Collateral Asset Assesment

Approved for listing

Tokenized Equity: SPYx, QQQx, NVDAx, TSLAx (xStocks)

Date: April 15, 2026

Executive Summary

xStocks are synthetic tokens tracking the price of US equities, issued by Backed Finance via its Jersey SPV, Backed Assets (JE) Limited. This assessment covers four xStock assets: SPYx and QQQx (diversified ETF trackers) and NVDAx and TSLAx (single-name equity trackers). All four are listed as collateral assets in standard markets, with users borrowing stablecoins against their xStock positions.

The key structural distinction from most collateral assets on the protocol is the liquidity model. xStocks are not traded on traditional AMM DEXs but via an RFQ (Request for Quote) system, which provides deep, scalable liquidity in excess of $100M per asset without the slippage constraints of on-chain pool depth. This means liquidation capacity is not constrained by pool TVL and scales well with position size a meaningful advantage over typical long-tail collateral assets.

The custody structure is strong: underlying shares held by Alpaca Securities LLC (FINRA-regulated, SIPC member), InCore Bank AG as secondary custodian, Lloyd's of London coverage up to $175M aggregate, weekly on-chain proof of reserves, and quarterly ISAE 3000 assurance audits. The SPV structure provides bankruptcy remoteness if Backed Finance or Kraken were to face insolvency, token holders retain a direct claim on the underlying assets held with Alpaca, ring-fenced from Backed's corporate balance sheet.

The primary risks are the uncorrelated nature of collateral and borrow assets (equity vs. stablecoin), single-stock idiosyncratic volatility for NVDAx and TSLAx, oracle staleness during US market close hours, and issuer-level regulatory risk. Access is geo-blocked for US persons, mitigating the primary regulatory enforcement vector. Tokenized US equities arrived as a new Solana DeFi vertical in early 2026, reaching $200M in AUM across integrations.

Recommendation: All four approved for listing with differentiated parameters between ETF trackers and single-name stocks.

Protocol Overview

Attribute	Details
Asset Type	Synthetic Equity Tokens (xStocks)
Issuer	Backed Finance (Backed Assets (JE) Limited, Jersey SPV)
Assets Covered	SPYx (S&P 500 ETF), QQQx (Nasdaq-100 ETF), NVDAx (NVIDIA), TSLAx (Tesla)
Oracle	Chainlink (underlying stock price feed)
Liquidity Model	RFQ (Request for Quote) — >$100M sell-side per asset at any time
Primary Custodian	Alpaca Securities LLC (FINRA-regulated, SIPC member)
Secondary Custodian	InCore Bank AG (Switzerland)
Insurance	Lloyd's of London up to $175M aggregate
Proof of Reserves	Weekly on-chain, quarterly ISAE 3000 audit
User Access	Geo-blocked for US persons

Liquidity Assessment

xStocks carry no redemption queue or epoch-based exit mechanism. Liquidity is provided entirely via RFQ, where market makers quote prices on demand. This model scales linearly over $100M of any of the four assets can be sold at any time with effectively zero slippage, compared to DEX pools where large trades cause significant price impact.

For the purposes of liquidation, this is a materially stronger liquidity profile than most assets on the protocol. Liquidators can unwind large positions without being constrained by on-chain pool depth, and there is no dependency on DEX liquidity bootstrapping or incentive programs to maintain adequate exit capacity.

The primary caveat is RFQ market maker availability during periods of acute market stress. In scenarios where underlying equity markets are halted or experiencing extreme volatility, RFQ providers may widen spreads significantly or temporarily withdraw quotes. This is analogous to CEX liquidity risk seen in crypto markets during high-volatility events, and is a residual risk rather than a structural concern given the scale of RFQ capacity under normal conditions.

Risk Analysis

A. Market Risk (Primary)

xStock collateral and stablecoin borrows are uncorrelated assets. A sharp decline in the underlying equity price directly erodes collateral value without any corresponding reduction in borrow liability.

For SPYx and QQQx, systemic drawdown scenarios represent the primary stress case. Single-session drawdowns exceeding 5% are rare outside systemic market events, and the spread between LTV and liquidation threshold provides meaningful headroom for orderly liquidation before bad debt risk materializes.

