

Stablecoin Stability Assessment

# TrueUSD (TUSD)

Nov. 22, 2024

## 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 acquiring ownership from TrueCoin LLC (a subsidiary of Archblock, Inc.) in October 2020.

**Our asset assessment is 4 (constrained) since we have limited 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 comprise deposits with depository institutions in Hong Kong and the Bahamas, according to public information. The independent accountant's report states that the assets include cash denominated in U.S. dollars (less than 0.2% of total assets) and a deposit at First Digital Trust Ltd. (FDTL), whose underlying assets are undisclosed.

**The negative adjustment is because of the scarcity of public information about the segregation of the underlying assets and their bankruptcy remoteness from Techteryx.**

This goes beyond what is mentioned in the independent accountant's report. We also see lack of clear guidance on asset management as a weakness. TUSD is not regulated.

**The stablecoin stability assessment could improve if we have more visibility 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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*This report was not produced at the request of the stablecoin issuer or sponsor and without their input.*

## Asset assessment

1   Very strong
2   Strong
3   Adequate
<b>4   Constrained</b>
5   Weak

## Adjustment

Negative (1)
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## Stablecoin stability assessment



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
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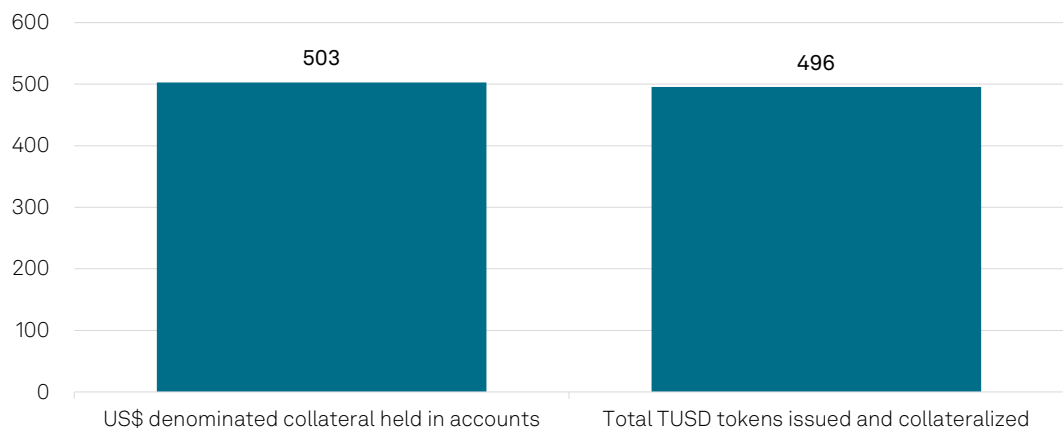
**TUSD's assets are attested in real time.** The assets covering TUSD are reported and verified in real time by Moore, an accounting firm in Hong Kong, which provides this service using VeriNumus Real Time Reserves, in collaboration with The Network Firm LLP (TNF)--TUSD's previous reserves attestator--for technical services. Before that, LedgerLens Real Time Reserves, a system created by TNF for its real time attestations, was used.

**Information about the assets' composition is scarce.** On Nov. 17, 2024, TUSD had about \$503 million in reserves for a circulating supply of about \$496 million, which is a material decline from more than \$3 billion in reserves and circulation in November 2023. According to public information, these assets include deposits with depository institutions in Hong Kong and the Bahamas for the benefit of TUSD holders. The assets reportedly comprise U.S.-dollar-denominated cash (less than 0.2% of assets); the remainder of \$501.8 million is deposited at FDTL, a single fund. There is no publicly available information on FDTL's underlying assets. As per attestation reports, assets are reported at historical costs.

**Assets can be subject to interest-rate or foreign-currency risks.** Given the lack of information on their composition, assets could be subject to market risks. This is factored in our asset assessment score of 4 (constrained).

## Reported assets and TUSD in circulation as of Nov. 17, 2024

Mil. US\$



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

## Adjustment: Neutral

Neutral

Negative

### Overall adjustment

We have adjusted downward our asset score given the scarcity of public information about the segregation of TUSD's 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. TUSD is unregulated and it experienced some price volatility in early 2024.

