

Stablecoin Safety Assessment

Coin	Glo Dollar (USDGLO)
Date	27-03-2024
Overall Grade	B

Factor Scores:

S. No	Factor	Score	Assessment
1	Stability	0.70	Stable
2	Management	0.84	Very low risk
3	Implementation	N/A	Not assessed
4	Decentralization	0.00	High risk (Not relevant to the grade)
5	Governance	0.71	Low risk
6	Externals	N/A	Not assessed

Summary

- Glo Dollar (USDGLO) is a dollar-backed stablecoin marketed by the Glo Foundation, a Public Benefits Corporation in the US. USDGLO is issued by Brale Inc, a tech company offering Stablecoins-as-a-Service. Brale Inc offers its products under various U.S States' Money Transmitter licenses.
- Yield generated from USDGLO reserves are used to fund public goods.
- The reserves comprise US Treasury debt and cash deposits in fully segregated accounts, but these are unlikely to be bankruptcy-remote.
- USDGLO is a niche stablecoin with limited market presence. It is appropriate for users who would like to support public goods while holding stablecoins.

Evaluation**1. Stability****[Score 0.70]****1.1. Reserves****[Score 0.72]****1.1.1. Collateralization % and Type of Collateral****[Score 0.95]**

As of February 29, 2024, USDGLO is fully backed by US Treasury Debt (79%), and cash deposits (21%) in fully segregated accounts.

1.1.2. Storage of Assets**[Score 0.70]**

For off-chain collateral, we rank storage methods as follows (highest to lowest)

- With regulated custodians in reputable jurisdictions
- With regulated custodians not in reputable jurisdictions (e.g, BVI, Bahamas)
- Others / Undisclosed

USDGLO's reserves are held at a regulated custodian in the USA. However, the issuer does not publicly disclose the name of its custodian.

Note: Our score factors in a penalty since disclosures are not public.

1.1.3. Asset Segregation**[Score 0.50]**

All customer assets in USDGLO's reserves are fully segregated from Brale's corporate treasury. However, these are not deemed to be bankruptcy-remote.

1.2. Market Feedback**[Score 0.56]****1.2.1. Frequency of Deviation Below Peg****[Score 0.50]**

Number of Days where VWAP < Peg by 0.5% or more during the past 180 days = 2

1.2.2. Max Deviation Below Peg**[Score 0.25]**

Biggest daily VWAP deviation below peg: 1.8%

1.2.3. Volatility (% per day)**[Score 0.50]**

Daily volatility (%) over the past 180-day period: 0.56%

1.2.4. Downside Volatility in a Market Downturn**[Score 1.00]**

Average deviation below peg during the 5 worst-performing days for BTC (DoD price change) in a 180-day period: 0%

1.3. Stability Mechanism**[Score 0.75]****1.3.1. Core Mechanism****[Score 1.00]**

USDGLO relies on market participants to arbitrage differences between the market price of USDGLO and the net asset value of USDGLO (typically, \$1 if USDGLO is fully-collateralized).

When USDGLO trades away from its peg, business user who have an account with Brale can mint or

redeem USDGLO for US Dollars and make an instant profit. This risk-less profit opportunity attracts more participants and eventually pushes the market price of USDGLO towards its peg.

1.3.2. Primary Liquidity Access

[Score 0.50]

Only business users and institutional market makers who possess a KYC'd account with Brale can redeem USDGLO for US Dollars.

2. Management

[Score 0.84]

2.1. Restrictions

[Score 0.84]

2.1.1. Known Core Teams

[Score 1.00]

Brale Inc. was founded in 2022 by Ben Milne (Founder & CEO). Prior to this, he also founded Dwolla, a venture-backed digital payments company, which he led from 2008 to 2020.

2.1.2. Jurisdiction Score

[Score 0.68]

Our jurisdiction scores are derived from the World Justice Project's Rule of Law (RoL) Index – which ranks countries. We specifically consider the index's factors 'Regulatory Enforcement' and 'Civil Justice'.

Brale is headquartered in Des Moines, USA.

2.2. Track Record

2.2.1. Team's Background

[Score N/A]

Not scored

3. Decentralization

[Score 0.10]

3.1. Regulatory Oversight

[Score 0.00]

Regulatory oversight increases the risk of censoring endpoints of the stablecoin's network (such as the issuer, banks and custodians) as well as users. A score of 0 indicates a high degree of government censorship risk.

USDGLO's issuer, Brale, is regulated in 27 US states as a holder of money transmission licenses and in Louisiana as a holder of a Virtual Currency Business Activity license. Brale is required to comply with

KYC/AML requirements and provide periodic reports to FinCen.

