



# Boosting Treasury Returns with Digital Assets

Circle Yield: A new way to leverage crypto-generated assets without the complexity

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# The future is here

Each day, more businesses and institutions are exploring the benefits of blockchains and the maturing digital currency ecosystem to position their balance sheets for growth.

With the market value of digital currency in circulation growing past \$2 trillion<sup>1</sup> and tech advances making blockchains safer, faster, cheaper and more resilient, nearly 80% of executives say digital assets will be important to their space within two years.<sup>2</sup> Many businesses globally are beginning to leverage digital assets now, and we believe that there are real risks to enterprises that fail to develop and act on a near-term strategy.

For many corporate treasurers and institutional fund managers, allocating reserve cash into crypto capital markets is an easy way to get started. In addition to

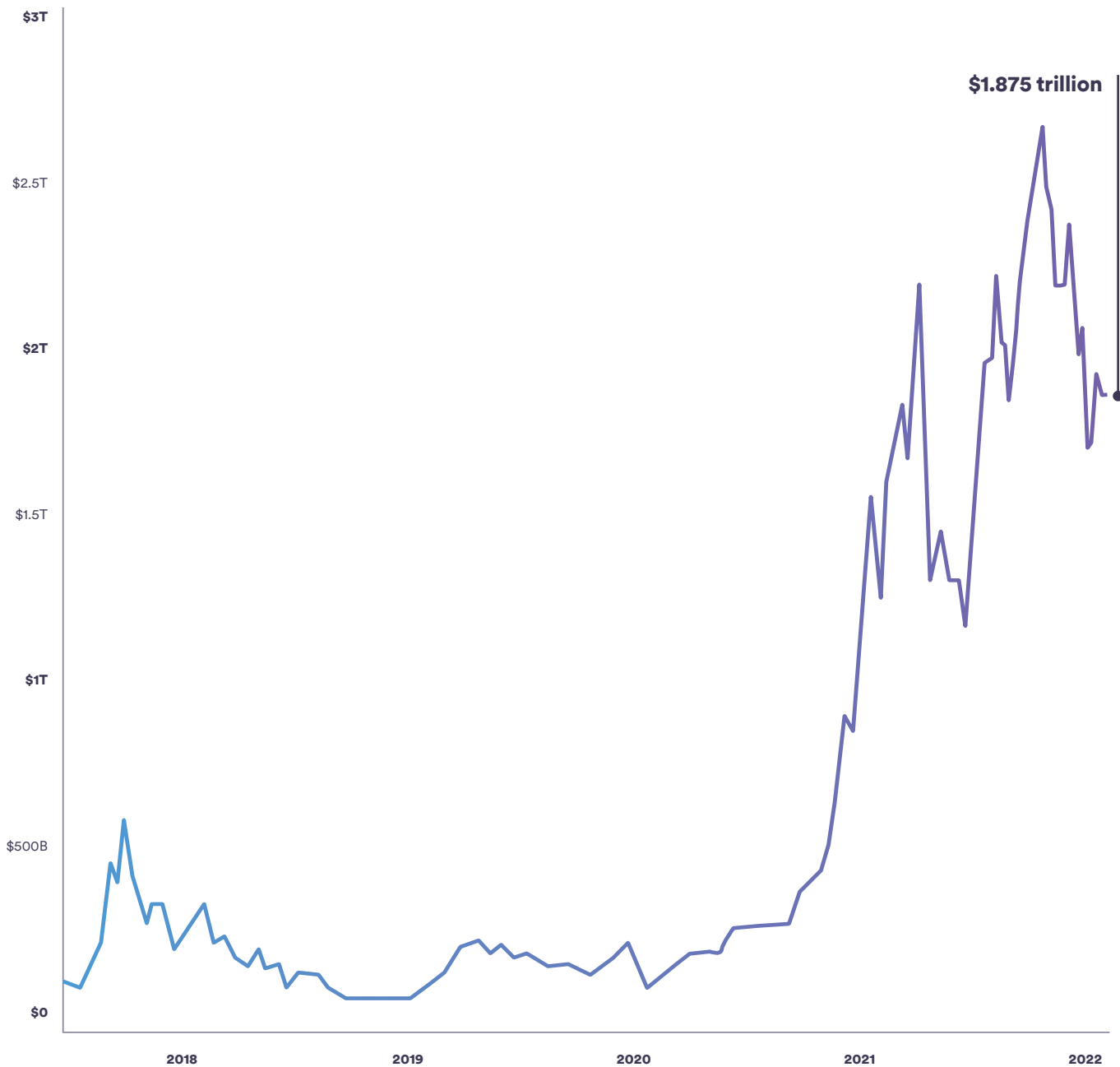
moving your business forward, investing in crypto can help solve a major problem that's plagued cash managers in recent years by helping to generate meaningful returns on idle funds at a time when 10-year Treasuries<sup>3</sup> and Aaa-rated 10-year corporate bonds<sup>4</sup> are yielding less than half of their historical averages and the annual inflation rate in the U.S. has soared to 7%.<sup>5</sup>

