The stablecoin exposure nobody sizes

> **STABLECOIN RISK**
>
> Stablecoins - tokens pegged to a currency - are treated as cash and are not: each is a claim on an issuer's backing, and the peg holds only while the backing is real and liquid. Coins 'parked in stables' carry issuer counterparty risk and peg risk, sized by nobody because they feel like the safe corner. The full mechanics are module 8's; the risk is module 4's, because an unsized exposure is a risk whatever its label.

The trader who moves to stablecoins to 'go to cash' has not gone to cash - they have taken a position in an issuer's promise, and this lesson sizes the position the label hides.

What a stablecoin actually is

A stablecoin is a token an issuer promises to redeem for a currency, backed - to varying and sometimes opaque degrees - by reserves. The peg holds while the market believes the backing is real, liquid and redeemable; it breaks when that belief fails, and stablecoins have de-pegged, some temporarily and some to zero. So 'parked in stables' is a claim on the issuer's solvency and honesty - the counterparty risk of lesson 5, wearing the costume of cash - and the deepest crypto books quote against exactly these tokens (module 2), so the exposure is nearly unavoidable for an active trader.

The exposure nobody sizes

It feels like the risk-free corner: moving to stables reads as reducing risk, so the position is not sized as a position - the exact error module 4 exists to prevent, in its most disguised form.The peg is the whole value: a stablecoin is worth its peg only while the peg holds - a de-peg is not a small loss but a break in the thing's defining property, and it happens fastest in the stress when the trader is most parked there.Issuer quality is the risk grade: transparent, audited, well-reserved stablecoins are lower-risk than opaque ones - the venue-integrity reading of module 2, applied to the token itself.

Sizing the safe corner

The honest treatment: stablecoin holdings are a position, sized as issuer counterparty exposure, capped like any counterparty, and diversified across issuers if large - the safe corner given the same discipline as the risky ones, because an unsized exposure is a risk whatever it is called. Genuine cash - fiat in a bank, off the crypto rails entirely - is the only true risk-free corner, and the difference between it and a stablecoin is the difference between money and a claim on an issuer's promise of money. Module 8 examines the mechanics; module 4's rule is simpler: nothing in crypto is unsized, least of all the thing that feels safest.

Check your understanding

1. Why is moving to stablecoins not 'going to cash'?

a. Stablecoins earn no interest

b. A stablecoin is a claim on an issuer's promise to redeem for currency - issuer counterparty risk and peg risk, wearing the costume of cash

c. Stablecoins are illiquid

Answer: b. The peg holds only while the backing is believed real and liquid, and stablecoins have de-pegged. Genuine cash off the crypto rails is the only true risk-free corner.

2. Why is stablecoin exposure 'the risk nobody sizes'?

a. It is too small to matter

b. It feels like the risk-free corner, so it is not sized as a position - the module 4 error in its most disguised form, and a de-peg breaks the token's defining property

c. Exchanges hide it

Answer: b. The safest-feeling holding gets the least scrutiny. An unsized exposure is a risk whatever its label - and the stablecoin's whole value is a peg that can break in stress.