namely Basel—which influence how certain assets are treated.

2.1 TAC AND ACE

S&P always starts from shareholders' equity but does not use it raw. It first converts reported equity into Adjusted Common Equity (ACE) so that capital is comparable across issuers and jurisdictions. ACE is intended to be capital "that can be used to absorb losses in all circumstances." From ACE, S&P adds instruments that, under its hybrid-capital criteria, behave enough like equity—typically deeply subordinated, long-dated, deferrable pieces—to produce Total Adjusted Capital (TAC). That is the number that goes into the numerator.

It's useful to note here that "hybrid" in this context generally refers to preferred equity, which has features of both common equity (first to take loss) and debt (certain benefits which are owed to it).

Two things from Strategy made TAC drop: (i) S&P deducts bitcoin from ACE in the standardization step; and (ii) the company does not yet have enough non-bitcoin equity and recognized hybrid capital to offset that deduction. Because the agency deducts bitcoin assets from equity in the ACE build, TAC turns negative and the RAC ratio "was significantly negative." That single move is what S&P later calls "a significant ratings constraint."

The hybrid criteria published on Oct. 13, 2025 matter here because they decide how much of Strategy's preferreds can even get into TAC. To receive intermediate equity content, a hybrid must be subordinated, have at least five years to an effective call, allow the issuer to defer for at least five years without triggering default or wind-up, and avoid features like long look-backs, pushers, or punitive step-ups that would make management reluctant to use that deferral. If a preferred fails those tests, it will not help rebuild TAC.

2.2 RWA

On the denominator side, S&P's RWA for financial institutions aggregates credit, market, and operational risk through stated charges. It is deliberately close to Basel language on "exposure at default," then overlaid with S&P's own calibrations for the stresses it has observed. For Strategy, the exposure that dominates RWA is a large, concentrated, high-volatility bitcoin position. That position attracts sizable market-risk charges and concentration effects. So even if credit exposures are modest, RWA grows.

This is exactly why the combination of a bitcoin deduction in the numerator and a bitcoin-driven RWA in the denominator is so powerful: capital is pushed down while risk is pushed up. The result is a RAC ratio that looks weak even beside other speculative-grade issuers. S&P's own commentary on the April 30, 2024 criteria notes that the framework is meant to be "comparable across issuers and regimes," which is why the committee will often default to the published charges even for unusual balance sheets.

2.3 BASEL'S TREATMENT OF CRYPTO

Nothing in S&P's build happens in a vacuum. Basel's global banking rules now in force for 2025 give "unbacked" cryptoassets, which includes bitcoin, a 1,250% risk weight and set exposure limits, effectively treating them as assets that must be fully capitalized. The rater has every incentive to stay at least as conservative, especially when an issuer's business model is to keep buying bitcoin.

Everything that follows—whether S&P was fair, how preferreds should be treated, whether other issuers can do better—flows from this logic. Once we understand that (i) TAC was made negative by choice, and (ii) RWA was made large by the nature of the asset, we can see that some of the rating language is simply the logical output of the model, not a separate, qualitative condemnation of Strategy's business or of bitcoin. That clarity also makes it easier to argue for a more proportionate treatment of highly liquid bitcoin in future committees.

3

WHERE S&P'S RATING WAS WELL GROUNDED

3.1 PINPOINTING THE CURRENCY MISMATCH

Strategy owns bitcoin but owes dollars. Dividends on its four preferred lines (four at the time of S&P's Rating), coupons on roughly $8 billion of convertibles (about $35 million a year), and future maturities starting with a 2027 put and a 2028 bullet all arrive in U.S. dollars. Annual preferred dividends alone are over $640 million. S&P's note describes this as being "long bitcoin and short U.S. dollars," which is the right way to frame a balance sheet that will always need to turn part of its BTC into USD or raise USD against BTC. That is a fair risk call.

