

04/30/2019 12:43:56 [BN] Bloomberg News

Tether Says Stablecoin Is Only Backed 74% by Cash, Securities

- Tether, Bitfinex backers seek to vacate New York injunction
- New York alleges firms engaged in coverup to hide losses

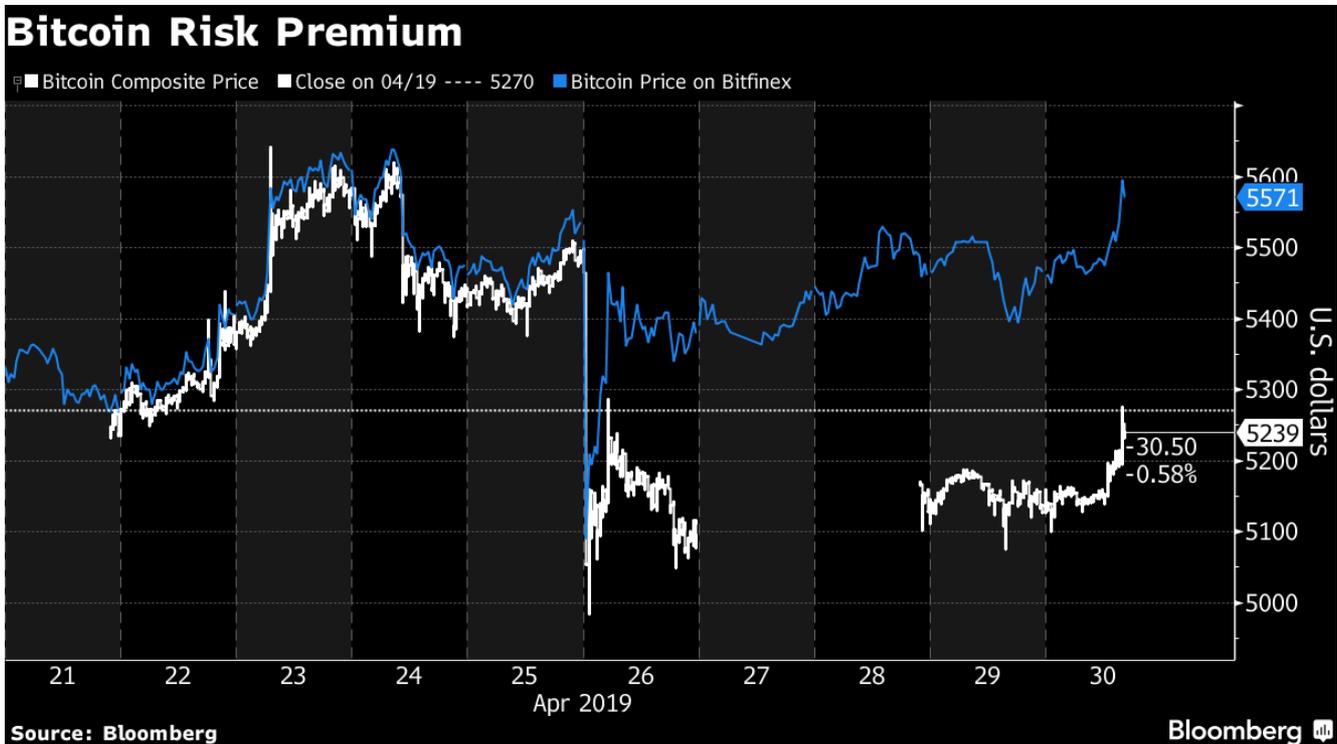
By Olga Kharif

(Bloomberg) -- The companies behind the digital exchange Bitfinex and the cryptocurrency Tether said the so-called stablecoin is backed by cash and short-term securities equal to 74 percent of the outstanding coins rather than completely pegged to the U.S. dollar.

The disclosure was included in a response Tuesday with the Supreme Court of State of New York seeking to vacate or modify an injunction filed against them by the New York Attorney General last week in an effort to prevent disruptions to its business.

"The order effectively freezes a line-of-credit transaction among the respondents indefinitely, and orders them to produce huge volumes of documents by this Friday," according to the filing, made on behalf of Hong Kong-based IFinex Inc. and other affiliated companies.

On April 25, New York Attorney General Letitia James said the companies behind Tether, a coin that traders use to park their funds in during times of high volatility, and Bitfinex engaged in a cover-up to hide the "apparent loss" of \$850 million of co-mingled client and corporate funds.



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A loss of faith in Tether would be a major blow to traders who rely on it as a substitute for dollars and as a conduit for a significant amount of cryptocurrency trading. Virtual currencies tracked by CoinMarketCap.com lost \$10 billion of value last week within an hour of the attorney general's statement and Tether slid 1.4 percent.

Tether currently has cash and cash equivalents of about \$2.1 billion, "representing approximately 74 percent of the current outstanding tethers," the filing said.

Bitfinex and Tether dispute that the court has jurisdiction over the companies because, among other reasons, they do not operate in the U.S., and because both companies bar New York residents from doing business on their platforms.

Bitfinex and Tether have classified the transfer of funds as a loan. Even if Bitfinex fully draws on the remaining amount of the line of credit, the reserves will still be just below \$2 billion, representing approximately 68 percent of the current outstanding tethers, the filing said.

The companies disclosed two months ago, including on the Tether website, that the coin isn't 100 percent backed by U.S. dollars, and that some of the funds used for backing may be loans from affiliated companies, according to today's filing.

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