

The Nexus Review

2025 Wrap-up



The Nexus Mutual team put together an alpha-packed review of the latest trends in Decentralized Finance (DeFi) over the past quarter. We share unique insights shaped by our deep experience and track record in Web3, distilling our understanding of DeFi, digital assets, and the evolving landscape of crypto law and governance.

WELCOME NOTE

Still Here, Still Paying Claims

Welcome note from Hugh Karp (Founder & CEO, Nexus Mutual)

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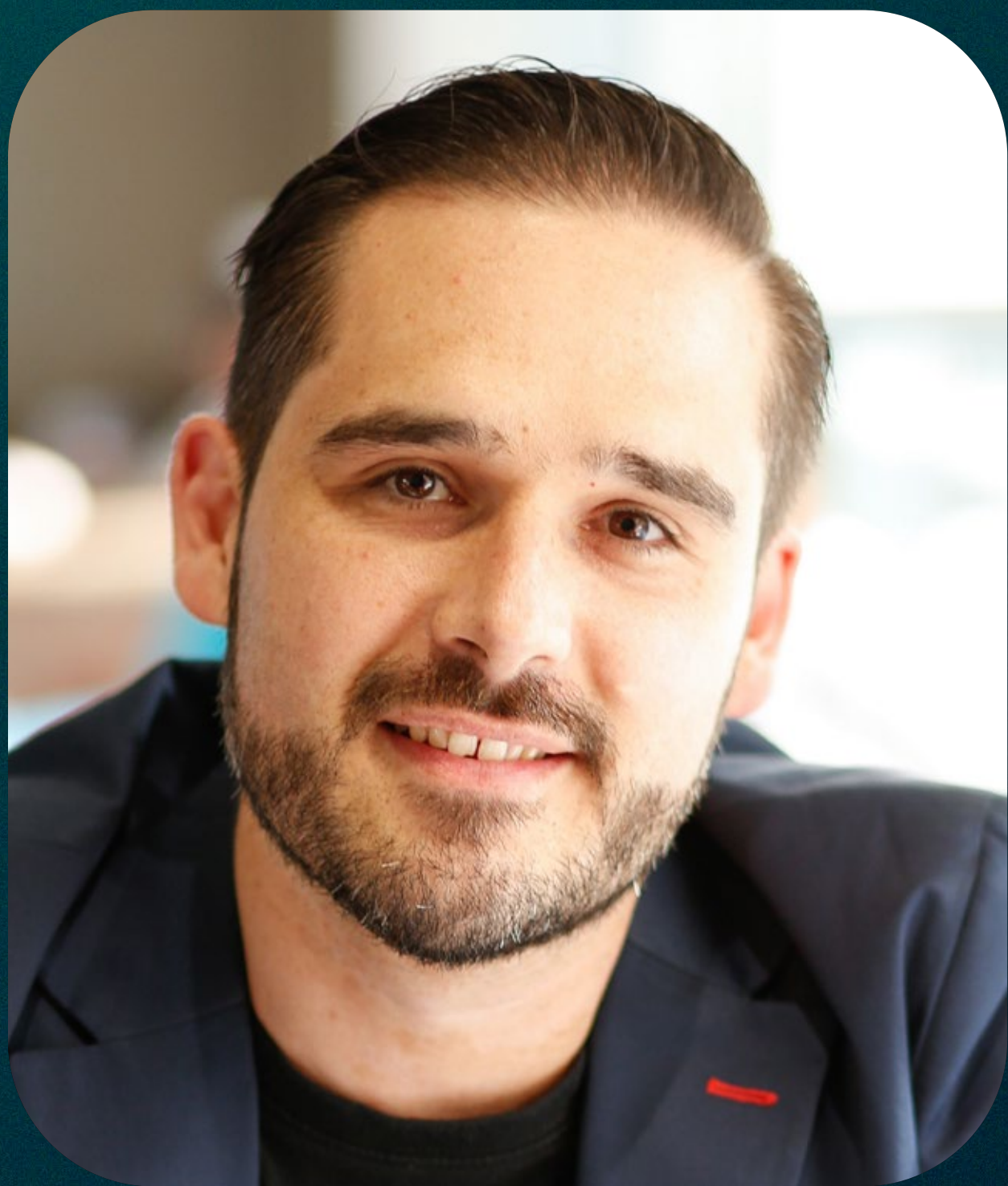
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This report is provided for general informational purposes only. It includes high-level summaries and commentary on topics such as financial vaults, developments in crypto-finance, and broader legal and regulatory trends. Nothing in this report constitutes financial, investment, legal, or other professional advice, nor should any information be relied upon as a recommendation or guidance for making financial or legal decisions.

