

# USDT - Tether

## Rating Action

Rating for USDT by Tether affirmed as D

**D**

## Summary

- USDT is fully backed by reserves of the Tether Group. The issuer continues to invest primarily in US treasury bills and obligations collateralized by them. This asset presents some of the lowest credit and duration risks, while trading in a highly liquid secondary market.
- Despite this, Tether continues to invest a significant portion of reserves in riskier assets like secured loans, corporate bonds, gold, and bitcoin. It does not disclose the full composition of assets or identify the custodians who hold them.
- Tether has acquired a Digital Asset Service Provider (DASP) license in El Salvador. While the license does not mandate key provisions such as bankruptcy remoteness, we continue to monitor new information to evaluate the effectiveness of the license.
- Tether has consistently fulfilled redemptions. However, access to primary liquidity is restricted to high net-worth or institutional users. While onchain liquidity has decreased, USDT remains the preferred stablecoin for trading on centralized exchanges.
- Under our rating framework, these factors do not produce the required change in scores to either upgrade or downgrade USDT's rating.

## Factor Scores

Factor	Score	Assessment
Stability	0.69	Moderately stable
Management	0.63	Moderate risk
Governance	0.29	High risk

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## USDT by Tether

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Tether is the oldest (or longest-surviving) and largest stablecoin issuer by supply market share. Initially launched in 2014, Tether issued USDT to facilitate trading on centralized exchanges. Early integrations allowed USDT to gain a first-mover advantage and significant network effects. Since then, Tether has expanded issuance to 16+ blockchains, notably to Tron and Ethereum. Fueled by Tron's low fees, USDT has also gained adoption as a medium of exchange.

Tether has been the subject of scrutiny and penal actions from regulators like the New York Attorney General and the Commodity Futures Trading Commission. This largely stemmed from Tether's claim that each USDT is backed by \$1 whereas each USDT is backed by a portfolio of assets held by the Tether Group. As USDT scaled up, the issuer has become one of the largest holders of US treasury bills.

Despite widespread accusations of under-collateralization, Tether has consistently fulfilled all redemptions. This has helped USDT regain its \$1 peg through multiple stress tests since 2014.

 USD pegged	 Fiat backed	 Fixed peg	 Not yield bearing
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## Suitability

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Tether issues USDT to any user from supported countries that have completed a KYC process. However, the minimum amount to acquire or redeem USDT is \$100K per transaction, limiting access to only high net-worth or institutional users. These are primary users who are free to transfer USDT to secondary users with no direct relationship with the issuer. Tether relies on the SEC's Reg S exemption to avoid SEC oversight and prohibits US persons from onboarding to the platform.

USDT is suitable for users who want to access its industry-leading liquidity depth, volume market share, and breadth of trading pairs. USDT is suitable for non-US, institutional users or high net-worth traders who can onboard with Tether to directly access the mint and redeem mechanism. Users who are unable to do so will need to rely on secondary markets on exchanges or liquidity pools.

The majority of retail users and traders who tend to be less active market participants are better served by more transparent and more regulated alternatives. Other options offer better holder protections than USDT and require relatively limited monitoring effort.

## Factor Scores

Factor	Weightage	Scores
<b>Stability</b>		<b>0.69</b>
Reserves		
Collateralization and Type of Collateral	25 %	0.94
Storage of Assets	12.5 %	0.35
Asset Segregation	12.5 %	0.00
Market Feedback		
Frequency of Deviation Below Peg	4 %	1.00
Max Deviation Below Peg	4 %	1.00
Price Volatility	4 %	1.00
Downside Volatility in a Downturn	4 %	1.00
Liquidity Pool Imbalance	4 %	0.57
Mechanism		
Core Mechanism	15 %	1.00
Primary Liquidity Access	15 %	0.50
<b>Management</b>		<b>0.63</b>
Restrictions		
Known Core Team	25 %	1.00
Jurisdiction	25 %	0.51
Track Record		
Team's Background	50 %	0.50
<b>Governance</b>		<b>0.29</b>
Holder Protection	28.5 %	0.25
Periodic Reserves Attestations	28.5 %	0.75
Financial Audits	28.5 %	0.00
Redemption Policy	14.5 %	0.00
<b>Decentralization</b>	Not applicable	

