# Tokenization Grand Prix Application
## USDX

# Table of Contents

# I. Project Overview

1. Project name: X Financial Technologies
2. Product name: USDX
3. Product type / underlying asset:

   USDX  is 1:1 backed by shares of the Franklin OnChain U.S. Government Money Fund (ticker FOBXX) traded on the Nasdaq. Underlying holdings of FOBXX are U.S. government securities and repurchase agreements.

4. Issuer jurisdiction: United States
5. Product website: https://github.com/amr080/x-protocol
6. Primary contact name, title, and method of contact

   Alexander Reed, CEO
   Email: alex@alexandros-securities.com
   TG: @alexreed5

# II. Company Details

1. **Company description**

   XFT is a tokenized asset issuer providing open access to trusted assets, such as US stocks & ETFs, with fractional shares & dividend distributions. We work with a variety of technology and finance businesses, both web2 and web3 companies, to bring new assets to their customers.

2. **Key personnel biographies**

   Alexander Reed (CEO): A private pilot who soloed at 16, Alexander combines technical intuition with financial expertise. From building computers and scaling a tech YouTube channel in middle school to engineering convertible bond systems at Oppenheimer & Co., where he helped structure the $400M ATSG issuance - his path has been uniquely hands-on. Having experienced capital markets from multiple angles - institutional trading, securities issuance, real estate asset management + construction, retail investing through Robinhood, and the GameStop fiasco - he saw blockchain as a natural evolution for markets. A Duke graduate on Air Force scholarship and self-taught engineer, he built XFT's infrastructure drawing from his lifelong passion for technology. His entrepreneurial drive culminates in developing the first permissionless yield-bearing stablecoin registered under the 1940 Investment Company Act in the US.

3. **Team size:** 3
4. **Years in operation:** 1 year

# III. Product Information

1. **Describe the product**

   USDX is a permissionless yield-bearing stablecoin for institutional cash management and payments.

2. **Describe the underlying asset**

   *FOBXX - Franklin Onchain U.S. Government Money Fund*
   Franklin OnChain U.S. Government Money Fund seeks to maximize current income while preserving capital and maintaining a stable $1.00 NAV through investments in U.S. government securities.

   - SEC-registered 1940 investment company act for highest
   - excluded from new dealer rule
   - Provides access to US government securities and repurchase agreements
   - Blockchain + digital asset expertise

3. **How is yield transferred to the tokenholder (i.e., via rebasing, distributions, price accrual, etc.) and how often?**

   Rebasing, daily. System matches the stETH / wstETH model which is a simple and battle-tested model.

   | USDX | Rebasing ERC-20 | Yield-bearing collateral |
   |------|-----------------|--------------------------|
   | wUSDX | Accumulating ERC-4626 | DeFi |

4. **What is the jurisdiction of the issuer and key entities?**

   The issuer X Financial Technologies, Inc is incorporated in the United States.

5. **What is the asset eligibility criteria and/or concentration limitations for the portfolio as defined by the underlying documents?**

   Asset eligibility criteria is publicly available on our Investment Mandate: [USDX Reserves - Investment Mandate](#)
   No concentration limitations.

6. **Are any hedging or derivatives permitted in the underlying portfolio?**

   No. XFT tokens including USDX are 1-to-1 backed by a single asset.

7. **Provide a list of all counterparties and service providers used by your product (i.e., custodians, trustees, reporting agents, exchange agents, banks, etc). Provide flow-charts or diagrams for all related entities and counterparties, if available.**

| | |
|---|---|
| Fund Admin & Custodian | BNY Mellon |
| Fund Manager | Franklin Templeton |
| Auditor | Ernst & Young LLP |
| Transfer Agent | X Financial Technologies |
| Fiat <> Stablecoin | Visa |
| Prime Broker | Goldman Sachs |

8. **What is the AUM of the product? Provide a breakdown by blockchain**

   Ethereum USDX AUM: $0
   Franklin FOBXX AUM: $435.10M

9. **What are the standard fees (i.e., subscription, redemption, management, etc.)?**

   No fees. USDX Rewards are accrued daily on a "net" basis. Real time APY can be found on our website.

10. **Other than the fees described above, can other expenses be paid from the proceeds of the product/assets?**

    No fees. Only expense to be borne by the customer is the gas for depositing USDC/USDX.

11. **How is your product permissioned? (e.g., primary users, secondary users)**

    USDX is permissionless on secondary markets and has permissioned primary market. This replicates the way that major stablecoins work, such as USDT, USDC, pyUSD, etc.

