



WARNING: U.S. consumers should be deeply troubled by Tether's long history of shady practices, false claims, legal entanglements, and seemingly deliberate lack of transparency. Tether exposes Americans to increased risk. To this day, the company has never published an independent audit of its finances and operations.

COMPANY PROFILE:



Tether (USDT)

Industry:	Cryptocurrency stablecoin
Founded:	2014
Headquarters:	British Virgin Islands
Parent Company:	iFinex Inc.
CEO:	Paolo Ardoino
CFO:	Giancarlo Devasini
Market cap (as of 6/2024)	\$125.7 billion
Size:	125 employees

WHAT IS TETHER, AND WHAT IS A STABLECOIN?

Tether is a cryptocurrency company that in 2014¹ launched a so-called "stablecoin," referred to as USDT, that is purportedly backed by the U.S. dollar. A stablecoin is a type of cryptocurrency that pegs its market value to an external reference (such as a commodity like gold, or a U.S. dollar, as in Tether's supposed case). By doing so, the cryptocurrency maintains a stable value. The main purpose of stablecoins is to provide an alternative to the high volatility of popular cryptocurrencies such as Bitcoin (BTC), which, according to Coinbase.com, "can make these digital assets less suitable for common transactions."²



Tether CEO Paolo Ardoino addresses a crowd. Tether has faced several allegations from law enforcement and refused to release an audit.

"Cryptocurrency Tether enables a parallel economy that operates beyond the reach of U.S. law enforcement... [Tether] is undermining America's fight against arms dealers, sanctions busters and scammers."

Wall Street Journal

WHAT MAKES THE TETHER STABLECOIN DIFFERENT—AND DUBIOUS?

Tether claims that its stablecoin is pegged to the U.S. dollar, which, if true, would enable investors to swap \$1 for one USDT.³ Tether has repeatedly asserted that it maintains enough assets in its reserves to meet this 1:1 ratio and has issued loans where borrowers are lent USDT with the promise to pay back the loans at a price of \$1 per coin. However, these loans have raised major concerns among investors about the value of USDT in a scenario where borrowers do not meet their payment obligations.⁴ In December 2023, recognizing the concerns surrounding USDT, S&P gave the stablecoin a risk assessment of 4 out of 5 (with 1 being the best possible rating and 5 the worst).⁵ An S&P analyst also noted that "Tether is not currently subject to specific supervision by an authoritative body or rules about how or where it can invest its reserves."⁶

1. [Tether - About Us](#)
2. [Coinbase: What is a stablecoin?](#)
3. [Tether - How It Works](#)
4. [Fortune: Tether still has nearly \\$5 billion in loans despite pledging to reduce exposure to zero](#)
5. [S&P Global: Stablecoin Stability Assessment: Tether \(USDT\)](#)
6. [Reuters: Tether's \\$100 billion stokes stablecoin stability concerns](#)

Because of its S&P rating and other issues detailed further in this report, Tether has faced hurdles in finding banks willing and able to process its transactions. Consequently, Tether and its affiliates have previously turned to offshore banks to process transactions.⁷

Allegations of fraud have been brought against Tether (and Bitfinex, also owned by Tether's parent company iFinex) in a class action lawsuit claiming Tether does not have the 1-to-1 dollar backing it claims.⁸ The lawsuit accuses Tether of running a "sophisticated scheme to artificially inflate the price of cryptocommodities by pushing USDT into the market that was not fully backed by U.S. dollars, creating the illusion of increased demand for cryptocommodities, facilitating trading of cryptocommodities on credit and loaned funds, and thus driving up cryptocommodity prices."⁹

The alleged scheme in this lawsuit is concerning as Tether's alleged actions appear to parallel those of FTX and Alameda Research.

