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Tokenized Stocks
The Evolution of Equity

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Research and Insights

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Executive Summary

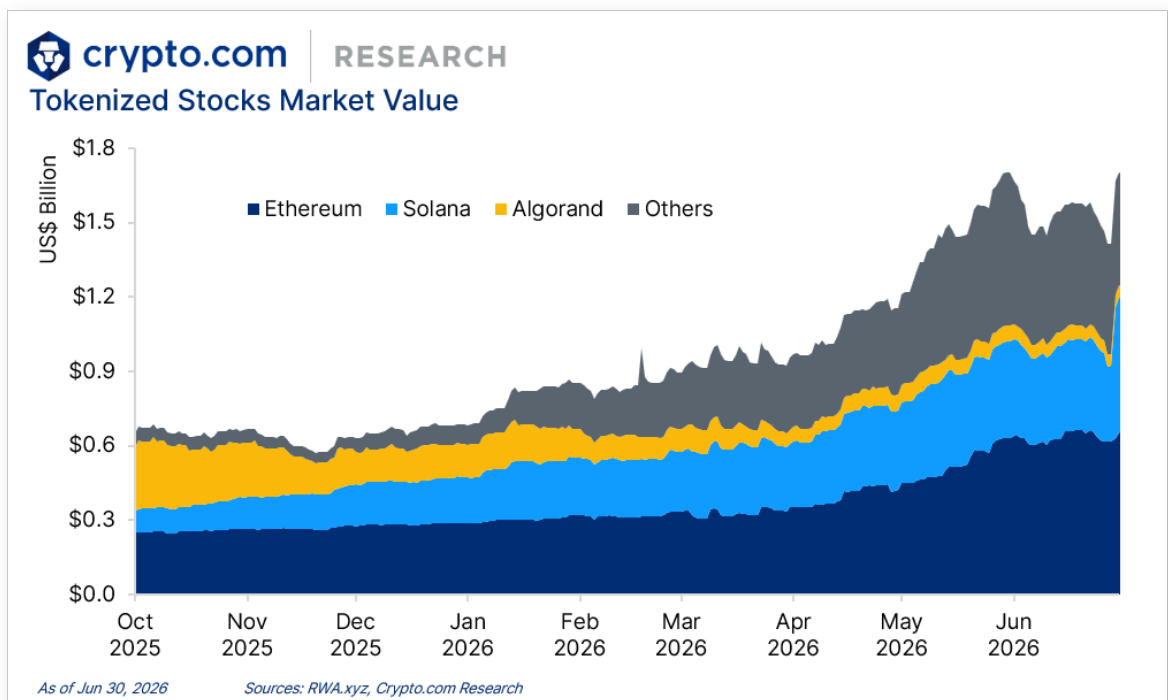
- Tokenized stocks bridge traditional equity with blockchain architecture, addressing legacy inefficiencies like multi-day settlement cycles. This transition offers structural improvements to the investment process, including 24/7 global market access, T+0 atomic settlement, and reduced entry barriers via fractional ownership.
- The tokenized stock market surged 149% year-to-date to approximately US\$1.7 billion by June 2026, with monthly trading volumes exceeding \$6.7 billion — signaling strong institutional and retail adoption.
- Unlike synthetic derivatives, platforms increasingly adopt custodial-backed models where digital tokens maintain a 1:1 correspondence with real-world assets (RWAs) held in regulated custody, ensuring assets are anchored to traditional value.
- Investors can employ advanced decentralized finance (DeFi) strategies, such as delta-neutral yield farming to isolate yields by hedging price volatility, or yield-bearing spot loop leveraging to boost capital efficiency via lending protocols.
- While efficient, investors must consider unique challenges such as counterparty risk associated with centralized custodians, a lack of direct legal ownership or voting rights typical of derivatives, and the impact of asset volatility on leveraged yield strategies.
- Crypto.com's Tokenized Stocks feature offers 1:1 backed fractional investing from \$1, zero-commission trading, instant blockchain execution, and a "Stocks Earn" program offering additional yield and no lock-up periods.
- As the broader tokenized RWA market expands, tokenized equities will serve as a foundational pillar for digital asset growth. Long-term leadership in the emerging synthetic equity market will likely depend on infrastructure maturity and robust, institutional-grade compliance.

