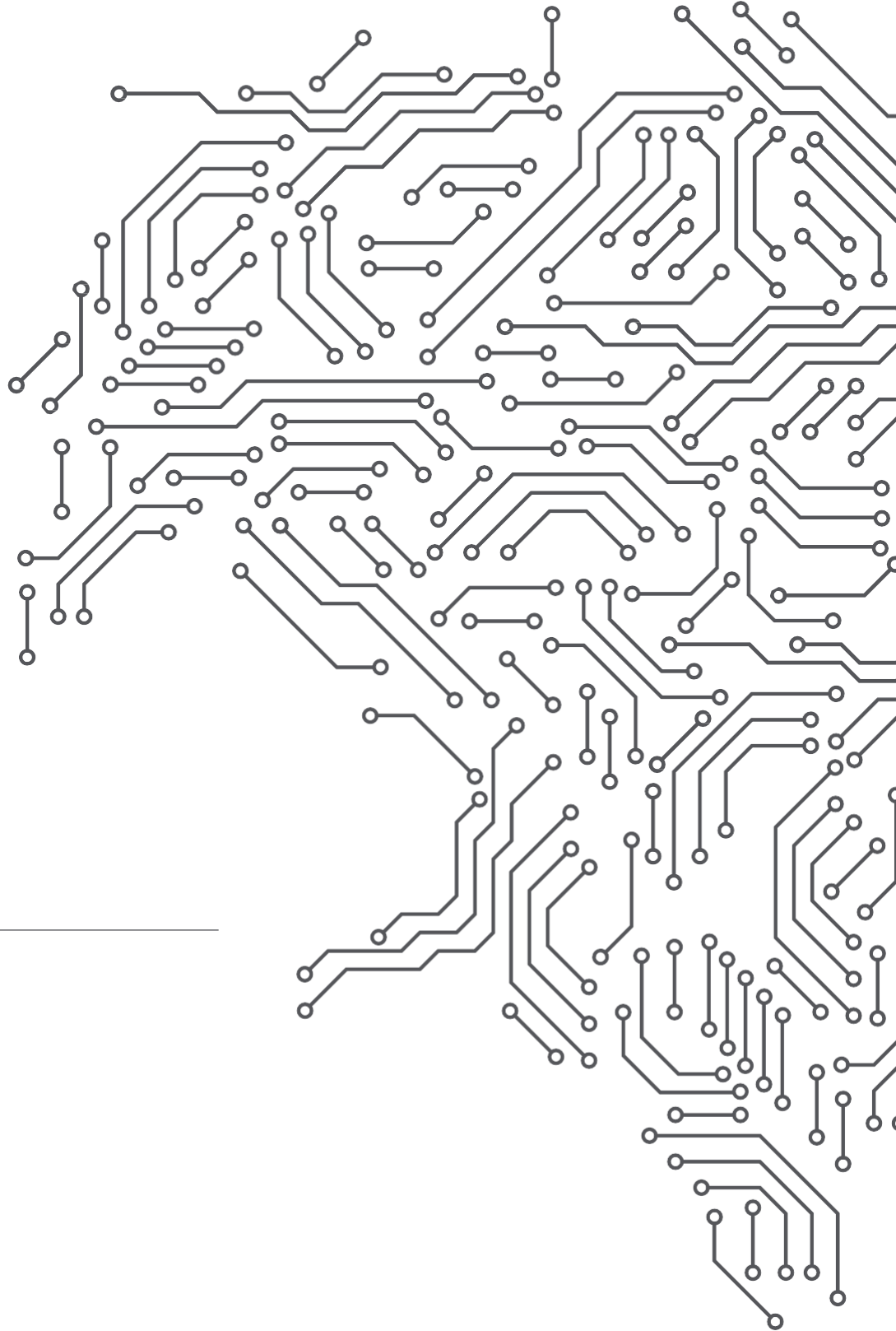




SHARIYAH
REVIEW BUREAU



SHARIA ANALYSIS

Tether



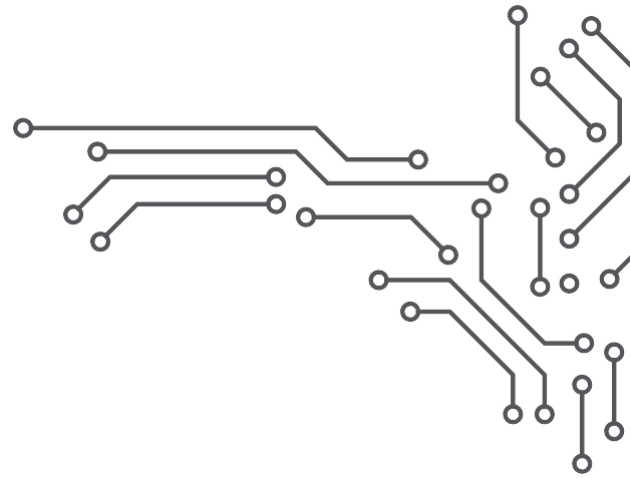
Property of Shariyah Review
Bureau W.L.L.

