

Stablecoin Stability Assessment

TrueUSD

Dec. 12, 2023

Summary

S&P Global Ratings assesses the ability of TrueUSD (TUSD) to maintain its peg to the U.S. dollar at 5 (weak). Techteryx, an Asia-based consortium, assumed the full management of TUSD from July 2023, after buying the stablecoin from TrueCoin LLC (a subsidiary of Archblock, Inc.) in October 2020.

Our asset assessment is 4 (constrained) since we have no information on the nature of the assets in the reserve or the creditworthiness of institutions holding these assets. TUSD uses real-time attestation for its underlying assets, which are made up of deposits with depository institutions in Hong Kong, Switzerland, and the Bahamas, according to public information. The independent accountant's report states that the assets include cash, cash equivalents, and short-term highly liquid investments, all denominated in U.S. dollars. We understand the Hong Kong-based depository institution also invests in other instruments to generate yield.

The negative adjustment is because of the scarcity of public information about the segregation of the underlying assets and their bankruptcy remoteness from Techteryx, beyond what is mentioned in the independent accountant's report. We also see the lack of clear guidance on asset management as a weakness. Moreover, TUSD is not regulated.

The stablecoin stability assessment could improve if we obtain more information on the creditworthiness of the banks where the underlying assets are deposited, as well as the quality of these assets and their bankruptcy remoteness from the sponsor, Techteryx. The use of riskier assets could lead to a worse asset assessment.

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For more on our approach and definition of price stability, see our [Analytical Approach: Stablecoin Stability Assessments](#) »

This report was not produced at the request of the stablecoin issuer or sponsor.

Asset assessment

1 Very strong
2 Strong
3 Adequate
4 Constrained
5 Weak

Adjustment

Negative (1)

Stablecoin stability assessment

5 (Weak)

Assessed on a scale of 1-5, where 1 is very strong and 5 is weak.

Asset assessment: 4 | Constrained

1 | Very strong

2 | Strong

3 | Adequate

4 | **Constrained**

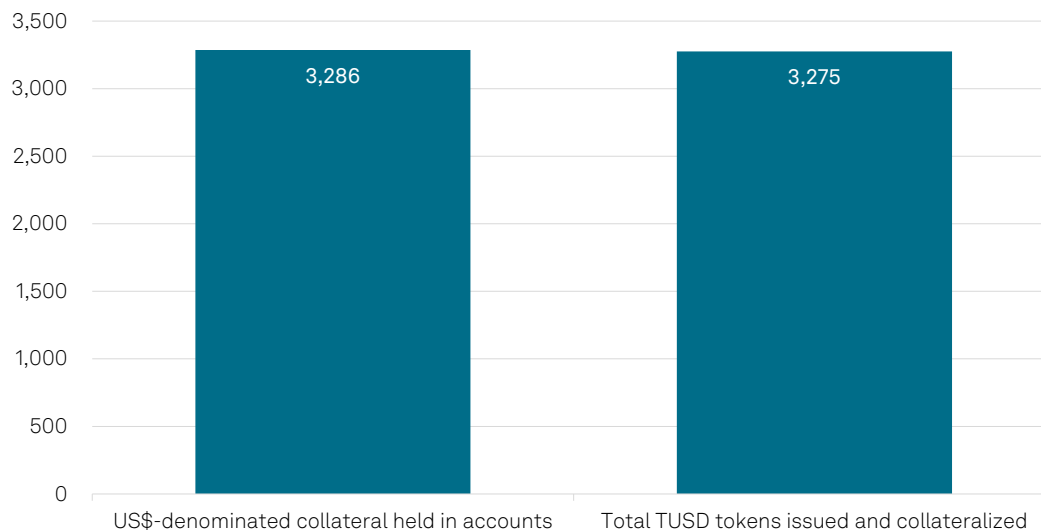
5 | Weak

TUSD assets are attested in real time. The underlying assets are reported and attested on a real-time basis using LedgerLens Real Time Reserves, which is an automated attestation system that collects real-time financial data from digital assets and traditional sources and issues an independent accountant's report on the data reported. The system was created by The Network Firm LLP (TNF), which is also the auditor of TUSD. Prior to that, TUSD used Chainlink Proof of Reserves and TNF for its asset attestation.

Information about the asset composition is scarce. On Nov. 22, 2023, TUSD had \$3.285 billion in reserves for a circulating supply of \$3.275 billion. According to public information, these assets included deposits with depository institutions in Hong Kong, Switzerland, and the Bahamas for the benefit of TUSD holders. The independent accountant's report states that the assets are made up of cash, cash equivalents, and short-term highly liquid investments, all denominated in U.S. dollars. The Hong Kong depository institution also invests in other instruments to generate yield. We have no additional information regarding the creditworthiness of these institutions or the nature of the instruments.

