SATOSHI INSTITUTE

SIGNAL OVER NOISE FOR BITCOIN TREASURY DECISION-MAKERS.

TREASURY V2 GOVERNANCE FRAMEWORK

# SRF: Stress Response Framework

Operational Protocols for Bitcoin Treasury Under Market Stress

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# Contents

◆ **WHAT CHANGED IN V1.2**

This revision is a light, surgical pass to keep SRF consistent with the fair-value accounting reality reflected in BEOL v1.1 and RARTA v1.3. The framework's structure, triggers, and authority logic are unchanged.

Stress monitoring re-expressed. Under fair value (ASU 2023-08), Bitcoin marks to net income every period, so there is no impairment cliff to track during stress. References to "accounting impact" monitoring now read as earnings-mark and covenant-headroom monitoring — the real constraints that a marked swing can threaten.

Decision criteria clarified. Where prior text gated a "defend" decision on whether "accounting permits," the test is now whether covenant headroom holds. A non-cash mark that breaches a covenant is still a breach; a mark that does not is not a reason to act.

## Executive Summary

**Purpose.** SRF provides pre-defined operational protocols for corporate Bitcoin treasury during market stress events, eliminating decision paralysis and ensuring governance continuity under pressure.

**Core Problem Addressed.** Most Bitcoin treasury governance works during calm periods but breaks during volatility. SRF documents what happens during stress before stress occurs.

**Key Innovation.** Pre-committed response protocols that activate automatically based on objective triggers, removing emotional decision-making from stress events.

**Target Users.** Treasury Operations, CFOs, Risk Committees, Boards of Directors.

# I. Problem Statement

## 1.1 Why Governance Fails During Stress

### The Calm-Period Illusion

- Most Bitcoin treasury policies are written during low volatility
- Decision frameworks assume rational, calm evaluation
- Committee structures assume a normal meeting cadence
- Authority levels assume there is time for proper escalation

### The Reality of Stress

- Bitcoin −40% in 72 hours is not theoretical — it is a historical pattern
- Boards want immediate answers when they see CNBC headlines
- Decision paralysis sets in when frameworks provide no guidance
- Ad hoc decisions made under pressure create governance failures

## 1.2 Current Approaches and Why They Fail

**“We’ll figure it out when it happens.”** Compressed decision timeframes, emotional pressure on decision-makers, no pre-defined authority, and inconsistent responses across similar events.

**“Our risk limits will protect us.”** Risk limits assume orderly markets; execution during stress creates slippage; forced selling during volatility locks in losses; and risk limits without response protocols create confusion.

**“Our committee will meet.”** Stress events do not wait for quarterly meetings; emergency meetings lack prepared analysis; there is no pre-defined decision framework; and authority is confused during a crisis.

## 1.3 What Corporate Treasuries Actually Need

- Pre-defined stress scenarios with objective trigger criteria
- Automatic escalation protocols that activate without deliberation
- Pre-committed decision authority during compressed timeframes
- Communication frameworks for stakeholders during stress
- Recovery protocols for returning to normal operations
- Documented rationale that survives post-event review

# II. Core Methodology

## 2.1 Stress Scenario Taxonomy

| Level | Trigger | Governance Impact | Authority |
|---|---|---|---|
| **Level 1 — Elevated Volatility (Alert)** | BTC −15% to −25% in 7 days, or 30-day volatility >70th percentile | Enhanced monitoring; no immediate action | Normal RARTA parameters |
| **Level 2 — Significant Stress (Active)** | BTC −25% to −40% in 7 days, or −15% in 24 hours | Daily monitoring; enhanced reporting | Enhanced documentation required |
| **Level 3 — Severe Stress (Crisis)** | BTC −40%+ in 7 days, or −25% in 24 hours | Continuous monitoring; daily board briefings | Compressed authority; pre-approved protocols |
| **Level 4 — Market Dislocation (Emergency)** | Exchange outages, custody provider issues, or regulatory events | Immediate escalation to board | CFO emergency authority activates |