Similarly a lawsuit filed against FTX argues that Alameda Research, Tether and Deltec engaged in a manipulative scheme, in which Alameda purchased billions of dollars in USDT, artificially inflating Tether's market capitalization and Deltec Bank's deposits.¹⁰ The filing alleges the Alameda and Tether would profit from this scheme as follows: "Alameda would create USDT in amounts and at times that would inflate the market price of the stablecoin. Alameda would promptly sell the USDT in the market, at several basis points above the purchase price. Tether, in turn, would receive U.S. dollars for stablecoins it minted from nothing."¹¹

TIME FOR AN AUDIT? TETHER KEEPS SAYING "NO"

Tether continually waves a bold red flag with its refusal to be independently audited, or to properly audit itself. Tether has promised that it would conduct a full audit since at least 2017, but has still failed to do so. In August 2022, its CEO stated that an audit was "likely months away."¹² Months and years later, it still has not happened.

In December 2017, Tether said the accounting firm Friedman LLP was conducting an audit¹³, but then suspiciously dissolved its relationship with the firm the following year.¹⁴ Friedman LLP was later fined by the SEC in 2022 for improper accounting practices.¹⁵ In June 2018, Tether released a report on its financials that claimed USDT was fully backed by U.S. dollars. However, the report was not an audit and was prepared by a law firm—not an accounting firm.¹⁶

Tether has claimed that it sought an outside audit from a Big Four accounting firm but that none of the firms would agree.¹⁷ However, other companies in the crypto space have conducted audits using Big Four accounting firms. For example, Coinbase employs Deloitte as its auditor.¹⁸ The crypto platform Bitstamp was audited by Ernst & Young.¹⁹ In fact, a 2023 Bloomberg survey of audited crypto companies found that 46% of respondents utilized Big Four accounting firms.²⁰

An outside audit would go a long way in easing concerns as Tether has maintained more than \$6.5 billion in loans of USDT²¹, despite previously pledging on multiple occasions to eliminate its loan offerings. The company first claimed that it would bring its loans to zero in 2023, before later pushing that target date to 2024. Tether's "secured loans" totaled \$6.57 billion in Q2 of 2024, up from \$4.7 billion in Q1 of 2024.²²

7. [The Wall Street Journal: Crypto Companies Behind Tether Used Falsified Documents and Shell Companies to Get Bank Accounts](#)

8. [U.S. District Court, Southern District of New York, Tether and Bitfinex Crypto Asset Litigation](#)

9. *Id.*

10. [U.S. District Court, Southern District of Florida, FTX Cryptocurrency Exchange Collapse Litigation, Exhibit A](#)

11. *Id.*

12. [The Wall Street Journal: Tether Says Audit Is Still Months Away as Crypto Market Falters](#)

13. [Business Insider: Cryptocurrency Tether hit by a \\$31 million hack, calls criticism 'uninformed and baseless'](#)

14. [CoinDesk: Tether Confirms Its Relationship With Auditor Has 'Dissolved'](#)

15. [U.S. Securities and Exchange Commission: SEC Charges Friedman LLP for Improper Professional Conduct in Its Audit of Two Public Companies](#)

16. [CoinDesk: Tether Review Claims Crypto Asset Fully Backed – But There's a Catch](#)

17. [DL News: Tether's CEO just told us why the Big Four won't audit reserves backing \\$108bn stablecoin](#)

18. [Investing.com: Coinbase re-elects board, affirms Deloitte as auditor](#)

19. [Forbes: Crypto Exchanges' A La Carte Approach To Audits A Recipe For Disaster](#)

20. [Bloomberg: There's No Accounting for Crypto, Or Is There?](#)

21. [The Wall Street Journal: Tether Is Lending Its Stablecoins Again](#)

22. [Tether 2024 Q2 Attestation Report; Tether 2024 Q1 Attestation Report](#)

