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# Yield-Bearing Decentralized Stablecoins

## Comparative Qualitative Due Diligence — Five-Asset Flagship (Condensed)

Sample Report | Analysis date: 31 July 2026 | Scoring: Appendix A Rubric v1.0 (12 items, 60 evidenced cells)

Scope: sUSDe (Ethena) · sUSDS (Sky) · fxUSD/fxSAVE (f(x) Protocol v2) · USD0++ (Usual) · sfrxUSD (Frax, formerly sFRAX)

No price targets · No trade recommendations · No code audit · No token-price implications · Not legal advice

Quarterly re-mark cycle: next observation October 2026 (E1 adjudication). 

# Executive Summary

The US regulatory regime has settled into an asymmetric two-layer structure — a statute that pushes (GENIUS, enacted) and a statute that builds the receptacle (CLARITY, stalled) — under which yield demand is structurally redirected toward DeFi-native instruments while its realization is throttled by the preserved rewards loophole and the blocked institutional channel. Under this direction-fixed, realization-conditional regime, this report scores five yield-bearing decentralized stablecoins with a single rubric (twelve items × observable anchors; sixty cells, each with a primary-source evidence line). No aggregate ranking is computed — deliberately. The subtotal distributions — revenue narrow (11–13), resilience widest (7–15), strategy mirroring the regulatory-strategy split (7–13) — show no single winner exists; what exists is a different optimal construction per investor mandate. The report delivers that construction judgment together with the regulatory-timing × market-cycle overlay scenarios (S1–S4 + S-OCC) as a live adjudication framework.

## Snapshot

| Field | Content |
|---|---|
| Report | Comparative Qualitative Due Diligence — USD Yield-Bearing Decentralized Stablecoins |
| Scope | sUSDe (Ethena); sUSDS (Sky); fxUSD/fxSAVE (f(x) Protocol v2); USD0++ (Usual); sfrxUSD (Frax, formerly sFRAX) |
| Analysis date | **31 July 2026** (all scores and data; quarterly re-mark; next observation Oct 2026) |
| Method | OrbLabs 5-Pillar-derived comparative DeFi format: 12 items × A–D anchors (Appendix A v1.0); axis subtotals only, no grand total; primary-source evidence lines on all 60 cells |
| Regulatory state | GENIUS in force (issuer-yield ban; §13 rulemaking deadline of 18 Jul 2026 missed — zero rules finalized; OCC extension proposal pending); CLARITY **State C** (July stall confirmed; September window next; market-implied odds 37%) |
| Adjudication | E0 (July windows) adjudicated. E1: 30 Sep 2026; E2: 31 Dec 2026; E3: 3 Jan 2027; E4–E5 rolling |
| Boundaries | No price targets; no trade recommendations; no code audit; no token-price implications; not legal advice |

| Axis | *Ref: USDC/USDT | sUSDe | sUSDS | fxUSD | USD0++ | sfrxUSD |
|---|---|---|---|---|---|---|
| 1 Revenue /16 | *10 | 11 | 12 | 13 | 11 | 11 |
| 2 Resilience /16 | *13 | 11 | 13 | 13 | 7 | 15 |
| 3 Strategic /16 | *10 | 9 | 13 | 11 | 7 | 12 |

*The Ref column reproduces the scoring of the source publication (April 2026) as a reader baseline; it is not re-scored under the Appendix A rubric and carries no cell-level evidence lines.*

## Section Highlights

**Section 1 — Regulatory Regime & Macro Thesis.** The asymmetric two-layer structure; suspension as an active restraint through four channels (rewards loophole; blocked institutional channel; offshore entrenchment and jurisdictional reallocation; unsettled RWA perimeter); the spot-BTC-ETF precedent for what statutory certainty converts — latent demand into realized flow; direction-conviction and realization-conviction held separately.

**Section 2 — Asset Analyses.** sUSDe (11/11/9) — the most aggressive engine and the most market-conditional asset; October 2025 field-verified redemption ($2bn/24h) and peg (30bp on deepest venues) while a single-venue $0.65 print exposed venue-infrastructure risk; bull-cycle satellite. sUSDS (12/13/13) — scale (~$10bn combined) and nine incident-free years; thin administered spread; the USDC-outsourced peg floor as the structural heel; highest core fitness. fxUSD (13/13/11) — the purity experiment, sole CEX/TradFi-independent source; priced in scale and documented operator gates; crypto-native core, USDC-tail hedge elsewhere. USD0++ (11/7/7) — the live governance-risk case; the January 2025 retroactive redemption change generates two conclusive Ds; non-fit across archetypes. sfrxUSD (11/15/12) — winning inside the perimeter; the set's highest defensive score; largest statutory-settlement beneficiary; proxy authority and permissioned custody as the flip side.

**Section 3 — Cross-Asset, Archetype Fit, and §5-c.** Resilience dispersion (7–15) as the headline information; source-overlap rules (the three rate-cluster assets compress together; genuine orthogonality is market×rate and on-chain×rate; the only USDC-tail hedge is fxUSD); C/B/N archetype fit with ranking structurally absent; §5-c as a framework with one completed adjudication cycle (E0), presenting E1–E5, S1–S4 + S-OCC, the scenario-asset impact matrix (C-2), and reallocation-review triggers.

## Conviction Synthesis

The most robust conclusion is the defensive hierarchy. Among the three axes, resilience shows the widest dispersion (7–15) and the highest evidentiary realization — the October 2025 stress, the January 2025 incident, nine years of operating history — and the ordering, sfrxUSD/sUSDS at the summit and USD0++ at the floor, holds under every regulatory branch S1–S4.

What regulatory branching moves is not that ordering; it is the relative weight of the inside and outside strategies. The inside strategy (sfrxUSD, sUSDS) pre-installs the TradFi connection set — fiat redemption, custody, RWA — and holds a call option exercised by settlement: the right to become the receptacle for the institutional capital stratum the moment rules fix. The outside strategy (fxUSD) derives durability from architecture rather than authorization, providing scenario-invariant continuity — insurance. The market strategy (sUSDe) is orthogonal, a position on the funding regime. Hence S1/S2 (early settlement × demand overlay) bring the call toward exercise; S3 (wave 1 unsettled) raises the relative value of the insurance and of market capture; S4 (settlement in the demand vacuum) defers the whole proposition to the next cycle — and even there, the defensive ordering stands, with "the inside that can wait" (sUSDS, sfrxUSD) and "the outside that does not move" (fxUSD) as the residual construction core. The asset-level unfolding is formalized in the §5-c (C-2) impact matrix with its observation-to-review conversion rules, reproduced verbatim below.

Governance risk is treated throughout as a scorable fact: operator authority and its exercise history are penalized mechanically by anchor (USD0++), while structural change executed in holders' favor accrues as defensive record (Frax, 2022). That symmetry is the substance of judgment reproducibility. Conviction tiers carry adjudication commitments: direction (yield migration into DeFi) — high conviction, legislation-independent; realization timing and amplitude — explicitly conditioned on §5-c observables; asset scores — calibrated through quarterly re-marks, delta tables, and Brier verification (INTERNAL edition). E0 is already adjudicated; the framework is record, not proposal.

**Integrated key risks (top five):** (1) timing mismatch (S4); (2) loophole permanence (OCC dilution × CLARITY stall); (3) regulatory extension into DeFi (BaFin-type propagation); (4) simultaneous spread compression of the three rate-cluster assets (Fed easing); (5) governance-risk recurrence (authority structures persist in four of five assets).

## §5-c Tables (verbatim from Section 3.3)

# (A) Adjudication events and standards

| ID | Event | Adjudication date | Standard (observable conditions) |
|---|---|---|---|
| E1 | CLARITY September window | **30 Sep 2026** | Three stages: cloture motion filed; cloture carried; floor passage. Zero stages → carries to E2 |
| E2 | Lame-duck session | **31 Dec 2026** | Same standard. Unmet → E3 confirms automatically |
| E3 | Bill expiry with the 119th Congress | **3 Jan 2027** | Mechanical fact of session end; thereafter the framework migrates to 120th-Congress restart scenarios |
| E4 | OCC final rule (GENIUS implementation) | Rolling (quarterly) | Federal Register publication; whether the yield prohibition's scope includes "affiliates and third parties" |
| E5 | Yield-environment regime | Quarterly re-mark dates | 90-day mean funding rate (sign and level); Fed policy path |

# (C) Overlay judgment — regulatory release timing × market cycle

| Scenario | Enactment timing | Overlay with demand phase (2028Q4/2029Q4) | Consequence in the three variables |
|---|---|---|---|
| **S1** | Sep 2026 (E1 passes) | **Full overlay** — the 12–18-month institutional build-out completes before wave 1 | Flows released ahead of demand; RWA productization ready in time; market-regime designs capture the wave's funding upswing fully |
| **S2** | Nov–Dec 2026 (E2) | Near-full overlay | As S1 with a 1–2-quarter flow lag |
| **S3** | 2027–28 (120th Congress) | **Partial overlay** — restart spans wave 1; only wave 2 captured | Wave 1 runs regulatorily unsettled (Channel 1 throttle persists); productization races wave 2; institutional flows miss wave 1 |
| **S4** | ~2029–30 (decay-curve tail) | **Timing mismatch confirmed** — release lands in a demand vacuum | Realization deferred wholesale to the next cycle; release in contraction matters only to defensive (rate-cluster) designs; market-regime amplification never fires |
| **S-OCC** (orthogonal) | OCC final rule includes third parties (achievable independently of CLARITY) | Composable with any S | Channel 1 closes unilaterally, partially opening the push — an independent release valve raising the sector-demand floor even under S3/S4 |

# (C-2) Scenario-asset impact matrix

*Symbol definitions:* ◎ = the scenario strongly supports the realization environment of the asset's investment proposition; ○ = supports; △ = neutral/conditional; ▽ = proposition deferral or environment deterioration. Each cell is a qualitative judgment of scenario → environment → proposition realizability, expressed in three variables (institutional-flow timing; sector capacity; yield environment). It is not a buy/sell rating, price view, or quality ranking; axis weighting and allocation remain the client's mandate decisions.

| | sUSDe (market) | sUSDS (inside) | fxUSD (outside) | USD0++ (inside, forfeited) | sfrxUSD (inside) |
|---|---|---|---|---|---|
| **S1** | ○ Captures the wave's funding upswing fully; control-test exemption unlikely, so direct institutional-flow benefit limited | ◎ Receptacle release × comparative control-test advantage of distributed governance; RWA productization ready for wave 1 | △ Operation unchanged; relative weight declines as institutional capital routes to compliant wrappers; orthogonal-hedge role persists | △/▽ Base-layer RWA tailwind, but statutory classification of a security-shaped instrument can cut against it; the governance record does not legislate away | ◎ Largest beneficiary in set (locked): fiat redemption, custody, product separation pre-installed — fastest flow reach |
| **S2** | ○ (as S1) | ◎ (1–2Q lag) | △ (as S1) | △/▽ (as S1) | ◎ (as S1, lagged) |
| **S3** | ◎ Wave 1 proceeds unsettled — non-institutional crypto-native capital leads, maximizing funding-yield capture; Channel 1 throttle and venue risk persist without legal protection | ○ Scale and record sustain adoption through a crypto-native wave; the institutional leg stays dormant | ◎ Peak relative weight: in a rules-less wave 1, jurisdiction-orthogonal, control-test-independent design is most preferred | ▽ Trust rebuilding requires institutional verification, which requires settlement; crypto-native waves are the least forgiving of governance risk | △ The call sleeps through wave 1 with wave-2 exercisability; defensive-core value itself unchanged |
| **S4** | ▽ Demand contraction = prolonged funding compression; engine idles | △/○ Proposition deferred, but rate-beta yield + scale + record function as contraction-phase defense — "the inside that can wait" | △ Continuity asset; operation unchanged; insurance value persists, growth proposition absent | ▽ Demand vacuum × unrepaired trust. (Note: the floor's rise mechanically reaches $1 by ~2029, resolving this asset's idiosyncratic overhang within S4 — a separate matter from proposition recovery) | △/○ Release lands in the vacuum — flows thin, but as settled TradFi-alternative infrastructure this is the set's best early position for the next cycle |
| **S-OCC** | ○ Sector-demand floor rises; compliant routes benefit relatively more | ◎ Closure of platform rewards opens a direct migration path into USDS/sUSDS as the liquid yield alternative | ○ General beneficiary of the higher floor | △ General benefit dominated by idiosyncratic barriers | ◎ Direct beneficiary alongside sUSDS — the leading compliant yield product |

*Full source lists appear at the end of each section.*

# Section 1 — Regulatory Regime & Macro Thesis (Shared Layer)

*Analysis date: 31 July 2026. This section governs the regulatory context for all five assets analyzed in this report.*

**Opening conclusion.** As of the analysis date, the regulatory regime surrounding US-dollar yield-bearing decentralized stablecoins has settled into an asymmetric two-layer structure. The first layer — the GENIUS Act, enacted July 2025 — prohibits by statute the payment of yield by issuers of fiat-backed payment stablecoins, creating a structural pressure that pushes yield demand toward DeFi-native instruments. The second layer — the CLARITY Act, the pending market-structure bill — passed through both of its July Senate floor windows without a cloture motion being filed; its quiet stall is now confirmed, and the bill has shifted onto a chain of decaying residual windows beginning with roughly three legislative weeks in September. Critically, this suspension is not a neutral waiting period. Because CLARITY would have closed the intermediary-rewards loophole that GENIUS left open, its stall preserves the very channel that throttles realization of the GENIUS push: the direction of the pressure is locked, while its realization remains conditional — a restraint already visible in first-half 2026 sector composition data. The analytical unit of this report is therefore not "which protocol wins," but which combinations of yield source endure, per investor mandate, under a regime in which direction is fixed and realization is conditional.