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You should always seek independent legal, financial, tax, or other professional advice before making decisions based on the information contained in this report. We accept no responsibility or liability for any loss or damage arising from reliance on the information herein.

Still Here, Still Paying Claims



Hugh Karp | Founder & CEO, Nexus Mutual

When it comes to risk management, the name of the game is longevity. Nexus Mutual has been here longer than anyone, through bull and bear markets, surviving black swans and DeFi summer. While trends may come and go, there is one constant: **people need ways to hedge their risk onchain.**

Since 2019, Nexus Mutual has been proud to be the most trusted partner for managing DeFi risk, and we're looking forward to protecting your crypto for many more years to come.

The Year of Institutional Crypto

"The institutions are coming" has been a constant refrain in crypto, but 2025 was when it really started to come true. Over the past year, the crypto industry saw a significant increase in institutional participation. Whether it's the adoption of crypto ETFs, rocketing AUM of digital asset hedge funds, or global regulatory acceptance of stablecoins, it's undeniable that the crypto and blockchain industries have become more attractive to institutional investors.

At the same time, **interdependencies in DeFi have been increasing**, which changes the risk landscape. New primitives key to institutional adoption, such as vaults, come with additional risk exposure that investors need to manage. Since DeFi protocols seldom operate independently, they are often dependent on the functionality and uptime of each other. Even centralized exchanges, the choice for many institutional investors, are increasingly integrated with DeFi protocols. This means that a single failure, hack or loss of funds in a major DeFi protocol can have serious consequences across crypto markets as a whole.

With bigger investors comes bigger responsibility. Institutional players have risk assessment and management practices that reflect the scale and scope of their stakeholder commitments. While your typical crypto degen is mostly concerned with getting rugged, it's different when you're calling up a sovereign wealth fund to let them know their ETH is gone because of a smart contract hack or liquidation failure.

At Nexus Mutual, we believe that blockchain technology can continue to help this institutional chapter in crypto by offering fast, fair, and transparent risk transfer.

**The institutions are here.
Let's make sure they stay.**

2025 for Nexus Mutual

From launching new products to paying claims and connecting with our community in-person around the world, it was a busy year for Nexus Mutual. Whether it's building long-term partnerships with core DeFi protocols like Morpho and Symbiotic, or working with leading investors including Dialectic, Edge Capital, Fasanara Digital, and Atomic Digital to protect their portfolios, **we are grateful that so many have trusted us to be their partner for managing onchain risk.**

Most importantly, we were there to help those impacted by some of the hacks and loss events of 2025. Many of these claims were paid to users of OpenCover, one of our key partners and a distributor for our cover products. **Mutuals are built on trust, so we take every opportunity to pay a claim as a chance to reinforce that.**

Institutional partners

DIALECTIC

EDGE
CAPITAL

FASANARA

Atomic
Digital

AlgoQuant

NOW

Claims paid

Stream

ARCADIA

What's next?

As I look back on how much Nexus Mutual and the entire space have grown over the last six years, I find myself feeling bullish about 2026. A lot of trends are coming together that are poised to create some real momentum for Nexus Mutual and DeFi as a whole.