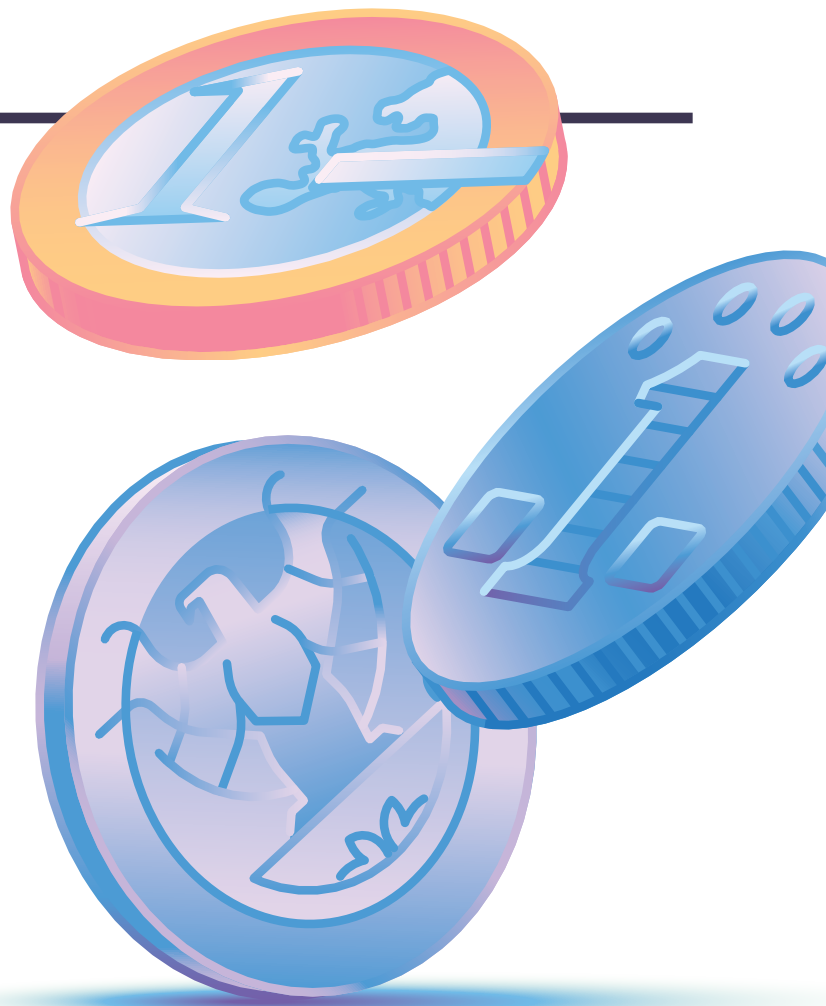


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# Growth of the crypto ecosystem

## Total crypto market capitalization





# What crypto investments are available?

There are many ways for institutions to gain crypto exposure. Some businesses have chosen to directly purchase bitcoin and other cryptocurrencies with treasury funds.

Others have begun to explore opportunities in decentralized finance — or DeFi — a new set of code-based financial markets that eliminate intermediaries and match buyers and sellers via smart contracts.