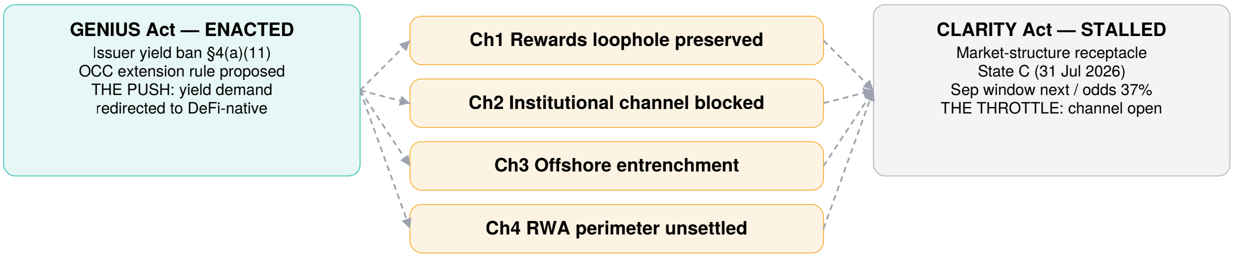
## 1.1 The settled first layer: GENIUS Act §4(a)(11)

The GENIUS Act established the first comprehensive federal framework for payment stablecoins. Its pivotal provision, §4(a)(11), prohibits permitted issuers from paying holders any form of interest or yield — cash, tokens, or other consideration — solely in connection with holding, use, or retention of the stablecoin. Issuers retain the reserve spread (predominantly short-term US Treasury yield) but cannot pass it through as a feature of the coin. The commercial consequence is structural: the addressable pie is expanding — a US Treasury advisory study identified USD 6.6 trillion in transactional deposits as exposed to stablecoin migration, and Citigroup projects outstanding balances of USD 0.5–3.7 trillion by 2030 — but fiat-backed incumbents must capture that growth yield-free. Yield-bearing demand must be served elsewhere. This is the statutory origin of the sector analyzed in this report.

## 1.2 The contested boundary: intermediary rewards and the OCC proposal

Current market practice reads the prohibition as binding issuers only. Coinbase continues to offer rewards on USDC balances — a program generating on the order of USD 1.35 billion annually and still operating as of July 2026 — and PayPal offers equivalent programs on PYUSD, on the theory that a platform, not the issuer, is paying. That reading is under coordinated attack: a coalition of more than forty banking trade groups led by the American Bankers Association has petitioned Congress to extend the ban to affiliates and exchanges, and the OCC's proposed implementing rule for the GENIUS Act would extend the yield prohibition to affiliates and third parties by regulation — the proposal presumes third-party yield arrangements violate the Act's ban, casting direct doubt on the platform-rewards model. The narrower this intermediary channel becomes, the greater the relative advantage of designs that generate yield on-chain. The fate of this loophole is the single most consequential near-term regulatory variable for the sector, and it can be resolved by either of two independent instruments — OCC finalization or CLARITY enactment (§1.3). One implementation fact tempers the valve's timing: GENIUS §13 gave the six responsible agencies one year to finalize implementing rules; that statutory deadline passed on 18 July 2026 with roughly ten proposed rules published and none finalized (certain comment periods run to 21 August 2026), while the Act's effective-date framework continues to point to 18 January 2027. The valve exists; its actuation has demonstrated delay risk of its own.

**Four transmission channels of the suspension**




Ch1 note: OCC final rule = independent release valve (E4) — GENIUS rulemaking deadline (18 Jul 2026) missed, zero rules final

## 1.3 Two statutes, one asymmetry: comparison matrix

| Issue | GENIUS Act (Layer 1 — enacted) | CLARITY Act (Layer 2 — pending) | Marginal effect on DeFi if CLARITY is enacted |
|---|---|---|---|
| Regulatory layer | Issuance regime for fiat-backed payment stablecoins | Market-structure law for the entire digital-asset market: SEC/CFTC jurisdictional allocation; standards for exchanges, custodians, brokers; first statutory perimeter for DeFi and tokenized RWA | Regulation extends from the *issuer* to the *market*; DeFi tokens themselves acquire legal status |
| Token classification | Out of scope (defines payment stablecoins only) | Statutory tests for when a token is a security (SEC) vs. a commodity (CFTC), replacing case-by-case enforcement; assets transferred in secondary markets shed investment-contract status | The securities-classification risk shadowing yield-bearing tokens converts from reversible administrative guidance into a durable statutory procedure |
| Yield & rewards | Issuer yield prohibited (§4(a)(11)); intermediary rewards an interpretive gap (OCC proposes closure) | Stablecoin rewards restricted, with narrow exceptions for transaction-, payment-, and loyalty-linked rewards | The centralized rewards detour closes by statute; the GENIUS push reaches full force (currently throttled — see §1.5, Channel 1) |
| DeFi developers | Out of scope | Safe harbor: protocols operating on pre-established, code-enforced rules that no person can unilaterally alter are exempt from exchange/broker registration (the "control" test); §604 provides exemptions for decentralized services | Genuinely decentralized architecture acquires a settled legal perimeter — decentralization itself becomes a regulatory asset |
| RWA & tokenization | Reserve-management rules only | Tokenized securities remain securities on-chain; first statutory boundary for RWA tokenization | Institutional productization (funds, listings) of RWA-hybrid designs gains a legal foundation |
| Institutional channels | Compliant custody for payment stablecoins | Legal basis for listing, custody, and fund formation in digital commodities | The principal institutional inflow channels open |
| Status (31 Jul 2026) | In force; §13 rulemaking deadline missed (18 Jul 2026, zero rules final); OCC proposal pending | State C: stalled; September window next; market-implied odds 37% | — |

The matrix reduces to one sentence: **GENIUS is the statute that pushes; CLARITY is the statute that builds the receptacle.** Only the push is law. That asymmetry generates the transmission channels in §1.5.

## 1.4 The second layer's fate: State C and the decaying window chain

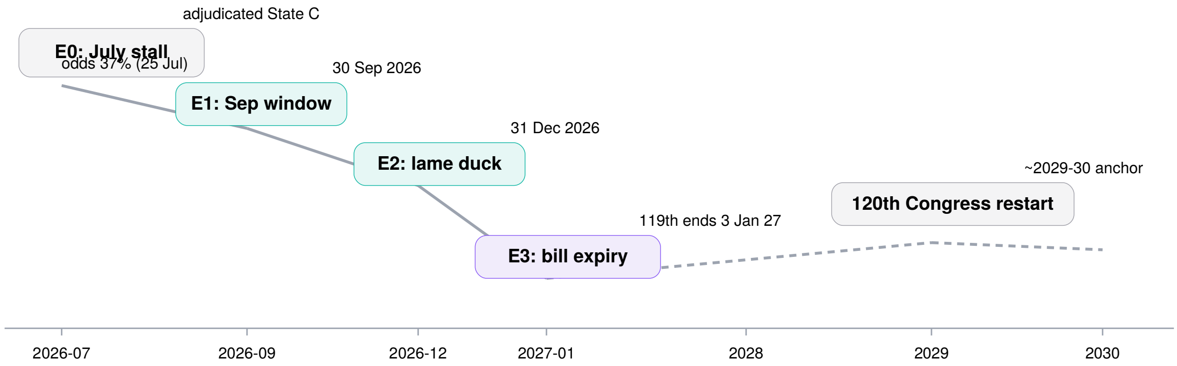
**Adjudication record.** This report pre-defined three terminal states for the July windows — (A) Senate passage, (B) explicit cloture defeat, (C) stall without a vote — and adjudicated against them on the analysis date. The outcome is State C. As of 25 July no cloture motion existed and no vote appeared on any calendar; market-implied passage odds had collapsed from roughly 80% in early July (48% at the start of the stall week; Galaxy Digital, holding a USD 10 million institutional prediction-market position, revised its own estimate down toward 60%) to 37%. Democrats rejected the Republicans' revised text of 22 July, and on 28 July the bill was reported shelved until September, with the Senate prioritizing nominations and a Russia sanctions bill through a cloture pipeline that processes one measure at a time.

**Anatomy of the stall.** Three disputes remain open — the ethics provision, stablecoin rewards, and §604 developer protections — but the ethics provision killed July. The provision would bar senior officials, including the President, from supporting or participating in crypto projects; a Republican compromise was rejected by Democrats as insufficient. Republicans hold 53 seats against a 60-vote threshold, and the arithmetic has worsened: Senator Graham's death in July and Senator McConnell's continued absence narrowed the majority, while expected defections by Senators Hawley and Paul raise the required Democratic votes to eight or more.

**The decay curve ahead.** The residual path is a single decaying sequence: (i) a September window of roughly three legislative weeks before midterm campaigning absorbs the calendar, with all three disputes carried forward unresolved; (ii) a lame-duck session (November–December 2026), where major contested bills rarely clear; (iii) expiry — under the rule of session non-continuity, the bill dies with the 119th Congress in January 2027 and must restart from House passage. A midterm change in chamber control would make the 294–134 House coalition unrepeatable, and the 2027–28 presidential cycle historically forecloses major partisan-adjacent legislation; the next realistic window is then 2029 or later (the "2030 anchor," consistent with Senator Lummis's public warning). Counter-scenarios exist — a lame-duck deal, a slimmed-down compromise — but each presupposes vote arithmetic that is currently deteriorating, not improving.

**What fills the vacuum.** In the interim, security/commodity classification rests solely on the SEC–CFTC joint interpretive guidance of 17 March 2026 — a reversible administrative action standing as the only protection between the industry and a future administration's enforcement priorities. At the periphery, national enforcement moves first: Germany's BaFin forced the wind-down of Ethena's local entity and barred the public offer of USDe as an unregistered security.

*Events after the analysis date.* As of 1 August 2026, no cloture motion has been filed; the residual pre-recess tail runs to approximately 10 August, when the Senate's state work period begins. The State C adjudication stands.



Vertical axis: qualitative realistic passage confidence. Flags: E4 OCC final rule = rolling observation, independent of this curve.

## 1.5 Transmission channels: what the suspension does to the DeFi market

The suspension operates as a present, observable restraint through four channels — two of which directly throttle this report's core thesis.

**Channel 1 — the preserved rewards loophole (most consequential).** GENIUS binds only issuers; while CLARITY's rewards restriction is suspended, platform rewards on USDC and PYUSD remain lawful. US retail and quasi-institutional capital therefore retains a fully regulated route to *hold fiat-backed stablecoins and still receive yield*, structurally blunting the urgency of migration to DeFi-native yield. This is at least one contributing cause of the first-half 2026 asymmetry in which fiat-backed supply expanded toward record levels — aggregate stablecoin supply readings around the analysis window span roughly USD 310 billion (July 2026, payment-stablecoin scope) and USD 281 billion (March 2026, US Treasury/CRS scope) to approximately USD 420 billion (June 2026, broader inclusion); the divergence reflects inclusion criteria and is disclosed rather than resolved — while the yield-bearing DeFi segment stagnated. The push thesis is correct in *direction* but throttled in *realization*. Notably, the OCC's proposed rule could close this loophole independently of CLARITY: a scenario exists in which the push reaches full force with the market-structure bill still stalled. OCC finalization is accordingly registered as the highest-priority leading indicator in the scenario-adjudication framework (§5-c), with the missed §13 deadline (§1.2) marking the valve's own delay risk.

**Channel 2 — classification limbo and the blocked institutional channel.** Yield-bearing tokens carry investment-contract characteristics and thus live in the shadow of securities classification, protected only by reversible guidance (§1.4). Institutional legal and compliance functions cannot underwrite investment-committee approval on a foundation that a change of administration can revoke; listing, custody, and fund formation stall at each layer awaiting statutory settlement. The consequence is concrete: several of the five assets in this report operate with US persons geo-blocked, and the sector's flagship is barred from public offer in the EU's largest economy — a sector marketed on a US regulatory tailwind that cannot legally be sold to US investors. The precedent for what statutory certainty unlocks sits within the same asset class: US spot Bitcoin ETFs, approved in January 2024 after a decade of rejections, converted latent TradFi demand into realized first-year net inflows on the order of USD 35 billion, provided a persistent structural bid beneath the market, broadened the long-term holder base, and coincided with a measurable decline in realized volatility. Institutional capital did not lack interest in Bitcoin before 2024; it lacked a legally settled wrapper. The same structure — latent demand awaiting a compliant channel — describes yield-bearing decentralized stablecoins today. For this sector, the analogous unlocking event is CLARITY enactment (with the yield-specific channel separately resolvable by the OCC; Channel 1), and the analogous expected effects are institutional flow, a deepened holder base, and dampened volatility in sector aggregates rather than any implication for individual token prices.