From our side, we'll be launching the **Real World Insurance Vault**, a new way for digital asset investors to get yield from real-world policies. We're also **scaling up our vault cover capabilities and integrations** by working with Symbiotic and OpenCover to help everyone from individuals to institutions. On a less cheerful note, our **Crypto Kidnap & Ransom Cover** will also go live, an unfortunate necessity in a world where wrench attacks have become a growing concern for crypto whales, executives and their families.

Nexus Mutual is focused on helping digital asset investors and the unique risks they face. With this expansion into both real world yield and new risks, we're finding new ways to add value to this community.

You're Covered with Nexus Mutual

If you're ready to put the "low risk" in low-risk DeFi, reach out to us.

Hugh Karp

Founder & CEO, Nexus Mutual

01

Vaults: Onchain Finance Engines

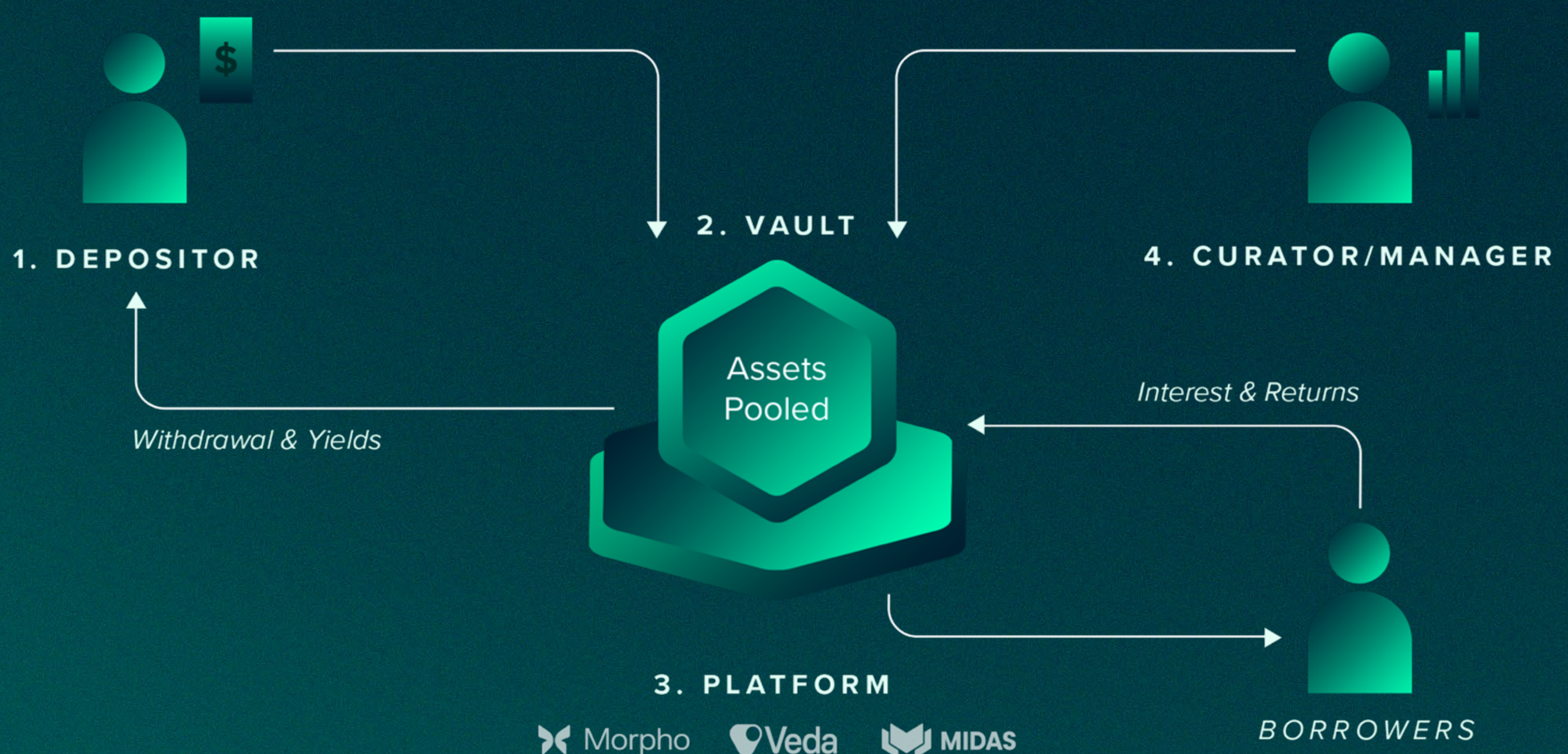
DeFi is always evolving and has quickly grown beyond simple onchain borrowing and lending. Now, vaults are emerging as a **core infrastructural element**. A vault is a set of smart contracts acting as a finance engine, pooling funds to execute investment strategies of varying complexity and automation, with different return profiles.