While both of these options may provide attractive returns, they are prone to bouts of volatility, complex to manage and can be difficult to hedge. They often require investors to self-custody funds through a specialized wallet — such as MetaMask

for Ethereum-based DeFi protocols — and the 24-hour nature of crypto markets means positions can quickly change outside of normal business hours.

Recently, Circle has pioneered a new class of investment that's specifically designed to help accredited investors access the benefits of crypto-generated returns while lessening these complexities. With Circle Yield,\* businesses can lock in superior returns\*\* leveraging tenor and rate terms that are similar to traditional fixed income.

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Introducing

# Circle Yield

Circle Yield\* is a fixed rate investment that is fully secured and overcollateralized with bitcoin collateral, offering a choice of terms ranging from 1-12 months.

It's built on USD Coin (USDC), which is widely used by wallets, exchanges, protocols and apps across many of the world's leading blockchains. As of January 2022, the minimum investment amount is \$100,000.

Circle Yield is easy to manage. Customers access Circle Yield through a free Circle Account, which has a UX that is comparable to leading treasury portals and offers the following benefits:

- Intuitive UX, rather than a browser extension
- No need to remember a complex seed phrase (like with self-custodied wallets)
- Easy reinvestment at maturity
- Human-led support throughout the life of your investment
- Secure custody of funds
- Fast, free access to USDC, a leading dollar digital currency

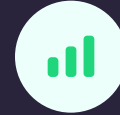
79%

Share of institutional investors and wealth managers who cite asset custody as their key crypto investment consideration.<sup>6</sup>

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Unlike many other yield-generating crypto investments, Circle Yield is also issued within a clear regulatory framework. It is overseen by the Bermuda Monetary Authority and is offered pursuant to the SEC's Regulation D, Rule 506 (c), and in certain jurisdictions. Circle works with strong industry partners, including Genesis Global Capital<sup>\*\*\*</sup>, a full service digital investment firm, and the collateral agent is BitGo, which provides digital asset custody for more than 400 institutional clients.

Circle Yield is initially overcollateralized at 125% at the time of loan funding. This means Genesis deposits bitcoin equal to 125% of the face value of the lender portfolio with BitGo as security. Genesis and BitGo maintain this collateralization ratio throughout the life of the investment. If changes in bitcoin's market value cause the collateral ratio to dip below this threshold, Genesis is required to provide BitGo with additional bitcoin to restore the 125% ratio within the same day (or next-day in some cases).



**Circle Yield shares structural similarities to CDs and traditional fixed income products. Customers get a fixed rate and a fixed term for predictable returns on cash.**

