



Crypto Deals Trade Off Near Instant Collateral Liquidation and Volatile Value

An initial crop of crypto-backed transactions hitting the market offer a blueprint for more to come. Deals like the recently priced \$200 million LEDN 2026-1 feature tangible levels on several structural parameters, such as coverage or overcollateralization tests. The strength and mechanics of tests like these are critical amid the elevated volatility of digital [coins](#).¹ Investors can also assess other relevant deal parameters, such as advance rates, loan LTV levels, and exposure periods.

Practical experience with actual bitcoin-backed bonds is helpful. Issuers can fine-tune structural features. Investors can gain more comfort with a novel sector as it experiences performance fluctuations. Beyond LEDN, which looks like a plain-vanilla ABS (albeit with unique collateral), the market is also seeing more unusual bitcoin-backed structures on the launch pad. One example is the potential \$100 million New Hampshire Business Finance Authority (BFA) bitcoin-collateralized issuance. The transaction, carrying provisional Ba2 rating, is a hybrid muni-ABS structure. While the BFA transaction, aka Waverose Finance Project, does not facilitate direct comparison to the LEDN deal (and no assurance it will get executed), it still provides some informative deal parameters (Figure 1). All told, the market now has some real crypto-backed deal benchmarks to work with, rather than just conceptual structures.

Stav Gaon
+1 (646) 768-9173
sgaon@academysecurities.com

Headquarters Address:
Academy Securities, Inc.
622 Third Avenue, 12th Fl
New York, NY 10017

Figure 1. Bitcoin-Backed Bonds Deal Parameters

LEDN 2026-1	Waverose Finance Project
<ul style="list-style-type: none"> • Deal Balance: \$188 million • Class A: \$160 million • Class B: \$28 million • Underlying Loan Balance: \$199 million • Bitcoin Collateral FMV: \$357 million • Class A Advance Rate: 80% • Class B Advance Rate: 94% • Loan LTV: 55.8% 	<ul style="list-style-type: none"> • Deal Balance: \$100 million • Advance Rate: 72% • Exposure Period: two days

Source: Ratings agencies and Academy Securities

¹ "Crypto Collateral: Expect Robust Par Value Tests," Securitized Products Special Topics, Academy Securities, August 7, 2025

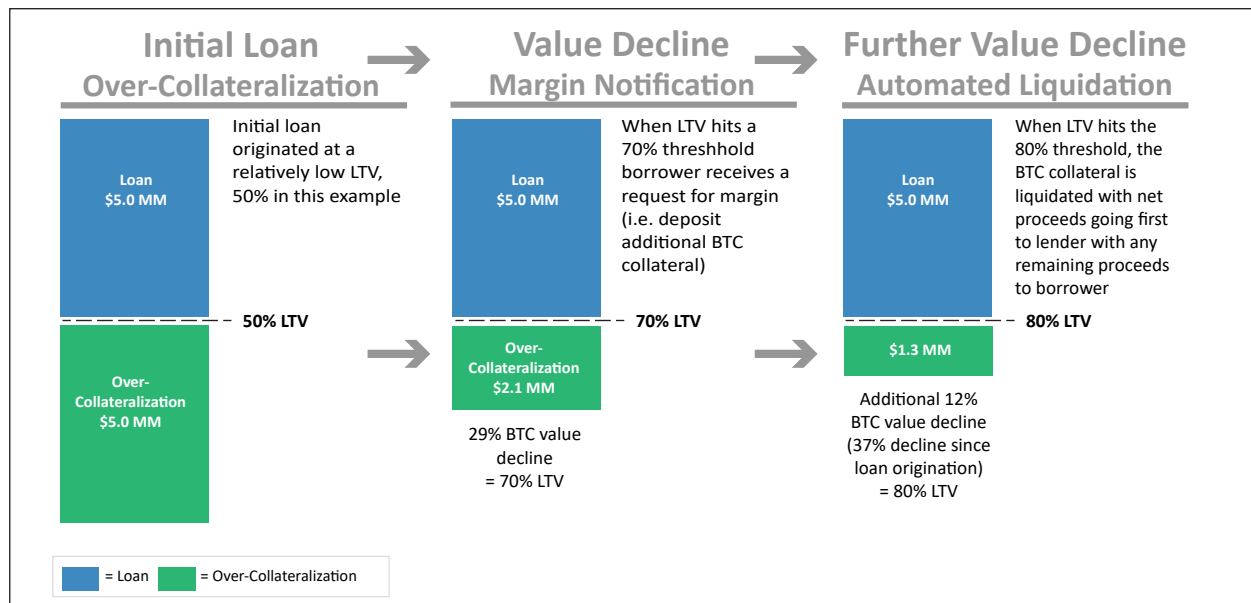
Bitcoin-Backed Bonds: First Deals Provide Concrete Structural Parameters