## 2.2 Automatic Response Protocols

### Level 1 Response (Elevated Volatility)

- Monitoring: daily price and volatility review (vs. weekly normal), enhanced liquidity-depth monitoring, earnings-mark proximity review, media/stakeholder monitoring
- Reporting: automated weekly dashboard to treasury committee, RARTA threshold-band assessment, no action required unless approaching policy limits
- Authority: normal RARTA decision framework applies; no additional approvals; document heightened volatility in the decision rationale

### Level 2 Response (Significant Stress)

- Monitoring: twice-daily price and volatility review, real-time liquidity monitoring, daily earnings-mark assessment, active media/stakeholder monitoring
- Reporting: automated daily briefing to CFO and committee, informational board notification, stakeholder-communication readiness
- Authority: RARTA enhanced documentation required, committee-chair consultation recommended, execution decisions require dual authorization

**Decision Options (Pre-Approved):** (1) hold and monitor (default unless approaching limits); (2) reduce to policy midpoint (if near the upper limit); (3) tactical rebalancing within approved bands; (4) activate liquidity reserves if needed.

**Level 3 Response (Severe Stress)**

- Monitoring: continuous market monitoring, real-time liquidity and custody health, immediate earnings-mark and covenant-headroom calculation, active board communication channel open
- Reporting: real-time dashboard to CFO / committee / board, pre-prepared daily briefing materials, activated stakeholder-communication plan
- Authority: emergency committee meeting (virtual, within 24 hours), compressed decision authority to the CFO with the committee chair, pre-approved response options available

**Decision Options (Pre-Approved by Board):** (1) defend current allocation (if within tolerance and covenant headroom holds); (2) systematic reduction to the lower band (pre-defined schedule); (3) opportunistic accumulation (if stress creates opportunity); (4) full position review (if fundamentals changed).

**Communication Protocol:** internal board notification within 4 hours; a prepared external statement if there is a media inquiry; a pre-approved FAQ for investor relations.

**Level 4 Response (Market Dislocation)**

- Immediate actions: CFO emergency authority activates, board-chair notification immediate, full board notification within 2 hours, emergency board meeting within 24 hours
- Custody / operational issues: activate the custody contingency plan, document all actions in real time, engage legal counsel, regulatory notification if required
- Authority: CFO emergency authority (pre-approved by board) — actions include position freeze, custody transfer, emergency liquidation; all decisions ratified by the board within 48 hours

# III. Pre-Stress Preparation Requirements

## 3.1 Board Pre-Approval Process

Required board actions, completed before stress occurs:

- Stress-scenario acceptance: the board reviews and approves all four stress levels, explicitly accepts that these scenarios will occur, pre-commits to response protocols, and documents acceptable response ranges
- Authority pre-delegation: the board approves compressed decision authority for each level, defines CFO emergency powers for Level 4, establishes committee composition for emergency meetings, and documents what requires full board vs. committee vs. management
- Response-options pre-approval: the board reviews the decision menu for each stress level, approves acceptable response ranges, defines what management can execute without further approval, and sets boundaries for emergency authority
- Communication pre-approval: the board approves the stakeholder-communication framework, reviews media-response templates, designates authorized spokespersons, and defines disclosure triggers

## 3.2 Operational Readiness Requirements

**Documentation**

- SRF protocol manual (this framework)
- Emergency contact directory
- Decision-authority matrix
- Communication templates
- Custody contingency plans

**Systems**

- Real-time monitoring dashboard
- Automated alert system
- Emergency meeting capability (virtual)
- Secure communication channels
- Document-repository access

**Personnel**

- Primary and backup decision-makers identified
- Emergency contact information current
- After-hours availability confirmed
- Training on SRF protocols completed

**Testing**

- Quarterly stress-simulation exercises

- Annual full-board tabletop exercise
- Communication-system testing
- Custody-contingency validation

