Axis

Axis Trading - Exchange Counterparty Risk Classification

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Exchanges are evaluated across security infrastructure, regulatory status, financial health and proof-of-reserves, liquidity depth, operational track record, and counterparty protections — then assigned a grade (A–D) that directly governs allocation limits.

Current Classification

Grade	Allocation Cap	Key Differentiators
A	30% of AUM	Proof-of-reserves, regulatory licenses, institutional custody, established track record (10+ years for most)
B	20% of AUM	Strong liquidity and operations; growing compliance footprint; some concentration risks noted
C	10% of AUM	Used for specific strategies only; historical incidents, regulatory uncertainty, or issuer-affiliation concentration risks require enhanced monitoring
D	< 1% of AUM	Limited regulatory transparency or track record; minimal allocation under ongoing review

The majority of capital is allocated to Grade A and B exchanges. Grade C and D venues carry minimal capital at risk. Allocation caps may be exceeded temporarily due to new minting or rebalancing.

Ongoing Monitoring

Each exchange is monitored continuously for early warning signals. We do not wait for an exchange to announce problems — we watch on-chain data and act preemptively.

Reserve Drawdown Response Protocol

We track on-chain reserves for all major exchanges via DefiLlama, Nansen, and proprietary monitoring. If an exchange's reserves decline materially, we follow a graduated response:

Trigger	Action
Reserve drawdown > 10% within 24 hours	Immediately reduce our allocation to 50% of current exposure; repay all outstanding loans and close all credit lines on that exchange
Continued drawdown or further deterioration	Cease all trading activity on the exchange; initiate full withdrawal of remaining assets
Public confirmation of solvency concerns	Complete exit; escalate to BD/Legal for counterparty recovery if needed

This protocol is executed at the shift level — the on-duty trader has standing authority to begin withdrawal without waiting for management approval.

Other Continuous Monitors

What we watch	Trigger	Response
Withdrawal health	Suspension on key assets beyond threshold	Alternative chain routing; allocation reduction
Regulatory events	Jurisdiction-level action against exchange	Full exposure review; potential complete withdrawal within 24 hours
Exchange announcements	16 exchanges monitored per shift	Impact assessment within current shift

Exchange grades are re-evaluated on material events (hack, regulatory action, management change).