

# Stablecoin Classification and Characteristics

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

+ Advantages

- Risks