S&P Global
Ratings

Stablecoin Stability Assessment

Tether (USDT)

Nov. 26, 2025

Summary

S&P Global Ratings has reassessed the ability of Tether (USDT) to maintain its peg to the U.S. dollar to 5 (weak) from 4 (constrained). The negative revision reflects an increase in higher-risk assets backing USDT's reserve since our last review. Issued in 2014, USDT is the longest-standing stablecoin with the largest volume in circulation. Its price has remained relatively stable in recent years and over the past 12 months.

Our asset assessment of 5 (weak) reflects the rise in exposure to high-risk assets in USDT's reserves over the past year and persistent gaps in disclosure. These assets include bitcoin, gold, secured loans, corporate bonds, and other investments, all with limited disclosures and subject to credit, market, interest-rate, and foreign-exchange risks. Bitcoin now represents about 5.6% of USDT in circulation, exceeding the 3.9% overcollateralization margin, indicating the reserve can no longer fully absorb a decline in its value. A drop in the bitcoin's value combined with a decline in value of other high-risk assets could therefore reduce coverage by reserves and lead to USDT being undercollateralized. A large share of USDT's reserves remains invested in short-term U.S. treasury bills and other U.S. dollar cash equivalents. However, Tether continues to provide limited information on the creditworthiness of its custodians, counterparties, or bank account providers.

We have observed other weaknesses. These include limited transparency on reserve management and risk appetite, lack of a robust regulatory framework, no asset segregation to protect against the issuer's insolvency, and limitations to USDT's primary redeemability.

The stablecoin stability assessment could improve if the exposure to high-risk assets reduces. This is assuming better disclosure on the composition and valuation of the assets and the creditworthiness of custodians, counterparties, and bank account providers.

This report was not produced at the request of the stablecoin issuer or sponsor or with their input.

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Asset assessment

1 | Very strong
2 | Strong
3 | Adequate
4 | Constrained
5 | Weak

Adjustment

Neutral (0)

Stablecoin stability assessment

5
Weak

Assessed on a scale of 1-5, where 1 is very strong and 5 is weak.

Asset assessment: 5 | Weak

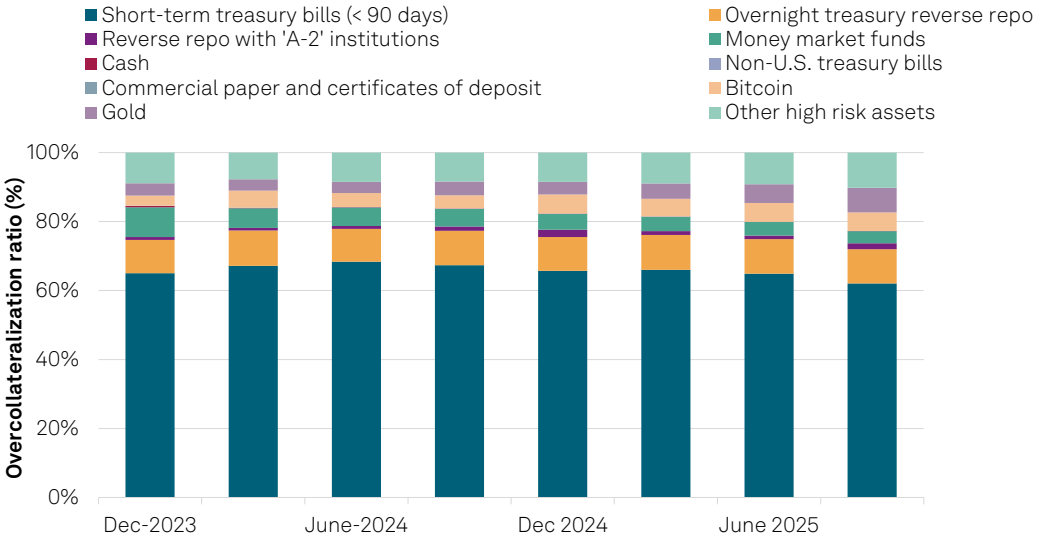
1 | Very strong	2 | Strong	3 | Adequate	4 | Constrained	**5 | Weak**

Issued in 2014, USDT is fully backed by reserves. It is issued by Tether International, S.A. de C.V., which is incorporated in El Salvador and operates under the laws of that country. It is wholly owned by Tether Holdings, S.A. de C.V. and Tether Operations, S.A., de C.V., both also incorporated in El Salvador. Tether moved from the British Virgin Islands to El Salvador in 2025 where it has secured a license as a digital asset service provider.