### Governance: Lack of clear guidance and transparency in asset management

- Techteryx bought TUSD in December 2020 from ArchBlock and assumed full management of the stablecoin in July 2023. Public information about Techteryx's ownership or other activities is scarce. We understand the company is based in Singapore and has business in real estate, entertainment, and information technology in Hong Kong, Singapore, and China.
- The failure of Silicon Valley Bank (SVB) had a significant impact on some stablecoins, including TUSD. According to public information, ArchBlock moved about \$1 billion of TUSD's assets to a small Bahamian bank at around the time of SVB's failure. This move points to potential governance weaknesses, since the reported transfer is almost equivalent to one-third of the assets of the stablecoin and we rate [Bahamas](#) (B+/Stable/B).
- TrueCoin (a subsidiary of ArchBlock) and TrustToken (the developer and operator of lending protocol TrueFi) were both a subject of a Security and Exchange Commission (SEC) complaint in the U.S. The complaint alleges that, from November 2020 until April 2023, TrueCoin and TrustToken engaged in the unregistered offer and sale of investment contracts in the form of TUSD, and profit-making opportunities with respect to TUSD on TrueFi. The complaint further alleges that TrueCoin and TrustToken falsely marketed the investment opportunity as safe and trustworthy by claiming that TUSD was fully backed by U.S. dollars or their equivalent. Without admitting or denying the allegations, TrueCoin and TrustToken have reportedly agreed to settle the SEC's charges by consenting to the entry of final judgments from violating applicable provisions of the federal securities laws and the payment of civil penalties of \$163,766 each. TrueCoin has agreed to pay disgorgement (repayment of ill-gotten gains) of \$340,930 with prejudgment interest of \$31,538. The settlements are subject to court approval.
- TUSD's assets are reported and attested on a real time basis by Moore, an accounting firm in Hong Kong, which provides this service using VeriNumus Real Time Reserves in collaboration with TNF (TUSD's previous reserves attestator) for technical services. VeriNumus was introduced by Moore in January 2024. However, there is very limited public information on this technology.

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

- TUSD is unregulated, which we see as a weakness. In addition, there is no publicly available information regarding the segregation of TUSD's assets from those of Techteryx. The attestation report of TUSD's reserves states that Techteryx and its agents are not entitled to TUSD's assets and that there are no liens, claims, or security interest in those assets. However, 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 it reportedly takes one business day to be processed. TUSD does not charge fees for minting and redemption but users can be subject to third-party processing fees. Redemption is entirely through smart contracts, without any human intervention.
- Secondary market liquidity for TUSD had historically been good but it has declined over the past 12 months as the stablecoin market capitalization declined. In our view, secondary market liquidity could be volatile.
- Like other stablecoins, the availability of parties that can support 24/7 payments remains limited and therefore, TUSD redemption is constrained by banking systems operating hours.

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

- The smart contract for TUSD was audited by EtherAuthority in March 2024 and the audit report did not highlight any critical or high-risk observations (except for issues related to centralization).
- There is no information on whether the company has a bug-bounty program, which encourages the reporting of bugs.
- TUSD is available on nine blockchain networks (four natively and five bridged). About 60% of the stablecoin supply is available on Ethereum and about one-third is on Tron.

## Track record: Few episodes of price volatility

- TUSD saw some volatility in its secondary market prices in early 2024 following large redemptions. There is no information about what caused this.
- Before this episode, TUSD's price dropped to \$0.8 on Binance US in June 2023. This followed the failure of Prime Trust, which TUSD used to make fiat currency transfers for its stablecoin, 24 hours a day seven days a week, and was shut down by the Financial Institutions Division of the Nevada Department of Business and Industry for reportedly violating state regulations. It was reported that TUSD stopped subsequently minting or redeeming TUSD via Prime Trust, while other minting and redemption services were still accessible. TUSD also declared that it has no exposure to Prime Trust and its following audit report showed a minimal exposure of \$26,000.
- 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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