Vaults have the potential to lower the barriers to entry for institutional participants in crypto, **but there should be a clear understanding of the underlying risks and how to mitigate them**. Nexus Mutual has worked with vault infrastructure providers and managers to develop products that help manage the risk in vaults.

Evolution, not Revolution

Vaults are not a new phenomenon, with Yearn Finance being the first to deploy them at scale back in 2021. DeFi users could deposit into one single smart contract (the vault) which then deployed the funds into different protocols. The vaults were yield aggregators, offering additional benefits like






auto-compounding returns and savings on fees by pooling resources, creating a **seamless “set-and-forget” experience** for DeFi investors.



Vaults in 2025

Today, the vault primitive has evolved beyond yield aggregation to include nearly every activity and strategy in DeFi. This **increase in functionality** was supercharged with the emergence of new protocols that are platforms for vault issuance. Protocols such as Morpho and Euler Finance provide the critical infrastructure by creating smart contracts and processes that manage the deposits, rewards distribution, and withdrawals in the vaults.

Vaults have **curators (risk managers)** that are responsible for determining the underlying strategies, and each vault can be set with varying degrees of permission or control. Some vaults are completely permissionless: anyone can deposit and withdraw. Other vaults are completely permissioned, with the curators in full control of who can move funds.

	2020/2021	2025 and beyond
Protocols		   
Strategies	Yield aggregation for onchain strategies	Yield aggregation, active fund management for onchain / offchain strategies
Risk Management of vaults	Automated with risk parameters selected on the protocol level by DAOs/communities	From custodial management of funds to non-custodial management of funds through automation and smart contracts Vaults will have a (risk) manager/curator  
Standardization	Low (each vault protocol would have its own ERC20 token as vault representation)	High (ERC-4626 Tokenized Vault Standard)

Vaults and the Institutional Wave

The rise of vaults coincides with the recent wave of institutional growth in DeFi. The benefits of DeFi – such as higher yield, better speed, lower cost, and full transparency – have always been alluring to institutional investors, but there was a steep learning curve. Vaults offered a simplified solution:

Greater Control and Efficiency

By automating strategies with smart contracts, vaults provide clear rules for execution and efficiency.

Compliance Pathways

Vaults can be structured to meet specific compliance needs for institutional investors.

Leverage

Vaults can automate leveraged trading strategies.

Real-World Assets (RWA)

Vaults are a natural fit for RWAs by tokenizing and managing exposure onchain.

In addition to onboarding more institutional investors into DeFi, vaults have also built a bridge with TradFi:

Coinbase's Bitcoin backed loans

Coinbase users can borrow USDC against their Bitcoin holdings through the cbBTC/USDC Morpho market. Coinbase users can also lend USDC to this market and earn yield on their USDC holdings in their Coinbase account.

Fasanara mf-ONE

Institutional investors can deposit USD stablecoins into a vault on Midas, which is managed by Fasanara Capital and deployed into offchain private-credit loans.