12. **What is the monthly transaction volume for the product?**

    tbd

13. **What is the expected and maximum time for users to subscribe to and redeem from your product? Have you had any interruptions in your ability to process redemptions and subscriptions?**

    USDC conversion to USDX can be processed the same day at any size. Usually this is completed in <1h.

    USDX redemptions can usually be processed the same day, using multiple liquidity sources, including our underlying collateral, repo facilities and others. Note that the product has a T+2 SLA, as per Terms and Conditions, since none of the facilities are mandated by contract to support us on 99% SLA.

There have been no interruptions to subscriptions and redemptions. Also, as of yet, no redemptions had to wait for T+2 SLA.

**14. Provide a description of the subscription and redemption process. Include a diagram of the flow of funds, including each party involved.**

The issuance and redemption of XFT's tokens including USDX is an automated process. Requests are made by submitting the order to the XFT order processor contract and sending the corresponding tokens, USDC for subscriptions and USDX for redemptions. Both market and limit type orders are supported. Timing discussed in this document assumes a market order.

If the US stock market is open and there is sufficient cash liquidity, requests will typically take seconds. If the US stock market is closed, requests are queued and executed upon market open. Large redemption requests that exceed XFT real-time operational liquidity will still be executed in seconds but the return of USDC funds may take up to T+2 business days (typically same-day if before wire cutoff). Similarly, large subscription requests may take up to T+2 days to execute. This is primarily due to the slowness of moving fiat USD through the traditional finance system.
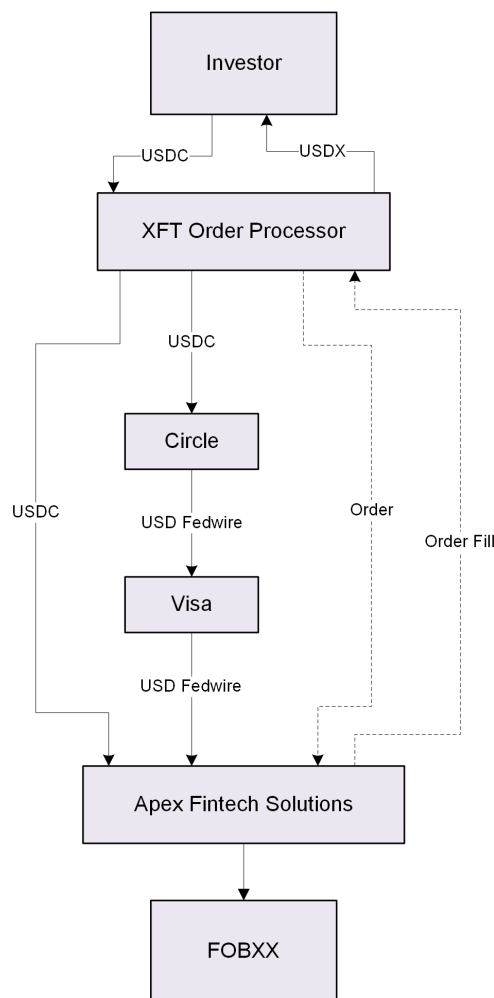
15. **Have any liquidity vehicles been established to enhance redemption and subscription efficiency? If so, describe how they work.**

Circle has established a liquidity facility that allows holders of USDX to transfer their shares to Circle for USDC. This liquidity facility provides USDX investors with a near-instant, 24/7 USDX off-ramp that brings to bear the core benefits of tokenized assets: speed, transparency and efficiency. This liquidity facility has the ability to offer instant redemptions up to a maximum of $25M dollars per day.

16. **With what product can subscriptions and redemptions be made? (i.e., fiat, Dai, USDC, etc.)**

USD, USDC

17. **What are your future plans for this product?**

   - Integrate CCIP cross-chain mechanism + launch on additional blockchains.
   - Enable more fiat currencies for subscriptions and redemptions.
   - Utilize for cross-border payments, trading collateral

# IV. Legal Structure

1. **Explain the legal structure of the product and the jurisdictions in which it operates**

   - Regulated digital asset security by X Financial Technologies under Delaware jurisdiction
   - Assets held in bankruptcy-remote trust with independent trustee
   - Compliant with U.S. securities laws and '40 Act
   - Direct investor access to underlying U.S. Treasury securities
   - Protected from issuer insolvency and creditor claims

2. **What regulatory bodies oversee the product?**

   U.S. Securities and Exchange Commission (SEC)

3. **What licenses, permits, certificates, authorizations, registrations, concessions, approvals, exemptions does your product or company hold?**

   - 1940 Act Closed-End Interval Fund
   - Registered Investment Advisor
   - Registered SEC transfer agent (Section 17A(c))

4. **How is bankruptcy remoteness established for assets of this product?**

   XFT's assets are held in a separate trust with an independent trustee - if X Financial Technologies goes bankrupt, creditors cannot touch these assets and investors maintain full

access to their U.S. Treasury securities. Like keeping your valuables in a separate vault that only you can access.