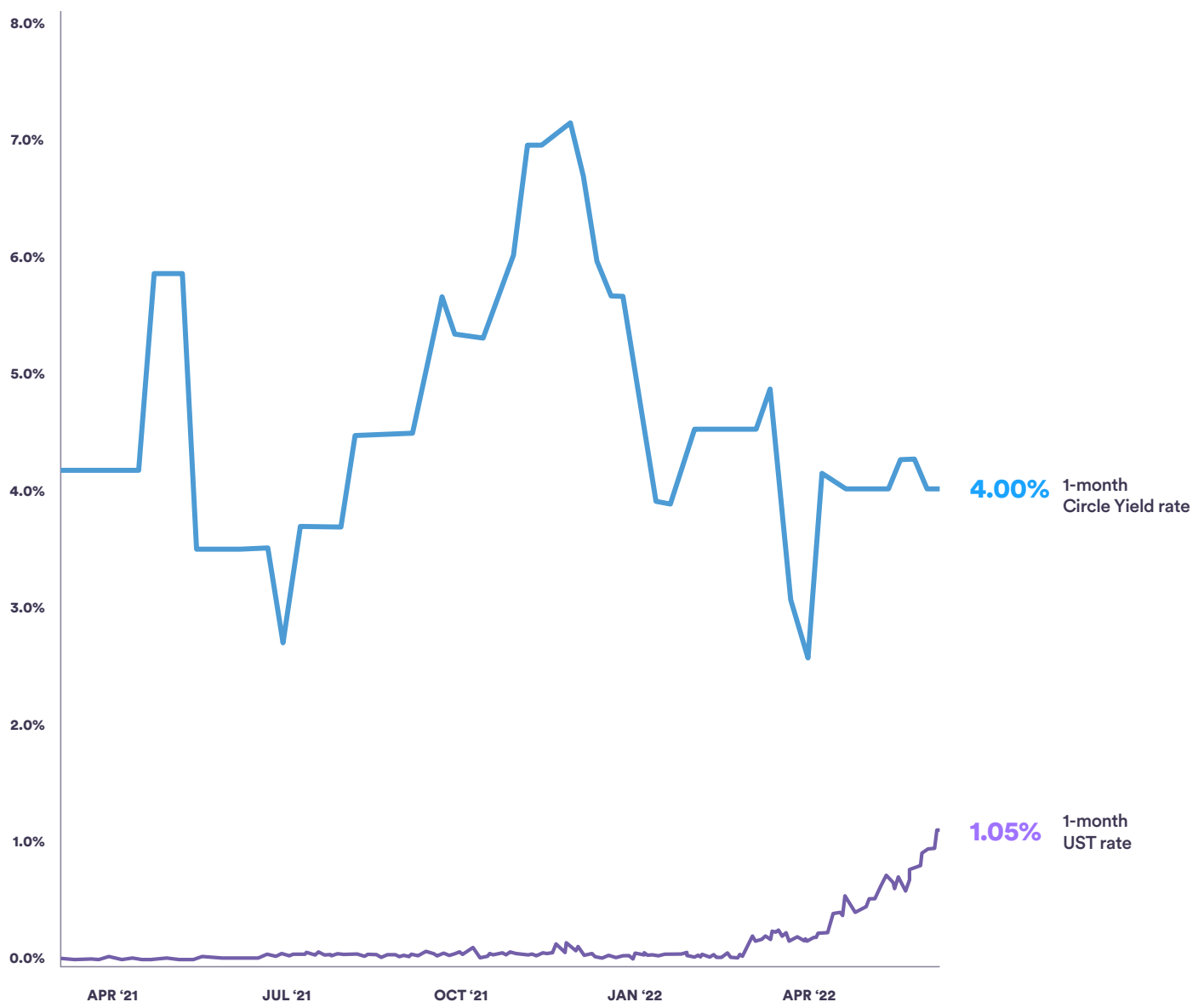
**Circle Yield is initially overcollateralized at 125%**

