

Ethena's USDe, explained: a dollar token built from hedged crypto

How Ethena says its synthetic dollar holds its value, where the backing sits, and the risks Ethena itself lists.

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AT A GLANCE

- 1** Ethena calls USDe "a crypto-native synthetic dollar," meaning a token that aims to track a dollar's value through hedged positions, with no dollar deposits behind it (source 1).
- 2** Ethena says volatile backing is paired with short futures of "approximately the same notional size," and stablecoins and short-duration real-world assets are held without a hedge (source 1).
- 3** Ethena says the backing sits with four custodians, Copper, Ceffu, Kraken and Anchorage Digital, under arrangements it calls Off-Exchange Settlement (source 3).
- 4** sUSDe is staked USDe. Ethena says its rewards are "fully discretionary" and can be positive or flat, never negative (source 4).
- 5** Only whitelisted users can mint USDe directly, and Ethena says it can reject mint orders (source 6).

USDe is a dollar token from Ethena that is not backed by dollars in a bank. Ethena says it holds crypto and other assets and pairs the volatile ones with bets that pay off when prices fall, so that gains and losses roughly cancel (source 1).

That design means USDe's stability rests on trading positions, exchanges and custodians rather than on cash and Treasury bills. Ethena says that "there is no guarantee" the backing keeps a stable dollar value (source 2).

This guide explains the mechanism as Ethena describes it and the risks Ethena itself discloses. Le Coin has not verified the backing independently.

What it is

Fiat-backed stablecoins such as USDC and USDT hold reserves with banks or trust companies, as Ethena's own risk pages note (source 11). Ethena says USDe instead "derives its relative peg stability from holding a diversified portfolio of backing assets and hedging the price-change risk of any volatile holdings" (source 1). The peg is the target of trading at one dollar.

Ethena says that for most of its history the backing was "concentrated in spot crypto assets hedged with short perpetual futures, alongside a buffer of liquid stablecoins," and that it is now diversifying into non-crypto basis trades, on-chain and institutional lending, and tokenized real-world assets, subject to its Risk Committee (source 2).

How it works

The hedge. A short perpetual future is a contract with no expiry date that gains value when the asset's price falls. Ethena says that holding 1 ETH alongside a short position of 1 ETH leaves the portfolio's dollar value unaffected by Ether's price, "outside of momentary dislocations between spot and derivatives markets" (source 5). Being "delta-neutral" means this: the price exposure nets to zero.

Example data. The numbers below are invented to show the arithmetic.

Position	If the asset rises \$500	If the asset falls \$500
1 unit held	+\$500	-\$500
Short future, 1 unit	-\$500	+\$500
Net, before funding and fees	\$0	\$0

The hedge removes price exposure, so what is left is the funding paid or received on the short position, plus fees, which is where Ethena's revenue and risk sit.

Minting. Ethena says a whitelisted user requests a price from Ethena's pricing service, signs an order, and Ethena's server checks it before the mint runs on-chain in a single transaction; Ethena "does have the ability to reject an order" (source 6). In Ethena's example, about \$100 of USDT becomes about 100 USDe, less gas and hedging costs, and Ethena says it "earns no profit" from minting or redeeming (source 1).

Custody. Ethena says it delegates, but never hands over, its backing to exchanges for use as margin, the collateral behind futures positions. The exchange "recognises the delegated value for margining purposes but cannot withdraw the underlying assets," and profit and loss is settled into custody "on frequent cycles" (source 3).

Where returns come from. Ethena says USDe's revenue can come from funding payments on short positions, lending, real-world assets and stablecoin rewards (sources 7, 9). Funding is the periodic payment between long and short holders of perpetual futures.

sUSDe. Ethena says staked USDe uses a "Token Vault" model, so the USDe value of each sUSDe rises as rewards are deposited, and that staked USDe "is not rehypothecated," meaning not lent out or reused (source 4).

The Reserve Fund. Ethena says a Reserve Fund built from past revenue is "designed to bear" the cost when revenue turns negative and can be used to cover backing shortfalls. It also says the share of revenue now going to the fund "is currently 0%," with 100% going to rewards and incentives, as of Oct. 16, 2026 (source 9).

Risks Ethena discloses

Ethena's risk section is titled "Synthetic dollar vs fiat and RWA backed stablecoins" and lists seven risks: funding, liquidation, custodial, exchange failure, backing assets, stablecoin-related and margin collateral (source 8).

- **Funding risk.** Ethena says funding rates can turn persistently negative, in which case it "could also be required to pay funding." It argues that negative periods "tend not to persist," which is Ethena's reading of past data, not a guarantee (source 7).
- **Custodial risk.** Ethena says it depends on its custodians' "operational ability." Although assets are in segregated accounts, it says a custodian's insolvency "would pose operational issues for the creation and redemption of USDe" while assets move to other providers (source 10).
- **Liquidation.** Ethena says an exchange can forcibly close part of a hedge if collateral such as staked ether loses value against the ether being hedged. It calls this unlikely because it uses "very minimal leverage" (source 13).
- **Exchange failure.** Ethena says its hedges trade on exchanges including Binance, Bybit, Bitget, Deribit and OKX, but its backing "is NEVER deposited to exchanges," so a failure puts at risk only profit not yet settled. To recover that, it relies on "cooperation and reasonable legal behaviour," and it settles often to keep those balances small (sources 10, 12).
- **Backing assets.** A backing asset such as a liquid staking token, a tradable receipt for staked ether, can drift in price from the ether its hedge tracks, Ethena says (source 14).
- **Stablecoins in the backing.** Ethena says stablecoins it holds, such as USDC, bring their issuers' risks, including reliance on banks, and that it favors them mainly in periods of market distress (source 11).
- **Margin collateral.** Ethena says many hedges are priced in USDT, leaving it "positionally long USDT" and exposed to a problem at Tether (source 15).
- **Central control points.** Minting is limited to whitelisted users, Ethena's server can reject orders, and the hedges sit on centralized exchanges (sources 1, 6).
- **No guarantee.** Ethena says preserving a stable dollar value of backing is an "objective," with "no guarantee" (source 2).

What it means

In Le Coin's view, USDe is best understood as a hedged trading position packaged as a dollar token. Its stability depends on funding rates, exchanges and custodians behaving as Ethena expects, which is a different risk from a fund of Treasury bills.

In Le Coin's view, Ethena's own disclosures matter as much as its mechanism. The risk pages describe conditions, such as negative funding or a custodian failure, in which minting, redemption or rewards could be disrupted.

Sources

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