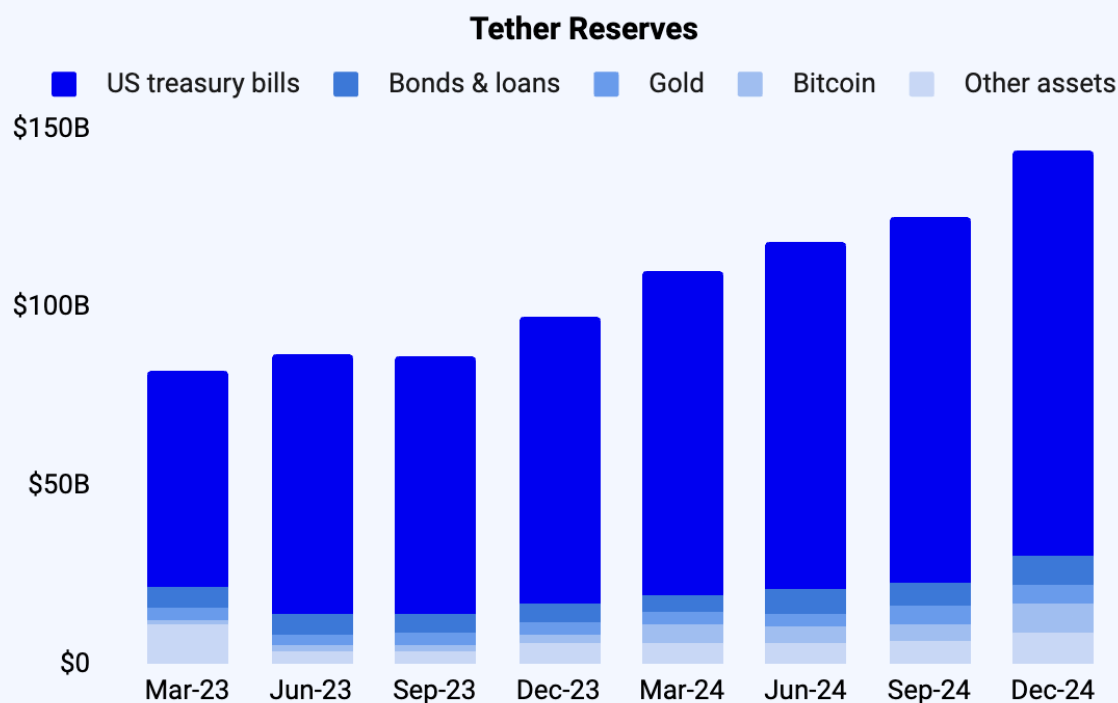
## Stability

Score

**Reserves** - Collateralization and Type of Collateral

0.94

USDT is fully backed by reserves of the Tether Group. The reserves are primarily invested in US treasury bills, including indirect exposure via money market funds and overnight reverse repo agreements. A minority of the reserves are also invested in bonds, secured loans, gold, bitcoin, and other assets.