The Risks with Vaults

While vaults have enabled new capabilities and attracted capital into DeFi, they also come with **varying degrees of risk**. On the non-technical side, the **nomenclature has yet to be standardized**. Some vault issuers call their main products vaults, while others call them strategies. Some call themselves curators, and others asset managers or risk managers. Depositors have to place a **significant degree of trust** not only in the platform or protocol that issues the vaults, but also

the manager of the vault. Each manager will have varying levels of onchain expertise, investing track records, and risk management experience and practices.

All of these factors are **in addition to the technical risks** that apply to every vault, platform, and protocol. Smart contract bugs, bad debt in underlying lending markets, and oracle failure or manipulation are just a few of the risks that can lead to significant losses.

Nexus Mutual and Vaults

At Nexus Mutual, we have protected vault depositors against losses since day one.

Yearn Finance Hack 2021

Yearn Finance, the first vault protocol, had a smart contract bug and was hacked in early 2021. Nexus Mutual paid out more than \$2 million in claims to covered Yearn vault depositors.

Euler Finance Hack 2023

Euler Finance v1 had a smart contract bug which was exploited, causing Euler Finance to lose nearly all of its funds. Nexus Mutual paid out more than \$2 million to Euler vault depositors who purchased cover.

Stream Finance 2025

A \$93 million loss reported by an external manager triggered a rapid collapse, freezing withdrawals from Stream and driving xUSD from \$1.26 to a few cents. The event exposed Stream's recursive leverage and fixed-rate oracle design, leaving lenders with bad debt as Stream platform's managers unwound their positions. The Stream collapse impacted other vault protocols that were providing liquidity to lending markets where Stream had borrowed against their own vault shares (i.e., xUSD). Nexus Mutual paid out ~\$100,000 in claims to covered members affected across the following vault and lending protocols: Beefy, Harvest Finance, Euler v2, and Treevee (formerly, Rings).

The key to successful and sensible deployment into vaults is risk management. If you're an investor looking to deploy into vaults, the team at Nexus Mutual is here to help you through the journey.

02

Q4 in Hacks & Claims

Q4 continued the trend of major exploits across DeFi. Below, we’ve highlighted the \$1M+ loss events, alongside Nexus Mutual’s exposure and the claims paid out.


Date of Loss Acknowledgment	Associated Project(s)	Loss Event Type	Loss Value	Covered Event	Members Affected	Claims Paid
3 November 2025	 Balancer	Protocol Risk > Smart Contract Exploit > Smart Contract Vulnerability	\$128M+	Yes	No members filed claims for this loss event.	\$0
4 November 2025	 Stream and related vault protocols like Rings, Beefy, Harvest, Euler v2.	Protocol Risk > Protocol Economic Risk > Liquidation Failure (for vault protocols)	\$93M	Yes	Nexus Mutual had members with active Rings, Beefy, Harvest, and Blue Chip Euler v2 Vaults & Market Multi Protocol Covers who were affected by this loss event and received payouts.	\$98K+
10 July 2025	 ARCADIA	Protocol Risk > Smart Contract Exploit > Smart Contract Vulnerability	\$3.6M	Yes	Nexus Mutual had cover holders on OpenCover (Base) whose purchased covers were directly affected by this loss event and received payouts.	\$250K+
4 November 2025	 moonwell	Protocol Risk > Protocol Economic Risk > Oracle Failure	\$3.7M	Yes	No members filed claims for this loss event.	\$0
4 October 2025	 Abracadabra	Protocol Risk > Smart Contract Exploit > Smart Contract Vulnerability	\$1.8M	Yes	No members filed claims for this loss event.	\$0

Onchain Protection Matters: \$370,000+ paid in 2025, \$18.6M+ since 2019

DeFi is a web of interconnected protocols, presenting both opportunity and risk as was made clear this quarter.