1. Introduction

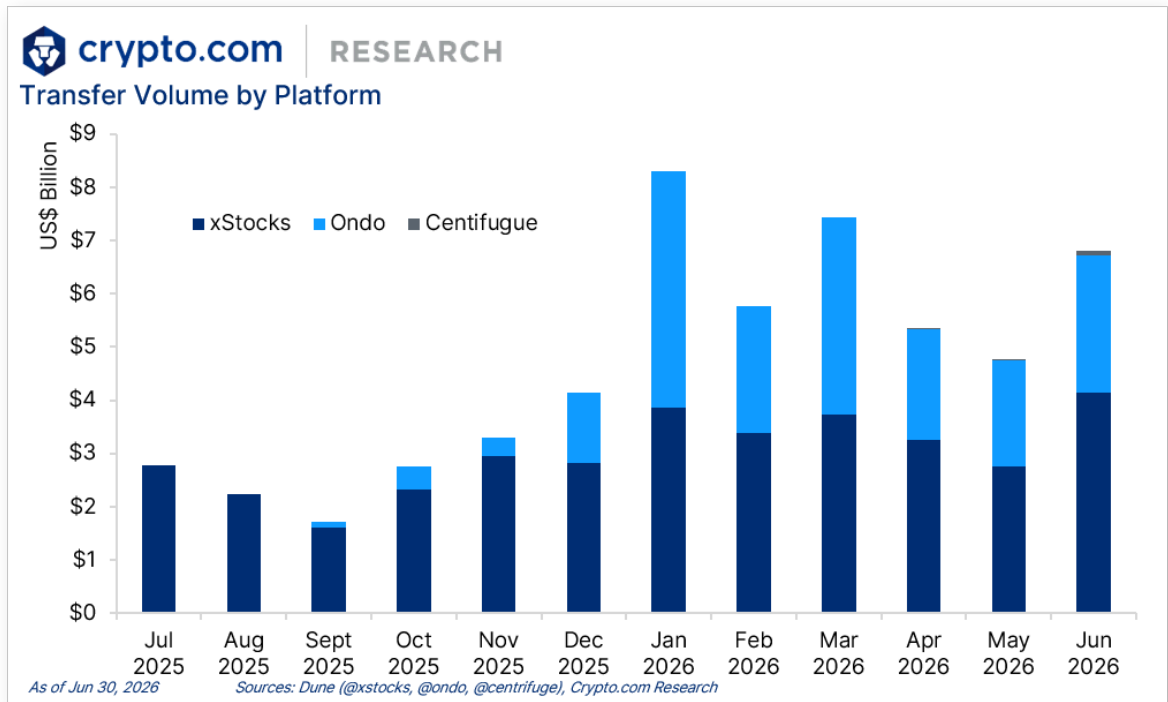
The global stock market has long relied on legacy infrastructure, including centralized depositories and multi-day settlement cycles that hinder retail access. Tokenized stocks bridge this gap by merging traditional equity with blockchain efficiency. By converting economic rights into digital tokens, investors gain price exposure to giants like Apple and Tesla using crypto infrastructure.

This native tokenization uses smart contracts to create programmable value, keeping capital within the crypto ecosystem while capturing equity upside. The migration of real-world assets (RWAs) to the blockchain is a fast-growing sector driven by both institutional and retail demand.

The tokenized stock market value surged by 149% year-to-date, reaching around \$1.7 billion in June 2026. Ethereum and Solana dominated the market with over 70% of the market value.



Additionally, June on-chain trading volumes for tokenized equities across platforms exceeded \$6.7 billion, surging roughly 43% month-over-month.



This rapid adoption proves that tokenization solves real inefficiencies. As the infrastructure scales, early adopters stand to benefit most from the convergence of Wall Street liquidity and Web3 efficiency.

2. The Mechanics

Tokenized stocks generally fall into two categories: **synthetic derivatives** (which mirror price but lack underlying backing and ownership) and **custodial-backed tokens** (which represent an actual underlying share).

For institutional-grade retail platforms, the custodial-backed model is the standard, operating as a hybrid framework that combines centralized asset custody with decentralized token movement. These tokens function as derivative contracts or digital certificates on a blockchain that track real company shares on a 1:1 basis.

The tokenization process generally follows three core steps:

1. **Asset Selection and Valuation:** The issuer selects a traditional corporate share and verifies its open market value.
2. **Centralized Custody:** A regulated partner purchases the shares and secures them with a licensed, traditional, third-party custodian, establishing a centralized point of trust.

3. **Token Minting:** Smart contracts on a blockchain mint digital tokens that correspond exactly 1:1 with the underlying shares held in custody.

While the tokens trade on decentralized or shared blockchain networks, the underlying architecture remains highly centralized. Investors rely on a regulated partner to hold the underlying shares in secure, licensed custody.