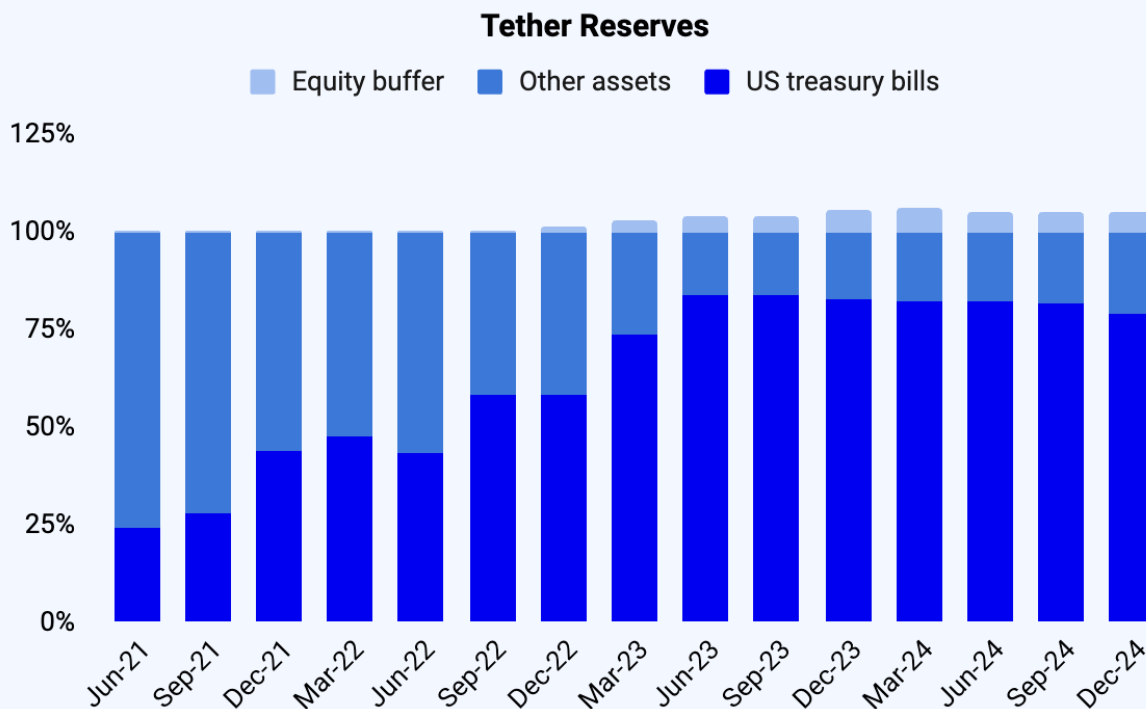


Reserves - Dec 31, 2024 <a href="#">attestation</a>	Value (\$)	Value (%)
US treasury bills		
Direct holdings	\$ 94,471,651,607	66 %
Money market funds	\$ 4,802,251,113	3 %
Overnight reverse repo	\$ 14,101,623,321	10 %
Bonds & loans		
Corporate bonds	\$ 14,270,773	0 %
Secured loans	\$ 8,194,007,406	6 %
Gold	\$ 5,318,875,241	4 %
Bitcoin	\$ 7,857,529,277	5 %

Other assets		
Term reverse repo	\$ 3,077,452,467	2 %
Money market funds	\$ 1,704,192,954	1 %
Non-US treasury bills	\$ 69,263,354	0 %
Cash & bank deposits	\$ 108,844,601	0 %
Undisclosed assets	\$ 3,984,793,433	3 %
<b>Total reserves</b>	<b>\$ 125,472,000,279</b>	<b>100 %</b>
USDT market cap	\$ 136,613,782,874	