3.2 RECOGNIZING MARKET-ACCESS STRENGTH AND WEAKNES

The report gives Strategy real credit for "strong access to capital markets" and for a record of pushing maturities out several years. An equity market capitalization near $80 billion (at time of Rating), almost $15 billion issued across converts and preferreds, and no big hard maturity until 2028 support that recognition. At the same time, the outlook says the rating assumes this access continues, and it warns that a sharp fall in bitcoin could close the window. This is very realistic and it is what an objective rating should mention.

3.3 TREATING BITCOIN-DRIVEN EARNINGS AS NON-CORE

Through the first half of 2025, Strategy reported pre-tax earnings of about $8.1 billion, almost entirely from bitcoin appreciation, while cash from operations was negative $37 million. S&P refuses to treat the mark-to-market gain as cash that can pay bills. That is conservative and aligned with existing standards. A credit rating tends to track recurring cash and not paper gains. The report therefore links the thin operating cash line to the reliance on capital markets to fund dividends and future redemptions—this is also fair.

3.4 SURFACING CUSTODY, CYBER, AND INSURANCE GAPS

The file does not ignore non-financial risks. It notes that assets can at times concentrate with a single custodian, that key management and insurance do not cover anywhere near the notional BTC held, and that loss or compromise would be hard to remedy. These are credible, issuer-specific risks and they sit comfortably within S&P's broader practice of folding operational risks into the overall assessment.

3.5 USING THE HYBRID CRITERIA AS AN ORGANIZING FRAME

Finally, the way S&P picks up its Oct. 13, 2025 Hybrid Capital: Methodology and Assumptions and uses it to evaluate Strategy's preferred features is both transparent and helpful to future issuers. The note explains, in nearly the same words as the criteria, that hybrids must truly conserve cash for five years, and that long look-backs or compounded deferrals will be treated as disincentives to use that feature. That gives a ratings-conscious roadmap to issuers designing bitcoin-backed credit instruments.

4

WHERE THE RATING OVERREACHES

4.1 A SINGLE DEDUCTION DOMINATES THE ENTIRE CREDIT STORY

Deducting bitcoin from ACE is defensible; treating the resulting negative TAC as the decisive fact about the credit may be overreaching. S&P says the company has a very large, liquid asset stack, access to secured and unsecured funding, and several years before the first large maturity. Yet once TAC is negative, those strengths are pushed to the background in favor of a model output. A more balanced approach would be to haircut bitcoin heavily but would allow some measured equity contribution from an asset that trades 24/7, can be pledged in institutional markets, and has an established derivatives complex that prices risk.

4.2 MULTIPLE PENALTIES FOR ONE UNDERLYING RISK

The rating warns about the currency mismatch, the possibility of forced bitcoin sales "at severely depressed prices," the thin operating cash flow, and the dependence on markets. All four are real, but they are all expressions of the same underlying condition: dollars are owed while bitcoin is held. When that same condition also sits in the RAC denominator and has already wiped out the numerator, piling on every narrative version of it produces a potentially harsher judgement than the balance sheet deserves. A cleaner narrative would keep the currency-mismatch, keep the capital-markets paragraph, and collapse the repetitive "what if we have to sell BTC at the lows" scenarios into that. Having to sell BTC at lows is evidently already assumed by completely deducting BTC from the ACE.

4.3 UNDER-DESCRIBING NON-SALE LIQUIDITY PATHS

Strategy's history shows several ways to raise dollars without dumping core BTC: secured borrowing against bitcoin, at-the-market (ATM) equity issuance, new preferred or hybrid lines, and, if needed, dividend deferral on the more issuer-friendly series. The report acknowledges market access but does not model these paths explicitly before invoking spot BTC sales in stress. A rating that treats "sell BTC at the lows" as the first, rather than fourth, option will naturally look more negative.