2.1 Core Advantages

Traditional vs Tokenized Assets

Metric	Traditional	Tokenized
Trading Hours	Standard trading hours (Monday to Friday). Subject to bank holidays and weekend closures.	24/7/365 continuous trading. Assets move globally at any time without downtime.
Settlement	T+1 standard (next-day). Reliant on clearinghouse verification and manual reconciliation.	T+0 atomic settlement. Smart contracts exchange value and title instantly upon trade.
Custody	Centralized depositories (e.g., DTCC) and multi-layered broker-dealer relationships.	Direct on-chain ledger record. Assets are 1:1 backed in regulated institutional custody.
Accessibility	Higher capital requirements for whole shares. Limited access for non-accredited retail users.	Highly divisible fractional shares (from \$1). Global access with lower entry barriers.

2.2 Risks

While tokenization addresses legacy inefficiencies, a transparent evaluation requires assessing specific risks:

Counterparty Risk: Despite instant blockchain settlement, investors depend on centralized issuers and custodians. Legal complexities could arise in reclaiming asset value if a custodian fails.

Direct Ownership and Voting: Typically structured as derivatives, these tokens lack direct legal ownership on official capitalization tables. Consequently, shareholders usually forfeit voting rights and participation in voluntary corporate actions.

Dividends: Economic benefits are passed through, but dividends are generally auto-reinvested into the token balance post-tax rather than paid in cash.

Yield Program Market Risk: Extra yield programs do not hedge against underlying asset volatility; both principal and yield values decline if the underlying stock price drops.

Regulatory Uncertainty: The legal classification of tokenized equities remains globally fragmented. Depending on the jurisdiction, regulators may classify these assets as securities, derivatives, or security-based swaps. Both issuers and investors face the risk of sudden regulatory shifts, which could mandate stricter KYC/AML controls, alter taxation rules, or trigger trading suspensions if a centralized custodian fails to maintain stringent, institutional-grade compliance.

3. Trading Strategies

Custodial-backed tokenized stocks retain all features of traditional stocks, including potential price appreciation and dividends, while leveraging DeFi protocols as “Money Legos.”

Strategy	Advantages	Primary Risks
Delta-Neutral Farming	Offsets gains and losses between positions, insulating the portfolio from price shifts while capturing trading fees and incentives.	Short Liquidation: A sharp upward price spike could liquidate the short margin before the investor can manually unwind the long liquidity pool position.
Loop Leveraging	Multiplies equity gains or native yields (net of stablecoin borrow costs), accelerating ROI growth when the underlying stock grows.	<p>Interest Rate Volatility: If stablecoin borrow rates spike above the equity yield, the strategy becomes net-negative.</p> <p>Loss Amplification: Just as looping multiplies gains during upward price movement, it proportionally multiplies losses if the underlying asset price drops.</p>

3.1 Delta-Neutral Yield Farming

Delta-neutral strategies isolate DeFi yields or trading fees by neutralizing asset price risk.

The Strategy: Investors divide capital equally by holding a long tokenized stock position while opening a synthetic short on a perpetual exchange using stablecoins. The long position is then deposited into a high-yield automated market maker (AMM) pool or vault.

The Advantage: Gains and losses between positions offset, making the portfolio insensitive to price shifts while capturing trading fees and incentives. This effectively eliminates directional market risk, exposing traders purely to the underlying yield layer.

3.2 Yield-Bearing Spot Loop Leveraging

While traditional finance (TradFi) limits retail stock leverage to 2:1 via [Regulation T](#) (Reg T), DeFi protocols employ automated loops to achieve superior capital efficiency.