Tether's Lack of Audit and History of False Claims

- 2017** Tether promises to conduct a full audit.
- 2018** Tether released a report by a law firm, not an accounting firm, that claimed USDT was fully backed by U.S. dollars.
- 2018** The U.S. Department of Justice launched an investigation into whether traders were manipulating the cryptocurrency market using Tether and Bitfinex.
- 2019** The State of New York found that Tether moved hundreds of millions of dollars to cover up the loss of \$850 million in client money.
- 2021** Tether was forced to cease trading activity in New York and pay \$18.5 million in penalties.
- 2022** Tether settled charges stemming from false statements allegedly made regarding its backing of USDT with U.S. dollars with the Commodity Futures Trading Commission.
- 2022** The U.S. Securities and Exchange Commission (SEC) fined the law firm that claimed USDT was backed by U.S. dollars for improper accounting practices.
- 2024** Tether has not completed an independent audit.

A HISTORY OF FALSE CLAIMS

Tether has a history of false and deceptive claims surrounding the true backing of USDT.

In 2018, the U.S. Department of Justice launched an investigation into whether Tether and Bitfinex were being used by traders to manipulate the cryptocurrency market. The criminal investigation eventually grew in scope, with the probe being taken up in October 2022 by the U.S. Attorney's Office for New York's Southern District. Federal investigators reportedly examined whether Tether had accessed bank accounts by way of falsified documents.²³

An investigation begun in 2019 by the State of New York found that Tether moved hundreds of millions of dollars to cover up the apparent loss of \$850 million in client money and then issued false statements about doing so. According to the New York Attorney General, "Tether's claims that its virtual currency was fully backed by U.S. dollars at all times was a lie" and added that Tether and Bitfinex "obscured the true risk investors faced and were operated by unlicensed and unregulated individuals and entities dealing in the darkest corners of the financial system."²⁴ In 2021,

the findings resulted in Tether being forced to cease trading activity in New York State and pay \$18.5 million in penalties.²⁵ Afterward, Tether began releasing attestations regarding its financials, but only as a result of its settlement with the New York AG.²⁶ Still, an attestation is not an audit.

In 2021, Tether settled charges once again stemming from false statements allegedly made regarding its backing of USDT with U.S. dollars, this time with the Commodity Futures Trading Commission (CFTC).²⁷

The concerns raised by a lack of an audit extend beyond questions of 1-to-1 U.S. dollar backing. Infamously, now defunct bitcoin exchange Mt. Gox was brought down not by misrepresentation of its holdings, but by failures of financial controls that led to the theft of up to 950,000 BTC.²⁸ Financial control failures are particularly devastating because the ability to retrieve stolen assets is even more difficult, if not impossible, than in more traditional finance operations. That Tether has thus far been unable or unwilling to pass an audit suggests that even if they have regained the 1-to-1 USD reserve threshold they once fell below, they do not have sufficient protections on the management of those reserves to satisfy an accounting firm.

23. [CoinDesk: US Tether Bank Fraud Investigation Changes Hands Within the DOJ: Report; The Wall Street Journal: Crypto Companies Behind Tether Used Falsified Documents and Shell Companies to Get Bank Accounts](#)

24. [Office of the New York Attorney General: Attorney General James Ends Virtual Currency Trading Platform Bitfinex's Illegal Activities in New York](#)

25. [Reuters: Bitfinex, Tether owner pays \\$18.5 million fine to settle NYAG cryptocurrency cover-up charges](#)

26. [CoinDesk: Tether's First Reserve Breakdown Shows Token 49% Backed by Unspecified Commercial Paper](#)

27. [Commodity Futures Trading Commission: CFTC Orders Tether and Bitfinex to Pay Fines Totaling \\$42.5 Million](#)

28. [CNBC: Bitcoin windfall coming for Mt. Gox creditors after decade-long wait and 10,000% price spike](#)

BUSINESS WITH BAD ACTORS

Authorities in both the U.S. and the U.K. are currently investigating \$20 billion in Tether transactions that took place on Garantex²⁹, a Russian crypto exchange sanctioned by the U.S. Treasury Department in April 2022.³⁰ As of July 2024, Tether was still processing transactions from the crypto exchange BitPapa³¹, which was sanctioned in March 2024 for its role in aiding Russia's war against Ukraine.³²