For NVDAx and TSLAx, idiosyncratic events, earnings misses, executive departures, regulatory actions, or sector rotation can generate violent moves disconnected from broader market conditions. NVDA dropped approximately 17% in a single session in January 2025 on DeepSeek news. TSLA has a documented history of 15–25%+ single-session moves on corporate or regulatory catalysts. The tighter LTV for single-name stocks directly reflects this idiosyncratic risk premium.

B. Oracle Staleness & Gap Risk

Chainlink feeds for xStocks reflect the underlying equity market price, meaning the oracle holds the last traded price when US markets are closed nights, weekends, and public holidays. Unlike assets with active DEX markets, xStocks have no on-chain price discovery during these windows; RFQ liquidity is the only exit mechanism and is itself tied to the underlying market.

The practical risk is a gap at Monday open if a significant macro or company-specific event occurs over the weekend, with the oracle jumping instantly to a new price with no intermediate liquidation opportunity. This risk is meaningfully mitigated by the RFQ liquidity model: liquidators can act immediately upon oracle update without pool depth constraints, minimizing bad debt risk.

The scenario requiring concern is a severe gap down large enough to breach the liquidation threshold in a single move plausible for NVDAx and TSLAx on an earnings event, considerably less likely for SPYx and QQQx. This is reflected in the tighter LTV parameters for single equity assets. Corporate action events (stock splits, mergers, reverse splits) are handled by pausing the relevant market until the oracle and token supply are updated.

C. Issuer & Custody Risk

Unlike crypto-native collateral, xStocks depend on Backed Finance maintaining the underlying share positions and honoring redemptions. The custody structure is robust: underlying shares held by Alpaca Securities LLC (FINRA-regulated, SIPC member) with InCore Bank AG as secondary custodian and Lloyd's of London supplemental coverage up to $175M aggregate.

The SPV structure (Backed Assets (JE) Limited) provides bankruptcy remoteness — in a Backed or Kraken insolvency, token holders retain a direct claim on assets held with Alpaca, ring-fenced from the parent's corporate balance sheet. Proof of reserves is published weekly on-chain and subject to quarterly ISAE 3000 assurance audits.

The residual custody risk is that xStock holders hold a contractual claim against the SPV rather than direct share ownership. In a wind-down scenario, recovery involves legal process against the SPV rather than instant redemption. At $10M per asset borrow caps, maximum protocol exposure is well within Lloyd's coverage limits.

D. Regulatory Risk

Tokenized equities exist in a regulatory grey zone across jurisdictions. The protocol geo-blocks US persons, mitigating the primary SEC enforcement vector. Backed Finance operates as a Swiss entity subject to FINMA oversight, with xStocks issued under Jersey law and prospectus-approved under EU Prospectus Regulation via the Liechtenstein FMA. A regulatory action targeting Backed's ability to maintain or redeem underlying share positions would affect the peg mechanism irrespective of end-user geography. This risk is rated medium given the evolving global regulatory posture on tokenized equities.

Integration Parameters

Asset	LTV	Liquidat. Threshold	Liquidation Penalty	Borrow Cap
SPYx	75%	85%	5%	$10M
QQQx	75%	85%	5%	$10M
NVDAx	65%	75%	7%	$10M
TSLAx	65%	75%	7%	$10M

ETF trackers receive higher LTV (75%) reflecting lower idiosyncratic risk and diversified underlying. Single-name stocks receive lower LTV (65%) reflecting the possibility of violent single-session moves on earnings or news. The higher liquidation penalty for NVDAx and TSLAx (7%) compensates liquidators for the risk of gap-open scenarios where the oracle jumps without intermediate liquidation opportunity.

Outstanding Conditions & Monitoring

- Markets for NVDAx and TSLAx should be paused during earnings windows (2 days before, 1 day after) to eliminate gap risk on the highest-volatility events.
- Quarterly review of RFQ market maker depth. If available sell-side liquidity falls below $30M for any asset, borrow cap should be reduced correspondingly.
- Track regulatory developments in the tokenized equity space in Switzerland, Jersey, and Liechtenstein on a quarterly basis.

This assessment is prepared for internal use.