

STABLECOINS UNDERSTOOD

Stablecoins share many advantages with cryptocurrencies: fast, inexpensive, borderless and available 24 hours per day. They combine the stability of the US dollar with the functionality of smart contracts.

Demand for stablecoins is growing rapidly as movements towards web3 applications and decentralized finance increasing look to stablecoins to streamline transactions.

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TYPES OF STABLECOINS



FIAT BACKED

Stablecoins can be pegged to any currency or asset (such as gold). The issuer of a "collateralized stablecoin" supports their token price of by maintaining a 1:1 deposit ratio of reserve assets stored with a bank or other centralized entity. Issuers provide for the direct redemption of their token for exactly \$1.00 regardless of the current market price.



ALGORITHMIC

Algorithmic stablecoins are designed to maintain their peg without the involvement of a bank or other central authority. Features built into the token's smart contract are designed to allow market demand to naturally stabilize the price of the token at \$1.00. Legislation recently presented to congress is seeking to improve investor protections by establishing regulatory oversight to stablecoin issuers.



TETHER / USDT

Hong Kong-based Tether Ltd. pioneered the stablecoin concept in 2014 with the launch of USDT and remains the industry's largest stablecoin issuer with more than \$65 billion in total assets.



MAKERDAO / DAI

Used widely in DeFi applications, DAI is backed by a basket other digital currencies and employs a dynamic interest rate to maintain its dollar peg.



US DOLLAR COIN / USDC

A 2018 joint venture between crypto exchange Coinbase & Circle (a Goldman Sachs company), USDC has become the stablecoin of choice for Wall Street and currently has deposits of \$53 billion.



FRAX PROTOCOL / FRAX

Launched in December 2020, with a market cap of around 1.5 billion, Frax Protocol became the first stablecoin half backed by collateral and half backed by an algorithm.



BINANCE USD / BUSD

Developed in 2019 by crypto exchanges Binance and Paxos, BUSD has over \$18 billion in total assets. It boasts best-in-category reserve asset transparency and oversight by NYDFS.



TERRA LUNA / UST

Issued by Terra Labs, the now defunct stablecoin UST was the industry's largest algorithmic stablecoin at the time of its 2022 collapse which resulted in losses of more than \$18 billion for holders.

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