4.4 ASYMMETRY BETWEEN DOWNSIDE AND UPSIDE

The report is careful on the way down—falling BTC reduces earnings, squeezes liquidity, and could chill market access. It is much less explicit about the way up—rising BTC expands the collateral base, lowers the cost of refinancing, and makes equity or preferred issuance less dilutive. Given that the business model is to stay long bitcoin, the rating should acknowledge the path through which higher BTC levels repair precisely the weaknesses it highlights. Doing so would align RACF with how it is meant to be used: a framework plus some qualitative judgment.

S&P's own criteria state that RACF is a tool and that analysts can exercise judgment for unusual balance sheets. A corporation whose main asset is a liquid, 24/7 instrument and whose main risk is a currency mismatch is exactly such a case. A short line stating that "while RACF results in negative TAC because of the current treatment of bitcoin, the committee also took into account the depth and liquidity of the asset and the issuer's access to capital" would have signaled that the numbers were not the whole story. That line is absent. Adding it would make the narrative more coherent without relaxing the rating.

5

INSTRUMENT-LEVEL OUTLOOK: STRK, STRF, STRD, STRC, STRE

S&P's hybrid criteria give a neat formula: the more credible the deferral of payments, the more capital relief the issuer gets, but the more risk the investor should expect. Put differently, instruments that are more equity-like get more equity credit which helps the issuer's TAC, but they are also less attractive to investors because the issuer has greater flexibility to delay or skip payments. That dichotomy applies to Strategy's perpetual preferred instruments.

When credit instruments are rated, it usually starts at the Initial Credit Rating of the issuer, which is currently B–. The instruments are then notched down based on their assessed risks. Each securities' prospectus and the rating text suggest the following:

5.1 STRK

CUMULATIVE, WITH GOVERNANCE FRICTION

STRK pays quarterly, cumulative dividends. The company can skip them, but if it does so four times, preferred holders gain the right to elect a director. That is deferral with a cost. From S&P's point of view, this still "conserves cash" in stress and is therefore directionally positive for TAC recognition, but the governance trigger is a feature that "discourages or materially delays deferral." S&P can therefore decline equity content or cap it and, on the issue rating, widen notching for payment risk.

5.2 STRF

CUMULATIVE, COMPOUNDED, EVEN STRONGER DISINCENTIVE

STRF goes further: dividends compound if deferred. Furthermore, no other dividends may be paid if STRF dividends are unpaid, meaning this series effectively absorbs all the anti-deferral properties of the other series. Because Strategy can still defer payments in the short term, this is good for Strategy's ability to keep dollars for convertibles. But the implied difficulties of doing so directly clashes with the hybrid criterion that says instruments seeking equity credit should be "free from…a higher rate on accrued deferred amounts." To a rater, STRF will be unattractive as equity credit. Rating-wise, STRF would likely be the least notched out of all the preferred stock.

5.3 STRD

NON-CUMULATIVE, NO EXTRA VOTING RIGHTS

STRD is almost the textbook hybrid for which S&P would likely assign equity credit. Dividends are non-cumulative and the company "will not have any obligation to pay any regular dividend…unless we declare such regular dividend," and holders do not gain extra control rights if the company passes. That is pure cash-conservation capacity. For the issuer, it is the best series. For investors, it is the most exposed to payment deferral and therefore the one most likely to be pushed several notches below the Initial Credit Rating, especially if the rater thinks deferral is a realistic option in the next 12–24 months. The criteria even say they "may apply our 'CCC' criteria" where nonpayment looks probable. Such a rating could be applied to an instrument like STRD.

5.4 STRC

CUMULATIVE BUT HIGHLY ISSUER-FRIENDLY

STRC is cumulative, but it can reset monthly and the company states plainly that it "may choose not to pay dividends," with no added voting rights for holders. Unlike most other floating rate instruments which is set by a credit spread over SOFR or LIBOR, STRC's yield is set by the issuer with the intention of pegging the market price to the $100 stated amount. This creates more flexibility.

That is almost as good as STRD from a cash-conservation standpoint, and S&P will likely see it that way. Because it is cumulative, there is a payment obligation building in the background, but the absence of governance retaliation keeps the deferral option open to management. Expect S&P to tag this as being closer to equity for Strategy. The instrument would get a lower rating than STRF or STRK but probably higher than STRD.