**Channel 3 — offshore entrenchment and jurisdictional reallocation.** With the control test and §604 safe harbor suspended, protocol operators retain every incentive to keep governance and legal domicile offshore. Meanwhile the EU's MiCA reached full enforcement across all 27 member states on 1 July 2026, and licensing regimes are advancing in Singapore, Hong Kong, and Abu Dhabi. US legislative delay therefore manifests not as absolute sectoral suppression but as *geographic reallocation* of liquidity, development, and compliant product formation. For the five assets, progress toward regulatory fit in non-US jurisdictions becomes a live differentiator, scored under Axis 3 in the per-asset sections.

**Channel 4 — the unsettled RWA perimeter.** RWA-hybrid designs (tokenized T-bill passthrough) intersect securities regulation by construction. While CLARITY's tokenization provisions are suspended, compliant productization for US institutions is capped, slowing the "RWA designs scale as the institutional receptacle" leg of the thesis. RWA-type assets thus sit under a double blockage (Channels 2 and 4), with partial detour available through MiCA-compliant venues (Channel 3).

**Evidence and honest attribution.** First-half 2026 observations — fiat-backed supply expanding toward record aggregates; the flagship yield-bearing asset USDe contracting from a USD 12 billion peak (August 2025) to a USD 4.4–5.6 billion band (readings differ by reference week; disclosed); RWA-hybrid sUSDS growing to USD 8.4 billion staked-ecosystem scale over the same period — are consistent with Channels 1–2 operating as described. Attribution is nonetheless confounded: the USDe contraction is primarily a funding-rate phenomenon, and the regulatory suspension's contribution cannot currently be isolated from market factors. The two observation points at which the effects become separable are OCC finalization and the September window; both are registered as leading indicators in §5-c.

## 1.6 Integrated thesis (Why Now)

The first layer pushes yield demand structurally toward DeFi-native instruments, and this force operates independently of CLARITY's fate. The second layer's suspension throttles the realization of that push — preserving the centralized rewards detour (Channel 1) and blocking the institutional channel (Channel 2). The present regime is therefore intermediate: direction fixed, realization conditional, with the release conditions (OCC finalization, the September window, and the eventual timing of enactment along the decay curve) determining the sector's amplitude and timing. Under these conditions capital does not concentrate on a single winner; it moves selectively along differences in yield-source quality (market-dependent, RWA, on-chain-native), regulatory exposure, and jurisdictional position. This is precisely why this report applies a uniform cross-asset rubric and analyzes fit by investor archetype rather than ranking winners. The interaction between the timing of regulatory release and the broader crypto-market cycle — on which the sector's realized amplitude materially depends — is treated in the scenario-adjudication framework (§5-c).

## Boundary statement

This section describes the regulatory and market regime as of 31 July 2026 and does not constitute legal advice. The CLARITY Act's residual windows and the OCC's final rule remain unresolved; their adjudication framework and leading indicators are set out in §5-c. No implication for token prices is made or intended.

## Conviction & Key Risks

**Conviction.** The prohibition on centralized issuer yield is settled law and is being extended by rulemaking; the structural redirection of yield demand toward DeFi-native instruments is high-conviction as to *direction*. The July stall does not alter that direction; it converts realization into a timing-and-amplitude variable. Direction-conviction and realization-conviction must be held separately.

**Key Risk 1 — timing mismatch.** If enactment slides toward the far end of the decay curve (~2030), institutional release may fail to coincide with the demand phase of the market cycle, deferring the sector's scale realization wholesale into a later cycle. The overlay judgment is treated in §5-c.

**Key Risk 2 — loophole persistence.** If the OCC rule is diluted or delayed — a risk already evidenced by the missed §13 deadline — and CLARITY also slips, the centralized rewards route becomes semi-permanent and the push thesis remains structurally throttled (Channel 1).

**Key Risk 3 — regulatory extension to DeFi.** The "third party" logic of the yield ban, or BaFin-style national enforcement, could reach DeFi-native access in and beyond the US (a deterioration of Channel 2).

**Key Risk 4 — market-conditionality.** The tailwind is not market-neutral: in funding-rate reversals, capital exits market-dependent designs regardless of regulatory advantage, as the 2025–26 USDe contraction demonstrated.

## Sources — Section 1

**A. Primary.** [S1-01] Congress.gov, H.R. 3633 legislative history and Senate calendar status; accessed 1 Aug 2026; legislative record. [S1-02] GENIUS Act statutory text, §4(a)(11) and §13; enacted 18 Jul 2025; yield prohibition and rulemaking deadline. [S1-03] OCC Notice of Proposed Rulemaking (GENIUS implementation), Feb 2026, comment periods through 21 Aug 2026; third-party yield presumption. [S1-04] SEC–CFTC joint interpretive guidance, 17 Mar 2026; interim classification basis.

**B. Third-party data & benchmarks.** [S1-05] Polymarket, CLARITY 2026 passage odds (80% early Jul → 48% → 37% on 25 Jul); accessed 1 Aug 2026. [S1-06] DefiLlama / Spark Research / US Treasury–CRS, aggregate stablecoin supply readings (≈$310bn Jul / $281bn Mar / ≈$420bn Jun; inclusion criteria differ); accessed 1 Aug 2026. [S1-07] The Block; eco.com, USDe supply trajectory ($12bn Aug 2025 peak → $4.4–5.6bn band); accessed 1 Aug 2026. [S1-08] Spot-BTC-ETF flow aggregates (first-year net inflows ≈$35bn), public issuer disclosures and flow trackers; context precedent.

**C. Press & community.** [S1-09] Paul Hastings Crypto Policy Tracker, GENIUS one-year implementation status and DTCC tokenization, Jul 2026. [S1-10] The Crypto Times, "GENIUS Deadline Missed, CLARITY Act Stalls on Ethics," 20 Jul 2026. [S1-11] Blockhead, "CLARITY Act Shelved Until September," 28 Jul 2026. [S1-12] Yahoo Finance/ Coinspeaker, three-disputes analysis and Coinbase USDC rewards ≈$1.35bn p.a., Jul 2026. [S1-13] Tech Times, ethics impasse and merged-draft opposition (Sens. Murphy, Van Hollen, Merkley), 15 Jul 2026. [S1-14] The Crypto Times, vote-arithmetic deterioration (Graham; McConnell; Hawley; Paul), Jul 2026. [S1-15] tech-insider.org, August 10 recess cutoff and 17 Mar guidance token list, 24 Jul 2026. [S1-16] Forbes, BaFin wind-down of Ethena GmbH; enforcement precedent. [S1-17] defirate.com, OCC proposal analysis and Alsobrooks–Tillis rewards compromise status, May 2026. [S1-18] Arnold & Porter; The Weng Lab; Datawallet; CryptoBriefing — CLARITY control test, §604, and classification-test analyses.

**D. Operator materials.** None relied upon in this section.

# Section 2 — Asset Analyses

*Twelve-item scoring per Appendix A. Axis subtotals shown out of 16; no grand total is computed. Evidence lines:* `[score] fact — source, date`*. All cells finalized against 31 July 2026 data; where sources conflict, ranges are disclosed.*

## 2.1 sUSDe (Ethena)

**Opening conclusion.** sUSDe is the most aggressive yield engine in this set — and the most market-conditional asset in it. The delta-neutral basis trade (long LST and BTC spot, short equivalent perpetual futures on centralized exchanges) has swung realized APY between 4% and over 60% since 2024 launch, compressing to low-to-mid single digits into 2026. Against that, the liquidation cascade of 10–11 October 2025 — the largest in crypto history — supplied rare field data on the design's durability: the protocol processed over $2 billion of redemptions in 24 hours without interruption, and peg deviation on the deepest venues stayed within 30bp, while a single venue (Binance) printed a localized $0.65 dislocation. The composite picture: yield is a function of market regime; peg and redemption are field-proven; governance is centralized. Mandate fit turns on how an investor ranks those three faces.

**Engine anatomy (P2).** Each USDe dollar is backed by roughly one dollar of spot longs (primarily Lido stETH plus BTC) hedged with equivalent perp shorts on CEXs; funding payments and staking yield (~3% APY) accrue to sUSDe stakers. Realized APY ran mostly 8–18% through 2024–25, printed 9.4% (7-day) / 11.8% (90-day) as late as 25 April 2026, then compressed: May–July 7-day readings span 3.6%–5.4% with a 30-day average near 4.1% (readings differ by source and week; disclosed). The all-time monthly low is 4.1% — no sub-1% month on record. Supply contracted from a $12bn peak (Aug 2025) to a $4.4–5.6bn band (sUSDe $2.1–3.1bn; stake ratio readings 55–70%) — which, ironically, restores headroom against the derivatives-OI capacity ceiling that constrained the protocol at peak size. RWA diversification (a $250m Centrifuge allocation; BUIDL routing) is underway but immaterial to scores at the reference date. The Reserve Fund readings span $61m (Mar) to $73m (recent) — a buffer near 1.1–1.7% of supply against negative funding, not a guarantee.

**Peg, redemption, governance (P5).** Primary mint/redeem is restricted to KYC'd whitelisted market makers; ordinary holders exit via secondary markets or a 7-day sUSDe unstaking cooldown. The October 2025 episode functioned as an unplanned adjudication: deviations of 5% (Bybit) and ~80bp (Kraken) against 30bp on Curve/Uniswap/Fluid framed the Binance print as a venue-oracle failure — reportedly exploited via the exchange's Unified Account collateral pricing — rather than a protocol failure; mint/redeem processed $2bn+/24h against $9bn+ of accessible collateral throughout. Collateral allocation and gating decisions execute at Ethena Labs' operational discretion; Germany's BaFin forced the local entity's wind-down and barred USDe public offer; US persons are geo-blocked, while institutional channels build in parallel (BlackRock Aladdin listing; Robinhood Earn primary collateral; GENIUS-compliant custody via Anchorage).

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-1 | Yield Attract. & Stability | **B(3)** | [B] 90-day APY in the ~4–6% band vs 3M T-bill ~4.0–4.3% — the +150bp bar was cleared for most of the trailing 12m (11.8% 90d as of 25 Apr) but is borderline at the reference date; no sub-1% month (all-time low 4.1%). Deficiency: sustained spread compression — Messari/eco.com/DeFiLlama, Apr–Jul 2026 |

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-2 | Scalability | **B(3)** | [B] Supply contraction (−60%+, to $4.4–5.6bn) restored OI headroom; RWA diversification begun. Deficiency: capacity remains exogenously bounded by derivatives-market size — The Block/eco.com/CMC, Jul 2026 |
| A1-3 | Non-dependence on CEX | **C(2)** | [C] Funding leg depends on few CEX derivatives venues whose failure halts yield (D-side). Mitigant: off-exchange custody isolates principal; on-chain LST leg (~3%) persists — eco.com, Jul 2026 |
| A1-4 | Transparency | **B(3)** | [B] Transparency dashboard plus custodian attestations. Deficiency: hedge positions sit on CEXs, not independently verifiable in real time — Ethena official/eco.com, Jul 2026 |
| **Axis 1 subtotal** | | **11/16** | (source publication: 10/16) |
| A2-1 | Collateral Liquidity | **B(3)** | [B] stETH/BTC/liquid-stable collateral absorbed $2bn/24h realized redemption flow (Oct 2025). Deficiency: stETH secondary depth in extreme stress; hedge-unwind sequencing — ArkStream/AMBCrypto, Oct 2025 |
| A2-2 | Redemption Certainty | **C(2)** | [C] Primary redemption whitelist-only; no permissionless right (D-side). Mitigant: zero halts/adverse changes in trailing 12m incl. stress execution — Ethena statements, Oct 2025 |
| A2-3 | Weekend/TradFi Resist. | **B(3)** | [B] Crypto-native pipeline ran 24/365 — the October event itself occurred on a weekend and was processed. Deficiency: growing RWA allocations introduce TradFi settlement dependence — CoinDesk/CMC, 2025–26 |
| A2-4 | De-peg Auto-recovery | **B(3)** | [B] Deepest-venue deviation ≲30bp, restored within hours; mint/redeem arbitrage loop functioned (A-side). Deficiency: a single-venue $0.65 print imposed real losses and liquidations on that venue's holders — Dragonfly/CoinDesk, Oct 2025 |
| **Axis 2 subtotal** | | **11/16** | (source publication: printed 9, arithmetic 8) |
| A3-1 | Versatility | **A(4)** | [A] Aave collateral (peak >50% of supply held on Aave), Pendle, multichain, Robinhood Earn primary collateral, Aladdin listing — broadest acceptance in set — Stablecoin Insider/CMC, 2026 |
| A3-2 | Regulatory Resist. | **C(2)** | [C] Realized BaFin wind-down/prohibition plus high securities-classification sensitivity (D-side). Mitigant: disciplined geo-fencing and GENIUS-compliant custody track (Anchorage, Kraken) — Forbes/prior research, 2026 |
| A3-3 | Macro Hedge | **C(2)** | [C] Yield is a bull-regime function; risk-off produced simultaneous yield compression and −60% supply flight (D-side). Mitigant: peg/redemption (principal side) proved durable through the same stress; LST leg provides a non-market floor — event records, Oct 2025–Mar 2026 |
| A3-4 | Decentralization | **D(1)** | [D] Operator unilaterally executes mint/redeem gating, collateral allocation, and parameter changes; fails CLARITY control-test exemption — Ethena docs/operating record, Jul 2026 |
| **Axis 3 subtotal** | | **9/16** | (source publication: 10/16) |

**Matrix commentary.** *Axis 1 (11/16):* the geometry is simple — the one major source that does not complete on-chain (funding) sets the C at A1-3, and that source's market sensitivity sets the B at A1-1. The upside is the capacity paradox: a 60% supply contraction converted the structural source-market ceiling into a currently non-binding constraint. *Axis 2*

*(11/16):* the +2–3 versus the source publication is not leniency but evidence upgrade — collateral conversion, redemption execution, 24/365 operation, and arbitrage restoration were measured simultaneously under the October compound stress (record cascade + weekend + hostile venue exploit). Two structural weaknesses cap the axis: the whitelist monopoly on primary redemption (holds A2-2 at C) and October's lesson that venue-level price infrastructure can determine holders' effective value (keeps A2-4 from A). *Axis 3 (9/16):* the A(4)/D(1) pairing at A3-1/A3-4 defines the asset — a widely-adopted centralized product. A3-3's C follows from the rubric's two-sided definition; without the demonstrated principal-side resilience it would be D. Portfolio role converges on bull-cycle satellite, not core.