## 3.3 Integration with RARTA

**Normal Operations (No Stress)**

- RARTA provides the allocation decision framework
- SRF remains dormant
- Standard governance processes apply

**Stress Transitions (Level 1–2)**

- RARTA continues with enhanced documentation
- SRF monitoring protocols activate
- Decision authority unchanged
- Reporting frequency increases

**Crisis Operations (Level 3–4)**

- RARTA suspended (stress protocols override)
- SRF decision menus activate
- Compressed authority in effect
- Return-to-RARTA criteria defined

# IV. Stress Event Response Playbook

## 4.1 Level 1: Elevated Volatility Playbook

- Hour 1 — Alert Detection: automated system detects the trigger, alert sent to the treasury team, dashboard updates to “Level 1” status
- Day 1 — Initial Assessment: treasury reviews RARTA metrics, confirms no immediate action needed, documents the volatility context, prepares the weekly committee brief
- Week 1 — Enhanced Monitoring: daily RARTA review (vs. weekly), liquidity-depth monitoring, earnings-mark tracking, media scan for narrative shifts
- Weekly — Committee Update: automated dashboard delivery, RARTA threshold-band status, volatility-regime assessment, recommendation to monitor or escalate
- Exit Criteria: volatility returns below the 70th percentile for 7 consecutive days; return to normal monitoring cadence; document lessons learned

## 4.2 Level 2: Significant Stress Playbook

- Hour 1 — Stress Detection: automated trigger detection, immediate alert to CFO and committee, dashboard escalates to “Level 2,” initial briefing materials auto-generate
- Hour 4 — Initial Response: CFO reviews the automated briefing, confirms current allocation vs. policy limits, determines whether within tolerance (most cases: yes), notifies the committee chair
- Day 1 — Enhanced Monitoring Activation: twice-daily RARTA reviews, real-time liquidity monitoring begins, daily earnings-mark calculation, stakeholder-communication readiness
- Day 2–7 — Active Management: daily automated CFO briefing, committee-chair consultation on any decisions, informational board notification, dual authorization for any position changes

**Decision Framework**

- If within policy bands and covenant headroom holds → hold and monitor (default)
- If approaching the upper limit → consider tactical reduction to the midpoint
- If fundamentals unchanged → defend the allocation
- If governance stress → escalate to Level 3

**Exit Criteria:** volatility moderates for 5 consecutive days; return to Level 1 or normal operations; document decision rationale and outcomes.

## 4.3 Level 3: Severe Stress Playbook

- Hour 1 — Crisis Detection: automated trigger detection, immediate alert to CFO, committee, and board, dashboard escalates to “Level 3 — CRISIS,” emergency briefing materials generate

- Hour 2 — Emergency Response Activation: CFO convenes the emergency committee meeting (virtual), board chair notified directly, continuous monitoring begins, communication plan activates
- Hour 4 — Emergency Committee Meeting: pre-prepared briefing materials reviewed, current allocation vs. limits assessed, response options from the pre-approved menu reviewed, decision made and documented

**Pre-Approved Decision Menu**

| Option | Criteria | Authority |
|---|---|---|
| **1. Defend current allocation** | Within tolerance, fundamentals unchanged, covenant headroom holds | Committee approval sufficient |
| **2. Systematic reduction to lower band** | Approaching limits or covenant pressure | Committee approval (within pre-approved range) |
| **3. Opportunistic accumulation** | Stress creating opportunity, within limits, committee consensus | Requires board-chair approval |
| **4. Full position review** | Fundamentals may have changed | Requires full board meeting (within 48 hours) |

- Hour 24 — Board Notification: written briefing to the full board, committee decision communicated, rationale documented, next steps outlined
- Day 2–7 — Crisis Management: daily committee briefings, real-time monitoring continues, decision-execution tracking, stakeholder communication as needed
- Exit Criteria: market stabilization for 3 consecutive days; committee determines the crisis has passed; transition to Level 2 or Level 1; post-event review scheduled

