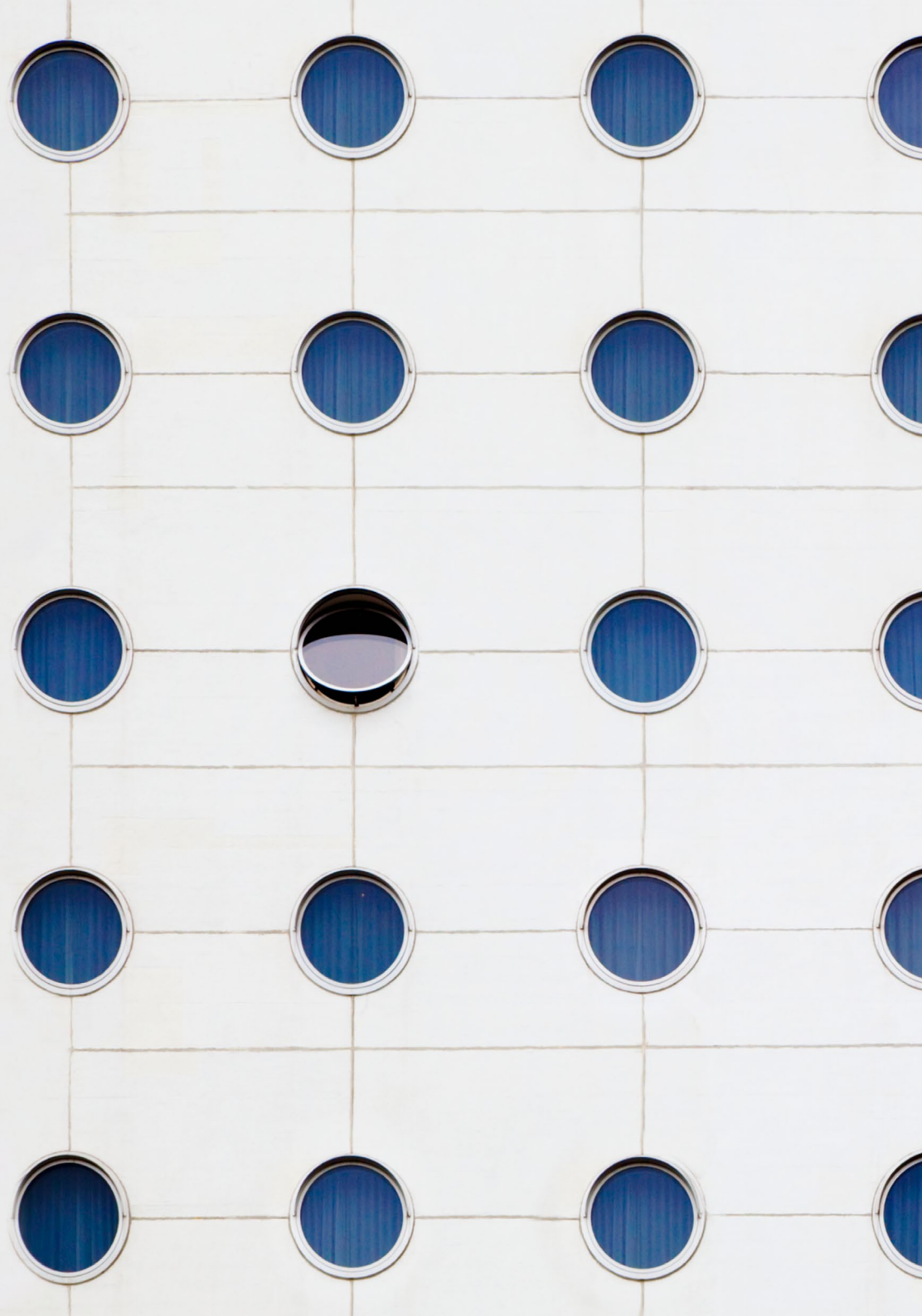


Stablecoin risk, quantified.

Stablecoin Stability Assessment

S&P Global
Ratings



A comprehensive assessment of a stablecoin's ability to maintain its peg to a fiat currency.



Bridging the gap between traditional finance and digital assets.

Stablecoins are cryptocurrencies designed to maintain a stable value, often pegged to a 1:1 relationship with a fiat currency. As a result, absent a depegging, stablecoins do not demonstrate the volatility that is associated with other cryptocurrencies.

Because of their stability, stablecoins form a bridge between traditional finance and digital asset capabilities by making it easier for businesses and individuals to conduct transactions and make investments.

The market consists of over 100 distinct stablecoins actively traded on exchanges, collectively maintaining market capitalization approaching \$130 billion from \$3 billion five years ago.¹

¹Source: CoinMarketCap.com, November 16, 2023.

Anticipate the tipping point from fixed to flux

Stablecoins are not immune to fluctuations in price, market capitalization and liquidity. A range of factors can cause them to depeg below or above their targeted value.

Depegging can trigger individual investment and trading losses, while also posing systemic market risks related to solvency and liquidity.

Example

The failure of three US banks — Silicon Valley Bank (SVB), Signature Bank and Silvergate Bank — caused both USDC and DAI to depeg. USDC depegged by 13% below \$1, on the secondary market, after its issuer, Circle, confirmed that \$3.3 billion of cash reserves backing USDC were held at SVB. Circle also relied partly on Signature Bank and Silvergate Bank to operate redemptions between USDC and fiat US dollars. DAI's value closely tracked that of USDC because at the time USDC holdings and related instruments represented over half of the collateral reserves backing DAI.

Both stablecoins recovered to their peg levels after the Federal Reserve confirmed that it would support the banks' creditors. Not all stablecoins were affected in the same way. Tether, for example, had no exposure to SVB; its value increased slightly above \$1 as market participants rotated out of the affected stablecoins, before returning to parity. This is one of the first instances of demonstrated contagion between crypto/traditional markets.

Established insight. Enabling digital strides.

The S&P Global Ratings Stablecoin Stability Assessment is designed to provide market stakeholders with transparency into the stability of various stablecoins and specific insight into their depegging risks, helping to inform:



Strategic use of stablecoins



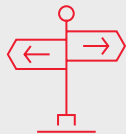
Decisions regarding investment portfolio and capital allocation



Implementation of idiosyncratic and macro risk reviews



Accelerated research and underwriting



Decision making about internal risk assessment



Risk insights for a broad set of market stakeholders

How do we do it?

Backed by deep expertise in credit risk assessment, the S&P Global Ratings analytical team has developed a framework to evaluate a stablecoin's ability to maintain its peg to a fiat currency, on a 1-5 scale.

Framework for Stablecoin Stability Assessment



* The assessments of the additional factors, taken as a totality, can only be either neutral or negative.

Why S&P Global Ratings?



Highly informed

The Stablecoin Stability Assessment culminated from essential insights gathered in numerous deep-dive interviews with key market participants in the traditional finance and digital assets sectors.

Expertise

Our Digital Asset Lab is made up of credit and cryptofinance analysts and researchers so we have a unique analytical understanding of the intersection of traditional finance and digital assets.

Track Record in Risk Assessment

With over 150 years of experience in providing independent opinions to the markets and more than 1 million credit ratings outstanding, we deliver essential intelligence to help market participants make informed decisions with conviction.

Investor Preference

Of the top 20 global institutional investors, 95% reference S&P Global Ratings.* We are an essential source of information for global financial markets.

*According to 3rd party investor survey conducted in 2023.

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