**Conviction & key risks.** Peg mechanics and redemption operations are field-verified (Oct 2025); the yield engine's market-dependence is design essence, not defect — but it is incompatible with any mandate that reads it as stable income. Risks: (1) prolonged funding suppression/reversal against a ~1.1–1.7%-of-supply buffer; (2) recurrence of venue-level dislocation outside Ethena's control; (3) securities-classification sensitivity and BaFin-style enforcement contagion (the asset-level expression of Section 1.5, Channel 2).

**Sources — sUSDe.** *A. Primary:* [S2A-01] Ethena transparency dashboard and official statements (Oct 2025; Jul 2026). *B. Data:* [S2A-02] DefiLlama sUSDe APY/TVL (5.37% spot, 4.06% 30d avg, Apr 2026); [S2A-03] eco.com sUSDe explainers (mechanics; insurance fund; stake ratio; Apr–Jul 2026); [S2A-04] Messari Q1 2026 (3.7% trough); [S2A-05] The Block (supply peak); Stablecoin Insider Q1 2026 (Aave concentration). *C. Press:* [S2A-06] CoinDesk/AMBCrypto/CCN/BeInCrypto — October 2025 venue deviations; [S2A-07] ArkStream Capital — event timeline; Dragonfly commentary; [S2A-08] Forbes — BaFin; CMC AI — RWA allocations, Aladdin, Robinhood. *D. Operator:* Ethena docs (cooldown; whitelist) — cross-verified against C-class incident records.

## 2.2 sUSDS (Sky)

**Opening conclusion.** sUSDS is the scale-and-track-record anchor of this set. Combined USDS+DAI supply of roughly $10bn against ~$14.5bn of protocol collateral makes Sky the largest decentralized stablecoin issuer, and nine years of continuous operation without a core-protocol exploit — in a sector that lost over $750m to exploits in H1 2026 alone — is a moat, not a slogan. Yield is an administered rate (the Sky Savings Rate), a governance-set parameter funded from RWA T-bill returns, Spark borrow interest, and reserve deployment — rate beta, not market beta. The asset's appeal is the product of yield predictability, redemption immediacy, and proven structural durability rather than yield level; core-allocation fitness is the highest in the set. The weaknesses are equally clear: a thin spread over Treasuries, and a peg floor outsourced to USDC — and therefore to TradFi banking rails — through the Peg Stability Module.

**Engine anatomy (P2).** SSR readings at the reference window span 3.60% (18 Jun) to 4.0% (Jul), with 3.75% displayed on the official interface in late April and ~6.23bn sUSDS staked; the rate is down from 8%+ peaks in 2024 — consistent with a Fed-funds-plus-thin-spread passthrough (risk-free floor ~4.25%). The rate cannot go below zero; it is funded, not market-cleared. Capacity is effectively unbounded on the RWA leg and demand-driven on the crypto-vault leg; roughly half of USDS supply sits staked.

**Peg, redemption, governance (P5).** sUSDS→USDS redemption is instant, fee-free, permissionless, with no protocol-level KYC; USDS↔USDC converts 1:1 via the PSM. The documented failure path is explicit: a bad-debt event erodes the surplus buffer first, and in extremes USDS can trade below $1 with the PSM providing a USDC-denominated floor — meaning the terminal peg anchor is USDC itself. March 2023 (SVB) realized this transmission, DAI falling to ~$0.89 alongside USDC; the coupling is unremediated and scored as current design under Rule A-4.3. Governance can change the SSR, collateral lists, RWA managers, and PSM parameters — but through distributed token voting with execution delays; no single party holds unilateral authority. The RWA leg routes through external managers, a trust intermediary layer.

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-1 | Yield Attract. & Stability | **C(2)** | [C] SSR 3.6–4.0% sits at/below 3M T-bill (~4.0–4.3%), structurally unable to reach +150bp (D-side). Mitigant: an administered rate incapable of sub-1% months; high predictability — eco.com/sky.money/Datawallet, Apr–Jul 2026 |
| A1-2 | Scalability | **A(4)** | [A] Primary source is the T-bill market — no structural ceiling; ~$10bn supply is the decentralized maximum with no artificial cap — sagix/eco.com, Jul 2026 |
| A1-3 | Non-dependence on CEX | **B(3)** | [B] No CEX-derivatives dependence; vault interest is on-chain. Deficiency: RWA leg traverses external managers and TradFi custody — eco.com, 2026 |
| A1-4 | Transparency | **B(3)** | [B] Vaults, PSM, and buffers verifiable on-chain. Deficiency: RWA verification depends on manager reporting, inferior in granularity and frequency — eco.com, 2026 |
| **Axis 1 subtotal** | | **12/16** | (source publication: 14/16) |
| A2-1 | Collateral Liquidity | **B(3)** | [B] Backing (liquid RWA T-bills; overcollateralized crypto loans) unwindable at par on short notice in most conditions. Deficiency: "short notice" is not "instant"; PSM buffer is finite — eco.com, 2026 |
| A2-2 | Redemption Certainty | **A(4)** | [A] Instant, fee-free, permissionless sUSDS→USDS redemption codified; no halt or adverse change in trailing 12m (or nine years) — sky.money/eco.com, 2026 |
| A2-3 | Weekend/TradFi Resist. | **C(2)** | [C] Peg floor is USDC — weekend banking stress passes through, realized Mar 2023 and unremediated (D-side). Mitigant: crypto-vault leg and surplus buffer operate independently of TradFi — eco.com/event record 2023 |
| A2-4 | De-peg Auto-recovery | **A(4)** | [A] PSM arbitrage loop permanently live; trailing-12m deviations within 100bp with prompt reversion, including through Oct 2025 stress (no adverse event recorded) — price history/eco.com |
| **Axis 2 subtotal** | | **13/16** | (source publication: 13/16) |
| A3-1 | Versatility | **A(4)** | [A] Collateral on Aave v3 (Ethereum/Base), Spark, Morpho, Curve/Balancer; inherits the sDAI-era integration estate — acceptance matches Ethena's for broadest in set — eco.com, 2026 |
| A3-2 | Regulatory Resist. | **B(3)** | [B] No realized enforcement; nine-year operating history. Deficiency: no jurisdiction exclusion at protocol level amid unresolved SEC posture on yield-distributing tokens; RWA securities adjacency — eco.com, 2026 |
| A3-3 | Macro Hedge | **B(3)** | [B] Rate-beta yield, low crypto correlation; peg and supply held stable through Oct 2025 (A-side). Deficiency: USDC coupling transmits TradFi stress (realized 2023); crypto-vault tail exposure — event records |
| A3-4 | Decentralization | **B(3)** | [B] No unilateral controller (distributed governance + execution delay) — comparatively strong under the CLARITY control test. Deficiency: RWA manager trust layer; governance-capture risk — eco.com/governance records |
| **Axis 3 subtotal** | | **13/16** | (source publication: 11/16) |

**Matrix commentary.** *Axis 1 (12/16):* the −2 versus the source publication concentrates in A1-1's C — a deliberate rubric outcome. A T-bill passthrough cannot by construction exceed T-bill +150bp, and the rubric honestly discounts taking brokerage-available yield while bearing DeFi-specific risk; A1-2's A confirms the offsetting virtue — thin but limitlessly scalable, precisely the conservative-archetype profile. *Axis 2 (13/16):* the subtotal matches the source publication but the composition changed — A2-4 rises to A on twelve months of measured PSM performance; A2-1 stays B because RWA unwind is short-notice, not instant. The C at A2-3 names the structural Achilles heel: the largest decentralized issuer's peg floor is outsourced to a centralized stablecoin's banking access. *Axis 3 (13/16):* +2 on realized evidence — peg and supply stability through October 2025 (A3-3) and the control-test reading of nine years of distributed governance (A3-4), the closest live instance of "no one can unilaterally alter the rules" in this set, making Sky a relative beneficiary of statutory settlement.

**Conviction & key risks.** Highest core fitness in the set: the Conservative-to-Balanced anchor on predictability × redemption immediacy × proven durability. Risks: (1) USDC/TradFi stress transmission (realized 2023, unremediated); (2) SSR is governance discretion — Fed easing compresses the spread further; (3) RWA intermediary counterparty and reporting risk.

**Sources — sUSDS.** *A. Primary:* [S2B-01] sky.money official interface (SSR; sUSDS supply). *B. Data:* [S2B-02] eco.com USDS/sUSDS guides (mechanics; PSM; failure path; SSR readings; Jun–Jul 2026); [S2B-03] Datawallet (3.75% display; 6.23bn sUSDS; Apr 2026); [S2B-04] CoinGecko YBS report (7-day 3.6%; May 2026); sagix/eco.com (supply, collateral $14.5bn). *C. Press:* [S2B-05] H1 2026 exploit-loss aggregates; Mar 2023 SVB/DAI event records. *D. Operator:* Sky docs — cross-verified against B-class data.

## 2.3 fxUSD / fxSAVE (f(x) Protocol)

**Opening conclusion.** fxUSD is this set's purity experiment. Collateral is stETH and WBTC only, with no off-chain custody; yield is organic — stETH staking rewards plus borrowing and leverage-trading fees, with no token-emission subsidy; nothing in the revenue path touches a CEX or TradFi. In the jurisdictional-reallocation world of Section 1.5 (Channel 3), that architecture is structural regulatory resistance. The institutional lens enters two reservations. First, purity is priced in scale: supply is the smallest in the set, and stable-side capacity is rate-limited by its equilibrium with leverage demand. Second, beneath the decentralization narrative sit documented operator gates — risk-management-controlled withdrawals, and an explicit provision halting peg maintenance and disabling deposits on a USDC depeg. The rubric recalibrates the source publication's "ultimate decentralization" story to: strong, with operator levers.

**Engine anatomy (P2).** fxUSD issues a stable tranche and a leveraged tranche (xPOSITION, up to 7×) against the same collateral. The Stability Pool (fxUSD + USDC) supplies rebalancing and liquidation liquidity to the leverage side; fxSAVE tokenizes that pool as an auto-compounding ERC-4626 vault. The yield floor is the staking rate (~3%); the fee overlay varies with leverage activity and is not rate-bound (pool dashboards are the verification reference; supply on the order of tens of millions of dollars — smallest in set).

**Peg, redemption, governance (P5).** Peg maintenance is automated two-way swapping against Chainlink prices. fxUSD is redeemable at all times into reserve LSTs (asset mix depends on reserve composition), while stable-asset withdrawals from the pool proceed "only if allowed by fxUSD risk management and if there is sufficient liquidity" — a documented operator gate. On a USDC depeg, the protocol halts peg maintenance and disables deposits: a codified stop-switch inside an otherwise pure-crypto design.