5.5 STRE

EURO-DENOMINATED STRF

STRE—Strategy's newest preferred stock and its first international offering—carries a 10.00% coupon on a €100 stated amount, pays quarterly cash dividends on a cumulative basis. Unpaid declared amounts compound quarterly, starting at 10% + 100 bps and step-increasing by 100 bps per annum to a maximum of 18%.

STRE is therefore nearly identical to STRF, except it is euro denominated. STRE discourages actual deferral due to its compounding and cumulative dividends. Equity-content recognition is therefore unlikely or capped. The euro denomination adds a second currency to manage alongside largely dollar funding needs. This could heighten perceived payment-interruption risk unless Strategy discloses euro liquidity and hedging sized to several quarters of dividends. Expect deeper notching than STRF, with additional sensitivity to foreign exchange sourcing for the quarterly dividend.

5.6 WHAT WOULD LIFT EQUITY CONTENT AND REDUCE INSTRUMENT-LEVEL RATINGS

The October 2025 criteria and the rating note together point to four quick fixes for future STR-style lines:

1. Five-year non-call and long effective maturity so the instrument is clearly permanent at a 'B' Initial Credit Rating.

2. Deferral that lasts five years without board-seat triggers or compounding above a modest level.

3. No settlement pushers or long look-backs that force payment just when the issuer wants to conserve cash.

4. A replacement-capital statement that signals intent to keep this layer in the stack.

If Strategy issues hybrids on those terms, S&P has very little reason not to give them intermediate equity content and let them into TAC.

5.7 WILL STRATEGY ADOPT THESE MEASURES?

S&P has already said that negative TAC is "likely to continue to...be a weakness" and that the stable outlook depends on "prudent management" of dollars for preferreds and converts. If the rater is looking right at a 2026–2029 wall of convertibles—of which over $5 billion is currently out of the money—then it will reward instruments that can be turned off while management handles the wall. That is what STRD and STRC do best.

However, we believe it is unlikely that Strategy will alter the terms on its instruments to better fit these ratings criteria because the company has stated that its credit instruments are its product. With an emphasis on building the best credit instruments comes a necessary eagerness to give the best terms to the investor. This could result in STRK and STRF never receiving equity credit but a notably higher instrument-level rating as the market risk of BTC is more objectively assessed.

Strategy's recent earnings call also emphasized a focus on Return of Capital (ROC) dividends which comes from Strategy reporting negative earnings and profits. These distributions provide a tax deferral advantage in the United States, in which the incomes lowers the cost basis of the shares without being taxed each year as qualified dividends or ordinary income. Maintaining ROC status means that the company cannot have positive taxable earnings. If this remains the case, then retained earnings will only come from BTC's price appreciation leading to unrealized capital gains, which means they will be completely deducted from the ACE under the current standards.

Both paths—the fact that Strategy looks to make credit instruments its core product and the fact that it aims to maintain ROC status—mean that the rating is unlikely to meaningfully improve absent an overhaul of how ratings are done. Such a change may come with gradual market acceptance of BTC as a collateral and financial asset. A friendlier Basel framework would be particularly impactful in this regard.

6 PROCEDURES FOR CORPORATIONS ISSUING BITCOIN-BACKED CREDIT

This section translates the methodology and instrument analysis into a practical playbook for the next cohort of issuers.

6.1 MAKE TAC POSITIVE EVEN AFTER THE BITCOIN DEDUCTION

If bitcoin is going to be deducted, the only way to stop RAC from collapsing is to have positive ACE and TAC before the deduction happens. That means building up retained earnings from non-bitcoin operations or holding income-producing, non-crypto assets that S&P will recognize. Once ACE is positive, hybrid instruments that meet the Oct. 2025 criteria can lift TAC further. Then, when S&P deducts bitcoin, it is hitting a real base instead of pushing the number straight into negative territory.