SHARIA ADVISOR LICENSED BY THE
CENTRAL BANK OF BAHRAIN

INTRODUCTION

Launched in 2014, Tether is a blockchain-enabled platform designed to facilitate the use of fiat currencies in a digital manner. Tether works to disrupt the conventional financial system via a more modern approach to money. Tether has made headway by giving customers the ability to transact with traditional currencies across the blockchain, without the inherent volatility and complexity typically associated with a digital currency.

As the first blockchain-enabled platform to facilitate the digital use of traditional currencies (a familiar, stable accounting unit), Tether has democratized cross-border transactions across the blockchain.



Ticker	USDT
Consensus mechanism	None. Tether Corporation prints Tether at will.
Network type	Tether tokens exist as digital tokens built on bitcoin (Omni and Liquid Protocol), Ethereum, EOS, Tron, Algorand, SLP and OMG blockchains. These transport protocols consist of open-source software that interface with blockchains to allow for the issuance and redemption of cryptocurrency tokens
Maximum Supply of Tokens	None
Token Function	Medium of exchange - Stablecoin
Use cases	P2P Payment

USDT TOKEN

Tether tokens exist as digital tokens built on bitcoin (Omni and Liquid Protocol), Ethereum, EOS, Tron, Algorand, SLP and OMG blockchains. These transport protocols consist of open-source software that interface with blockchains to allow for the issuance and redemption of cryptocurrency tokens

HOW DOES TETHER WORK?

Tether tokens exist as digital tokens built on bitcoin (Omni and Liquid Protocol), Ethereum, EOS, Tron, Algorand, SLP and OMG blockchains. These transport protocols consist of open source software that interface with blockchains to allow for the issuance and redemption of cryptocurrency tokens, in our case, “Tether tokens.” Tether Platform currencies are 100% backed by Tether’s reserves. Tether tokens are redeemable and exchangeable pursuant to Tether Limited’s terms of service. The conversion rate is 1 Tether USD₯ token (USD₯) equals 1 USD.

The Tether Platform is fully reserved when the sum of all Tether tokens in circulation is less than or equal to the value of our reserves. Through our Transparency page, anyone can view both of these numbers on a daily basis. Tether tokens are new assets that move across the blockchain just as easily as other digital currencies. Tether currencies are not money, but are digital tokens formatted to work on blockchains. Tether tokens hold their value at 1:1 to the underlying assets.

Tether was originally created to use the Bitcoin network as its transport protocol—specifically, the Omni Layer—to allow transactions of tokenised traditional currency. Since this original version of Tether uses the Bitcoin blockchain it inherits the inherent stability and security of the longest established blockchain network.

Tether on the Ethereum blockchain, as an ERC20 token, is a newer transport layer, which now makes tether available in Ethereum smart contracts or decentralized applications on Ethereum. As a standard ERC20 token it can also be sent to any Ethereum address.

WHAT REAL-WORLD CURRENCIES DOES TETHER SUPPORT?

Tether initially supports US Dollars (USD), Euros (EUR), and the offshore Chinese yuan (CNH). Represented by ₯, Tether platform currencies are denoted as USD₯, EUR₯, CNH₯.

WHO CAN USE TETHER?

Tether enables businesses – including exchanges, wallets, payment processors, financial services and ATMs – to easily use fiat currencies on blockchains. Some of the largest businesses in the digital currency ecosystem have integrated tether.