Loan-Level LTV Thresholds and Automatic Liquidation Engines

The bitcoin-backed deal mechanics underscore a key tradeoff on the collateral we see – near-instant liquidation potential versus sharp market value fluctuations. It is hard to think of any other consumer debt collateral that offers the same kind of liquidation speed. Loan originators (or deal servicers) theoretically can liquidate the bitcoin that collateralizes the consumer loans backing the deals in a matter of seconds. Programmatic “liquidation engines” can continuously monitor the collateral value, and automatically trigger liquidations as necessary. There are no foreclosures, repossessions, or collection efforts prevalent in other consumer loans. As such, bitcoin collateral “recovery” levels can approach 100%.

The instant loan liquidation feature facilitates overcollateralization tests both at the loan level and at the note level. At the loan level, the sponsor can set LTV thresholds that trigger margin notifications, and automated liquidation as needed. For example, in the LEDN deal, the sponsor issues loans at a 50% LTV ratio, based on deal documents. Loan borrowers receive margin requirements to post additional collateral if the bitcoin-backed loan’s LTV rises above 70%, and again if the LTV rises above 75%. The loan liquidates the bitcoin collateral if the LTV rises above 80% (Figure 2). The loan pool on the LEDN deal had a weighted-average LTV of 55.78% ahead of the deal’s issuance. The initial loans represented an aggregate outstanding principal balance of \$199.1 million, secured by bitcoin with a fair market value of approximately \$356.9 million.

Figure 2. Bitcoin Collateral Liquidation Flow



Source: Ratings agencies and Academy Securities

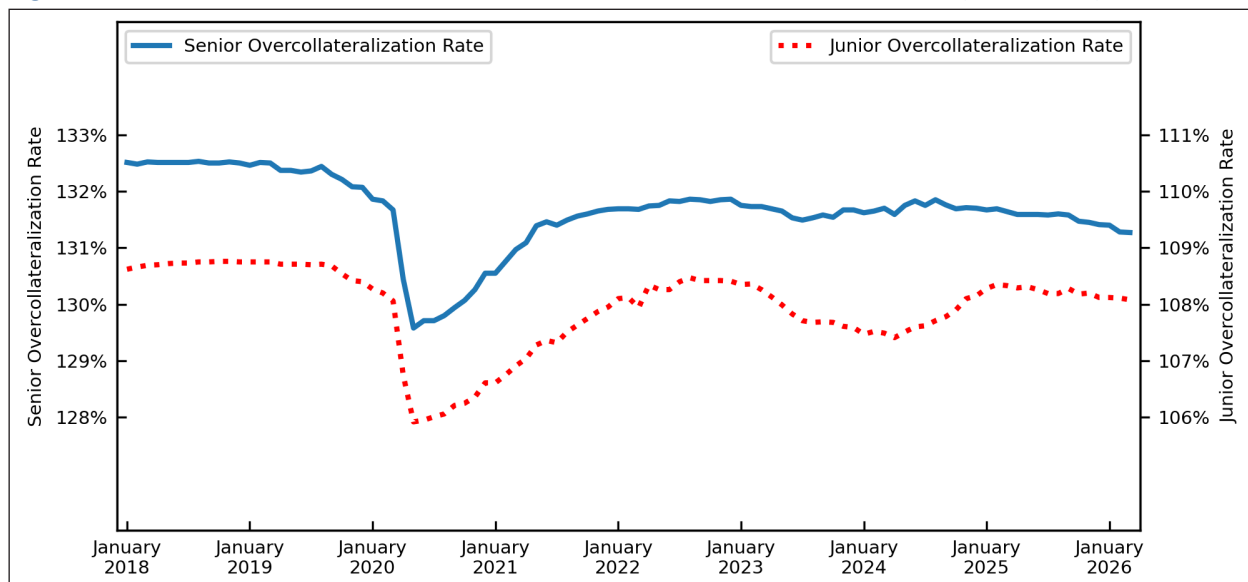
Lenient Deal-Level Asset Coverage Tests Amid Loan Liquidation Mechanism

At the note level, the bitcoin-backed deal can define asset coverage ratio or advance rate thresholds, separately and in addition to the underlying loans’ LTV-driven mechanics. The advance rate is the outstanding balance of the notes divided by the sum of the underlying loans balance, any accrued interest and administrative fees on the loans, and any amounts in the funding account used to purchase new loans. Breaching an advance rate threshold (or a corresponding asset coverage test threshold) can trigger early amortization event, or even a full mandatory bond redemption.