6.2 MANAGE THE CURRENCY MISMATCH

S&P's criticism was not wholly that Strategy held bitcoin; it was that dollar obligations were not matched with consistent dollar liquidity. Issuers should state, in their offering and ratings materials, how many months of coupons, dividends, and near-term maturities they hold in dollars; what the trigger is for selling or pledging BTC to refill that bucket; and whether they use hedges to lock in USD over the next four to six quarters. If a rating analyst can see the ladder of dollar liquidity and the trigger for replenishing it, the narrative about "forced BTC sales at the lows" becomes less important and condemning.

As discussed in the next section, a company can choose to maintain some cash reserves to cover some targeted periods of dividends. This will likely be viewed favorably for ratings.

6.3 KEEP CUSTODY AND CYBERSECURITY TIDY

The rating note flagged concentrated custodians, limited insurance, and key-management risk. Those are operational issues, not structural ones, and they can be fixed: multi-custodian setups, auditor-reviewed key management, clear statements of what insurance does and does not cover, and contractual liability language with custodians. Because S&P already includes operational risk in its frameworks, cleaning these items up removes easy negatives from the file.

6.4 ISSUE HYBRIDS THAT SATISFY THE CRITERIA

Many corporates might sell preferreds that look like equity in the investor deck but fail S&P's equity-content gates because of board-seat triggers, aggressive compounding, or early step-ups. That is potentially wasted effort if the goal is to get a better rating. Issuers that follow the guidelines from S&P will see their instruments show up in TAC even if their bitcoin is still fully deducted. This could significantly improve the RAC and lead to a better rating.

A better Initial Credit Rating is potentially conducive for better instrument-level ratings too, and this could be a virtuous feedback loop. Of course, each company must decide what exactly it wants to achieve and optimize for.

6.5 RUN A HEDGED, LIABILITY-LINKED TREASURY

Even if it doesn't erase the BTC deduction, a hedge program aligned to upcoming USD obligations and backed by pre-agreed collateral terms will address the very thing S&P called out: BTC on one side, dollar payables on the other. Supervisory sources in Europe and at Basel repeatedly say hedging "should generally" lower capital on the netted exposure. Even if S&P retains a conservative overlay for bitcoin, the presence of hedging controls may lead to a better treatment of the downside risks.

6.6 DISCLOSE IN RACF LANGUAGE

Finally, because S&P published its April 30, 2024 framework and even a model disclosure, issuers can short-circuit guesswork by presenting their capital, BTC holdings, liquidity, and hedge programs in that format. If the analyst can trace every number to a line in the criteria, there is less space for conservative overrides based on uncertainty.

7 INDUSTRY DIRECTION: STRIVE AND METAPLANET

Two names show that Strategy is not an isolated case. Both Strive and Metaplanet have moved to issue preferred equity.

7.1 STRIVE: SATA

Strive (ASST), the Nasdaq-listed company formed through the Asset Entities merger—has said publicly that it wants to run “a bitcoin treasury company,” has installed a board with crypto and capital-markets experience, and has filed or announced plans for a perpetual preferred to fund bitcoin purchases in 2025. Strive has announced an all-stock acquisition of Semler Scientific that also adds bitcoin to the combined balance sheet. On November 3, 2025, Strive launched SATA, a variable rate preferred stock that is similar to Strategy’s STRC.

Three things stand out about Strive’s approach to preferred instruments. First, Strive retained $24 million in cash to fund dividends for SATA’s first year. Second, Strive has stated that they are considering tail hedge strategies to protect the collateral value. Both actions may directly address ratings-level concerns which appeared in the Strategy rating. Retaining a year’s worth of cash presents a clear fiat liquidity ladder to service obligations and a portion of ACE that cannot be deducted out. Active hedging could also lead to better treatment of downside risks.