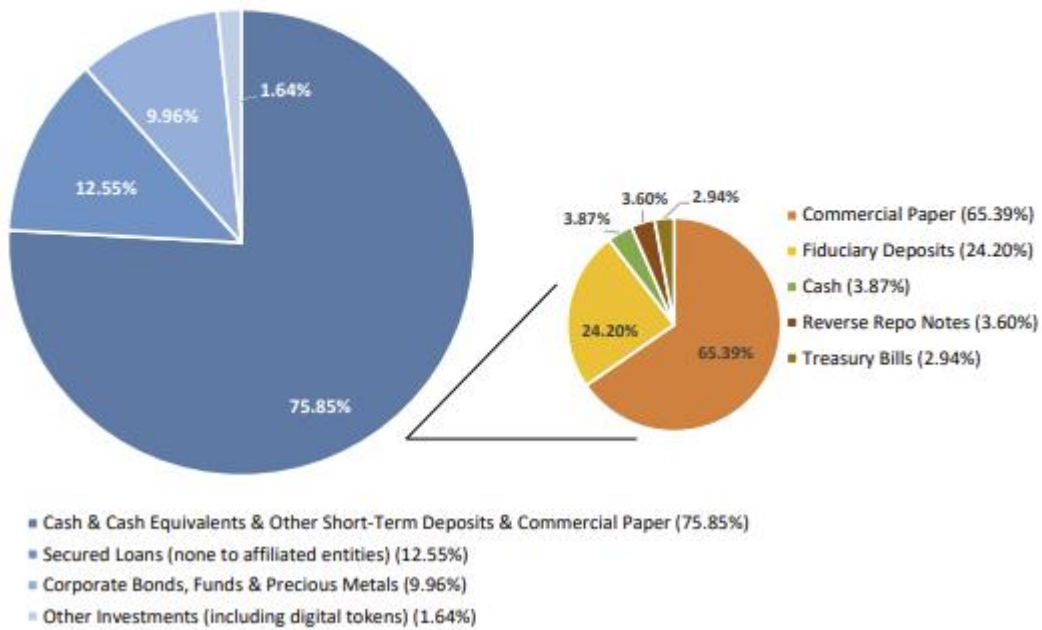
Individuals can also use tether-enabled platforms to transact with Tether tokens.

Controversary on Tether

Although Tether initially claimed that each Tether was backed by a US Dollar at a 1:1 ratio, in March 31 2021, Tether released the following:



Reserves Breakdown at March 31, 2021



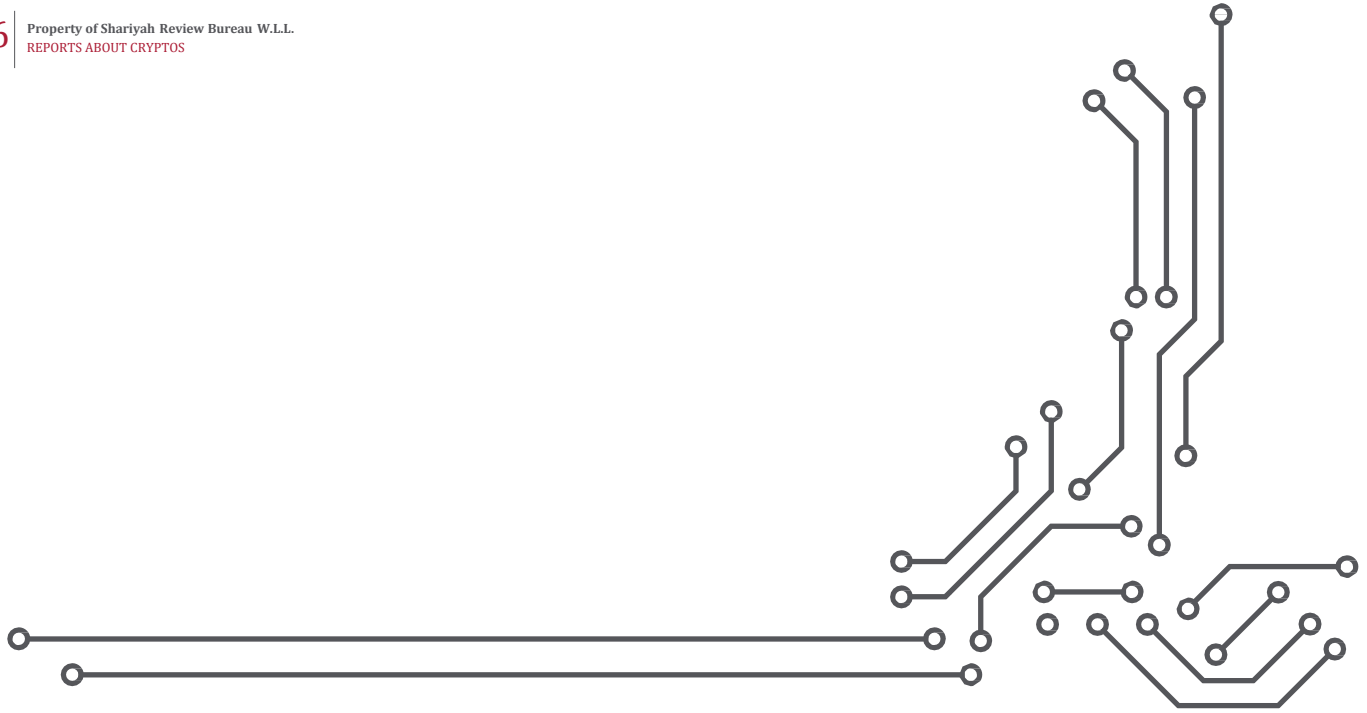
As you can see, the blue pie chart shows that 75.85 per cent of Tether’s reserves are, according to the company, backed by “Cash & Cash Equivalents & Other Short-Term Deposits & Commercial Paper”. The smaller, orangery pie chart breaks down that 75.85 per cent, and it turns out that the stable coin that used to say it was 100 per cent backed by cash reserves is in fact ... 2.9 per cent backed by cash reserves (3.87 per cent of the 75.85 per cent)

