

Simple Summary

Gauntlet cannot quantify risk associated with centralized stablecoins and regulatory concerns. In light of this, we provide a couple options to the community to gauge preference and thoughts around TUSD.

If the community views TUSD as having excess counterparty risk, we recommend iteratively lowering LT, LTV and/or freezing TUSD supply to begin offboarding TUSD.

Gauntlet has observed unusual borrowing behavior for TUSD on Aave v2 the past week. Utilization has hit 98% on multiple occasions and has remained constant over 90% from June 9 - June 15, coming down to 74% as of today June 16.

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On June 10, TUSD traded down to \$0.996, it was announced that TUSD has paused minting via [Prime Trust](#).

Should TUSD lose its peg, \$0.96 is the first TUSD price at which we see small amount of liquidations (so -4%), and roughly \$700k liquidations at \$0.90. Data can be found on Gauntlet's dashboard [here](#).

TUSD has 22M supplied and 20M borrowed, with the majority of the supply having > 1.15 collateral ratio. The majority of the TUSD collateral with HF < 1.5 support stablecoin borrowing, with one account borrowing ~\$500k WETH at a 1.35 HF.

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Again, to reiterate, Gauntlet cannot quantify risk associated with centralized stablecoins and regulatory concerns. In light of this, we wanted to gauge preference and thoughts around TUSD, and if necessary, provide some options on how the community can derisk TUSD should they view the centralization risk to be excessive.

Option 1: iteratively lowering the LT of TUSD to 77.5%, LTV to 75%

. This will begin removing debt that TUSD collateral supports, which can help reduce risk of insolvencies if TUSD depeg occurs. However, this may impact user experience, as roughly \$1500 in supply would be liquidated.

Option 2: Freeze TUSD supply

. This will immediately upper bound the borrowing power of TUSD collateral, which can help reduce insolvency risk during depeg, but will impact users looking to enter the TUSD market to gain interest.

Next steps

Welcome community feedback and initiate Snapshot vote.