Third, Strive started by issuing a variable rate preferred equity as the most senior instrument and set a large 10% target band around the $100 stated amount: from $95 to $105. In contrast, Strategy’s STRC targeted a range between $99 and $101. This has several advantages. Given that the variable rate is ultimately set by the issuer, the company enjoys more flexibility in its most senior instrument. This could potentially lead to a better equity credit that improves the TAC. The larger 10% target band creates optionality wherein the company has more leeway to not raise dividends or even to cut dividends. In an event where short term rates fall, SATA could experience a strong bid and Strive could feasibly reduce their dividend obligations without experiencing a significant exodus of capital. The larger target band gives more room for error.

At the time of writing, it is anticipated that SATA’s dividends will also be considered ROC.

7.2 METAPLANET: MARS, MERCURY

Metaplanet (TYO: 3350), listed in Tokyo, has been issuing low- or zero-coupon yen bonds, often in ¥2–5 billion clips, to purchase more bitcoin. In mid-2025, it announced “Metaplanet Prefs,” an initiative for building a yen denominated Bitcoin-backed yield curve using preferred instruments. The company initially filed to launch two series of perpetual preferred equity that are very similar to Strategy’s STRK and STRF (a junior convertible preferred and a senior pure fixed income).

On November 20, 2025, Metaplanet announced MARS and MERCURY, two preferred instruments with some familiar features.

First, MARS is the more senior instrument and is a variable rate preferred. This aligns with what Strive has done with SATA and with recent discourse by Michael Saylor stating that he would have started with STRC. Clearly, the optionality of variable rate instruments is valuable, even if not strictly from a ratings perspective. Second, MERCURY is the more junior instrument with an embedded option to convert to common stock at a notional strike of ¥1000. MERCURY also pays a 4.9% dividend. This is quite similar to Strategy’s STRK.

So while the initial proposal was to launch a senior fixed income instrument, Metaplanet eventually decided to do a senior variable rate instrument while keeping the convertible preferred for investors that might want income while being allowed to participate in common equity upside.

8

INSURED CREDIT INSTRUMENTS

For both companies, the lessons from Strategy includes:

1. Assume bitcoin will be deducted from ACE in ratings models because this is simply the current treatment based on the global finance consensus.

2. If possible and if desired, plan preferred equity to pass the equity-content tests, though this will likely hinder their desirability for credit investors.

3. Document the fiat liquidity runway tied to coupons and dividends.

4. Publish RACF-style disclosures so committees can see usable mitigants.

If the sector does that, rating agencies will have to start distinguishing between bitcoin-backed and undisciplined versus bitcoin-backed and RACF-aligned credits, rather than treating all such structures as the same high-volatility outlier. Such nuance may push the discourse forward and expand existing frameworks to become more comfortable with bitcoin.

Aside from this, insurance on credit instruments offers another way to enhance credit ratings. When an insurance company can guarantee certain payments for the issuer, it heavily derisks the investor and improves the creditworthiness of the credit instrument.

Its important to note that this method does not improve the creditworthiness of the issuer, it only improves the insured instrument(s). If an issuer is given a poor Initial Credit Rating, paying for insurance on its securities could prompt a better rating for those securities. The rating of the instrument is effectively covered by the credibility of the insurer.

This method could be considered as related to hedging the BTC treasury. Hedging secures the collateral behind the credit instrument, while direct credit default insurance secures the instrument itself. However, insurance is more directly related to a specifc instrument whereas hedging does not have this level of assurance. For example, even if the company successfully hedges away BTC tail risk, it might nevertheless fail to pay credit obligations due to other situations that emerged due to or along with the tail event. This risk would be absorbed by the insurance company, which gives insured instruments more credibility in eyes of investors and raters.