Nexus Mutual’s full product suite, including Multi Protocol Cover, Nexus Mutual Cover, and Crypto Cover, provided multi-faceted protection across the DeFi ecosystem. **This year, we paid out more than \$370,000 in claims to covered members who suffered losses, bringing our total claims paid to over \$18.6 million.**

Don’t just take our word for it. Here are a few user testimonials we’ve spotlighted on our social channels.



Drahor
@Drahorre

3 weeks ago I was indirectly impacted by the @StreamDefi collapse. Luckily I had a @NexusMutual cover for these assets. Reimbursement was both fast and easy, with swift answers from Nexus team. Also special thanks to @BraveDeFi for his reactivity when requesting specific covers.


3:58 PM · Nov 24, 2025 · 3,529 Views

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Nexus Mutual
@NexusMutual

Help when you need it the most

Working closely with @OpenCover, over the last few months we’ve had the chance to pay out hundreds of thousands in claims


We pride ourselves on a fast, fair, and transparent claims process, and feedback like this means the world to us



Open Cover @OpenCover · 3h


OpenCover is years ahead. Both in the risks we cover and the user experience we deliver.

But none of that matters if we didn’t also achieve stellar outcomes when they are most needed...




5-FIGURES RECOVERED

“ We use OpenCover for DeFi risk management on Beefy, YO and Avantis. The claim experience has been perfect! Great communication from start to finish. I highly recommend OpenCover to cover all your yield strategies. ”




Armand B.

NOVEMBER 22, 2025



6-FIGURES RECOVERED

“ Working with OpenCover was a super smooth process after the Arcadia hack. The team worked hard to maximize my claim based on the coverage I had. Everything was paid out as timely as possible, I will definitely use OpenCover again for all my DeFi needs. ”



A. P.


SEPTEMBER 9, 2025

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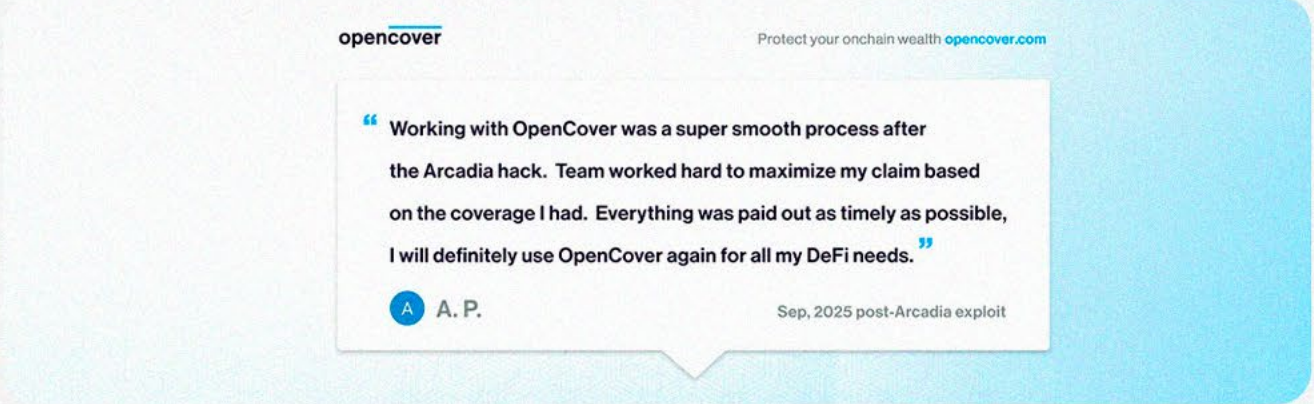


OpenCover
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OpenCover Alpha - October 2025

Explore what we’ve been up to this month - @ArcadiaFi payout user satisfaction, covering the @HyperliquidX ecosystem, @fido_xyz automatic cover, anda more

[open.substack.com/pub/opencover/...](https://open.substack.com/pub/opencover/)



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03

Smart Contracts and English Law: Where We Are Now

English law is proving **more adaptable** to smart contracts than early commentary suggested. At contract-formation level, the familiar requirements of offer, acceptance, consideration, intention to create legal relations and capacity still apply; the novelty lies in how those requirements are expressed and evidenced **when performance is driven by code on a blockchain** rather than natural-language clauses on paper.