Bitcoin-Backed Bonds: First Deals Provide Concrete Structural Parameters

The coverage tests we see on the bitcoin-backed deals echo well-established par value tests in CRE CLO and corporate CLO [deals](#).² In the Waverose Finance Project deal, for example, the initial collateral coverage is 160%. The deal sets a trigger at 140% threshold. Breaching this threshold results in full bond redemption. The deal also defines a so-called exposure period of two days. This is the period between the breach of a coverage trigger and the liquidation of the collateral. For context, overcollateralization test thresholds can widely vary across traditional CLO deals. In CRE CLO deals we noted in previous research that OC breach levels range from 105.4% all the way to 157.5%. In BSL CLO, median senior OC ratios recently stood at 131.27% (Figure 3). Junior OC tests registered 108.08%.

Figure 3. Senior and Junior Overcollateralization Ratios Across BSL CLO Universe (Median, %)



Source: Moody's and Academy Securities

The presence of overcollateralization tests at the loan level, such as in the LEDN deal, may mean that the deal-level test thresholds are set at relatively lenient level. Specifically, in LEDN the advance rate threshold triggering an early amortization event is 94%, corresponding to 106% coverage test threshold. This level is at the lower end of the CRE and BSL CLO test thresholds we see. But the LTV-driven loan liquidation mechanism we described above likely means the deal level thresholds do not need to be as stringent as they are in deals with collateral that is harder to liquidate, such as CRE or corporate loans.

Still, we are careful at this point to make apples to apples comparisons of the structural features of crypto deals and other securitized segments. Bitcoin price swings can result in unpredictable deal cashflows, even amid effective collateral liquidation mechanisms. Bitcoin volatility means early amortization events can happen often, and unexpectedly. An extended period of volatile, low prices, may even jeopardize the bitcoin-backed loan business model. The sector clearly still lacks the stability and historical performance experience that underpin the securitization of other consumer debt types. We are on the lookout for more crypto-backed deals to hit the market, and especially for the various market value tests to work in practice.

² "OC Triggers: Subtle Thresholds Come to the Fore As Collateral Distress Builds Up," Securitized Products Special Topics, Academy Securities, April 4, 2023

Academy Securitized Products Research Reports

Securitized Products Special Topics - Esoteric ABS:

[RV ABS: Niche Segment Finds a Place Between Prime and Subprime Auto](#)

[Crypto Collateral: Expect Robust Par Value Tests](#)

[Utility Rates: Rising Bills Can Bolster RRB Deals](#)

[Energy Transition: Expect Broader Definitions in Securitization Laws](#)

[Power Costs: Data Centers and Recovery Bonds Poised for More Predicatability](#)

[Sports Securitization: Vet League Revenues and Stadium Cashflows](#)

[Timeshare ABS: Program-specific Attributes to Drive Performance](#)

[Music ABS: Pool Variations Emerge Amid Constructive Sector View](#)

[Tower ABS: Tenant Preferences Bode Well for Leasing Demand](#)

[Aircraft ABS: Momentum Builds for Insurance Booster](#)

[Data Centers: Tenant Rosters Poised to Change](#)

[Container ABS: Geopolitical Tailwinds as Issuance Picks Up](#)

[Gas Securitization: Shorter WAL Alternative to Electric Charge Deals](#)

[Net Leases: Scarcity Value as Issuance Poised to Pick Up](#)

[Recovery Bonds: Deal Reporting Shows True-Up Adjustments Potency](#)

[Data Centers: Performance Wrinkles to Test Operators' Role](#)

[Recovery Bonds: Diversifying Exposure Moves Beyond Disasters](#)

[Device Payment ABS: Expect Stable Performance as Collateral Evolves](#)

[Aircraft ABS: Waterfalls Playing Catch-Up as Fundamentals Recover](#)

[Data Centers: Teakeaways from 2023-Vintage Deals](#)

[Litigation ABS: Tailwinds in Place for an Uncorrelated Segment](#)