## 4.4 Level 4: Market Dislocation Playbook

- Immediate — Emergency Response: CFO emergency authority activates, board-chair notification (phone call), full board notification within 2 hours, legal counsel engaged
- Hour 1 — Situation Assessment: nature of the dislocation identified, custody health verified (or issue documented), legal/regulatory implications assessed, emergency actions determined
- Emergency Actions (Pre-Approved): position freeze (prevent unauthorized changes), custody transfer (if provider compromised), emergency liquidation (if existential risk), regulatory notification if required
- Hour 2 — Board Communication: written briefing to the full board, emergency board meeting scheduled (within 24 hours), all actions documented in real time, external advisors engaged as needed

- Hour 24 — Emergency Board Meeting: situation briefed in full, CFO emergency actions reviewed, board ratifies or modifies actions, communication strategy approved, recovery plan established
- Day 2–7 — Recovery Protocol: daily board updates, custody/operational issues resolved, legal/regulatory responses managed, return-to-normal criteria defined
- Exit Criteria: existential threat resolved; normal custody operations restored; board determines the emergency has passed; post-incident review completed

# V. Communication Protocols

## 5.1 Internal Communication Framework

| Level | Audience | Method | Frequency |
|---|---|---|---|
| **Level 1** | Treasury team, committee | Automated dashboard (weekly digest) | Weekly |
| **Level 2** | CFO, committee, board (FYI) | Daily briefing email + dashboard | Daily while active |
| **Level 3** | Full board, executive team | Real-time alerts + emergency meeting | Real-time updates |
| **Level 4** | Full board, legal counsel, advisors | Immediate phone calls + emergency meeting | Continuous |

## 5.2 External Communication Framework

**Media Inquiries (Unprompted)**

- Level 1–2: "[Company] maintains a disciplined treasury-management approach with appropriate risk-management frameworks. We do not comment on specific treasury positions."
- Level 3 (if necessary): "[Company] follows a board-approved Bitcoin treasury policy with comprehensive governance protocols. Our framework anticipated market-volatility scenarios and includes pre-defined response procedures. We remain within our approved policy parameters."
- Level 4 (market dislocation): board-approved statement only, after legal review

**Investor Relations — Proactive Communication Triggers**

- Level 3 stress if the position is >5% of market cap
- Level 4 stress always
- Any material governance action

**IR Talking Points (Pre-Approved)**

- We have a comprehensive governance framework
- Stress scenarios were anticipated in policy
- Response protocols were pre-approved by the board
- Actions taken were within approved authority
- Reported earnings reflect fair-value marks on the position, not a change in business operations

**Regulatory Communication**

- Level 4 events may trigger disclosure requirements
- Pre-determined counsel engagement

- A documented decision process supports compliance
- Maintain all communications for potential inquiry

# VI. Recovery & Return to Normal Operations

## 6.1 De-escalation Criteria

- Level 4 → Level 3: existential threat resolved, normal market functioning restored, custody operations normalized, board approves de-escalation
- Level 3 → Level 2: volatility declining for 3 consecutive days, no further governance actions needed, committee determines the crisis has passed, enhanced monitoring continues
- Level 2 → Level 1: volatility below the Level 2 threshold for 5 days, normal operations sustainable, no immediate governance concerns, return to weekly monitoring
- Level 1 → Normal: volatility below the 70th percentile for 7 consecutive days, no policy concerns, normal governance cadence restored, lessons learned documented

## 6.2 Post-Event Review Process

Required within 30 days of de-escalation.

### Committee Review

- Timeline of events documented
- Decision-quality assessment
- Protocol-effectiveness evaluation
- Framework-improvement opportunities identified

### Questions to Address

1. Were the stress triggers appropriate?
2. Did response protocols work as designed?
3. Was authority properly delegated and exercised?
4. Were communication protocols effective?
5. What would we do differently?

