

From: Madars Virza <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Re: Stablecoins
Date: Mon, 01 Oct 2018 20:56:36 +0000

Yes! Will grab a room!

Madars

On Mon, Oct 1, 2018 at 4:55 PM J <jeevacation@gmail.com> wrote:
skype?

On Mon, Oct 1, 2018 at 4:53 PM J <jeevacation@gmail.com> wrote:
i dont understand the model. how does the exchange make money. ? what happens if the value of stable coin goes up as it is anonymous. so maybe some added value. they only have my one dollar? now it trades at 1 dollar 10?

On Mon, Oct 1, 2018 at 4:52 PM Madars Virza <[REDACTED]> wrote:
Oh, and Tether's bank is also under heavy pressure these days --

<https://modernconsensus.com/cryptocurrencies/tether/noble-funding-cash-tether/> (unnamed sources, unfortunately)

<https://www.reuters.com/article/us-noble-group-debt-focus/back-from-the-brink-how-noble-group-was-saved-from-an-iceberg-collision-idUSKCN1LK0GI> (related event)

Risky, risky.

Madars

On Mon, Oct 1, 2018 at 4:43 PM Madars Virza <[REDACTED]> wrote:
It is a very interesting topic.

Basically there are two types:

- hard-pegged IOU-based ones (like Tether or Gemini Dollar) where you deposit \$1 in the bank and get 1 stablecoin;
- soft-pegged algorithmic ones (essentially loans against a cryptocurrency with interesting incentive structures https://medium.com/@james_3093/the-dai-stablecoin-is-a-game-changer-for-ethereum-and-the-entire-cryptocurrency-ecosystem-13fb412d1e75)

The algorithmic ones will probably be wiped out if there is a flash crash or other black swan event. But so far the peg has been relatively close to 1.

The most popular IOU-based one (Tether) is widely assumed to be created for evading banking blockade for KYC/AML non-compliant exchanges. On the other hand, Gemini is doing everything by the book (they were the first NYDFS-compliant Zcash exchange, for example) so not competing for random customers. There are USD, Tether, and Gemini Dollar trading pairs and the peg is very close to 1 in practice.

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