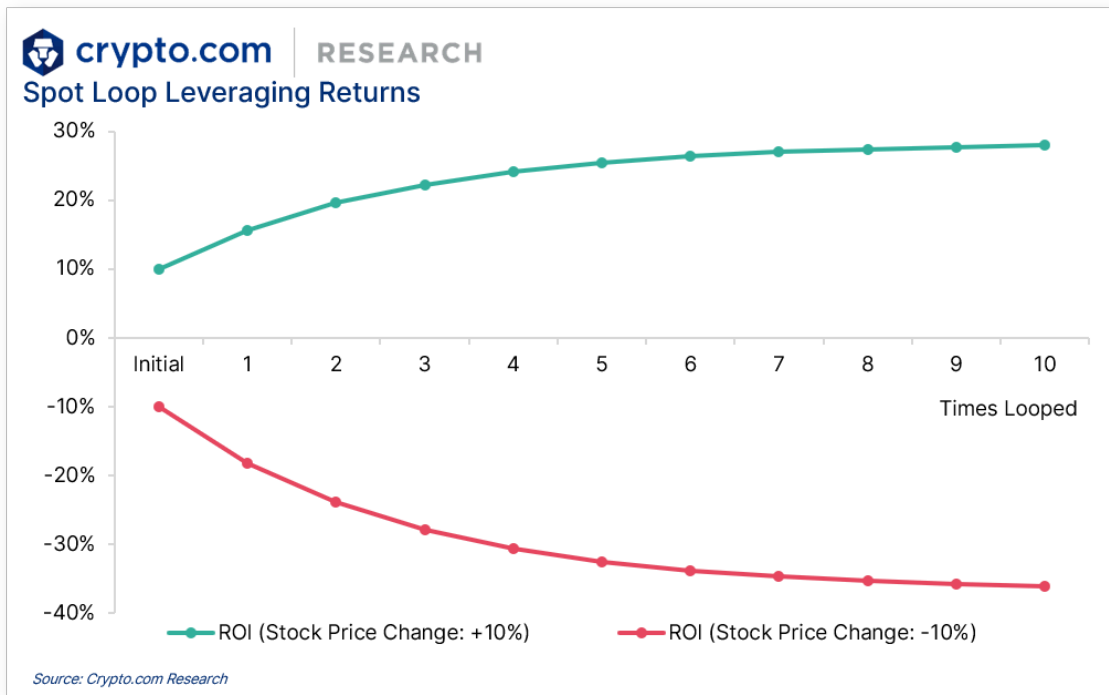
The Strategy: Deposit yield-bearing tokenized equity into an RWA-compatible lending protocol. Borrow stablecoins with a reasonable loan-to-value (LTV) limit, and swap them for additional tokenized stock to redeposit.

The Advantage: Looping accelerates ROI growth when the underlying stock appreciates, multiplying equity gains or native yields, net of stablecoin borrow costs. Compared to RWA perpetual contracts, spot looping targets long-term wealth building and yield generation while preserving underlying stock ownership.

The chart below shows the ROI change based on the specific criteria:

Stablecoin Borrow Rate (APY)	Borrow Period	LTV	Swap Fee Rate	Stock Price Change
10.0%	1 month	70%	1.0%	+10%; -10%

Based on these criteria, looping 1 to 2 times provides the highest marginal ROI growth (the steepest portion of the curve) while maintaining a relatively lower liquidation risk during upward stock trends (e.g. +10%).



4. Tokenized Stocks on Crypto.com

Crypto.com offers a tokenized stock product tailored for retail and advanced users. The platform integrates traditional market exposure into its existing crypto infrastructure as an alternative to traditional brokerage services.

Feature	Description
1:1 Physical Backing	Tokenized stocks are collateralized 1:1 by equities held in regulated U.S. custody.
Zero-Commission Trading	Trades are executed with <u>zero commissions</u> in the limited period.
Fractional Investing	Users can purchase fractional shares starting at a \$1 minimum.
Instant Execution	Settlement runs on blockchain infrastructure, providing immediate access to capital after trades.
Cronos Ecosystem Integration	Assets are issued on the Cronos EVM chain for seamless integration with compatible DeFi applications.

Stocks Earn Program

The Stocks Earn program provides up to 4% p.a. yield on tokenized stock holdings, separate from traditional corporate dividends.

- **Daily Accrual, Weekly Payouts:** Rewards accrue daily and are paid to wallets every seven days.
- **In-Kind Rewards:** Yield is distributed in the same asset (e.g., TSLA allocations earn TSLA rewards).
- **No Lock-Ups:** Total liquidity is maintained as investors can withdraw at any time without penalties.

5. Conclusion

Looking ahead, the market trajectory is clear: the broader tokenization of RWAs is expanding rapidly, with tokenized equities serving as a foundational pillar for future digital asset growth. As the industry moves through 2026, the competitive landscape will be defined by infrastructure maturity. Platforms that bridge the gap between traditional market feeds and on-chain execution while maintaining robust, institutional-grade compliance are best positioned to capture the lion's share of this emerging, multi-trillion-dollar market.

While counterparty exposure and evolving regulatory frameworks persist, institutional validation — evidenced by major asset managers entering on-chain settlement and custody — signals the sector's transition from an experimental niche to a mainstream standard. For the modern investor, tokenized stocks offer a unique opportunity to capture traditional equity upside within a hybrid ecosystem that combines regulated TradFi and innovative DeFi, provided they understand the structural nuances and custodial responsibilities involved.

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