[Equipment ABS: Pick Your Spots Amid Diverging Collateral Trends](#)

[Commercial Solar ABS: Emergent Segment to Alleviate Headline Risks](#)

[Cell Towers: Lender-Friendly Features Dovetail with Secular Tailwinds](#)

[Timeshare ABS: Exposure to Favorable Hospitality Segments](#)

[Recovery Bonds: No Need to Closely Watch the Fed or the Economy Here](#)

[Data Centers: A Strong Segment Juggles ABS and CMBS](#)

Bitcoin-Backed Bonds: First Deals Provide Concrete Structural Parameters

Securitized Products Special Topics:

- [Military Data Centers: A Wave of Properties on Government Land](#)
- [Data Center Campuses: Phase Buildouts to Scatter Investor Exposures](#)
- [PJM Auctions: Weeding Out Spec Data Center Construction](#)
- [Payment Priorities: Mobile & Electric Bills Upend Consumer Waterfall](#)
- [Stranded Assets: Power Plants and Data Centers Performance Intertwine](#)
- [Infrastructure CLO: Concentrated Exposures in Favored Segments](#)
- [Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers](#)
- [Power Failures: Amazon/PacifiCorp Dispute Highlights Power Agreements](#)
- [Backup Servicing: Tricolor Spotlights Backup Servicer Temperature](#)
- [Euro Stadiums: Check Blueprints for Upcoming US Transactions](#)
- [Data Centers Capex: Mixed Estimates on a Key Cashflow Driver](#)
- [ARDs: Missing Anticipated Repayment Not Unusual, May Warrant Workout](#)
- [BBnB: Check Your Booked-But-not-Billed Data Center Exposure](#)
- [Stadium Finance: Shift to Private Funding Sets Stage for Securitization](#)
- [Early Terminations: Tenant-friendly Provisions to Move Up Data Center Rollovers](#)
- [Life Sciences: Surveil Your Exposure as Distress Percolates](#)
- [CRE CLO Liquidations: Losses Accumulate, but No Immediate Writedowns](#)
- [Office Contractions: New Term Rollover Risk, and Swelling Reserves](#)
- [Multifamily Expenses: Broad Increases Mask the Fluctuations](#)
- [Small Balance Commercial: Periphery Locations and “Weak” Sponsors May Prove Supportive](#)
- [Investor Non-QM: Pockets of Value as Underwriting Tightens](#)
- [Multifamily Prepays: Becoming Less Common, as Property Sales Drop](#)
- [CRE CLO Mods: Rising Volume Not Immediately Telegraphing Distress](#)
- [Agency Floaters: Adjusting Interest Rate Cap Escrows](#)
- [Multifamily CRT: Limited Credit Risk on Synthetic Exposures](#)
- [OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up](#)
- [Self Storage: Aspects to Watch as Performance Decelerates](#)
- [Transitional Multifamily: Collateral Migration Away from CRE CLO Offers Different Deal Profile](#)
- [Affordable Mortgages: Fee Elimination Spotlights Convexity Profile](#)
- [Investor Non-QM: Rental Exposure with Some Structural Twists](#)
- [Small Balance Multifamily: Value Ahead of Slow Prepays](#)
- [Future Funding: Potential Key Performance Driver as CRE CLO Pipeline Builds Up](#)
- [Multifamily Prepays: Property Sales Trigger Paydowns](#)
- [Manufactured Housing: Resilient Segment Amid Potential Multifamily Softness](#)
- [Tender Offers: Expect More to Come, Though Not on a Predictable Schedule](#)
- [NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions](#)
- [Housing at a Crossroads: Single-family and Multifamily Exposures](#)
- [Senior Housing: Focus on Segment Selection Amid Pandemic Impact](#)
- [Disaster Performance: Pandemic Forbearance Resolutions Bode Well for Future Stresses](#)
- [Russian Sanctions Impact: Lease Terminations and Forced Property Sales](#)

Bitcoin-Backed Bonds: First Deals Provide Concrete Structural Parameters

CMBS Credit Focus:

[Mod Waterfalls: Split A/B Should Not Override Deal Allocation Priorities](#)

[Parking Garages: Seattle Distress Spotlights Niche Property Sector](#)

[Pari Passu Liquidations: Different Waterfalls on Same Property Sale](#)

[Office Mods: "Left Behind" Properties in a Recovering NYC Market](#)

[Control Rights: The Interplay of Co-Lender and Intercreditor Agreements](#)