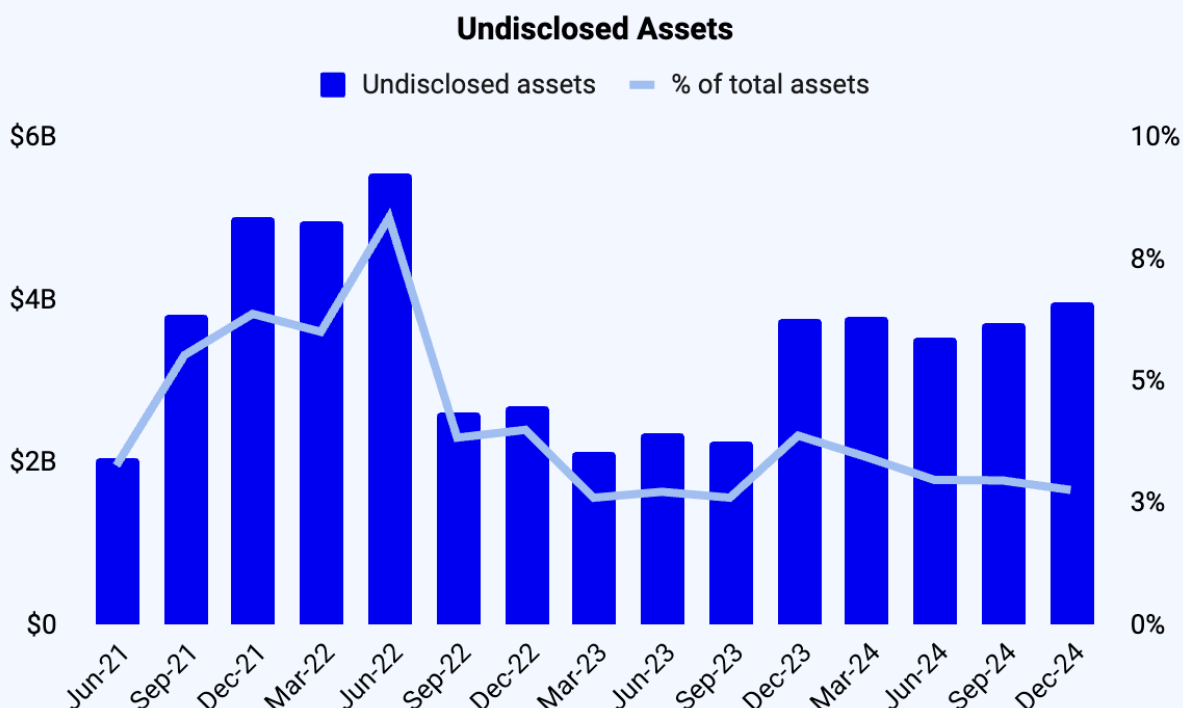
Currently, 79% of reserves are invested in US treasury bills, including the indirect exposure. This asset presents some of the lowest credit and duration risks, while trading in a highly liquid secondary market. Exposure to US treasury bills has gradually increased from 24% in June 2021. However, Tether may decide to reduce this exposure once again as the Federal Reserve begins to cut interest rates.

The remaining 21% of reserves are invested in risky assets like secured loans, corporate bonds, gold, and bitcoin. To a large but insufficient extent, exposure to these assets is mitigated by an equity buffer, which currently stands at 5% of USDT supply.



Tether provides limited transparency into reserves. Although the quality of quarterly disclosures has improved over the years, the issuer still does not disclose the full composition of assets.

In March 2023, Tether began segregating exposure to corporate bonds, gold, and bitcoin. A quarter later, the issuer began segregating indirect exposure to US treasury bills via money market funds and overnight reverse repo agreements. Currently, 3% of reserves still remain undisclosed as “other investments”.



Stability	Score
<b>Reserves - Storage of Assets</b>	0.35

Tether does not publicly disclose the custodians that hold its reserves. Preferably, the issuer holds its reserves with regulated custodians based in reputable jurisdictions. Based on publicly available reporting, the issuer has previously maintained custody [accounts](#) at the following banks: Deltec Bank & Trust, Ansbacher Limited, Capital Union Bank, and Far East International.

Cantor Fitzgerald’s CEO Howard Lutnick has [stated](#) the firm holds a portion of US treasury bills held in Tether’s reserves. Cantor Fitzgerald is one of 24 primary dealers authorized to trade US government securities directly with the Federal Reserve Bank of New York.

Stability	Score
<b>Reserves</b> - Asset Segregation	0.00

After Tether’s relocation to El Salvador, Tether International SA de CV became the sole issuer of USDT within the Tether Group. Net assets owned by this entity are considered as reserves backing USDT. These reserves are not isolated from the company’s corporate treasury.

For several months in 2017, over 85% of [reserves](#) were held in a bank account owned by Bitfinex, a sister company of Tether. Remaining reserves were held in a bank account owned by Stuart Hoegner, the company’s general counsel. Both were accounted as receivables in the issuer’s books.

In 2018, Tether gave \$625M to Bitfinex after the exchange lost access to \$850M that it held with a payment processor. This was accounted as a loan in the issuer’s books.

