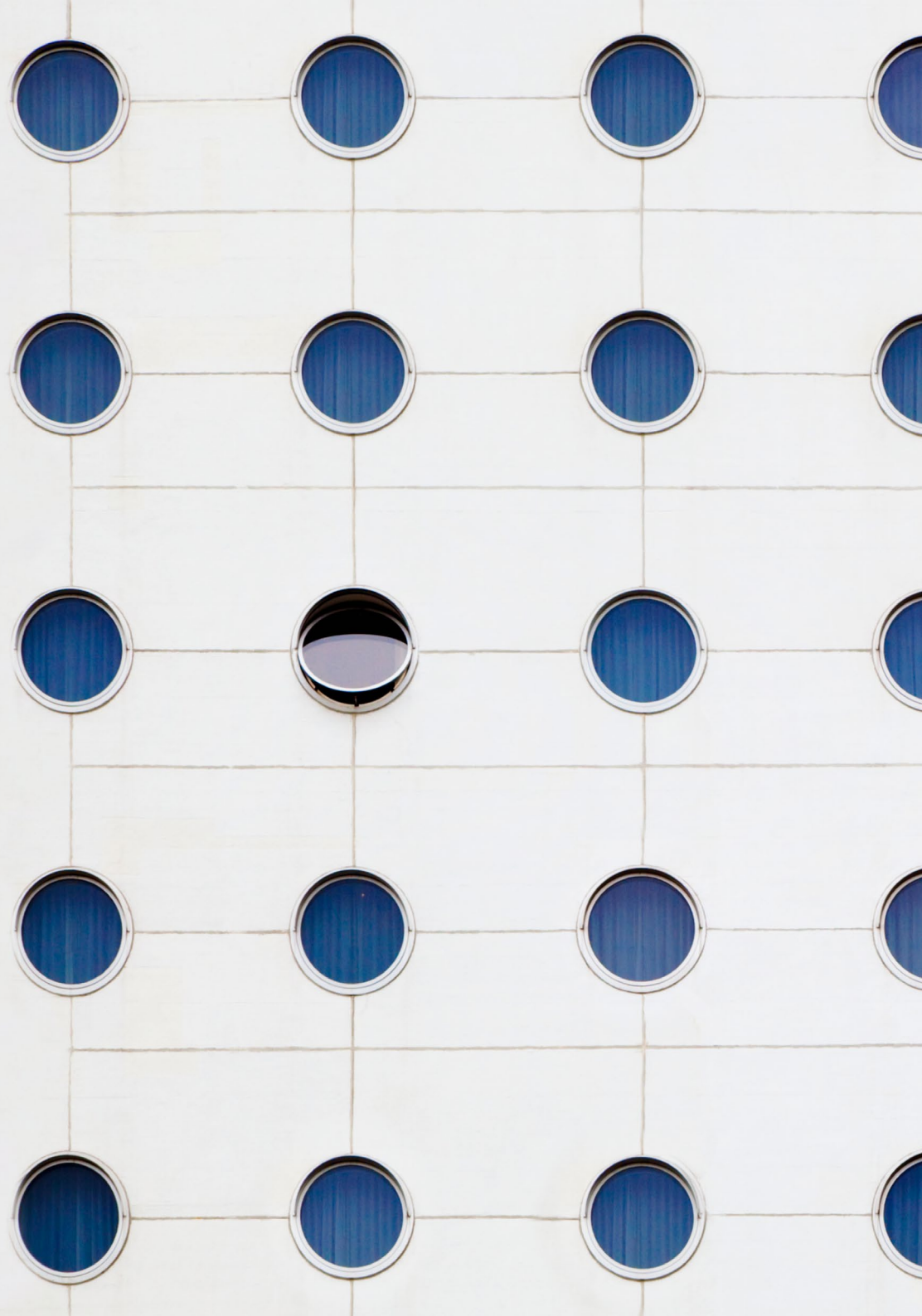


Stablecoin risk, quantified.

Stablecoin Assessments

S&P Global
Ratings





Bridging the gap between traditional finance and digital assets.

A stablecoin is a digital asset that is designed to be used as a means of payment or settlement on a blockchain. They are pegged to a fiat currency, such as the U.S. dollar, in an effort to maintain a stable value.

Stablecoins are generally issued by private sector entities and are increasingly becoming subject to dedicated legal and regulatory frameworks. They enable cash-like transactions on a blockchain which is a necessary capability for the use of tokenization and broader digital asset market infrastructure. Relative to other blockchain-based payment instruments (e.g. central bank digital currencies and tokenized bank deposits) stablecoins provide a more ‘open loop’ solution that can be used beyond the universe of entities dealing directly with a central bank or the client base of a specific financial institution.

S&P Global Ratings can provide stablecoin credit ratings, which focus on the stablecoin’s ability to redeem on demand, and stablecoin stability assessments, which focus on the capacity of a stablecoin to maintain its peg to a fiat currency or basket of currencies.