The Law Commission and the UK Jurisdiction Taskforce have both concluded that most “smart legal contracts” can be analysed within existing doctrine, without wholesale statutory reform. Smart contracts are broadly divided into **(i) traditional written agreements** with automated performance, **(ii) hybrid contracts** where both code and text contain operative terms, and **(iii) code-only arrangements**, the last being the most challenging and likely to remain niche.

Interpretation is the core pressure point. Courts will increasingly need to ask what a “reasonable coder” competent in the relevant language would understand particular code to do, while still relying on expert evidence in the usual way and preserving the judge as ultimate arbiter. **The rigidity of self-executing code** also clashes with open-

textured standards like “reasonable efforts” that are central to commercial flexibility. Other frictions arise around **intention and signature** (can repeated wallet clicks or auto-signing scripts really evidence conscious consent?), **cryptographic key loss or theft**, **pseudonymous counterparties**, and the **unresolved allocation of liability for faulty oracles**. Recent measures such as the Electronic Trade Documents Act 2023 and proposed recognition of “data objects” as a new form of personal property show that incremental legislative tuning is underway, but far from complete.

Looking ahead, the prospect of AI-drafted and AI-coded smart contracts will test doctrines of intention, authority and capacity even further. For now, however, the English approach remains **evolutionary**: stretch existing tools as far as they will go, and legislate only where absolutely necessary.

Ania Szpak

Chief Legal Officer at Nexus Mutual

04

Q4 IRL: Industry Touchpoints

The Nexus Mutual team showed up at the industry's biggest gatherings this year, engaging directly with teams, investors, and our community on asset protection and ecosystem safety.

Bull or bear, we're always building

As Ralf Taner, Nexus Mutual's Head of Business Development, noted:

“

Token2049 and Devconnect landed on opposite sides of a volatile stretch. Token2049 unfolded just before the October 10th CEX liquidations, with sentiment still running hot; by Devconnect, conditions had cooled sharply after the Stream Finance unwind and the Balancer v2 exploit. Through that swing from optimism to caution, Nexus Mutual's focus remained the same: protecting users against risk.



Ralf delivering his keynote at Staking Summit, outlining the Symbiotic partnership to expand Nexus Mutual's onchain capital sources.

During the Insuring the Uninsurable panel at this year's Staking Summit, BraveNewDeFi, Nexus Mutual's Head of Product & Risk, underscored the team's unwavering commitment to deliver for various client needs: institutional demand is driving a new generation of products, from Real-World Insurance Vaults to collaborations in regulated markets, shaping the evolution of our product portfolio.

Thought leadership on managing onchain risk



At **Fasanara's Digital Asset Conference and in conversations at Lloyd's in London**, Hugh Karp, Nexus Mutual's Founder, noted a clear shift: demand for onchain cover is rising across the board. Interest now extends beyond DeFi's Blue Chip protocols to traditional finance and long-established institutions exploring real risk-transfer onchain.

Rei Melbardis, Nexus Mutual's Head of R&D, reinforced this during a recent panel in London: **onchain alternatives to insurance are simply superior**. One of its core advantages lies in real-time, transparent data; offering regulators and users a level of accountability that traditional insurance cannot match.

That growth in demand was clear at **Token2049 in Singapore**, where Asia-based funds showed increased interest in structured onchain protection with diversified DEX allocations. Following productive meetings there, we listed several new protocols, including Lighter and Aster.

With increasing institutional engagement, expanding product breadth, and stronger demand for onchain protection, Nexus Mutual enters the coming year with a clear mandate: continue building the infrastructure that makes DeFi safer at scale.

The Nexus Mutual team thanks all our partners and wishes everyone a safe, happy, and prosperous new year.



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