

# Jupiter Liquidity Provider Token (JLP)

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## Executive Summary

JLP is the liquidity provider token for Jupiter's perpetual futures exchange on Solana. It represents a proportional share of the JLP pool an index of SOL, ETH, WBTC, USDC, and USDT that acts as the collective counterparty to all leveraged positions opened on Jupiter Perps. 75% of all fees generated from trading activity, including opening and closing fees, borrowing fees, price impact, and liquidation fees, are continuously reinvested back into the pool, causing the JLP virtual price to appreciate over time.

JLP is a structurally distinct collateral asset from LSTs or simple crypto-native tokens. It is simultaneously an index fund, a yield-bearing instrument, and a directional bet on perpetual exchange volume. Its value is derived from three components: the mark-to-market value of underlying assets, accumulated fee reinvestment, and the net P&L impact of outstanding trader positions. During periods of high trading volume, JLP can outperform its underlying constituents significantly. During periods of sustained trader profits, JLP holders absorb losses as the pool's counterparty.

The pool maintains approximately 47% SOL, 15% BTC, 8% ETH, and 30% stablecoins by target weight. JLP total market cap stands at approximately \$948M as of April 2026.

Jupiter has confirmed that JLP remains fully backed by underlying assets and that Jupiter Lend has no exposure to the Drift exploit that occurred April 1, 2026 — a material positive confirmation of structural isolation between Jupiter's products.

🕒 Recommendation: Approved for listing. Borrow cap set conservatively to reflect the complex risk profile and counterparty exposure to perps traders.

## Protocol Overview

Attribute	Details
Asset Type	Perpetuals LP index token (yield-bearing)
Blockchain	Solana (SPL)
Pool Composition	~47% SOL, ~15% WBTC, ~8% ETH, ~30% stablecoins (USDC/USDT)
Total Market Cap	~\$948M
Fee Distribution	75% of all perp fees → JLP pool (hourly reinvestment)
Yield Sources	Trading fees, liquidation fees, borrowing fees from perps traders
Liquidity	Orca JLP/SOL pool; direct mint/burn via Jupiter
Oracle	Mark-to-market via underlying asset price feeds
Exchange	Buyable/sellable via Jupiter Swap at market price or virtual price

## Risk Analysis

### A. Counterparty Risk (Primary)

JLP holders are the counterparty to every leveraged position opened on Jupiter Perps. When traders profit, the pool loses assets; when traders lose, the pool gains assets. This is the defining risk of JLP and the primary reason it generates yield it is not risk-free income but compensation for bearing this counterparty exposure.

In practice, Jupiter Perps has historically seen long-to-short ratios exceeding 90% on most assets. This means JLP is effectively short leverage in bull markets; traders going long means the pool is net short through its counterparty role. Strong bull markets where leveraged longs perform well can erode pool value through trader P&L, partially offsetting the fee income. The pool's stablecoin allocation (~30%) mitigates this somewhat by providing a buffer that is unaffected by crypto price movements.

Historical performance has been positive JLP outperformed its underlying constituents over its operational history from November 2023 through April 2026 but this reflects the realized fee income exceeding net trader P&L extraction over that period. This relationship is not guaranteed to persist.

### B. Market Risk

JLP's ~70% crypto-asset weighting (SOL + BTC + ETH) means it has meaningful directional exposure to crypto markets. A 30% decline across these assets would reduce JLP value by approximately 20% in isolation, before accounting for fee accrual. This is not unusual for DeFi LP tokens with significant crypto exposure, but it distinguishes JLP from stablecoin-backed or purely yield-bearing collateral assets.

Pool target weights are maintained through dynamic fees that encourage rebalancing when weights deviate more than 20% from targets. This mechanism prevents extreme concentration but does not eliminate directional exposure.

### C. Liquidity Risk

JLP's primary liquidity mechanism is direct mint and redemption against the underlying custody pool, which holds approximately \$700M in assets including roughly \$270M in USDC, alongside WBTC and SOL. Liquidators can redeem JLP for underlying assets directly at virtual price without requiring DEX depth. This is a materially stronger liquidity profile than assets reliant on secondary market pools, and means liquidation capacity scales with the pool's total assets rather than being capped by any individual DEX pair. Secondary market liquidity exists via the Orca JLP/SOL pair, but this is supplementary rather than the primary exit route.

### D. Smart Contract Risk

Jupiter Perps smart contracts have been audited by multiple independent security firms. Jupiter is one of the most battle-tested protocols on Solana and operates the most widely used DEX aggregator on the network. The pool logic is complex relative to a simple stake pool managing target weights, dynamic fees, oracle pricing, and P&L accounting across multiple assets which creates more attack surface than a standard LST. Jupiter's security track record to date is strong, with no material exploits of the Perps contracts. The Drift exploit (April 2026) was a separate protocol's admin key compromise and had no impact on Jupiter's contracts or JLP backing, as Jupiter confirmed publicly.

### E. Oracle Risk

JLP's virtual price is derived from the mark-to-market value of pool assets plus accumulated fees, minus outstanding trader P&L obligations. Oracle failures across any of the five underlying assets (SOL, ETH, WBTC, USDC, USDT) could create temporary mispricing. Jupiter uses Pyth Network price feeds for its Perps oracle infrastructure. Pyth's multi-contributor model provides resilience against single-source failure. The stablecoin component (USDC/USDT) carries effectively zero price oracle risk, providing a stabilizing base.

## Integration Parameters

Parameter	Value
LTV Ratio	<b>85%</b>
Liquidation Threshold	<b>90%</b>
Liquidation Penalty	<b>3%</b>
Max Borrow Cap	<b>\$300M</b>
Oracle	<b>JLP/USD Pyth Feed</b>

The 85% LTV reflects JLP's composite crypto and counterparty risk profile. The liquidation penalty (5% versus 2–3% for LSTs) reflects the additional complexity of JLP liquidation liquidators must absorb the spread between market price and virtual price, which can diverge during stress. The \$300M borrow cap is calibrated to Jupiter's stable liquidity depth, providing adequate headroom for orderly liquidation without requiring liquidators to use the direct burn mechanism under time pressure.