

# Stablecoin Classification and Characteristics

Type	Mechanism	Examples
<b>Fiat-Collateralized</b>	Backed 1:1 by fiat currency reserves	USDT (Tether) USDC (Circle) BUSD (Binance)
+ Simple, stable, liquid	- Centralized, requires trust, regulatory	
<b>Crypto-Collateralized</b>	Over-collateralized by crypto assets	DAI (MakerDAO) sUSD (Synthetix)
+ Decentralized, transparent	- Capital inefficient, liquidation risk	
<b>Algorithmic</b>	Algorithm adjusts supply/demand	FRAX (Fractional) UST (Terra) - Failed
+ Capital efficient, decentralized	- Death spiral risk, complex	
<b>Commodity-Backed</b>	Backed by physical commodities	PAXG (Gold) DGX (Gold)
+ Real asset backing, hedge	- Storage costs, centralized custody	

+ Advantages

- Risks