Tether publishes quarterly reserve reports. Based on the most recent report dated Sept. 30, 2025, attested by BDO Italia, its reserves of $181.2 billion backed $174.4 billion of USDT in circulation (see chart). The overall collateralization ratio stood at 103.9%, a decline from 105.1% on Sept. 30, 2024, with collateral consisting of short-term U.S. treasury bills with an average tenor of less than 90 days (64%), U.S. treasury-bill-backed overnight reverse repurchase agreements (repos; 10%), other reverse repos and non-U.S. Treasury bills (2%), money market funds (4%), cash and bank deposits (less than 0.5%), and a mix of riskier assets (24%) with limited transparency on their composition.

Exposure to high-risk assets in Tether's reserve portfolio has increased over the past year. These holdings include corporate bonds, precious metals, bitcoin, secured loans, and other investments that are subject to credit, market, interest-rate, and foreign-exchange risks and for which disclosures remain limited. Such assets accounted for 24% of total reserves as of Sept. 30, 2025, compared with 17% on Sept. 30, 2024. More importantly, Tether's exposure to bitcoin has also increased. On Sept. 30, 2024, bitcoin represented about 4% of USDT in circulation, below the 5.1% overcollateralization margin implied by a collateralization ratio of 105.1%. As of the latest attestation, bitcoin represents 5.6% of USDT in circulation, exceeding the 3.9% overcollateralization margin associated with a collateralization ratio of 103.9%. A decline in the price of bitcoin or the value of other higher-risk assets, could therefore reduce collateral coverage and result in USDT becoming undercollateralized. We believe the increasing share of risky assets exposes USDT's reserves to greater market fluctuations.

USDT breakdown of reserve assets



Source: S&P Global Ratings.

In our view, the short-term U.S. treasury bills and U.S. Treasury-bill-backed overnight reverse repos (75% of collateralization ratio) represent low-risk assets. This is a decrease compared to 81% in our previous review. Tether's U.S. treasury holdings now exceed $130 billion, positioning it among the largest holders globally. Public sources refer to a U.S. financial institution acting as custodian of these treasury holdings. However, reports on the reserve still do not disclose information on the custodians, counterparties, or bank account providers of the assets. Likewise, there is no disclosure on the composition of money market funds, which account for 4% of the reserve's assets.

Transparency on counterparties, custodians, and bank account providers remains limited. Tether does not publish information on these entities, which could inflate risks if their creditworthiness is weak. Tether does not disclose detailed composition of some of its assets, such as other investments or secured loans for example. This along with the significant exposure to higher risk assets underpin our asset assessment at 5 (weak).

Adjustment: Neutral

Neutral | Negative

Overall adjustment

USDT is the largest and longest standing stablecoin in circulation. It has maintained price stability, especially in recent years and over the past 12 months. Although several weaknesses are highlighted, we have made no adjustment, since our assessment cannot be lower than 5. These weaknesses include limited transparency on reserve management and risk appetite, lack of a robust regulatory framework, absence of asset segregation, and limitations to redeemability in the primary market.

Governance: Opaque management

- There is no public disclosure about the type of assets eligible for inclusion in USDT's reserves or the action to be followed if the value of one of the underlying assets or asset classes were to drop significantly. We observed an improvement in USDT's reserve management practices between 2022 and 2023 with a shift toward lower-risk assets. However, the proportion of higher-risk assets has gradually increased over the past 12 months and currently significantly exceeds the reserves buffer.
- USDT's assets are subject to quarterly reporting and third-party attestations by an independent auditor. This reporting is less frequent than for other stablecoins, which are generally subject to monthly reporting and attestation. The most recent attestation was in September 2025, conducted by BDO Italia, an independent member firm of BDO International Ltd. The auditor reviews the issuer's assets at the end of the quarter.
- Tether also regularly publishes on its website the liabilities related to USDT in circulation, and the value of the assets in the reserve. However, these numbers are not reviewed by the auditor, and there is no breakdown of the composition of the assets.
- In 2024, Tether announced a corporate restructuring that introduced four divisions--Finance, Data, Power, and Education--broadening its scope beyond stablecoin development. Alongside this, Tether has made strategic investments in areas such as artificial intelligence and Bitcoin mining. In 2025, the company expanded its organizational footprint by launching a U.S.-focused stablecoin initiative, in partnership

with a U.S.-regulated financial institution, and announced plans for a significant capital increase. According to Tether, these activities are operationally separate from the management of USDT's reserve; however, there is limited public disclosure on group-level governance, internal controls, and the segregation of activities. This constrains transparency and indicates an expanded risk profile relative to that of other stablecoin issuers.