Tether claims in the whitepaper the following:

We could go bankrupt. In this case, the business entity Tether Limited would go bankrupt but client funds would be safe, and subsequently, all tethers will remain redeemable.

Tethers may be redeemable/exchangeable for the underlying fiat currency pursuant to Tether Limited’s terms of service or, if the holder prefers, the equivalent spot value in Bitcoin. Once a tether has been issued, it can be transferred, stored, spent, etc just like bitcoins or any other cryptocurrency.

Hence, the redeemability of a token is not contractually guaranteed.



SHARIAH OPINION

Although the utility of Tether itself is to function as a payment token and therefore permissible, there are concerns on the company. There should be some caution and review on the developments of Tether and the company itself.

RESOURCES

Website: <https://tether.to>

Whitepaper: <https://tether.to/wp-content/uploads/2016/06/TetherWhitePaper.pdf>

Assurance statement: <https://tether.to/wp-content/uploads/2021/03/tether-assurance-feb-2021.pdf>

Reserves breakdown: <https://tether.to/wp-content/uploads/2021/05/tether-march-31-2021-reserves-breakdown.pdf>

ABOUT SRB

Since our humble beginnings 17 years ago in the Kingdom of Saudi Arabia we've grown to include +100 companies across a host of industries, 5,000 transactional programs, 5 interdisciplinary teams and a combined scholarly workforce of 31 Sharia Scholars from 16 countries. And we're not done yet: our Sharia Audit and Sharia Advisory services will continue to improve—serving local and international businesses to help them maintain and manage Shari'a compliance.

Our combination of international and local market knowledge and multi-disciplinary perspective of Sharia give us an edge in the professional Sharia Advisory and Sharia Audit services industry in the GCC. The scope and value of our services, and the help they offer in building a thriving economy, keeps us excited.

The future of Sharia Advisory and Audit is exciting and we are very lucky to be a part of this business!

DISCLAIMER: This publication contains general information only and has been written in general terms. Shariyah Review Bureau W.L.L. is not, by means of this publication, rendering Shariyah compliance, accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect you or your business. Before making any decision or taking any action that may affect you or your business, you should consult a qualified professional and/or Shariyah adviser. Shariyah Review Bureau W.L.L. does not endorse or sponsor any vendor or product mentioned in this document.

Vendor and product names mentioned in this document are the trademarks or registered trademarks of their respective owners and are mentioned for identification purposes only. Shariyah Review Bureau W.L.L. is not responsible for the functionality or technology related to the vendor or other systems or technologies as mentioned in this document. A vendor or product mentioned in this report may not be regulated by an appropriate regulator, such as the Central Bank of Bahrain (CBB). Shariyah Review Bureau W.L.L. shall not be responsible for any loss sustained by any person who relies on this publication.

In Bahrain, you should be aware of the CBB regulations regarding crypto-assets, including those set out in the CBB Rulebook-Volume 6. The CBB has the authority to approve or reject, from time to time, crypto-assets offered or to be offered by its licensees. For the avoidance of doubt, nothing set out in this publication should be read or construed as indicative of or affecting such approval or rejection.