S&P Global
Ratings

Stablecoin Stability Assessment

EUR Coinvertible (EURCV)

Jan. 6, 2025

Summary

S&P Global Ratings assesses the ability of Coinvertible (EURCV) to maintain its peg to the euro at 3 (adequate). EURCV is a fiat-collateralized stablecoin launched in April 2023 by SG FORGE, a subsidiary of Société Générale.

Our asset assessment of 2 (strong) reflects that the reserve assets are held as cash deposits with Société Générale (A/Stable/A-1). We understand that reserve assets can also comprise cash deposits with other custodians or highly liquid securities that are rated at least 'A'. As a licensed electronic money institution that is regulated under the European Markets in Crypto Assets (MiCA) regulation, EURCV is also subject to additional requirements regarding reserve asset concentration and liquidity.

Our stablecoin stability assessment of 3 (adequate) is one level below the asset assessment. This reflects the short track record, limited secondary market liquidity, and absence of a regular third-party verification of reserve assets.

The stablecoin stability assessment could improve on the back of a longer track record and improved secondary market liquidity. On the other hand, the stablecoin stability assessment could worsen if we observe a shift toward higher-risk reserve assets.

Analytical Contacts

Karim Kroll
Frankfurt
+49-69-33999-169
karim.kroll@spglobal.com

Mohamed Damak
Dubai
+971-372-000-7153
mohamed.damak@spglobal.com

For more on our approach and definition of price stability, see our Stablecoin Stability Assessment Analytical Approach

This report was not produced at the request of the stablecoin issuer or sponsor but with their input.

Asset assessment	Adjustment	Stablecoin stability assessment
1 | Very strong	Negative (1)	3
2 | Strong		Adequate
3 | Adequate		
4 | Constrained		
5 | Weak		

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

Asset assessment: 2 | Strong

1 | Very strong	**2 | Strong**	3 | Adequate	4 | Constrained	5 | Weak

EURCV was launched in April 2023 and is a fully-fiat collateralized stablecoin pegged to the Euro. It is issued by SG FORGE, a subsidiary of the French bank Société Générale (SocGen).

The reserve assets fully consist of cash deposits. The cash deposits are held in a segregated account, with SG FORGE's parent SocGen. As of Dec. 22, 2024, the circulating supply of €39.7 million was fully backed by reserves of the same amount, according to the issuer's public disclosure. Also, we note that the issuer's white paper specifies that reserve assets can also comprise cash deposits with other custodians rated at least 'A' or highly liquid securities rated at least 'A'.

We anticipate that the reserve assets will be further diversified across more custodians or securities. This is due to upcoming regulatory requirements under the MiCA regulation that restrict the percentage of reserve assets that can be held with a single credit institution. Similar concentration limits apply to holdings of individual securities. This provides an upper bound to the amount of counterparty credit risk that a stablecoin issuer can take on.

No exposure to currency or interest rate risks. Since 100% of the reserves are held as cash deposits in euros, there is currently no exposure to either foreign currency or interest rate risk.

Adjustment: Negative

Neutral | **Negative**

Overall adjustment

Our stablecoin stability assessment is one level below our asset assessment. This adjustment reflects the short track record, limited secondary market liquidity, and absence of regular third-party verification of reserve assets.

Governance: Clear guidelines on reserve management but no third-party verification

- EURCV maintains a transparent approach to its reserve management. We understand that reserves can contain either cash deposits with 'A' rated custodians or highly liquid securities that are at least rated 'A'. The rating references refer to ratings issued by S&P Global Ratings or alternatively equivalent ratings from Moody's and Fitch. As per the MiCA regulation, the issuer must also implement robust strategies and processes to monitor liquidity risks, complemented by additional requirements regarding reserve asset composition.
- SG FORGE publicly discloses the amount and the composition of reserve assets backing EURCV with updates provided every business day. However, these assets are not verified by an external third party. Under MiCA, EURCV is not required to undergo an independent audit of its reserve assets due to its small size and usage. Nevertheless, we view this as a weakness also considering that several other stablecoin issuers provide regular attestations by an independent auditor as a best practice.

Regulatory framework: Compliant with new EU regulation

- SG FORGE, the issuer, is authorized by the French financial regulator ACPR as an electronic money institution. As such it is allowed to issue fiat-backed stablecoins.
- We understand that EURCV complies with the EU's MiCA regulation, which entered into force in June 2023. The part of MiCA containing specific rules applicable to stablecoins began applying from June 30, 2024, while harmonized rules for crypto-asset service providers apply from Dec. 30, 2024. Under MiCA, EURCV must meet several requirements including:
  - Maintaining own funds (common equity tier 1 capital) of at least 2% of average reserve assets;
  - Holding at least 30% of reserve assets as local currency deposits with credit institutions;
  - Keeping the reserve in a legally separate account and ensuring operational segregation so that creditors have no recourse to the reserve in the event of insolvency; and
  - Allowing holders of EURCV to redeem it directly from the issuer at any time without fees.
- The close ties between the issuer and its parent, which acts as custodian of the reserve assets, could give rise to conflicts of interest despite the legally mandated segregation of assets. However, we currently consider such a risk as remote given the small scale of EURCV.

Liquidity and redeemability: Direct primary redeemability but weak secondary market liquidity

- Holders of EURCV, including retail clients, can redeem their EURCV holdings at par value (EURCV 1 for €1) either directly through the issuer or via a partnered exchange. As of Dec. 22, 2024, the exchange option is only available for EU residents. Both options are subject to know-your-customer (KYC), anti-money laundering (AML), and sanction rule verifications. According to the white paper, redemption through the issuer or the partner exchange can take up to two months. That said, we understand that SG FORGE redeems within one day for verified clients. Currently, this includes crypto exchanges, liquidity providers, and institutional clients.
- EURCV is also traded on two secondary market exchanges, Bitstamp and Bitpanda, with trading supported by dedicated liquidity providers. That said, the trading volumes are very low due to the small market capitalization and a very limited number of holders of about 40 as of Dec. 22 2024. Moreover, liquidity pools on decentralized exchanges do not exist. We therefore consider secondary market liquidity a weakness.

Technology and third-party dependencies: Smart contract is audited but not fully open-source

- Since its inception, EURCV has been deployed on the Ethereum blockchain as an ERC-20 token, which is the technical standard for interchangeable tokens using this blockchain. In the second half of 2024, SG FORGE announced its plan to deploy EURCV also on Solana and the XRP ledger.
- EURCV's smart contract source code is verified and employs a multi-signature wallet contract for secure access control. In our view, publishing the source code on a public repository like GitHub could further improve transparency and community trust. Additionally, there is currently no known bug bounty program to encourage the identification and reporting of vulnerabilities. However, we understand SG FORGE plans to introduce such a program in 2025.
- The smart contract was last audited by HACKEN in June 2024. According to the audit report, the underlying smart-contract code was provided in a zip file. The auditor raised one medium-severity issue which was acknowledged and mitigated by the SG FORGE team based on the auditor's recommendation.

Track record: A niche player in the stablecoin market

- As of Dec. 22, 2024, EURCV's market capitalization is very low at €39.7 million, representing less than 0.1% of the overall stablecoin market.
- EURCV has exhibited limited price volatility. Over the past 12 months, its daily closing price fell more than 1% below the peg on two occasions. The maximum intraday deviation from the peg was about 4%. In each instance, the price quickly returned to the peg by the following day. That said, the price history of EURCV is limited and there is no record of maintaining the peg through significant market stress.