



Bocconi Students Fintech Society

Stablecoins Analysis

www.bsfinfintechsociety.com



DAI

BSFS Rating: 9/10

Introduction



Peg Type

Pegged to the USD. Soft peg



Backing Type

Digital asset collateral



Collateralization

Collateral can be paid in the form of several different Ethereum-based tokens. DAI is overcollateralized. As of October 2023, the minimum collateralization ratio is 1.5



Market Cap

\$5,346,665,262 (as of Nov. 21, 2023)



Grade

B+ (according to Bluechip agency)

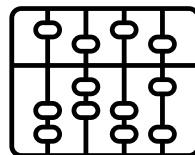
Analysis



- The *MakerDAO* protocol grants users access to collateralized loans. A user can lock up his digital assets in *MakerDAO*'s vaults and receive a loan in DAI stablecoins.
- Later, the user must repay the loan in DAI and additionally pay stability fees which function like a borrowing interest rate.
- *MakerDAO* mints DAI stablecoins and MKR coins which give holders voting rights in making decisions about the protocol's functioning and general direction.

To ensure the stability of the peg of DAI to the USD, *MakerDAO* uses the following instruments:

- 1) Changing the **stability fees**. The higher the fees, the lower the demand for collateralized loans, the lower the supply of DAI, the higher the price of DAI (and vice versa).
- 2) **Overcollateralization**: As of October 2023, the minimum collateralization ratio is 1.5 -> even if the value of *MakerDAO*'s collateral composed of digital assets falls significantly, the peg can still be sustained.
- 3) **Automatic liquidation**: In case the value of the collateral decreases below 1.5 of the loan value, the loan gets liquidated: *MakerDAO* sells the collateral to cover the debt.
- 4) **MKR issuance**: new MKR coins can be issued and sold in the open market to cover the debts.
- 5) **DAI saving rate**: users can lock up their DAI and get a return for that. The higher the saving rate, the higher is the demand for deposits, the lower is the supply of DAI, the higher is its price. The saving rate adjustment is similar to the monetary policy conducted by Central banks.





Gemini Dollar

BSFS Rating: 9/10

(less market cap than DAO, but higher grade)

Introduction



Peg Type

Pegged to the USD



Backing Type

FIAT



Collateralization

Short dated US Treasuries, money market funds invested in US Treasuries, and cash deposits in fully segregated and bankruptcy-remote accounts



Market Cap

\$139,000,000 (as of Nov. 22, 2023)



Grade

A (according to Bluechip agency)

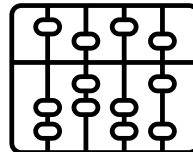
Analysis



- Gemini USD is a stablecoin pegged to the U.S. dollar at a fixed 1:1 exchange rate.
- Because the U.S. dollar is a highly desirable medium of exchange, as well as a globally accepted unit of account, it is a desirable peg for a stablecoin.
- In addition to the creditworthiness and price stability of the U.S. dollar, Gemini USD benefit from the technological advantages of a cryptocurrency.

The main features, that differentiate Gemini USD from others stablecoins, are:

- 1) **Trustiness**: the issuer (Gemini Trust Company LLC) is licensed and subject to regulatory supervision. Gemini operates under the direct supervision and regulatory authority of the New York State Department of Financial Services and is subject to the New York Banking Law and other applicable U.S. laws and regulations.
- 2) **Proof-of-Solvency**: not only the number of tokens issued and in circulation can be observed on the blockchain, but also, they will be checked by a registered audit independent firm.
- 3) **Creation and Redemption**: Gemini dollars are created when customers buy Gemini dollars with U.S. dollars on the Gemini platform. Gemini dollars are redeemed or “destroyed” when customers sell Gemini dollars for U.S. dollars on the Gemini platform.
- 4) **Transfer**: The Gemini dollar can be transferred on the Ethereum network.





Tether Gold

BSFS Rating: 3/10

Introduction



Peg Type

Pegged to Gold



Backing Type

Risk-Weighted Assets



Collateralization

Physical Gold



Market Cap

\$501,248,792 (as of Dec. 05, 2023)



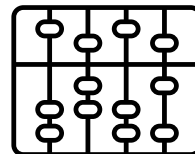
Grade

D (according to Bluechip agency)

Analysis



- Tether Gold is a stablecoin issued by TG Commodities around the world.
- Each tether gold coin is exactly equivalent to 1 fine troy ounce of gold held at Swiss vaults
- Although this may initially sound like an attractive investment opportunity as it is a more stable coin and it opens the possibility of more diversification within the stablecoin environment, it receives a low grade due to the poor reputation that the Tether Group has created for itself due to some shady operations and questionable practices.
 - Moreover, due to its high redemption value (minimum \$100,000), it is an investment that is only suited for institutions or high-net-worth individuals.
- Tether Gold could become a more viable investment option if it chose to disclose the names of its gold custodians or if it decreased that redemption value to a more achievable value of \$5,000 for example.





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