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-1 | Yield Attract. & Stability | **B(3)** | [B] Staking floor (~3%) plus fee overlay clears T-bill +150bp in active periods; overlay is activity-linked, not rate-bound; no sub-1% months evidenced. Deficiency: fee component tracks leverage demand — CoinGecko/f(x) docs, 2026 |

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-2 | Scalability | **C(2)** | [C] Stable-side supply is rate-limited by leverage-side demand; smallest supply in set (D-side). Mitigant: the LST collateral universe is vast; pair whitelisting is a structural expansion path — f(x) docs/IQ.wiki |
| A1-3 | Non-dependence on CEX | **A(4)** | [A] stETH/WBTC collateral only, no off-chain custody; revenue generation fully on-chain — CoinGecko, 2026 |
| A1-4 | Transparency | **A(4)** | [A] Collateral, positions, pool balances, and fee flows all verifiable on-chain in real time — f(x) docs |
| **Axis 1 subtotal** | | **13/16** | (source publication: 13/16) |
| A2-1 | Collateral Liquidity | **A(4)** | [A] Immediately sellable stETH/WBTC; redemption delivers LSTs directly to the holder — no conversion queue exists structurally — IQ.wiki/f(x) docs |
| A2-2 | Redemption Certainty | **B(3)** | [B] fxUSD→reserve-LST path codified as always open (A-side). Deficiency: variable received-asset composition; risk-management gate on stable-asset withdrawals — f(x) docs |
| A2-3 | Weekend/TradFi Resist. | **B(3)** | [B] Collateral, redemption, arbitrage complete on-chain 24/365 (A-side). Deficiency: USDC share of the Stability Pool and the codified USDC-depeg halt provision — f(x) docs |
| A2-4 | De-peg Auto-recovery | **B(3)** | [B] Automated two-way Chainlink-driven arbitrage loop deployed; no adverse global deviation recorded in trailing 12m incl. Oct 2025. Deficiency: shallow realized stress history at scale; loop stops if the halt provision triggers — f(x) docs/price history |
| **Axis 2 subtotal** | | **13/16** | (source publication: 15/16) |
| A3-1 | Versatility | **C(2)** | [C] Collateral acceptance and integrations largely confined to the Aladdin/Concentrator orbit and Curve (D-side). Mitigant: ERC-4626 fxSAVE eases integration — CoinGecko/f(x) docs |
| A3-2 | Regulatory Resist. | **B(3)** | [B] Pure on-chain, non-custodial design survives either classification outcome; no realized enforcement (A-side). Deficiency: no formal compliance posture or legal-entity clarity — no counterparty for an investment committee to engage — public information |
| A3-3 | Macro Hedge | **B(3)** | [B] LST yield floor is market-independent; peg needs no external funding; no adverse Oct 2025 event recorded (A-side). Deficiency: the collateral is crypto beta itself — deep drawdowns stress the tranche machinery directly — mixbytes analysis/price history |
| A3-4 | Decentralization | **B(3)** | [B] Core mechanics codified and Chainlink-automated (A-side). Deficiency: documented operator authorities — risk-management gating, peg-maintenance halt, deposit disabling — preclude unconditional satisfaction of the CLARITY control test — f(x) docs |
| **Axis 3 subtotal** | | **11/16** | (source publication: 14/16) |

**Matrix commentary.** *Axis 1 (13/16):* subtotal matches the source publication; the composition is the purity-versus-scale trade. The A1-3/A1-4 double-A is unique in the set and means structural independence from Section 1's classification and enforcement scenarios; the C at A1-2 offsets it. *Axis 2 (13/16):* the −2 is the price of absent field data and codified gates. A2-1's A — the cleanliness of direct LST delivery — is the asset's strongest card; the A2-2/A2-3 cells the source publication scored A are recalibrated to B by the protocol's own documentation. The rubric scores documents, not narratives. *Axis 3 (11/16):* the largest downward recalibration in the set (−3), decomposing into compliance-posture absence (A3-2), collateral crypto-beta (A3-3), and operator authorities (A3-4). The asset nonetheless remains the set's best crypto-native archetype fit: its role is the hedge for regulation-exile scenarios, not a core anchor.

**Conviction & key risks.** Irreplaceable within this set as the CEX- and TradFi-independent yield source; its diversification value is orthogonality (vs. Ethena: source-orthogonal; vs. RWA types: jurisdiction-orthogonal). Risks: (1) tranche-machinery stress in deep crypto drawdowns; (2) activation of the codified USDC-depeg halt; (3) smallness itself — thin liquidity, integrations, and governance participation.

**Sources — fxUSD/fxSAVE.** *A. Primary:* [S2C-01] f(x) Protocol documentation (redemption paths; risk-management gates; USDC-depeg provision). *B. Data:* [S2C-02] CoinGecko (collateral; mechanics); IQ.wiki; on-chain pool dashboards (reference). *C. Press/analysis:* [S2C-03] mixbytes protocol analysis. *D. Operator:* f(x) docs — the operator-gate citations are themselves the D-class primary evidence, quoted verbatim in analysis.

## 2.4 USD0++ (Usual)

**Opening conclusion.** USD0++ is this report's live case study in governance risk. The design is ambitious — USD0, fully backed by tokenized US T-bills, beneath USD0++, a four-year-locked yield-enhancement layer redistributing the RWA income that incumbent issuers monopolize. But what governs this scoring is record, not design: on 9 January 2025 the operator terminated USD0++'s unconditional 1:1 redemption effective immediately, replacing it with a $0.87 floor-price regime — notifying Morpho market managers via a Telegram chat roughly five minutes in advance. The token fell to ~$0.92, and the retroactive change persists as the current design (Rule A-4.3: unremediated). Eighteen months on, price tracks the floor's gradual four-year rise toward $1 (implied floor at the reference date ≈ $0.92–0.93, mechanical-trajectory estimate); yet what Appendix A's anchors penalize most heavily is precisely this class of fact — the operator could rewrite the rules overnight, and did — generating conclusive D scores in two cells.

**Engine anatomy (P2).** Yield to USD0++ holders is delivered primarily as USUAL token distributions — emission-token denominated, not cash — with realized value tracking the token's price, which has collapsed from highs (current distribution structure per official docs). The underlying USD0 earns genuine T-bill income at the protocol level. TVL has contracted sharply from its $1bn+ peak; Q1 2026 additionally recorded a minor ($43k) protocol-logic exploit.

**Peg, redemption, governance (P5).** Current exits: floor-price redemption (rising from $0.87 toward $1 by ~2029), early unstaking with USUAL burn, secondary markets (Curve), and USD0 borrowing against USD0++ (USL). The January 2025 mechanics carry a systemic lesson: the $0.87 floor was set just above Morpho's 86% liquidation threshold under a hardcoded oracle, converting the term change into forced deleveraging and a borrow-rate spike — integration depth acted as the shock's transmission channel.

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-1 | Yield Attract. & Stability | **C(2)** | [C] Yield denominated chiefly in a volatile emission token whose realized value collapsed (D-side). Mitigant: genuine T-bill income at the USD0 base layer — PANews/official docs |
| A1-2 | Scalability | **B(3)** | [B] Source (T-bill market) structurally unbounded (A-side). Deficiency: a four-year-lock product design narrows addressable demand; post-incident demand destruction realized — official docs/TVL history |

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-3 | Non-dependence on CEX | **B(3)** | [B] No CEX-derivatives dependence. Deficiency: full reliance on the tokenized-T-bill issuer/custodian stack — official docs |
| A1-4 | Transparency | **B(3)** | [B] RWA backing on-chain referenceable with real-time transparency claims. Deficiency: multi-issuer stack verification depends on each issuer's disclosures — MEW/official docs |
| **Axis 1 subtotal** | | **11/16** | (source publication: 14/16) |
| A2-1 | Collateral Liquidity | **C(2)** | [C] Holder claims are intermediated by lock, floor, and burn conditions, structurally severing direct collateral access (D-side). Mitigant: base-layer tokenized T-bills are themselves liquid — Gauntlet/official docs |
| A2-2 | Redemption Certainty | **D(1)** | [D] 9 Jan 2025: unconditional 1:1 redemption terminated effective immediately and retroactively replaced with a $0.87 floor (managers notified ~5 minutes prior); unremediated and persisting as current design (A-4.3) — squarely within the D anchor's express terms — PANews/Gauntlet/Coinspeaker, Jan 2025 |
| A2-3 | Weekend/TradFi Resist. | **C(2)** | [C] Backing conversion depends on T-bill TradFi settlement hours; no weekend primary path (D-side). Mitigant: secondary markets and USL borrowing as partial 24/365 exits — official docs |
| A2-4 | De-peg Auto-recovery | **C(2)** | [C] Post-incident, USD0++ dwelt far below $1 for an extended period; restoration relies on the floor's four-year rise — time, not arbitrage (D-side). Mitigant: base USD0 peg and arbitrage loop remained functional — price history/CryptoCadet |
| **Axis 2 subtotal** | | **7/16** | (source publication: 11/16) |
| A3-1 | Versatility | **C(2)** | [C] Curve pools collapsed under exit pressure; curated-vault managers repositioned away — integration base impaired (D-side). Mitigant: residual Curve/Morpho presence — Gauntlet/event records |
| A3-2 | Regulatory Resist. | **C(2)** | [C] A four-year-lock, rising-floor, effectively zero-coupon structure is the most security-shaped instrument in the set (D-side). Mitigant: no realized enforcement; backing via compliant RWA issuers — official docs/structural analysis |
| A3-3 | Macro Hedge | **C(2)** | [C] Source is rate-beta and crypto-independent (A-side element), yet supply and price collapsed in a calm macro environment — proving the dominant risk is operational, not macro (D-side) — event records |
| A3-4 | Decentralization | **D(1)** | [D] Operator unilaterally and immediately altered the core term of holders' claims (redemption) — a realized instance, conclusive for D under the anchor — PANews/Gauntlet, Jan 2025 |
| **Axis 3 subtotal** | | **7/16** | (source publication: printed 10, arithmetic 9) |

**Matrix commentary.** *Axis 1 (11/16):* the distinction between having yield and having good yield — the −3 concentrates in A1-1's C, scoring the currency of the yield (emission token) and its realizability rather than the headline APY; the B row across A1-2/-3/-4 shows the base-layer USD0 design is conventionally sound. The problem concentrates in the enhancement layer. *Axis 2 (7/16):* the heaviest calibration among all sixty cells in this report — and a mechanical one. A2-2's D is not discretion: the anchor's express requirement reads as a generalization of this very event; the −2 versus the source publication prices the principle that, at institutional standard, what happened once is part of the design. The three Cs share the same root — a discretionary layer standing between holders and collateral. *Axis 3*

*(7/16):* A3-3's C is the rubric's most instructive output: a perfectly macro-independent source, and an asset that collapsed in calm conditions — locating the dominant risk axis in governance, sealed by A3-4's conclusive D.

**Conviction & key risks.** As currently designed and evidenced, the asset does not constitute a recommended core or satellite fit for any archetype in this framework; its role in this report is comparative information value and a demonstration of how governance risk propagates through a scoring system. Risks: (1) recurrence — the precedent and the authority structure persist; (2) maximal securities-classification sensitivity (four-year bond shape); (3) incomplete rehabilitation of integration trust.

**Sources — USD0++.** *A. Primary:* [S2D-01] Usual official documentation (dual-path exit; floor trajectory; USL). *B. Data:* [S2D-02] DefiLlama TVL history; Gauntlet post-incident analysis. *C. Press:* [S2D-03] PANews; Coinspeaker; CryptoCadet — January 2025 event records (5-minute notice; Morpho LLTV interaction); Q1 2026 exploit note. *D. Operator:* Usual docs — floor value at reference date is a mechanical-trajectory estimate, labeled as such, pending dashboard verification.

## 2.5 sfrxUSD (Frax) — formerly sFRAX

**Opening conclusion.** sfrxUSD is the mirror-image bet to f(x): not enduring outside the regulatory perimeter, but winning inside it. frxUSD has evolved into a 1:1 fiat-redeemable stablecoin minted and burned by governance-approved "enshrined custodians" holding cash-equivalent reserves (BlackRock's BUIDL; WisdomTree's WTGXX), with direct fiat redemption via Paxos and a stated path toward Federal Reserve master-account access through partner FinresPBC. The architecture separates the payment token (frxUSD, yield-free) from the savings product (sfrxUSD) — structurally congruent with GENIUS's issuer-yield prohibition. Yield is a benchmark engine rotating among three governance-approved strategy categories — carry, AMOs, and the IORB/T-bill rate. The institutional weaknesses are two: scale (supply under a tenth of Sky's), and the centralization that is the flip side of the compliance strategy — owner-upgradeable proxy contracts and a permissioned custodian layer.

**Engine anatomy (P2).** The benchmark design targets the best of the three approved strategy classes, with strategy additions proceeding by governance proposal under explicit caps — a governed policy engine rather than a single-venue dependency, kin to Sky's SSR in that the yield's origin is a committee, not a market. The IORB/T-bill floor bounds downside; Treasury-backed yield-bearing category averages printed 3.1–3.5% in May 2026 against a risk-free floor near 4.25% — the overlay, not the floor, carries any spread.

**Peg, redemption, governance (P5).** sfrxUSD redeems into frxUSD at any time with no unstaking fee or price impact (ERC-4626); fiat redemption runs through Paxos; reserves sit in tokenized MMFs with daily-plus liquidity facilities, alongside PegKeeper AMO pools providing continuous on-chain restoring force. The 2022 exit from the algorithmic model into full collateralization stands as the structural precedent opposite to Usual's — an operator rewriting design in the holders' favor. Against this: proxy contracts carry owner code-change powers, and enshrined custodians are by definition a permissioned layer. Cross-chain presence spans 20+ networks via the Fraxtal hub.