Stability	Score
<b>Market Feedback</b> - Frequency of Deviation Below Peg	1.00
<b>Market Feedback</b> - Max Deviation Below Peg	1.00
<b>Market Feedback</b> - Price Volatility	1.00
<b>Market Feedback</b> - Downside Volatility in a Downturn	1.00

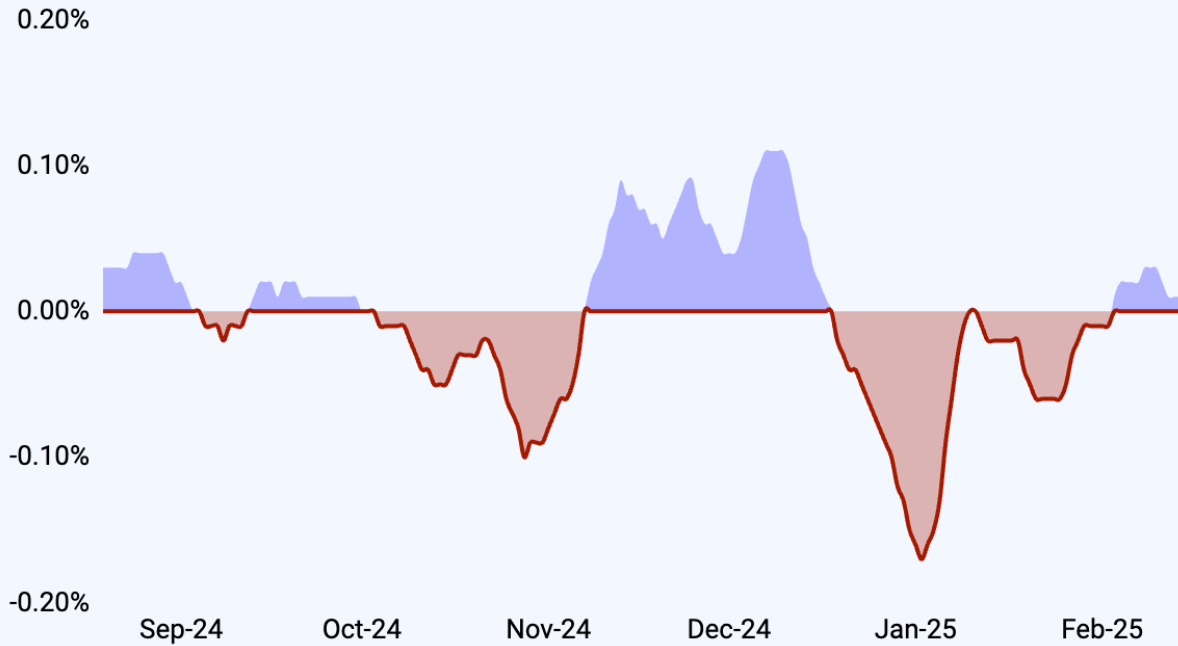
The period under evaluation includes the past 180 days from 19th Aug 2024 to 14th Feb 2025. Price data is sourced from [CoinMarketCap](#). View all calculations for this section [here](#).

During the period under evaluation -

- USDT did not trade below peg by more than 0.50% on any day.
- Largest USDT deviation below \$1 occurred on 2nd Jan 2025 at -0.17%.
- Daily standard deviation of price is 0.01%.
- Average USDT deviation below \$1 during the 5 worst performing days for BTC is -0.02%.

USDT has displayed excellent peg performance by routinely trading very close to its \$1 peg. This stems from the stablecoin’s industry-leading liquidity depth, volume market share, and breadth of trading pairs on centralized exchanges.