**125%**

# A new way to boost returns on cash

## Circle Yield vs. U.S. Treasuries<sup>7</sup>

1-month average Circle Yield rate and 1-month U.S. Treasury rate\*\*





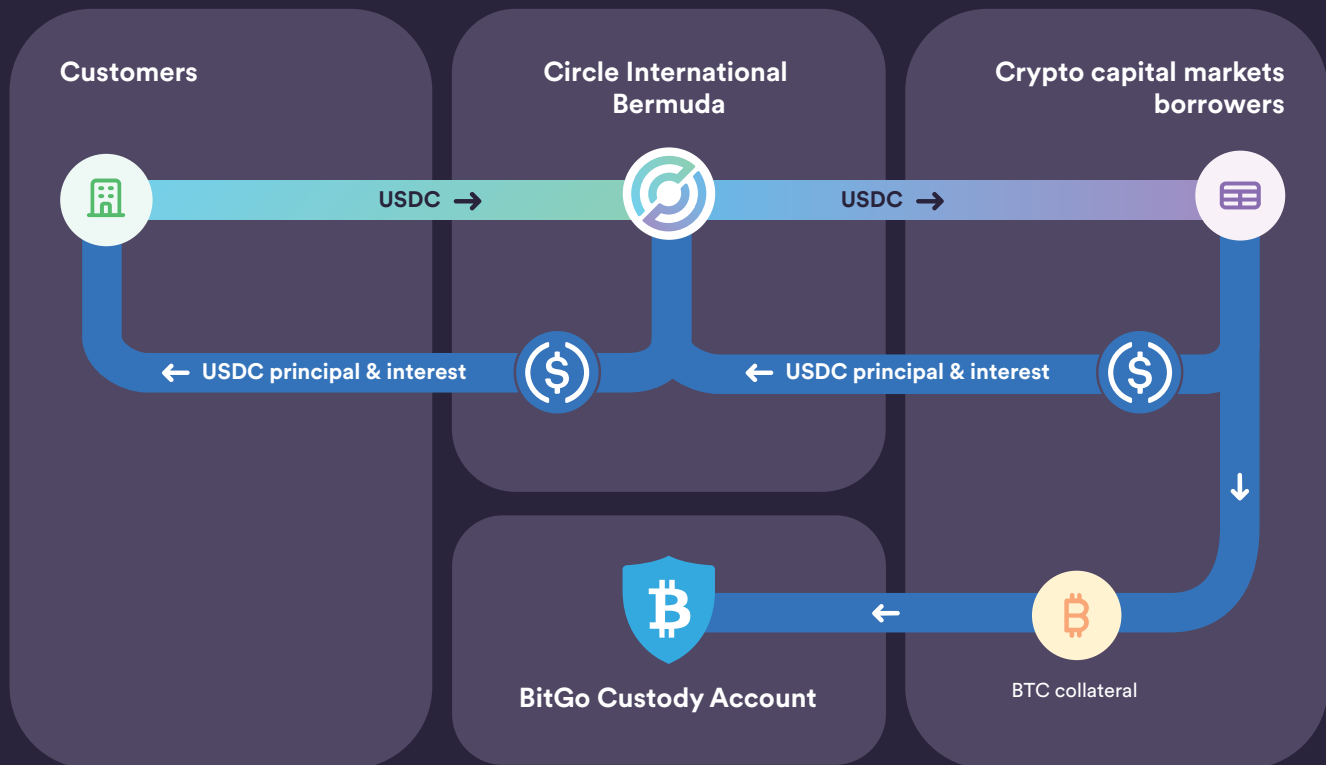
**“We are glad to be one of the first non-crypto companies in America to deploy a meaningful allocation of our corporate treasury into USDC. Given how persistent some of the existing market dynamics are in the crypto space, I wouldn’t be surprised if yields stay relatively high, and if we increase our USDC allocation over time.”**

**Alex Song**  
Head of Finance & Capital Markets  
Ramp



# How Circle Yield Works

Your USDC is lent to Circle Bermuda and invested with one or more of our investment partners. These partners lend in the crypto capital markets to generate yield. The interest you receive is subject to the terms of your loan. Your loan will be secured by our interest in bitcoin collateral received from our investment partners, initially overcollateralized and subject to top-up obligations, deposited with a third-party custodian designated in the line of credit agreement.



# How can Circle Yield offer such high returns?

Circle Yield differs from traditional fixed income products in several key ways. First, Circle Yield rates aren't determined by, or reflective of, Circle's corporate credit profile. Rates are based on how much our counterparty, a crypto capital markets borrower, is willing to pay to borrow USDC. Our counterparty can put the USDC to work in crypto capital markets, since it's currently in high demand by institutional crypto traders and businesses who want to use it on-chain. Crypto capital markets don't yet run on credit ratings, so the crypto traders and businesses who borrow USDC from our counterparty borrower pledge collateral against the loan.

Second, the relationship between risk and rates differs from traditional fixed income products. As shown above, Circle Yield's higher rates are correlated with USDC's utility in the crypto capital markets. Genesis and others are generally willing to pay a premium for ready access to one of the fastest growing dollar digital assets.

## See how Circle Yield compares

	U.S. treasuries	10-year corporate bond fund	Circle Yield	Other crypto lending
COLLATERALIZATION	None	None	<b>Over-collateralized</b>	Partial or none
RETURN	Low	Low to medium	<b>Medium</b>	High
STRUCTURE	Fixed rate	Fixed or variable rate	<b>Fixed rate</b>	Fixed or variable rate
PRINCIPAL TYPE	U.S. dollars	U.S. dollars	<b>USDC</b>	Other crypto assets



**Jeremy Allaire, Circle Co-Founder, CEO and Chairman**, addressing the U.S. Congress on the importance of digital currency

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# The regulatory environment

As the regulatory environment evolves, Circle is continuing to advance the dialogue with policymakers worldwide. In August 2021, Circle announced its intention to become a national digital currency bank, and that USDC is fully backed by cash and short-dated U.S. government obligations, so that it is always redeemable 1:1 for U.S. dollars. In December 2021, in back-to-back hearings in the U.S. Senate and the House of Representatives, executives from Circle detailed for lawmakers how digital assets — and the infrastructure they're built on — are a source of national economic competitiveness and answered an array of questions from a bipartisan group of lawmakers about digital assets, dollar digital currencies, DeFi and more.