Despite the long history of alleged fraud and illicit transactions on the blockchain Tron, Tether has continued to operate on it.³³ In March 2023, the SEC announced charges against Tron's founder and his companies.³⁴ In November 2023, Reuters reported that Tron had overtaken Bitcoin "as a platform for crypto transfers associated with groups designated as terror organizations by Israel, the United States and other countries, according to interviews with seven financial crime experts and blockchain investigations specialists."³⁵

Did Tron's disturbing affiliations ever cause Tether to consider withdrawing and finding a different blockchain? Far from it. According to Reuters' sources, research revealed that "Tether was dominant across the Tron network."³⁶

In January 2024, the United Nations Office of Drugs and Crime (UNODC) released a report regarding casinos, money laundering, underground banking, and transnational organized crime in East and Southeast Asia which specifically named stablecoins like USDT as a problem. UNODC wrote that stablecoins like USDT issued on the Tron blockchain are the "preferred choice for regional cyberfraud operations and money launderers alike due to its stability and the ease, anonymity, and low fees of its transactions."³⁷

In April 2024, The Wall Street Journal called USDT "indispensable" in helping both Russian and North Korean entities evade sanctions.³⁸

CONCLUSION

Based on its checkered history of allegations from law enforcement and its persistent refusal to release an audit, Tether has a very concerning risk profile for a stablecoin.

In March 2024, FTX founder Sam Bankman-Fried was sentenced to 25 years in prison for conspiracy and fraud.³⁹ The owners of Tether could easily make it clear to consumers – as well as regulators, policymakers, and law enforcement officials – that USDT is not like FTX by simply agreeing to an independent financial audit. But they choose otherwise. By refusing to open their books for comprehensive review, Tether invites immense suspicion and warrants the utmost scrutiny.

Furthermore, if legislative and regulatory inaction continues, then bad actors will continue to thrive. Tether's shady practices may not only

threaten consumers who currently hold USDT but also participants in the larger cryptocurrency market as regulators may ultimately conclude that an indiscriminate crackdown on all cryptocurrencies may be necessary.

For these reasons we recommend the following:

1. Consumers should consider the risks associated with owning or using a stablecoin that has not received proper third-party validation of both its holdings and its financial controls.
2. States should design and enact regulatory frameworks that both prevent consumer fraud and foster welcoming environment for cryptocurrency integration into the financial system. While overregulation is always a risk, financial regulations that provide clear bright lines tend to aid in the integration of new products within an already highly regulated financial system by providing certainty about the legality of the products.

29. [Bloomberg: US and UK Probe \\$20 Billion of Crypto Transfers to Russian Exchange](#)

30. [U.S. Department of the Treasury: Treasury Sanctions Russia-Based Hydra, World's Largest Darknet Market, and Ransomware-Enabling Virtual Currency Exchange Garantex](#)

31. [Bitpapa.com - Buy USDT](#)

32. [U.S. Department of the Treasury: Treasury Designates Russian Companies Supporting Sanctions Evasion Through Virtual Asset Services and Technology Procurement](#)

33. [The Crypto Times: Tether Mints \\$1B USDT on Tron Without Transaction Fees](#)

34. [U.S. Security and Exchange Commission: SEC Charges Crypto Entrepreneur Justin Sun and His Companies for Fraud and Other Securities Law Violations](#)

35. [Reuters: Focus: New crypto front emerges in Israel's militant financing fight](#)

36. *Id.*

37. [United Nations Office on Drugs and Crime: Casinos, Money Laundering, Underground Banking, and Transnational Organized Crime in East and Southeast Asia: A Hidden and Accelerating Threat](#)

38. [The Wall Street Journal: Inside the Russian Shadow Trade for Weapons Parts, Fueled by Crypto](#)

39. [Reuters: Bankman-Fried sentenced to 25 years for multi-billion dollar FTX fraud](#)