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-1 | Yield Attract. & Stability | **C(2)** | [C] Rate-anchored benchmark floor (IORB≈T-bill) cannot structurally reach T-bill +150bp, and Treasury-backed category prints (3.1–3.5%, May 2026) evidence no persistent overlay spread (D-side). Mitigant: benchmark-rotation floor with no sub-1% months — CoinGecko YBS report/Coinbase/official docs, May–Jul 2026 |
| A1-2 | Scalability | **B(3)** | [B] Institutional-grade reserve capacity (BUIDL/WTGXX) is vast (A-side). Deficiency: custodian mint/redeem throughput unproven at 10× scale; current supply small — Connect Money/CMC |

| # | Item | Score | Evidence line |
|---|---|---|---|
| A1-3 | Non-dependence on CEX | **B(3)** | [B] No structural CEX-derivatives dependence; AMOs on-chain. Deficiency: IORB/T-bill leg and fiat redemption traverse permissioned custodians — official docs |
| A1-4 | Transparency | **B(3)** | [B] AMO/PegKeeper verifiable on-chain plus periodic reserve attestations. Deficiency: custody-leg verification rests on third-party reporting — official docs/Stablecoin Insider |
| **Axis 1 subtotal** | | **11/16** | (source publication: 12/16) |
| A2-1 | Collateral Liquidity | **A(4)** | [A] Reserves centered on cash-equivalent tokenized MMFs with daily-plus liquidity facilities, coexisting with PegKeeper on-chain depth — Connect Money/official docs |
| A2-2 | Redemption Certainty | **A(4)** | [A] Always-on, fee-free, no-price-impact sfrxUSD→frxUSD redemption codified in ERC-4626, plus a parallel fiat path; no halt or adverse change in trailing 12m — Coinbase/official docs |
| A2-3 | Weekend/TradFi Resist. | **B(3)** | [B] On-chain redemption and PegKeeper run 24/365 (A-side). Deficiency: fiat redemption and custody unwinds follow banking hours — official docs |
| A2-4 | De-peg Auto-recovery | **A(4)** | [A] PegKeeper AMOs as a standing automated arbitrage loop; trailing-12m deviations within 100bp (no adverse event recorded, incl. Oct 2025); no peg incident since the 2022 full-collateralization transition — official docs/price history |
| **Axis 2 subtotal** | | **15/16** | (source publication: 15/16) |
| A3-1 | Versatility | **B(3)** | [B] 20+ chains, expanding Aave V4 caps, PegKeeper pool network. Deficiency: absolute footprint and payment volume remain marginal versus incumbents — CMC/official docs |
| A3-2 | Regulatory Resist. | **A(4)** | [A] Explicit US-compliance strategy — Paxos fiat redemption, Fed master-account ambition, payment/savings product separation congruent with GENIUS — no realized enforcement; core survives classification via product separation — IQ.wiki/CMC/official |
| A3-3 | Macro Hedge | **B(3)** | [B] IORB/T-bill floor is rate-beta with low crypto correlation; fully collateralized peg (A-side). Deficiency: AMO/carry legs reintroduce market exposure at the margin; Fed easing compresses the floor — official docs |
| A3-4 | Decentralization | **C(2)** | [C] Owner-upgradeable proxy contracts and a permissioned enshrined-custodian layer at the design core (D-side). Mitigant: strategy and custodian additions require governance approval under explicit caps; long record without adverse use — CoinGecko warning/official docs |
| **Axis 3 subtotal** | | **12/16** | (source publication: printed 11, arithmetic 12) |

**Matrix commentary.** *Axis 1 (11/16):* a uniform row at B save for the rate-bound A1-1 — the signature of the benchmark-rotation design meeting the rubric's structural test: fatal nowhere, exceptional nowhere, and, like every rate-passthrough in this set, unable to clear T-bill +150bp by construction (the C aligns sfrxUSD's A1-1 with sUSDS and USD0++ — the rate cluster scores uniformly at C, exactly as source-overlap Rule (i) predicts). *Axis 2 (15/16):* the strongest defensive score in the set. Everything but A2-3's banking-hours dependence is at anchor: cash-equivalent reserves × always-on on-chain redemption × standing arbitrage loop × an incident-free trailing year — the closest live approximation of the Defensive archetype's ideal. The 2022 self-abolition of the algorithmic design is the Usual-symmetric precedent: structural change executed in the holders' favor. *Axis 3 (12/16):* A3-2's A and A3-4's C are two faces of one coin — entering the perimeter necessarily entails permissioned layers and upgrade authority. This asset exchanged decentralization for regulatory fit, making it the set's largest beneficiary of statutory settlement while excluding it from control-test exemption.

**Conviction & key risks.** Competes with Sky as the Defensive/Conservative core candidate; carries the set's highest upside sensitivity to regulatory settlement scenarios. Risks: (1) custodian-stack concentration (Paxos/Securitize/BUIDL); (2) owner-authority proxy contracts as a single point of failure, with governance process as the effective defense; (3) prolonged scale/adoption shortfall extending dependence on PegKeeper yield incentives.

**Sources — sfrxUSD.** *A. Primary:* [S2E-01] Frax official documentation (benchmark strategies; enshrined custodians; ERC-4626 redemption; FinresPBC). *B. Data:* [S2E-02] CoinGecko YBS category report (Treasury-backed 3.1–3.5%, May 2026); Connect Money (BUIDL/WTGXX reserves); CMC; Stablecoin Insider. *C. Press/analysis:* [S2E-03] IQ.wiki (compliance strategy); Coinbase asset pages; CoinGecko contract-warning analyzers (proxy powers). *D. Operator:* Frax docs — custodian and strategy claims cross-verified against B-class reserve data.

# Section 3 — Cross-Asset Analysis, Archetype Fit, and Scenario Adjudication

## 3.1 Cross-asset comparison

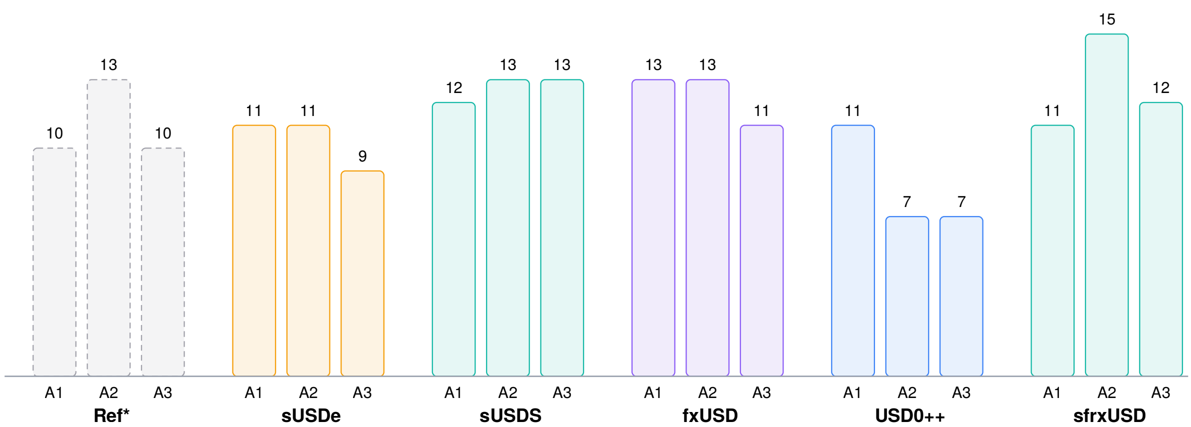
*The Ref: USDC/USDT column reproduces the scoring of the source publication (the author's public comparison article, April 2026) as a baseline reference for readers. It is not re-scored under the Appendix A rubric and carries no cell-level evidence lines.*

## Axis 1 — Revenue Model & Capacity

| Item | *Ref: USDC/USDT | sUSDe | sUSDS | fxUSD | USD0++ | sfrxUSD |
|---|---|---|---|---|---|---|
| A1-1 Yield Attractiveness & Stability | *D(1) | B(3) | C(2) | B(3) | C(2) | C(2) |
| A1-2 Scalability | *A(4) | B(3) | A(4) | C(2) | B(3) | B(3) |
| A1-3 Non-dependence on CEX | *C(2) | C(2) | B(3) | A(4) | B(3) | B(3) |
| A1-4 Transparency of Revenue | *B(3) | B(3) | B(3) | A(4) | B(3) | B(3) |
| **Subtotal /16** | ***10** | **11** | **12** | **13** | **11** | **11** |

**Commentary.** The narrow dispersion (11–13) says no asset is complete on the revenue axis; the composition says they are incomplete for opposite reasons — fxUSD pays for purity (two As) with capacity (C); sUSDS pays for capacity (A) with spread (C); sUSDe pays for yield potential with venue dependence (C). A structural pattern surfaces at A1-1: all three rate-cluster assets (sUSDS, USD0++, sfrxUSD) score C, because a rate passthrough cannot clear T-bill +150bp by construction — the scoring row itself validates source-overlap Rule (i) below. The *position* of each A cell within the axis is the information. The incumbents' profile — D on yield by statute, A on capacity — is the numerical expression of why this report's five assets exist.

**Axis subtotals /16 — Axis 1 Revenue | Axis 2 Resilience | Axis 3 Strategic (no grand total computed)**




*Ref: USDC/USDT reproduced from the source publication (Apr 2026); outside rubric scope. Scoring date 31 Jul 2026.

## Axis 2 — Resilience and Redemption Structure

| Item | *Ref: USDC/USDT | sUSDe | sUSDS | fxUSD | USD0++ | sfrxUSD |
|---|---|---|---|---|---|---|
| A2-1 Immediate Liquidity of Collateral | *B(3) | B(3) | B(3) | A(4) | C(2) | A(4) |
| A2-2 Certainty of Redemption | *A(4) | C(2) | A(4) | B(3) | D(1) | A(4) |
| A2-3 Weekend/TradFi Resistance | *C(2) | B(3) | C(2) | B(3) | C(2) | B(3) |
| A2-4 De-peg Auto-recovery | *A(4) | B(3) | A(4) | B(3) | C(2) | A(4) |
| **Subtotal /16** | ***13** | **11** | **13** | **13** | **7** | **15** |

**Commentary.** The defensive axis carries this report's widest dispersion (7–15): the question "can the holder recover $1 on the worst day" cuts design philosophies most sharply. The summit pair — sfrxUSD (15) and sUSDS (13) — share the cash-equivalent-reserves-plus-standing-arbitrage-loop pattern but differ in the shape of TradFi coupling (custodian hours vs. a USDC peg anchor); fxUSD (13) alone constructs defense without TradFi. At the floor, USD0++ (7) does not have bad collateral — its base-layer T-bills are among the soundest backing in the set — it has a discretionary layer standing between holders and that collateral, penalized systematically across all four items. Resilience is not collateral quality; it is collateral reachability.

## Axis 3 — Strategic Fit and Portfolio Characteristics

| Item | *Ref: USDC/USDT | sUSDe | sUSDS | fxUSD | USD0++ | sfrxUSD |
|---|---|---|---|---|---|---|
| A3-1 Versatility in Ecosystem | *A(4) | A(4) | A(4) | C(2) | C(2) | B(3) |
| A3-2 Regulatory Resistance | *A(4) | C(2) | B(3) | B(3) | C(2) | A(4) |
| A3-3 Macro-Shock Hedge | *D(1) | C(2) | B(3) | B(3) | C(2) | B(3) |
| A3-4 Degree of Decentralization | *D(1) | D(1) | B(3) | B(3) | D(1) | C(2) |
| **Subtotal /16** | ***10** | **9** | **13** | **11** | **7** | **12** |

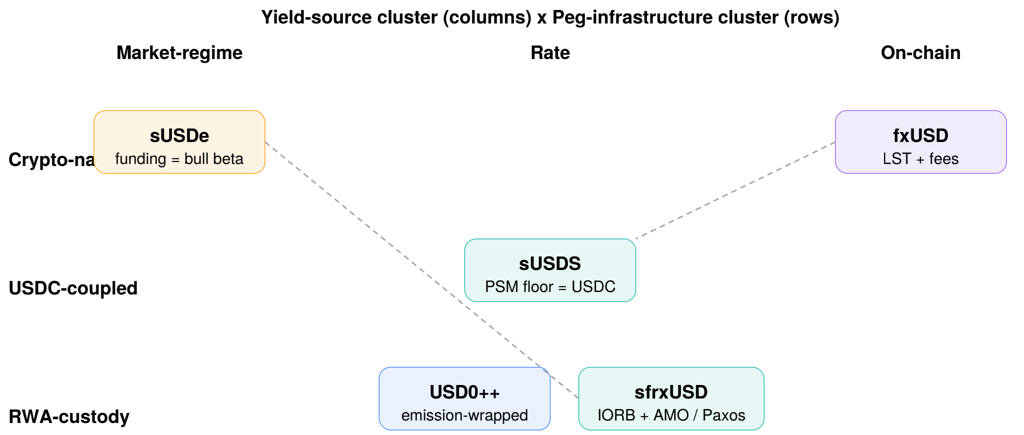
**Commentary.** The axis pivots on the negative correlation between A3-2 and A3-4: sfrxUSD buys regulatory fit (A) with decentralization (C); fxUSD executes the reverse trade. That two opposed regulatory strategies coexist inside one asset set is the set's principal portfolio resource (§3.3, C-2). Only sUSDS holds the balanced B/B position on both items — which is why the thought experiment "if you could hold only one" resolves to Sky.

## Source-overlap rules

| Asset | Yield-source cluster | Peg-infrastructure cluster |
|---|---|---|
| sUSDe | **Market-regime** (funding rate = crypto-bull beta) | Crypto-native (peripheral CEX venue-price exposure) |
| sUSDS | **Rate** (T-bills + lending; Fed beta) | **USDC-coupled** (PSM floor) |
| fxUSD | **On-chain** (LST + fees) | Crypto-native (USDC peripheral only, with halt provision) |
| USD0++ | Rate (emission-wrapped) | RWA-custody-coupled |

| Asset | Yield-source cluster | Peg-infrastructure cluster |
|---|---|---|
| sfrxUSD | **Rate** (IORB/T-bill + AMO) | RWA-custody-coupled (+ Paxos fiat leg) |

Three rules follow. **(i)** The three rate-cluster assets (sUSDS, USD0++, sfrxUSD) compress simultaneously in a Fed easing cycle — holding all three is not source diversification. **(ii)** The genuinely orthogonal pairs are market×rate (e.g., sUSDe × sfrxUSD) and on-chain×rate (e.g., fxUSD × sUSDS): the rate floor offsets funding reversals in the former; on-chain independence offsets TradFi stress in the latter. **(iii)** On the peg side, holding sUSDS as a "USDC alternative" is close to self-deception — its floor is USDC-denominated, so it shares the USDC tail; the only true USDC-tail hedge in this set is fxUSD.