Note: Censorship resistance is not a key objective common to all stablecoins. Consequently, a low score may not be a relevant source of concern to most stablecoin users. Furthermore, regulatory oversight can also be beneficial to some users as it entails more robust consumer protection mechanisms and increased transparency.

3.2. Custodian Risk

[Score 0.00]

When evaluating custodian risk (i.e. credit risk of entities holding assets), we consider the distribution of assets between entities that hold the assets, such as the issuer, their banks and custodians.

All assets are held at a single US-regulated custodian.

3.3. Type of Collateral

[Score 0.00]

When evaluating decentralization, it is important to consider the extent to which the stablecoin's value is tied to a central authority or external fiat currency. Monetary policies / decisions taken by such authorities / central banks can have an impact on the purchasing power of the collateral.

USDGLO is fully backed by USD-denominated real-world assets which are subject to the monetary policies of the United States.

(Fiat currencies earn a score of 0 and decentralized cryptocurrencies earn a score of 1)

Note: Independence from a nation's monetary policies is not a key objective common to all stablecoins. Consequently, a low score may not be a relevant source of concern to most stablecoin users.

3.4. Decision Making & Voting Power

[Score 0.00]

Fiat-backed stablecoins such as USDGLO are run by private corporations. As such, the absence of decentralized decision making and voting power is a feature, not a bug.

3.5. User Blacklisting

[Score 0.00]

Brale can blacklist specific user wallets.

Note: Censorship through blacklisting helps prevent legitimate users from transacting with criminals. This is particularly relevant to institutional users who are obligated to report their transactions and activities.

4. Governance

[Score 0.71]

4.1. Holder Protection

[Score 0.50]

USDGLO's issuer, Brale, holds Money Transmitter Licenses (MTL) in 27 US states and a Virtual Currency Business Activity License in 1 state. MTLs regulate USDGLO as a stored value instrument, like pre-paid cards issued by PayPal. Each state that issues an MTL has its own set of compliance requirements but all commonly require the licensee to (i) hold customer funds only in certain types of low-risk assets and (ii) make available all records and information to the regulator for periodic examination.

That said, stablecoin issuers who are specifically regulated and licensed as an issuer of stablecoin are held to a higher standard of customer protection than money transmitters are.

4.2. Periodic Reserves Attestations

[Score 1.00]

Our rating considers the type & frequency of reserves attestations.

Type [Score 1.00]

Attestations can be broadly classified into 2 categories based on the nature of the auditor's report. – 'Assurance Engagements' and 'Agreed Upon Procedures'.

Assurance Engagements are similar to audits in that the auditor determines the nature and extent of work required to express an independent opinion (provide assurance) on a particular matter. The auditor is free to conduct as deep an examination as they may deem appropriate to arrive at a reasonable conclusion. Assurance Engagements require the auditor to stake their reputation, and therefore carry more weight. Assurance Engagements provide either a 'reasonable level of assurance' (also called examinations) or a 'limited level of assurance' (also called reviews). The former is better and offers the same level of assurance that is provided in a full-fledged financial audit but with a comparatively smaller scope and subject matter.

Agreed Upon Procedures are engagements wherein the auditor is engaged by the issuer to perform specific tasks and report on factual findings. The auditor's scope of work is limited by the issuer and does not involve expressing an opinion. Instead, the auditor provides factual statements in his or her report and the users of such reports are expected to form their own opinions on the matter. In such cases, the auditor does not stake their reputation and provide an assurance of any sort. AUPs, while useful, are inferior to Assurance Engagements.

Frequency [Score 1.00]

Reserves attestations can be monthly, quarterly, half-yearly or annually.

Since review procedures are performed on reserves data as of a particular day (typically, last day of the quarter), they do not consider transactions and events which occur in between reporting dates. Consequently, periodic reserves attestations provide a lower degree of assurance compared to a full scope financial audit.

Brale has engaged Abdo Solutions, a US public accounting firm to provide monthly assurance opinions on its reserves.

4.3. Financial Audits

[Score 1.00]

Periodic reserves attestations alone are inadequate to ascertain the existence and adequacy of reserves, they must be complemented by full scope annual financial audits.

Brale has engaged Abdo Solutions, a US public accounting firm to audit the company's financial statements. The most recent financial audit was completed in Q1 2024.

4.4. Redemption Policy

[Score 0.00]

Our scoring reflects whether stablecoin issuers have reasonable and transparent timelines for processing redemptions.

Brale's Business User Agreement makes no reference to redemption terms other than the following clause: "We may in our sole discretion terminate support to purchase and/or redeem any Digital Asset. We reserve the right to delay or halt purchases and redemptions to comply with Applicable Laws, in times of unusual market conditions, or for any other reason in our sole discretion."