9

CONCLUSION

S&P's 2025 rating on Strategy is not inherently hostile to bitcoin. The agency saw a company that funds dollar obligations with a volatile asset, ran that through a model that deducts the asset and charges it heavily, and reported the weak capital result. That part is fair. The part that needs refinement is the way the analysis reiterates the same underlying risk in several different guises and gives too little space to the liquidity paths and market access that the ratings statement itself acknowledges. The most constructive response is not to demand leniency on bitcoin—that would fight both ratings practice and Basel—but to build balance sheets that stay positive on TAC even after the deduction, design hybrids that S&P will actually count, and show the committee how dollar liquidity is being managed quarter over quarter. Companies with strong operating businesses generating retained earnings are best positioned for success.

Issuers that follow those steps will make it easier for agencies to grade individual instruments without letting a single modeling choice in RACF overshadow an otherwise manageable funding profile.

REFERENCES

S&P Global Ratings, "Strategy Inc Assigned 'B-' Issuer Credit Rating; Outlook Stable," Oct. 27, 2025, https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3466223

S&P Global Ratings, "Updated Financial Institutions Risk-Adjusted Capital Framework Methodology Published," Apr. 30, 2024; subsequent nonmaterial updates 2024–2025, https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/13069492

S&P Global Ratings, "Hybrid Capital: Methodology and Assumptions," Oct. 13, 2025, https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/5472618

S&P Global Ratings, "Criteria | Financial Institutions | General: Financial Institutions Rating Methodology," Dec. 9, 2021, https://www.spglobal.com/ratings/en/regulatory/article/211209-criteria-financial-institutions-general-financial-institutions-rating-methodology-s12135180

Strategy Inc., "Prospectus Supplement for Series STRK Cumulative Redeemable Preferred Stock," Form 424B5, 2025, https://www.sec.gov/Archives/edgar/data/1050446/000119312525050408/d914208d424b5.htm

Strategy Inc., "Prospectus Supplement for Series STRF Cumulative Compounding Preferred Stock," Form 424B5, 2025, https://www.sec.gov/Archives/edgar/data/1050446/000119312525056178/d927140d424b5.htm

Strategy Inc., "Prospectus Supplement for Series STRD Non-Cumulative Perpetual Preferred Stock," Form 424B5, 2025, https://www.sec.gov/Archives/edgar/data/1050446/000119312525137186/d125757d424b5.htm

Strategy Inc., "Prospectus Supplement for Series STRC Cumulative Resettable Preferred Stock," Form 424B5, 2025, https://www.sec.gov/Archives/edgar/data/1050446/000119312525165531/d852456d424b5.htm

Strive, Inc. (formerly Asset Entities Inc.), "Current Report on Form 8-K (closing of merger and adoption of bitcoin treasury and capital markets plan)," Sept. 15, 2025, https://www.sec.gov/Archives/edgar/data/1920406/000121390025087387/ea0257312-8k_strive.htm

Strive, Inc., "Prospectus Supplement for Variable Rate Series A Perpetual Preferred Stock ('SATA Stock')," Form 424B5, Sept. 15, 2025, https://www.sec.gov/Archives/edgar/data/1920406/000114036125040095/ny20056805x4_424b5.htm

Metaplanet Inc., "Notice Regarding Partial Amendment to the Articles of Incorporation and Filing of Shelf Registration for Issuance of Perpetual Preferred Shares," Aug 1, 2025, https://contents.xj-storage.jp/xcontents/33500/2dfc62c3/2fbd/4369/ad61/a401d6c68a69/140120250731526696.pdf

Metaplanet Inc., "Notice Regarding Issuance of Class B Preferred Shares through Third-Party Allotment" Nov 20, 2025, https://contents.xj-storage.jp/xcontents/33500/c8bf2e69/8d7e/4ab1/926a/097e872b56da/140120251120505752.pdf

Basel Committee on Banking Supervision, "Prudential treatment of cryptoasset exposures," Dec. 16, 2022 (final standard; 1,250% risk weight for Group 2 cryptoassets; exposure limits), https://www.bis.org/bcbs/publ/d545.pdf

BITCOIN
FOR CORPORATIONS

EMAIL: BFC@BTCMEDIA.ORG

JOIN US