Dashed links = orthogonal pairs (market x rate; on-chain x rate). Rule (i): the three rate-cluster assets compress together in Fed easing.

## 3.2 Investor-archetype fit

*No aggregate ranking is computed. The following judges role fit for three mandate archetypes; it recommends no allocation percentages. Every cell judgment traces to the locked axis subtotals and cells above.*

| | Archetype C (Capital Preservation) — Axis 2 weighted | Archetype B (Balanced Income) — Axes 1×2 fused | Archetype N (Crypto-Native) — Axis 3 weighted |
|---|---|---|---|
| **Core candidates** | sfrxUSD (A2: 15); sUSDS (A2: 13) | sUSDS (12/13/13 balance across all axes) | fxUSD (A1-3/A1-4 at A; jurisdiction-orthogonal) |
| **Satellite candidates** | fxUSD (small, as the USDC-tail hedge) | sfrxUSD (rate floor) + sUSDe (orthogonal market-regime source) | sUSDe (bull-phase offense) + sUSDS (in-ecosystem anchor) |
| **Non-fit** | sUSDe (A3-3: C — market-conditionality); USD0++ (A2: 7) | USD0++ | USD0++; sfrxUSD (permissioned layers incongruent with out-of-perimeter utility) |
| **Construction logic** | Duplicate the cash-equivalent-reserve × standing-loop pattern; partially offset the USDC/custody tail with fxUSD | Lay the rate floor, then add the market-regime source as orthogonal offense (Rule ii implemented) | Prioritize control-test fit and censorship resistance; receive statutory-settlement scenarios through the sUSDS leg |

**Operating discipline.** (a) Core positions move only at quarterly re-marks. (b) Satellite management is triggered by §5-c leading indicators (funding regime; SSR spread) — by observed conditions, not by agility. (c) Tail-event evacuation (cash-dash) rules are documented in advance; the evacuation destination is the zero-yield, deepest-liquidity asset, and its selection is itself a function of the peg-cluster table — evacuating to USDC in a USDC-tail event is meaningless. **USD0++** is non-fit across all archetypes; its role in this report is comparative information value and the demonstration of governance-risk propagation.

### 3.3 §5-c Scenario Adjudication Framework

*This framework assigns no probabilities (the probability column exists only in the INTERNAL edition). All scenarios carry no token-price implication and are described in three variables: institutional-flow release timing; sector capacity; yield environment.*

## (A) Adjudication events and standards

| ID | Event | Adjudication date | Standard (observable conditions) |
|---|---|---|---|
| E1 | CLARITY September window | **30 Sep 2026** | Three stages: cloture motion filed; cloture carried; floor passage. Zero stages → carries to E2 |
| E2 | Lame-duck session | **31 Dec 2026** | Same standard. Unmet → E3 confirms automatically |
| E3 | Bill expiry with the 119th Congress | **3 Jan 2027** | Mechanical fact of session end; thereafter the framework migrates to 120th-Congress restart scenarios |
| E4 | OCC final rule (GENIUS implementation) | Rolling (quarterly) | Federal Register publication; whether the yield prohibition's scope includes "affiliates and third parties" |
| E5 | Yield-environment regime | Quarterly re-mark dates | 90-day mean funding rate (sign and level); Fed policy path |

**Adjudication record (realized).** E0 = the July windows, adjudicated 31 July 2026 against three pre-defined states: **State C confirmed** (recorded in §1.4). This framework is not a proposal; it has one completed adjudication cycle.

## (B) Leading-indicator watchlist

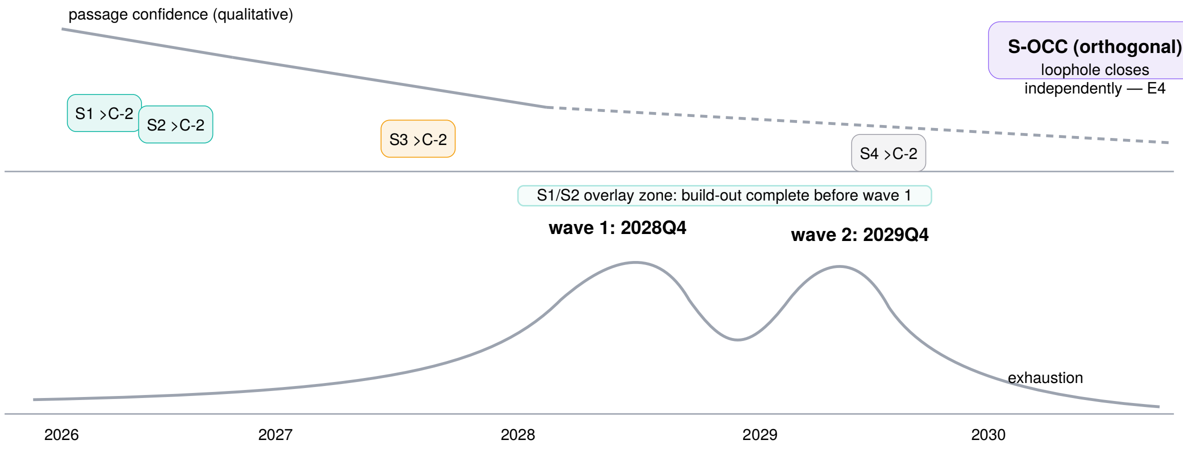
*Regulatory:* (1) cloture-motion filing (earliest E1 signal); (2) re-tabling of ethics-provision compromise language and the Democratic response; (3) OCC comment deadline (21 Aug 2026) and final text (**highest priority** — the independent release valve of §1.5, Channel 1, with delay risk evidenced by the missed §13 deadline); (4) continuation or curtailment of the Coinbase USDC rewards program (the realized proxy for Channel 1's persistence). *Asset-level (auto-promoted from B/C boundary cells under Rule A-4.4):* (5) sUSDe 90-day funding mean and Reserve-Fund ratio; (6) SSR vs. 3M T-bill spread; (7) USD0++ floor-price trajectory and market deviation; (8) fxUSD stable/leverage balance ratio; (9) sfrxUSD custodian mint/redeem realized volume.

## (C) Overlay judgment — regulatory release timing × market cycle (OrbLabs house macro view)

*House-view frame (with publicly verifiable anchors):* crypto demand cycles have historically tracked the BTC halving (next: ~April 2028); the house view takes the continuation of that periodicity as its working hypothesis, placing the next demand phase at **2028Q4 (first wave) and 2029Q4 (second wave), followed by cycle exhaustion**. Realized amplitude is driven by two variables — **(1) global liquidity conditions, (2) whether and when CLARITY is enacted** — with (1) the larger contributor; (2) is an amplification term adding receptacle effects atop the GENIUS push (§1). This inaugural edition presents the view self-contained; from the quarterly update onward it anchors to the applicable public issue of the OrbLabs biweekly macro letter.

| Scenario | Enactment timing | Overlay with demand phase (2028Q4/2029Q4) | Consequence in the three variables |
|---|---|---|---|
| **S1** | Sep 2026 (E1 passes) | **Full overlay** — the 12–18-month institutional build-out completes before wave 1 | Flows released ahead of demand; RWA productization ready in time; market-regime designs capture the wave's funding upswing fully |
| **S2** | Nov–Dec 2026 (E2) | Near-full overlay | As S1 with a 1–2-quarter flow lag |
| **S3** | 2027–28 (120th Congress) | **Partial overlay** — restart spans wave 1; only wave 2 captured | Wave 1 runs regulatorily unsettled (Channel 1 throttle persists); productization races wave 2; institutional flows miss wave 1 |
| **S4** | ~2029–30 (decay-curve tail) | **Timing mismatch confirmed** — release lands in a demand vacuum | Realization deferred wholesale to the next cycle; release in contraction matters only to defensive (rate-cluster) designs; market-regime amplification never fires |
| **S-OCC** (orthogonal) | OCC final rule includes third parties (achievable independently of CLARITY) | Composable with any S | Channel 1 closes unilaterally, partially opening the push — an independent release valve raising the sector-demand floor even under S3/S4 |

**Upper band: legislative decay curve (S1-S4 landings) | Lower band: house-view demand waves**




Variables: institutional-flow timing / sector capacity / yield environment. No token-price implication. Landings cross-reference the C-2 impact matrix.

## (C-2) Scenario-asset impact matrix

**The inside and outside strategies — what differs, and what each earns.** The five assets divide by their stance toward the US regulatory regime, and the division is the key to reading the scenario table.

The **inside strategy (sfrxUSD, sUSDS)** is built to *win by waiting for settlement*: fiat redemption paths, permissioned custodians, and RWA reserves are pre-installed so that the moment rules settle, the asset functions as the receptacle for institutional capital. What it earns is **institutional flow conditional on settlement** — custody adoption, listings, fund formation, corporate treasury use: access to a capital stratum an order of magnitude above retail. What it pays is that the advantage sleeps while settlement is delayed, and that the permissioned layer is a standing centralization. In financial shorthand: the inside strategy holds **a call option whose exercise condition is regulatory settlement**.

The **outside strategy (fxUSD)** is built to *remain unmoved however rules turn*: no custodian, no fiat connection, no legal-entity contact surface — durability from architecture rather than authorization. What it earns is **scenario-invariant continuity**: under S1 or S4, even under intensified enforcement, the protocol's operation does not change. What it pays is that settlement releases no institutional flow to it (there is no counterparty for an investment committee to engage) and persistent smallness. In the same shorthand: the outside strategy is **insurance — a put against regulatory non-settlement or deterioration**.

The **third type — the market strategy (sUSDe)** — is orthogonal to the regulatory axis: its dominant variable is the funding regime, with regulatory scenarios acting only indirectly. USD0++ is formally inside-type but has forfeited the type's benefits through its governance record (locked judgment).

Hence the central proposition of the Conviction Synthesis: **regulatory branching does not move the defensive hierarchy (the ordering); it moves the relative weight of the call's value and the put's value.** S1/S2 bring the call toward exercise; S3 raises the relative value of the put and of market-regime capture; S4 defers the entire proposition — call and put included — to the next cycle.

**Scenario summary (condensed restatement of (C)).**

| ID | Enactment | Overlay with demand phase |
|---|---|---|
| S1 | Sep 2026 | Full (build-out completes before wave 1) |
| S2 | Nov–Dec 2026 | Near-full (1–2Q flow lag) |
| S3 | 2027–28 | Partial (wave 1 unsettled; wave 2 only) |
| S4 | ~2029–30 | Mismatch (release lands in demand vacuum) |
| S-OCC | (orthogonal) third-party inclusion | Composable with any S — loophole closes independently |

**Impact matrix.** *Symbol definitions:* ◎ = the scenario strongly supports the realization environment of the asset's investment proposition; ○ = supports; △ = neutral/conditional; ▽ = proposition deferral or environment deterioration. Each cell is a qualitative judgment of scenario → environment → proposition realizability, expressed in three variables (institutional-flow timing; sector capacity; yield environment). It is not a buy/sell rating, price view, or quality ranking; axis weighting and allocation remain the client's mandate decisions.

| | sUSDe (market) | sUSDS (inside) | fxUSD (outside) | USD0++ (inside, forfeited) | sfrxUSD (inside) |
|---|---|---|---|---|---|
| **S1** | ○ Captures the wave's funding upswing fully; control-test exemption unlikely, so direct institutional-flow benefit limited | ◎ Receptacle release × comparative control-test advantage of distributed governance; RWA productization ready for wave 1 | △ Operation unchanged; relative weight declines as institutional capital routes to compliant wrappers; orthogonal-hedge role persists | △/▽ Base-layer RWA tailwind, but statutory classification of a security-shaped instrument can cut against it; the governance record does not legislate away | ◎ Largest beneficiary in set (locked): fiat redemption, custody, product separation pre-installed — fastest flow reach |
| **S2** | ○ (as S1) | ◎ (1–2Q lag) | △ (as S1) | △/▽ (as S1) | ◎ (as S1, lagged) |

| | sUSDe (market) | sUSDS (inside) | fxUSD (outside) | USD0++ (inside, forfeited) | sfrxUSD (inside) |
|---|---|---|---|---|---|
| **S3** | ◎ Wave 1 proceeds unsettled — non-institutional crypto-native capital leads, maximizing funding-yield capture; Channel 1 throttle and venue risk persist without legal protection | ○ Scale and record sustain adoption through a crypto-native wave; the institutional leg stays dormant | ◎ Peak relative weight: in a rules-less wave 1, jurisdiction-orthogonal, control-test-independent design is most preferred | ▽ Trust rebuilding requires institutional verification, which requires settlement; crypto-native waves are the least forgiving of governance risk | △ The call sleeps through wave 1 with wave-2 exercisability; defensive-core value itself unchanged |
| **S4** | ▽ Demand contraction = prolonged funding compression; engine idles | △/○ Proposition deferred, but rate-beta yield + scale + record function as contraction-phase defense — "the inside that can wait" | △ Continuity asset; operation unchanged; insurance value persists, growth proposition absent | ▽ Demand vacuum × unrepaired trust. (Note: the floor's rise mechanically reaches $1 by ~2029, resolving this asset's idiosyncratic overhang within S4 — a separate matter from proposition recovery) | △/○ Release lands in the vacuum — flows thin, but as settled TradFi-alternative infrastructure this is the set's best early position for the next cycle |
| **S-OCC** | ○ Sector-demand floor rises; compliant routes benefit relatively more | ◎ Closure of platform rewards opens a direct migration path into USDS/sUSDS as the liquid yield alternative | ○ General beneficiary of the higher floor | △ General benefit dominated by idiosyncratic barriers | ◎ Direct beneficiary alongside sUSDS — the leading compliant yield product |

**Conversion into reallocation-review triggers (link to §3.2).** The practical use of this matrix is converting §5-c adjudication outcomes into review triggers for the archetype constructions — occasions for reconsideration, not automatic execution rules: **E1 adjudicates toward passage (→S1):** the inside call approaches exercise — occasion to update the C/B cores (sfrxUSD, sUSDS) from "waiting" to "receptacle" and to re-examine the necessary weight of the outside hedge (fxUSD). **Unpassed through E2 (→S3/S4 family):** the "rules-less wave 1" preparation becomes the live question — the relative case for the Archetype N construction (fxUSD core + sUSDe satellite) strengthens, and inside assets purify into their defensive holding rationale. **E4 confirms third-party inclusion (S-OCC):** the sector floor rises independently of legislation — the "compliant yield migration destination" proposition of sUSDS/sfrxUSD activates early, grounding retention of inside cores even under S3/S4 pessimism.