### Board Review

- Committee findings presented
- Policy adequacy assessed
- Authority levels validated
- Framework updates approved

## 6.3 Framework Evolution

- Working-group contribution: de-identified event findings shared, response-effectiveness data, protocol-improvement suggestions, peer-learning opportunities
- Version updates: incorporate lessons learned, refine trigger criteria, improve response protocols, update communication templates

# VII. Integration with Broader Governance

## 7.1 Policy Integration

### Board Bitcoin Treasury Policy Must Include

- SRF adoption and board approval
- Stress-scenario acceptance
- Authority pre-delegation for all levels
- Response-option pre-approval
- Communication-framework approval

### Risk Management Policy

- SRF as the crisis-response framework
- Integration with enterprise risk management
- Escalation to the board risk committee
- Coordination with other treasury risks

### Disclosure Policy

- Stress-event disclosure triggers
- Communication-approval process
- Regulatory-filing requirements
- Investor-relations coordination

## 7.2 Committee Structure

### Treasury Committee

- Primary SRF response authority (Level 2–3)
- Monthly SRF readiness review
- Quarterly stress testing
- Framework-effectiveness monitoring

### Risk Committee

- SRF oversight and validation
- Stress-scenario approval
- Enterprise-risk integration
- Board reporting on SRF status

### Audit Committee

- SRF documentation review
- Decision-authority compliance
- Post-event review findings
- Framework audit trail

## 7.3 Integration with BEOL

### Normal Operations

- BEOL optimizes operations
- SRF remains dormant
- Standard efficiency focus

### Stress Conditions

- BEOL suspended during Level 3–4
- SRF protocols override optimization
- Governance takes precedence over efficiency
- Return to BEOL when de-escalated

# VIII. Limitations & Risk Factors

## 8.1 What SRF Does

- Provides pre-defined response protocols
- Eliminates decision paralysis during stress
- Documents governance continuity
- Ensures appropriate escalation
- Creates a defendable decision trail

## 8.2 What SRF Does Not Do

- Prevent Bitcoin volatility
- Guarantee optimal crisis decisions
- Replace board judgment
- Eliminate all stress-event risk
- Predict specific stress scenarios

## 8.3 Implementation Risks

### Common Failure Modes

- The board does not truly pre-approve responses (a crisis still requires emergency meetings)
- Triggers too sensitive (constant false alarms)
- Triggers too insensitive (miss actual stress)
- Authority delegation unclear (decision paralysis persists)
- Communication protocols untested (failure during actual stress)

### Mitigation

- Rigorous board-approval process
- Regular trigger calibration
- Quarterly stress testing
- Annual tabletop exercises
- Communication-system testing

# IX. Appendices

### Appendix A: Trigger Calculation Specifications

- Volatility-measurement methodology
- Price-change calculation formulas
- Percentile-ranking algorithms
- Automated-detection system requirements

### Appendix B: Emergency Contact Templates

- Committee-notification template
- Board-alert template
- Emergency-meeting agenda
- Communication-cascade diagram

### Appendix C: Decision Documentation Forms

- Level 1–2 decision log
- Level 3 emergency committee minutes
- Level 4 board-ratification template
- Post-event review template

### Appendix D: Communication Templates

- Internal briefing formats
- Media-response scripts
- Investor-relations talking points
- Regulatory-notification templates

### Appendix E: Stress Testing Scenarios

- Quarterly tabletop-exercise scripts
- Annual board-simulation format
- Communication-system test protocol
- Post-test evaluation rubric

## Working Group Feedback Process

**Current Version:** 1.2 (Released: June 17, 2026)

**Status:** Published — practitioner feedback welcome

### Feedback Channels

- GitHub repository: [link]
- Working group sessions: Quarterly
- Direct submission: feedback@satoshiinstitute.com

### Next Version: 1.3 (Planned)

- Incorporating stress-event case studies
- Additional trigger-calibration data
- Enhanced communication templates