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



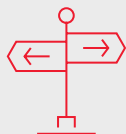
Decisions regarding investment portfolio and capital allocation



Implementation of idiosyncratic and macro risk reviews



Accelerated research and underwriting



Decision making about internal risk assessment

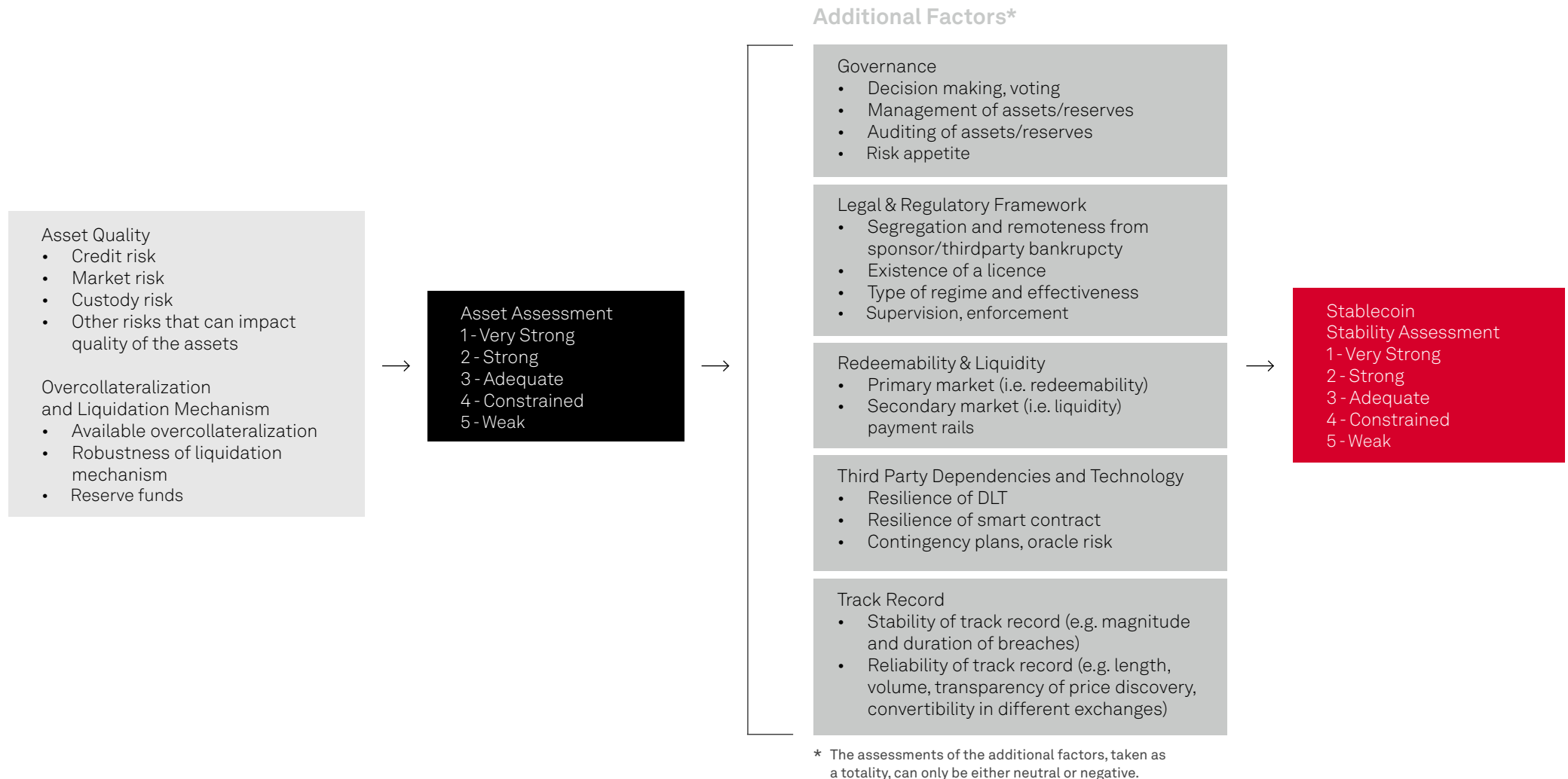


Risk insights for a broad set of market stakeholders

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





Our Stablecoin Credit Ratings Approach

Stablecoins come in various forms and relevant credit risk factors include fundamental principles of credit risk in structured finance, financial institutions and fixed income funds.

Upon assessing the structure of a specific stablecoin issuer, we would utilize the relevant credit rating methodology (which may accordingly include some combination of structured finance, financial institutions, and fund ratings analytical considerations).

On the next page, we highlight the differences between our Stablecoin Stability Assessments and our Stablecoin Credit Ratings.

Comparison Table:

Stablecoin Stability Assessment vs. Stablecoin Credit Ratings

	Stablecoin Stability Assessment	Stablecoin Credit Ratings
 Risk Assessment...	Of a stablecoin to maintain its peg (factoring in both redemption and secondary market price).	Of a stablecoin to redeem upon demand. A credit rating does not reflect secondary market price volatility risk.
 Compares...	Stablecoins among themselves	Stablecoins to other rated debt instruments (bonds, hybrids, etc.)
 Credit rating?	No	Yes
 Methodology	Stablecoin Stability Assessment Analytical Approach	S&P Global Ratings Criteria
 Assessment Scale	1 (very strong) to 5 (weak)	S&P Global Credit Ratings Scale
 Providing transparency...	into the stability of various stablecoins including track record of price stability and secondary market liquidity.	into the creditworthiness of stablecoins and specific insights on their credit strengths and weaknesses.

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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