Scenarios do not command allocations. They fix in advance **which observation should re-open which construction premise** — the difference between a trading signal and decision support, and the value this framework provides.

## (D) Ongoing operation

Quarterly re-marks (full 60-cell delta table plus E4/E5 observations) are registered in the STANDARDS.md calibration calendar. Next observation month: **October 2026** (E1 adjudication + Q1 re-mark). Brier verification applies to the INTERNAL probability column at each adjudication date, building on the completed E0 cycle.

## 3.4 Block A/B — Macro connection and closing

**Block A (regime judgment).** This report's macro judgment is concentrated in the §3.3(C) house-view frame: the two-layer regulatory structure (Section 1) taken as given, with realized amplitude driven by liquidity conditions and enactment timing. This inaugural edition is self-contained; from the quarterly update onward, the judgment anchors to the applicable public issue of the OrbLabs biweekly macro letter.

**Block B (closing).** This report scored five assets' yield sources, defensive structures, and strategic fit under a single rubric; presented role-fit by investor archetype; and formalized the regulatory-cycle overlay as an adjudication framework with a completed first cycle. Which assets, in which roles, under which scenario view — **the decision rests with the client.**

## Boundary statement

Sections 3.1–3.4 present comparative qualitative judgments and scenario frameworks as of 31 July 2026. No price targets, no trade recommendations, no code audit, and no token-price implications; macro-regime judgments are confined to §3.3(C) per mandate. Not legal or investment advice.

## Sources — Section 3

**A. Primary.** [S3-01] All cell-level judgments trace to the Section 2 per-asset sources and Appendix A anchors; the §5-c event standards cite the Section 1 primary sources (Congress.gov; OCC NPRM; Federal Register). **B. Third-party data & benchmarks.** [S3-02] BTC halving schedule (public chain data; next ~Apr 2028) — the verifiable anchor of the house-view cycle frame; Polymarket odds series (S1-05). **C. Press & community.** [S3-03] As per Section 1 C-class items for legislative-state facts. **D. Operator materials.** None; the house macro view is an OrbLabs-internal analytical frame, labeled as such.

# Appendix A — Scoring Rubric: Anchor Definitions and Application Rules

*Scoring reference date: 31 July 2026. All scores are subject to quarterly re-marking. This rubric governs all per-asset scoring matrices in Sections 2–3 of this report.*

## A-0. General Provisions

- **Scoring subject.** Each protocol's yield-bearing position (sUSDe; sUSDS; fxUSD/fxSAVE; USD0++; sfrxUSD) is evaluated as a candidate component of a USD-denominated yield-bearing stablecoin allocation. Governance tokens (ENA, SKY, etc.) are outside scoring scope and appear only as contextual information.
- **Scale.** A(4) / B(3) / C(2) / D(1). Axis subtotals are displayed out of 16. **No grand total (/48) is computed.** The three axes measure different investor mandates and are deliberately not aggregated; axis weighting is the client's mandate decision.
- **Interpolation rule.** B(3) = substantially meets the A anchor but with one material deficiency. C(2) = approaches the D anchor but with one clear mitigating strength. The deficiency or mitigant used in the judgment must be named in the evidence line.
- **Evidence discipline.** Every scored cell (12 items × 5 assets = 60 cells) carries a one-line evidence note with a primary source. Where no adequate source exists, the cell is marked **n/a — unverified** rather than defaulting toward D, and the axis subtotal's denominator is adjusted accordingly.
- **Point-in-time discipline.** All cells are scored on observations as of 31 July 2026. Market-dependent items (e.g., A1-1) are scored on trailing realized data through the reference date, never on forward expectations.

## A-1. Axis 1 — Revenue Model & Capacity

*Measurement philosophy: where does the yield come from, how much can it carry, and on whom does it depend?*

| # | Item | What is measured | Key observable indicators (sources) | A(4) anchor | D(1) anchor |
|---|---|---|---|---|---|
| A1-1 | Yield Attractiveness & Stability | Level and dispersion of trailing yield through the reference date | 7-day / 90-day trailing APY; 12-month APY standard deviation; incidence of near-zero months (DefiLlama; official protocol dashboards) | 90-day APY ≥ 3-month T-bill + 150bp, **and** no month below 1% APY in the trailing 12 months | 90-day APY below the T-bill rate, **or** one or more months of near-zero / negative (cost-exceeding) yield in the trailing 12 months |
| A1-2 | Scalability (Limit) | Structural capacity ceiling of the yield source relative to current supply | Source-market size (derivatives open interest; addressable RWA market; LST supply) as a multiple of current supply; presence of mint caps (protocol docs; market data) | Source market offers ≥10× headroom over current supply, with no artificial supply cap | Structural yield dilution occurs below 2× current supply, or a hard supply cap is the operating norm |

| # | Item | What is measured | Key observable indicators (sources) | A(4) anchor | D(1) anchor |
|---|---|---|---|---|---|
| A1-3 | Non-dependence on CEX etc. | Dependence of the **revenue-generation process** on centralized venues and counterparties (governance concentration is scored under A3-4; double-counting prohibited) | Revenue-source decomposition (% from CEX derivatives; % via off-chain custody) (protocol disclosures; attestation reports) | Revenue generation is fully on-chain (LST rewards; on-chain interest), such that no CEX or off-chain custodian failure can directly halt the yield engine | A majority of revenue depends on derivatives markets or off-chain custody at one or a few CEXs, whose failure would immediately halt yield generation |
| A1-4 | On-chain Transparency of Revenue | Independent verifiability of revenue flows | On-chain visibility of reserves and positions; frequency and granularity of third-party attestations; proof-of-reserves (official disclosures; attestation firms) | Revenue flows and backing assets are verifiable on-chain in real time, or off-chain components carry at least monthly third-party attestation | Material portions of backing and revenue rest on self-reporting with no independent verification channel |

## A-2. Axis 2 — Resilience and Redemption Structure

*Measurement philosophy: on the worst day, can the holder recover $1 on-chain?*

| # | Item | What is measured | Key observable indicators (sources) | A(4) anchor | D(1) anchor |
|---|---|---|---|---|---|
| A2-1 | Immediate Liquidity of Collateral | Immediate convertibility of the backing assets themselves | Liquidity classification of collateral (% on-chain liquid vs. % T+n); DEX pool depth at 1% slippage tolerance (DefiLlama; Curve/Uniswap measurements) | The bulk of collateral is immediately sellable on-chain assets or cash equivalents, and 1%-depth as of the reference date absorbs the modeled daily peak redemption flow | A majority of collateral requires T+2 or longer settlement, lockups, or off-chain transfer procedures |
| A2-2 | Certainty of Redemption Process | Legal/ mechanical enforceability and track record of primary redemption | Redemption-path design (permissionlessness; cooldowns; minimums; KYC requirements); redemption halts or term changes in the trailing 12 months (docs; incident records) | Permissionless (or broadly eligible) primary redemption is codified as a right, with no halt or adverse change in the trailing 12 months | Primary redemption is discretionary or whitelist-only, **and the protocol has a record of retroactive adverse modification of redemption terms** (e.g., post-hoc introduction of a redemption floor price) |
| A2-3 | Resistance to Weekend / TradFi Closures | Ability to recover $1 during TradFi off-hours | Identification of TradFi-dependent segments in the collateral/redemption pipeline (bank wires; MMF redemption; custodian business hours); realized weekend secondary-market depth | Redemption and collateral conversion complete fully on-chain 24/365, structurally unaffected by TradFi closures | Primary redemption depends entirely on banking days, and weekend secondary depth is thin — no practical $1 recovery during closures |

| # | Item | What is measured | Key observable indicators (sources) | A(4) anchor | D(1) anchor |
|---|---|---|---|---|---|
| A2-4 | Auto-recovery from De-peg | Arbitrage-driven restoring force under discount events | Depth and recovery time of historical discount events (on-chain price history); design of the arbitrage loop (who profits, and how, from restoring the peg) | A defined arbitrage loop exists; maximum trailing-12-month discount ≤ 100bp with ≥ half-reversion within 72 hours, realized | No realized arbitrage restoration; a discount > 500bp persisted for over a week, or restoration has depended on discretionary operator intervention |

## A-3. Axis 3 — Strategic Fit and Portfolio Characteristics

*Measurement philosophy: what role can this asset credibly play inside a portfolio?*

| # | Item | What is measured | Key observable indicators (sources) | A(4) anchor | D(1) anchor |
|---|---|---|---|---|---|
| A3-1 | Versatility in Ecosystem | Breadth of acceptance as collateral, settlement, and liquidity across DeFi | Collateral listings on major lending markets (e.g., Aave); DEX pair count and depth; chains supported; integration count (DefiLlama; protocol listings) | Accepted as collateral on multiple major lending markets, deep liquidity on multiple chains, broad integration footprint | Essentially no collateral acceptance; single chain; liquidity confined to the protocol's own ecosystem |
| A3-2 | Resistance to Regulatory Risks | Durability under both current enforcement and future classification scenarios (connects to §1.5) | Clarity of US-person access policy; scope of business impact under securities classification; progress toward non-US regulatory fit (MiCA etc.); realized enforcement events (BaFin-type) (official policies; regulator publications) | Explicit compliance posture in major jurisdictions; core functions survive a securities-classification scenario; no realized enforcement | Realized enforcement or prohibition in multiple jurisdictions, and either classification outcome forces redesign of core functions |
| A3-3 | Hedge Against Macro Shocks | Independence from crypto-market and TradFi stress, **on both yield and principal** | Correlation of yield source to market regime (funding-rate-linked / rate-linked / LST-linked); supply and peg behavior in past risk-off episodes (historical data) | Both yield and peg demonstrated stability through past risk-off episodes; yield source has low (or inverse) correlation to crypto-market conditions | Yield depends entirely on crypto bull conditions; past risk-off episodes show simultaneous yield collapse and supply flight |
| A3-4 | Degree of Decentralization | **Governance and control structure** (venue dependence of revenue is A1-3; double-counting prohibited) — the CLARITY control test applied proactively as the analytical standard | Location of admin keys and upgrade authority; timelocks; governance distribution; emergency-intervention design (code audits; governance records) | No party can unilaterally alter the rules (immutable, or long timelock + distributed governance) — the design satisfies the exemption-side requirements of the CLARITY control test today | A single party can, via admin keys, immediately alter rules, freeze assets, or modify redemption terms (a realized instance is conclusive for D) |

## A-4. Cross-cutting Rules

1. **Double-counting boundary.** A1-3 measures venue dependence of *revenue generation*; A3-4 measures *governance control*. The same fact may not reduce two items.
2. **Evidence-line format.** `[Score] One factual sentence (figure, date) — source name, access date.` Applied to all 60 cells.
3. **Incident weighting.** Events within the trailing 12 months feed scores directly. Older events are judged on whether the structural change has been remediated: if unremediated, it is scored as the current design; if remediated, it appears only as a historical note in the evidence line.
4. **Connection to §5-c.** Any observable indicator that drives a B/C boundary judgment automatically enters the candidate pool of leading indicators for the scenario-adjudication framework.
5. **Re-marking.** All scores are re-marked quarterly. Each re-mark produces a delta table (changed cells + one-line reason per change), accumulated as part of the calibration track record and registered in the STANDARDS.md calibration calendar.
6. **Matrix Commentary Rule.** Every scoring matrix in the report must be immediately followed by a compact analytical commentary block that explains, in logical sequence, the reasoning behind the scores shown — naming the decisive observations, the anchor logic applied, and any interpolation judgments (B/C calls) that shaped the row. The commentary is bounded: it summarizes the scoring logic already evidenced at cell level; it does not introduce new claims, and it does not restate every cell.

## Sources — Appendix A

**A. Primary.** [SA-01] Appendix A anchors are methodological definitions; underlying observable indicators cite the per-asset sources in Section 2. **B–D.** Not applicable.