Assets can be subject to interest-rate or foreign-currency risks. Assets are reported at book value and, given the lack of information on their composition, they could be subject to market risks. We factor this into our asset assessment.

Assets versus TUSD in circulation, Nov. 22, 2023 (mil. US\$)



Sources: S&P Global Ratings, tUSD.io.

Adjustment: Negative

Neutral

Negative

Overall adjustment

Our stablecoin stability assessment is one level lower than our asset assessment. This negative adjustment reflects the scarcity of public information about the segregation of TUSD's underlying assets and their bankruptcy remoteness from Techteryx, beyond what is mentioned in the attestation report. We also see the lack of clear guidance on asset management as a weakness. Moreover, TUSD is not regulated.

Governance: Lack of clear guidance on asset management

- Techteryx bought TUSD in December 2020 from ArchBlock and assumed full management in July 2023. Public information about Techteryx's ownership and other activities is scarce. We understand that the company is based in Singapore and that it has business in real estate, entertainment, and information technology in Hong Kong, Singapore, and China.
- The failure of Silicon Valley Bank (SVB) has had a significant impact on some stablecoins including TUSD. According to public information, ArchBlock moved about \$1 billion of TUSD's underlying assets from the U.S. to a small Bahamian bank at around the time of the failure of SVB. This move points to potential governance weaknesses as the reported amount is almost equivalent to one-third of assets and we rate the Bahamas B+/Stable/B.
- The attestation report for TUSD also points to the fact that Techteryx opened a conventional corporate account with a Swiss bank and used this account to maintain a portion of the underlying assets. This account does not explicitly specify that the funds are escrowed on behalf of TUSD holders or that Techteryx is not entitled to use them. However, the attestation report mentions that Techteryx has started the process of changing the terms and conditions of the account to ensure higher protection for TUSD holders.
- Underlying assets are reported and attested on a real-time basis using LedgerLens Real Time Reserves, which is an automated attestation system created by TNF. The latter was founded in October 2022 and therefore is yet to build a track record of independence and credibility.

Regulatory framework: Lack of regulation and information about legal asset segregation

- TUSD is not regulated, which we see as a weakness. In addition, there is no publicly available information regarding the segregation of its assets from Techteryx. While the attestation report on TUSD reserves states that Techteryx and its agents are not entitled to these assets and that there are no liens, claims, or security interest in the assets, we have not seen any legal opinion to back this statement.

Liquidity and redeemability: Primary redeemability is subject to a limited minimum amount

- Direct redemption of TUSD is reportedly easy but subject to a minimum redemption amount of \$1,000. The redemption request is made directly on the stablecoin app and takes one business day to be processed, according to the terms and conditions of the stablecoin. TUSD does not charge fees for minting and redemption but users can be subject to third-

party processing fees of about \$30 for domestic transfers and up to \$100 for international transfers. Redemption is entirely through smart contracts, without any human intervention.

- Secondary market liquidity for TUSD appears good but it has declined over the past 12 months. In our view, given the small size of the stablecoin market capitalization, secondary market liquidity could be volatile.
- Like other stablecoins, the availability of parties that can support payments 24 hours a day and seven days a week remains limited and therefore redemption of TUSD is constrained by banking systems' operating hours.

Technology and third-party dependencies: No critical or high-risk observations in the last audit

- Certik audited the TUSD smart contract in February 2023 and the audit report did not highlight any critical or high-risk observations (except for issues related to centralization).
- We have no information on the company running any bug-bounty program that offers compensation for identifying and reporting vulnerabilities.
- TUSD is available on 14 blockchain networks, but mostly using ERC-20 standard, and on Tron.

Track record: Few episodes of price volatility

- TUSD's price dropped to \$0.8 on the Binance.US trading platform in June 2023. This was subsequent to the failure of Prime Trust, a Nevada chartered trust company that provided custody, escrow, compliance, fiat processing, transaction software, and other financial services that TUSD had used to make fiat currency transfers 24 hours a day and seven days a week for its stablecoin, since August 2019. The Financial Institutions Division of the Nevada Department of Business and Industry shut down Prime Trust based on violation of state regulations, including failure to safeguard assets. It was reported in the press that TUSD subsequently stopped minting/redemption via Prime Trust, since other minting and redemption services were still accessible. TUSD also declared that it has no exposure to Prime Trust and its subsequent audit report showed a minimal exposure of \$26,000.
- The lack of a strong governance framework and transparency on the composition of the assets implies that TUSD can be confidence sensitive, in our view.

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