## USDT Deviation From \$1



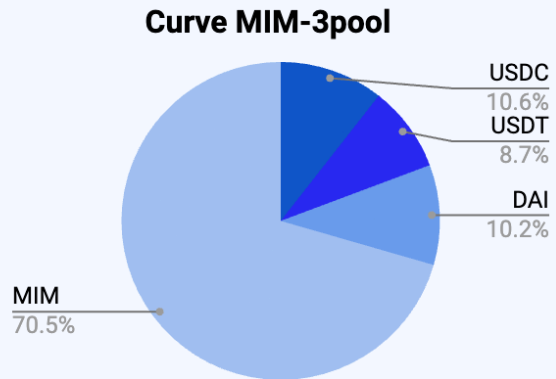
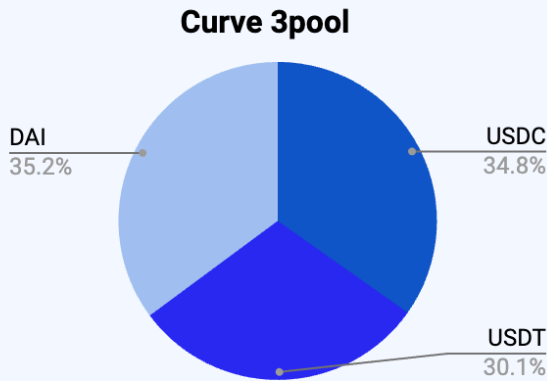
Stability	Score
<b>Market Feedback</b> - Liquidity Pool Imbalance	0.57

The top 3 onchain liquidity pools for USDT collectively hold \$228M in total value locked (TVL), out of which 71% represents non-USDT liquidity. Since retail users can't access primary liquidity, they must rely on secondary markets like onchain pools for liquidity.

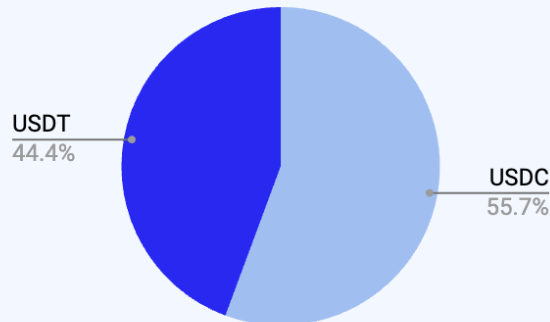
Pool	DEX	TVL	USDT Share (%)
USDT - DAI - USDC	<a href="#">Curve</a> (Ethereum)	\$ 164,920,166	30.06 %
USDT - DAI - USDC - MIM	<a href="#">Curve</a> (Ethereum)	\$ 34,806,479	8.77 %
USDT - USDC	<a href="#">Uniswap</a> (Ethereum)	\$ 30,206,851	44.35 %

USDT is part of the Curve 3pool, one of the largest and oldest onchain liquidity pools. Many token issuers have created metapools that group their token (for ex. FRAX, MIM) with the 3pool. This drives more liquidity and volume for USDT, while allowing token issuers to access USDT's liquidity depth.





### Uniswap USDT - USDC



Stability	Score
<b>Mechanism</b> - Core Mechanism	1.00

USDT relies on market participants to arbitrage differences between USDT's market price and net asset value. This is the most effective price stability mechanism, as long as the stablecoin is fully collateralized.

When USDT trades away from its \$1 peg, users who have a KYC'd account with Tether can mint or redeem USDT and make an instant profit. This riskless profit opportunity attracts more participants and eventually pushes the market price towards the peg.

However, Tether provides limited transparency into the reserves. The issuer does not hold the assets in segregated accounts or bankruptcy remote structures. This curbs the confidence that market participants place in USDT's full backing and redeemability.

<b>Stability</b>	<b>Score</b>
<b>Mechanism</b> - Primary Liquidity Access	0.50

Only users from supported countries who have a KYC'd account with Tether can mint or redeem USDT. The issuer supports multiple fiat currencies, including USD.

Since the [minimum](#) redemption amount is \$100K per transaction, access to primary liquidity is limited to institutional or high net-worth users. Additionally, US and Canadian persons are [prohibited](#) from opening an account with Tether.

Therefore, retail users must rely on secondary liquidity to buy or sell USDT. This also curbs the confidence that market participants place in USDT's redeemability.

<b>Management</b>	<b>Score</b>
<b>Restrictions</b> - Known Core Team	1.00

Tether was founded in 2014 by Reeve Collins, Craig Sellars, and Brock Pierce. All three of the co-founders have since moved on to other projects. Currently, the Tether Group is ultimately [owned](#) by DigFinex, which also owns Bitfinex. Besides common ownership, the two companies also share management executives.