5. **What rights do tokenholders have?**

   - Right to redeem their tokens subject to the terms of the offering memorandum
   - Right to receive regular performance reports
   - Access to portfolio transparency

6. **Explain the potential tax implications associated with the product**

XFT unfortunately cannot provide legal, financial, or tax advice. Our users and investors should consult their tax advisors for any tax considerations.

Yield / dividends

1. Direct distribution of stablecoin to the holder's wallet.
2. Value accrual to a wrapped vault token, wUSDX, reified upon unwrapping.

Purchase & Redemption

The USDX token issuance and redemption price is determined by the underlying FOBXX price on the stock market. This price is typically very stable at approximately $1 USD per share with minor fluctuations loosely based on dividend timing. We anticipate that holders of USDX will primarily see dividend-based tax implications.

# V. Performance, Reporting, and Technical

1. **Provide historical performance relative to the most relevant benchmark and explanations for any deviations from the benchmark.**

Historical performance is publicly available here

2. **Describe the frequency, content, and process for performance and portfolio transparency reports. Who provides these?**

Live monitoring and reporting of the USDX 1:1 backing is provided to the public on our transparency page.

Daily reporting

Our fund administrator (NAV Consulting) has direct, read-only access to all of the Fund's accounts daily. We independently calculate the Net Asset Value of the Fund each day. If ever there is a discrepancy we work with NAV Consulting to identify and correct the source of the error. Once in agreement, we publish the full set of financials created by NAV Consulting on a daily basis. These daily reports include a Statement of Income, Statement of Changes in Net

Asset Value, Statement of Assets and Liabilities, and Trial Balance. You can find a link to those reports [here](#).

<u>Monthly reporting</u>

Additionally, each month NAV Consulting sends each USDX client an Investor Account Statement. These monthly statements include a Capital Account Summary, Share Summary, and Activities Since Inception.

3. **Describe the accounting and auditing processes for the portfolio and product**

Our automated purchasing process verifies that the underlying asset has been successfully bought before finalizing the minting of the XFT token. When we receive confirmation from our prime broker, then the order placed with us is fulfilled. These fills are published from across chains on our transparency page.

A separate process verifies the collateralization percentage on an hourly basis by aggregating the total outstanding USDX and comparing it to the number of FOBXX shares held in the prime brokerage account.

*NAV = {Market Value of All Securities Held by Fund + Cash and Equivalent Holdings – Fund Liabilities} ÷ Total Fund Shares Outstanding*

The net asset value (NAV) is calculated each day at approximately 4:00 PM Eastern Time by recording the transactions over the prior 24 hours in our accounting system. Automated workflows pull the daily transactional information into our internal accounting system directly from Ondo's prime brokers and banks. These daily transactions are accessed primarily through API connections and secure file transfer protocols (SFTP). onchain data is currently uploaded to SFTP. After confirming that each workflow has processed correctly, the daily transaction data is then imported.

4. **Describe the technical implementation of your product**

[DS Protocol](#)
[X Protocol](#)

| Contract | Address | Source | Description | Use Case |
|----------|---------|--------|-------------|----------|
| USDX | Implementation<br>0x00232a7793CA38320A12893c53547543C79546b8<br><br>Proxy<br>0x81536233C3FfaEa0198D7B5Ce8dEceDf3C520A66 | Github<br>Coverage | Rebasing<br>ERC-20 | Yield-bearing collateral |
| wUSDX | Implementation<br>0xfA52C849F1d5EC11D83a48281b9368856A16f1e0<br><br>Proxy<br>0xDB45A2137EfdfBe8a1F4EaDCCda8b56990B22361 | Github<br>Coverage | Accumulating<br>ERC-4626 | DeFi |

**Sources**
Spark: [ArCoin](#), [USFR.d](#), [USDM](#), [OUSG](#), [FOBXX](#)
Step:   [USDM](#)