[Negative ASER: Unexpected Upside for Subordinate Bonds](#)

[Interest-to-Principal Diversions: Track a Long List of Shortfall Drivers](#)

[Distressed Office: 522 Fifth Avenue Trade Illustrates Office Upside](#)

[BOLT: Liquidation Confirms Priority of Shortfalls Recovery](#)

[Office Receiverships: Gauge the Value of Changing Management](#)

[Litigation Holdbacks: Long Gone Loans Keep Haunting Trusts](#)

[Privileged Appraisals: Surprise ARA Jumps Baffle Investors](#)

[Office Re-defaults: Foreclosures to the Fore as Modified Maturities Near](#)

[Interest Adjustments: Track Shortfalls Repayment and Priority](#)

[New Leases: Track Post-Issuance Replacement Tenants](#)

[Property Protection Advances: Track Opaque Expenses in Long Workouts](#)

[Parkmerced: Abundance of Structural Angles to Determine Bond Cashflows](#)

[Pro-rata Prepays: Surprise Booster for Subordinate Bonds](#)

[PILOT: Check Another Wrinkle of Ground Leases](#)

[Non-Trust Debt: Check the Seniority of Your CMBS Collateral](#)

[Recovering Shortfalls: Credit IO Value in Distressed Office](#)

[Releasing Holdbacks: RENT is Writing Up Bonds](#)

[Reserves vs Advances: Servicers Tap Reserves to Lower Advances](#)

[Forward Forbearances: One Market Plaza Introduces a Twist to Mods](#)

[Loan Assumptions: Watch Waterfalls as New Borrowers Redevelop](#)

[Holdbacks: RENT in the Limelight, as Other Cases Brewing](#)

[Blanket NRAs: Shutting Down Advances Upends Credit IO Trades](#)

[Credit 2024: Workout Nuances Come to the Fore](#)

[Recovering the Non-Recoverable: Liquidation Nuance Bolsters Paydowns](#)

[Special Servicer Replacements: 1740 Broadway Crystalizes Implications](#)

[Crossgates Liquidation: Holdbacks Complicate Severity Projections](#)

[WODRA: Bond Cashflows Under Stress in Post-Mod Advance Recovery](#)

[Securitized Mezz: Workout Dynamics in Public Display](#)

Bitcoin-Backed Bonds: First Deals Provide Concrete Structural Parameters

[Dark Triggers: Nuances in Focus as Tenant Departures and Subleasing Pick Up](#)

[Upping Appraisals: Recovering Valuations Reverse Shortfalls](#)

[Non-Recoverable Advances: Unveiling a Rationale for a Key Decision](#)

[Excess Cash Allocations: Probing Advances on Positive Cashflowing Loans](#)

[Release Prices: Cherry Picking Across Office Portfolios, Sometimes at a Discount](#)

[Mezz Loan Sales: A Potential Headache for CMBS Workouts](#)

[Equity Pledges: Hotel Bossert Spotlights Dual Collateralized Loans](#)

[The Road to Conversion: Consider Office Ground Leases and ARD Loans](#)

[Credit 2023: Advancing and Workout Approaches to Play a Central Role](#)

[Hotel Receiverships: Palmer House Hilton Spotlights Stabilization Efforts](#)

[Office Modifications: 285 Madison May Offer a Blueprint for More to Come](#)

[Triple-A Shortfalls: Destiny Spotlights Delayed ASERs Impact](#)

[Inflation-Resistant Leases: Rent Steps Offer Some Revenue Protection, though Not Much](#)

[Industrial Delinquencies: Don't Happen Often, but Watch Closely When They Do](#)

[Hotel Reserves: Key Performance Driver after Pandemic-Driven Depletion](#)

[Government Tenants: Short Termination Notices and Specialized Properties](#)

[Mall Foreclosures: What to Track as Servicers May Shift Away from Modifications](#)

Disclaimer

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Academy Securities for any purpose including buying, selling, or holding any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

This information discusses general market activity, industry or sector trends, or other broad-based business, economic, market or political conditions and should not be construed as operational, research or investment advice. This material has been prepared by Academy Securities and is not financial research nor a product of Academy Securities. It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from those of Academy Securities. Investors are urged to consult with their financial advisors before buying or selling any securities. This information may not be current and Academy Securities has no obligation to provide any updates or changes.

Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Academy Securities has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of “failed” or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

THIS MATERIAL DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO.

©Academy Securities, Inc.