Giancarlo Devasini is the controlling shareholder with an estimated 40% stake in DigFinex. He is the CFO of Tether and Bitfinex. Devasini studied to become a physician from the University of Milan. Previously, he was the [founder](#) of Point-G Srl (computer hardware distributor) and Solo SpA (semiconductor reseller).

Jean-Louis van der Velde owns an estimated 20% stake in DigFinex. He is the CEO of Bitfinex. He was also the CEO of Tether, until that position was taken over by Paolo Ardoino in Oct 2023. Van der Velde attended the National Taiwan Normal University in Taiwan. Previously, he was the [managing director](#) of Amos (consumer electronics distributor), founder of Tuxia (linux development), and CEO of PAG Asia (consumer electronics distributor).

Paolo Ardoino is the CEO of Tether and CTO of Bitfinex. He graduated in computer science from the University of Genoa. Previously, Paolo was the [founder](#) of Fincluster (financial services app).

Team	Title		
Reeve Collins	Co-founder and ex-CEO	<a href="#">X</a>	<a href="#">LinkedIn</a>
Craig Sellars	Co-founder and ex-CTO	<a href="#">X</a>	<a href="#">LinkedIn</a>
Brock Pierce	Co-founder	<a href="#">X</a>	<a href="#">LinkedIn</a>
Paolo Ardoino	Chief Executive Officer	<a href="#">X</a>	<a href="#">LinkedIn</a>
Giancarlo Devasini	Chief Financial Officer	<a href="#">X</a> (archived)	<a href="#">Crunchbase</a>
Claudia Lagorio	Chief Operating Officer	<a href="#">X</a>	
Jean-Louis van der Velde	Advisor and ex-CEO	<a href="#">X</a>	<a href="#">LinkedIn</a>

Other known investors in Tether [include](#) Cantor Fitzgerald with a 5% stake. The firm's CEO Howard Lutnick has stated they own a convertible bond issued by Tether.

Management	Score
<b>Restrictions</b> - Jurisdiction	0.51

Prior to Tether's relocation to El Salvador, USDT was issued by Tether International Limited and Tether Limited, registered in the British Virgin Islands (BVI) and Hong Kong respectively. As entities within Tether relocated to El Salvador in Jan 2025, Tether International SA de CV became the sole issuer of USDT.

Tether Limited is registered with the Financial Crimes Enforcement Network (FinCen) as a money services business. Last renewed in 2022, this registration lists the company's address in New Taipei City, Taiwan.

The World Justice Project's Rule of Law Index [ranks](#) China 69th in regulatory enforcement and 70th in civil justice globally. These indicators rate the effective implementation of laws and the ability of citizens to seek legal recourse through the justice system.

Management	Score
<b>Track Record</b> - Team's Background	0.50

Track record is not scored by default for most stablecoins. This sub-factor is only scored when there are justifiable causes for concern. Tether's management has a history of questionable business practices, most [notable](#) of which is the co-mingling of reserves with the company's corporate treasury.

Until 2019, Tether claimed that each USDT is backed by \$1. Subsequently, this was updated to disclose that each USDT is actually backed by a portfolio of assets held by the issuer. In 2021, the issuer [paid](#) \$18.5M to the New York Attorney General for allegedly misleading the public about USDT reserves without admitting guilt. This settlement highlighted long-standing concerns with transparency.

Previous companies owned and managed by Giancarlo Devasini have [paid](#) fines for counterfeiting Microsoft software and faced a lawsuit from Toshiba over patent infringement. One such company was accused of delivering a block of wood to fulfill an order of memory chips and then banned from an online electronics marketplace.

Previous companies owned and managed by Jean-Louis van der Velde have [faced](#) a string of lawsuits in China over unpaid bills. They were frequently fined for delayed tax payments and one instance of illegal patent behaviour. Chinese regulators have added one such company to a list of “seriously untrustworthy and law violating” companies and prohibited van der Velde from running other companies in the country.

While many of these accusations are difficult to prove with certainty, they provide sufficient cause for concern regarding the management’s approach to business.