# Working together to get you started

At Circle, our expertise goes beyond designing institutional crypto investments. Our executive team is composed of people with decades of experience leading major public corporations, banks and accounting firms. We can work with you to provide information to share with your legal, compliance and risk teams.

We welcome the opportunity to meet with you to understand your unique investment objectives and provide a solution that helps you take advantage of the latest wave of financial innovation. Feel free to reach out to us anytime.

<sup>1</sup> Trading View. Retrieved April 28, 2022 from <https://www.tradingview.com/markets/cryptocurrencies/global-charts/>

<sup>2</sup> Deloitte, 2021 Global Blockchain Survey, Retrieved February 1, 2022 from: <https://www2.deloitte.com/us/en/insights/topics/understanding-blockchain-potential/global-blockchain-survey.html>

<sup>3</sup> Ycharts. Retrieved 1/14/22 from [https://ycharts.com/indicators/10\\_year\\_treasury\\_rate](https://ycharts.com/indicators/10_year_treasury_rate)

<sup>4</sup> Ycharts. Retrieved 1/14/22 from [https://ycharts.com/indicators/moodys\\_seasoned\\_aaa\\_corporate\\_bond\\_yield](https://ycharts.com/indicators/moodys_seasoned_aaa_corporate_bond_yield)

<sup>5</sup> Gwynn Guilford. *The Wall Street Journal*. "U.S. Inflation hit 7% in December, Fastest Pace Since 1982." Retrieved 1/14/22 from <https://www.wsj.com/articles/us-inflation-consumer-price-index-december-2021-11641940760>

<sup>6</sup> Anchalee Worrachatee. *Bloomberg*. "Crypto Security is Biggest Concern for Investors." Retrieved 1/14/22 from <https://www.bloomberg.com/news/articles/2022-01-06/crypto-security-is-biggest-concern-for-institutional-investors>

<sup>7</sup> Sources: Circle internal data and YCharts, retrieved 3/3/22 from [https://ycharts.com/indicators/1\\_month\\_treasury\\_rate](https://ycharts.com/indicators/1_month_treasury_rate)

\* Offering subject to business approval, geographical availability, and regulatory authorization, and there is no guarantee that the product will become available in a specific timeframe or to a specific customer or geography. Circle Yield product offered through Circle International Bermuda Limited ("Circle Bermuda"). Circle Bermuda has entered into lending arrangements with one or more institutional borrowers, including Genesis Global Capital, LLC\*\*\*. These borrowers pledge and transfer Bitcoin into custody with a third party custodian as collateral for their USDC borrowings and Circle Yield investors benefit from a security interest in Circle Bermuda's security interest in the pledged Bitcoin. Not currently available in the following U.S. states: Alaska, Minnesota, New York and Hawaii.

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Circle is not a bank; your Circle Account is not a bank account, and any funds are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation or by any US or foreign government agency, insurance fund, person or entity. For investors in the United States, investments described in this communication are offered by Circle Bermuda to "accredited investors" only in accordance with Regulation D, Rule 506(c) of the Securities Act of 1933, as amended. While Circle Bermuda is regulated by the Bermuda Monetary Authority for digital asset business, Circle Bermuda is not engaged in banking and deposit taking activities and is not regulated for these purposes. You should carefully conduct your own investigations and analyses in connection with any participation in this product, including its objectives, risk factors, fees and expenses and the information set forth in these materials. All prospective participants in the products described herein are advised to consult with their legal, accounting and tax advisers regarding any potential participation. Please read the offering documents carefully before you invest. Additional information is available upon request.

\*\* Rates are purely indicative and are subject to change pending availability, approval and market conditions.

\*\*\* Learn more about Genesis Global Capital, LLC at <https://genesistrading.com/>.



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