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CIRCULAR STATEMENTS



This week, Circle, the U.S.-based crypto company best known for its USDC stablecoin partnership with Coinbase, announced it was enlarging its circumference to include Europe. USDC's new Euro-backed family member will be minted under the EUROOC symbol, and let's hope this stablecoin is as rock solid and hard core as its homophone.

As we've become all too familiar with these last few months, stablecoins and their attendant ecosystem are not always built on solid foundations, and the backings are more particle board than concrete. USDC, like DAI, has weathered this winter well. It's even been rumored that Circle will apply for a bank charter.

Circle says that USDC is "fully backed by cash and short-dated U.S. government obligations, so that it is always redeemable 1:1 for U.S. dollars." As of July 17, USDC's backing is 14 billion USD in cash and 41.2 billion in short-duration U.S. Treasuries — short-term securities that can be bought at a discount and mature from a few weeks to one year later. In other

words, not fully liquid and instantly redeemable.

The EUROOC is similarly backed, although the ratio of hard cash to treasuries is currently unknown. So while fully backed, it's hardly fully secure. Unlike the overcollateralization model of some on-chain stablecoin issuers we just don't know what will happen if broader markets continue their decline. Maybe USDC can redeem the t-bills quickly enough to ensure that USDC's or EUROOC's peg remains, but no amount of circuitous reasoning will make these fiat-backed stablecoins harder than an overcollateralized DAlmond.



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