<b>Governance</b>	<b>Score</b>
Holder Protection	0.25

In Jan 2025, Tether became a [regulated](#) stablecoin issuer after acquiring the DASP license in El Salvador. The license is issued by the National Commission of Digital Assets (CNAD), a federal regulator created by the Law for Issuance of Digital Assets, adopted by El Salvador in 2023.

The license requires Tether to [maintain](#) 100% reserves against all tokens issued. The issuer must invest 70% of reserves in assets redeemable in less than 30 days. However, the regulator is also empowered to grant a waiver against this requirement. The license does not mandate key provisions such as redemption timelines, asset segregation, or bankruptcy remoteness. We continue to monitor new information to evaluate the effectiveness of the license.

Tether is registered with the Financial Crimes Enforcement Network (FinCen) as a money services business. As per FinCen, such a [registration](#) is “no recommendation, certification of legitimacy, or endorsement of the business by any government agency”.

For holders of fiat-backed stablecoins, the best form of protection comes in the form of regulations that recognize the company as a stablecoin issuer and mandate provisions that ensure stablecoin holders can redeem even in the event of a bankruptcy. In Tether's case, USDT holders will likely be treated as ordinary creditors of the business.

<b>Governance</b>	<b>Score</b>
Periodic Reserves Attestations	0.75

Quarterly [attestations](#) of reserves are published by BDO Italia, the fifth-largest accounting firm in Italy and the Italian member firm of BDO International. These attestations are performed in line with International Financial Reporting Standards (IFRS).

The attestations represent the accounting firm's opinion on the assertion that all USDT tokens are fully backed by reserves held by Tether. The firm was able to select the nature, timing, and extent of the work required to express an independent opinion with a reasonable level of assurance.

As part of Tether's DASP license, the issuer is required to submit monthly affidavits to the regulator disclosing the reserves, and publish quarterly audits confirming the reserves on its website.

<b>Governance</b>	<b>Score</b>
Financial Audits	0.00

Periodic attestations can ascertain the existence of adequate reserves at a certain point in time, but they need to be supported by full-scope financial audits. This is especially true in the case of Tether since reserves are commingled with the company's corporate treasury.

Tether's latest attestation concerns reserves held by the issuer on 31st Dec 2024. This attestation does not track transactions or reserve balances before or after this date. However, Tether is yet to publish a full-scope audit of the group's consolidated financial statements, despite [promising](#) one since 2017. The issuer's reluctance to publish an audit stands in stark contrast with other major fiat-backed stablecoins.

As part of Tether's DASP license, the issuer is required to submit a financial audit to the regulator. But this is only a one-time requirement at the time of licensure.

## Governance

Score

Redemption Policy

0.00

Tether does not have a reasonable or transparent policy for processing redemptions. According to the issuer's terms of service, the company retains the right to delay redemptions when necessitated by "the illiquidity or unavailability or loss" of reserves held by the company.

## Rating History

Date	Action	Rating	Report
4th June 2023	Initial rating	D	<a href="#">Click</a> to read
17th Feb 2025	Rating affirmed	D	

## Recommendations

Any of the following actions by Tether can lead to a rating upgrade from D to C.

- Increase frequency of reserve attestations from quarterly to monthly or better.
- Publish a full-scope audit of consolidated financial statements from an independent auditor.
- Incorporate a transparent and reasonable policy for redemptions in the company's terms of service (similar to those required by the New York Department of Financial Services).

## Decentralization

Decentralization is not a key objective for Tether. USDT is not suitable for users who prioritize censorship resistance over other factors.

Tether actively co-operates with international authorities, such as the US Treasury or the US Office of Foreign Assets Control, to blacklist users suspected of money laundering or criminal activities.

While such cooperation results in a high degree of government censorship risk, it also prevents legitimate users from transacting with criminals, which may be a key requirement for institutions who are obligated to report their transactions. Despite these efforts, USDT is [actively](#) used in underground banking and money laundering infrastructure, especially via illegal online gambling platforms.

USDT's value is tied to a fiat currency since it is fully backed by reserves denominated in USD. Decisions made by the Federal Reserve and other US authorities impact the purchasing power of USDT.

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