

Stablecoin Risk Assessment Report: Tether (USDT)

Date: July 13, 2025

1. Risk Summary

Final Score: 6.15 / 10

Risk Level: Moderate Risk

Platform Eligibility: Conditionally Eligible

2. Reserve Quality and Composition

While USDT maintains a high degree of peg stability, backed by over \$125 billion in assets with a collateralization ratio of 105% as of Q1 2025, its risk profile is elevated due to structural issues. The reserve includes a significant portion—approximately 17%—of riskier assets such as Bitcoin, gold, secured loans, and corporate investments. These assets introduce market, credit, and liquidity risk. Although 81% of reserves are in low-risk instruments like U.S. Treasury bills, Tether does not disclose sufficient information about the credit quality of its custodians and counterparties.

3. Transparency and Disclosure

Tether's transparency practices are weaker than those of its peers. Unlike USDC, which provides monthly attestations and real-time reserve visibility, Tether only publishes quarterly reports. These reports, attested by BDO Italia, do not provide granular information about reserve composition, counterparty risks, or custodial relationships. Tether also lacks disclosure about legal safeguards in place to protect customer assets in the event of insolvency.

4. Redemption Accessibility

Direct redemption of USDT is restricted to verified institutional users with a high minimum threshold of \$100,000, a \$150 verification fee, and a 0.1% redemption charge. These conditions exclude retail participation and could limit redemption under stress. While USDT benefits from deep secondary market liquidity, the lack of retail-friendly redemption remains a concern.

5. Legal and Regulatory Posture

Tether is not regulated by any major financial authority such as the NYDFS and does not comply with the EU's upcoming MiCA framework. There is no confirmed legal structure such as bankruptcy-remote SPVs or formal segregation of reserves. These deficiencies elevate the legal risk profile and may pose challenges to institutional adoption in regulated environments.

6. Operational Track Record

Despite these concerns, USDT has maintained a notable degree of price stability over the years. It withstood significant market events such as the TerraUSD collapse, FTX bankruptcy, and the SVB crisis, consistently trading near its \$1 peg. Its market dominance and wide circulation reflect continued user confidence and deep integration into centralized and decentralized trading ecosystems.

7. Conclusion

Tether's Moderate Risk rating reflects a balance between strong operational resilience and ongoing concerns around transparency, reserve quality, and legal structure. Enhancements in audit frequency, asset segregation, and regulatory compliance could support a stronger assessment in future reviews.