Regulatory framework: Lack of a robust regulatory framework and information about asset segregation

- Following its relocation to El Salvador, Tether reports to the Financial Investigation Unit of El Salvador. Tether is regulated by the National Commission of Digital Assets of El Salvador (CNAD). In accordance with the regulations on Issuance of Public Offering of Stable Currencies 2023, CNAD requires that stablecoin issuers maintain reserves backing their stablecoins in circulation at a minimum ratio of one to one (1:1) and that at least 70% of the reserve must be invested in assets that can be liquidated in 30 days, and 30% invested in assets that can be liquidated in more than 30 days. We consider the latter to be broad and note that the framework permits inclusion of relatively high-risk instruments--such as loans and bitcoin--or assets whose price can fluctuate significantly, such as gold, within eligible reserve assets. Moreover, there is no requirement on the segregation of reserve assets. This stands in sharp contrast to regulations in Europe or the U.S. that provide clearer definitions of eligible assets and mandates asset segregation. Although Tether’s move to regulatory oversight in El Salvador is a positive development, we believe the framework governing it remains less robust than in other jurisdictions.
- There is no publicly available information regarding the segregation of USDT's assets or the extent to which they are insulated from broader corporate risks, such as a bankruptcy of the issuer or financial impacts from Tether’s non-stablecoin ventures.
- USDT is registered with the Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury. This requires the issuer to comply with anti-money-laundering and know-your-customer requirements.

Liquidity and redeemability: Lack of redeemability in the primary market is partly offset by strong secondary market liquidity

- USDT can be redeemed directly on Tether's website but subject to certain conditions. Redemption is restricted to USDT holders with a verified account, which requires payment of a $150 verification fee. The verification process is subject to know-your-customer, anti-money-laundering, and counter-terrorism-financing requirements. Direct redemption is also subject to a minimal liquidation threshold of $100,000 and a fee of 0.1% or $1,000, whichever is higher.
- USDT holders that do not meet these requirements have to go through the secondary market. Considering the size of USDT's market capitalization, and its wide market reach, liquidity on the secondary market is generally strong on centralized and decentralized exchanges.
- The availability of parties that can support redemption payments 24 hours a day, seven days a week, remains limited. Therefore, the redemption of USDT is constrained by the banking system's operating hours.

Technology and third-party dependencies: No high risks cited in the 2019 audit, but the smart contract is not open source

- In 2025, Tether streamlined its technical footprint by ending support for issuance and redemption of USDT on five legacy blockchains--Omni, Bitcoin Cash SLP, Kusama, EOS, and Algorand--while maintaining circulation on 18 supported networks. The decision reflects an effort to refocus on high-volume, actively maintained chains such as Ethereum and Tron, which together account for the majority of USDT in circulation: Ethereum (54.8%) and Tron (42.3%).
- The smart contract was audited by OpenZeppelin in January 2018, and again by Callisto Network in July 2019. OpenZeppelin' s audit revealed no critical or high-severity concerns. The audit report recommended several best practices to address possible vulnerabilities, most of which were subsequently incorporated into the smart contract. Similarly, the Callisto Network audit did not uncover any critical problems, with none of the findings deemed high or medium in severity. However, the auditors identified three issues of low severity and noted risks related to owner privileges: pausing of transfer, blacklisting, burning of blacklisted assets, and application of a transaction fee. For the newer USDT0 contracts deployed on additional networks, all medium-to-low-risk observations identified in external audits were acknowledged and resolved by the development team. Tether runs a bug bounty program that offers incentives to identify and report vulnerabilities, but this does not cover security vulnerabilities related to the smart contract.
- USDT's smart contract source code is not open source, unlike that of most other stablecoins. It has, however, been verified and is written in industry-standard programming language, such as Solidity. There is no dependence on an oracle to connect to external market data and information.

Track record: A good track record of stability

- USDT launched in October 2014, and is the longest-standing stablecoin, with the largest volume in circulation. USDT has maintained a notable level of price stability, especially in recent years and over the past 12 months.
- During the period of significant market volatility following Terra Luna's failure in May 2022 and FTX's collapse in November the same year, USDT's price exhibited minor fluctuations but subsequently regained its usual stability. In March 2023, during the Silicon Valley Bank (SVB) failure, USDT maintained its price stability relative to the U.S. dollar. During that period, some other stablecoins deviated from their peg either as a direct impact of having their reserves at SVB or indirectly from the general market sentiment.
- In 2025, USDT has maintained its market position with continued growth in adoption and trading volumes. Although evolving regulatory landscapes have posed challenges, USDT's dominance remains strong, with its market capitalization increasing to $183 billion from $120 billion over the last year. However, the rise of other stablecoins with enhanced regulatory credentials and increasing adoption could introduce competitive pressures over time, as reflected by the decline in Tether's market capitalization relative to USDC falling from 3.5x to 2.4x over the past year.

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