Risk Scoring Methodology

Version 1.0

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DIGITAL CREDIT COMPASS

01 — Glossary of Defined Terms

The following terms are used throughout this document and on the DCC platform with the meanings set out below.

Defined Term	Definition
Algorithmic Stablecoin	A stablecoin whose peg is maintained entirely by on-chain tokenomic mechanisms rather than by held reserve assets. Subject to the ALGO_STABLECOIN_CAP hard rule.
ALGO_STABLECOIN_CAP	A structural hard rule that caps the maximum score for an algorithmic stablecoin at 20 out of 100, regardless of weighted criteria outcomes.
Audit Log	A permanent, append-only internal record of all CRO approvals, worst-case overrides, and material score changes.
Bucket Score Map (BSM)	The lookup table that maps each bucket value within a criterion to a numeric score between 0 and 100. For continuous variables, linear interpolation applies between bucket boundaries.
BTC Coverage Ratio	See Senior-Debt-Adjusted Coverage Ratio (SDACR).
CeFi	Centralised Finance. A financial platform operating under centralised control, custody, and governance. Covered under CeFi Stablecoins.
Chief Risk Officer (CRO)	The individual at DCC responsible for methodology approval, score publication authorisation, and worst-case protocol exceptions.
Composite Criterion	A scoring criterion whose score is derived from a weighted sub-formula across two or more sub-components.
Confidence Rating	An internal rating (0.0-1.0) assigned to each evidence field. Fields with confidence below 0.70 trigger the Worst-Case Protocol.
DCC	Digital Credit Compass. The platform providing deterministic, methodology-driven risk scores for digital asset income products.
DeFi	Decentralised Finance. Financial protocols operating through smart contracts on public blockchains. Covered under DeFi Stablecoins.
Depeg	A deviation of a stablecoin's market price from its target peg of USD $1.00.
Duration Multiplier	A scalar applied to the raw weighted score to reflect increased structural risk at longer investment durations. Module-specific schedule. BTC Collateral Lending: <3m=1.00, 3-6m=0.97, 6-12m=0.93, 1-2y=0.87, >2y=0.80. Treasury Strategies: <3m=1.00, 3-6m=0.96, 6-12m=0.91, 1-2y=0.83, >2y=0.74. Stablecoin Yield (CeFi & DeFi): <3m=1.00, 3-6m=0.94, 6-12m=0.88, 1-2y=0.84, >2y=0.80.
Hard Rule	A post-formula override mechanism that assigns a mandatory score ceiling or risk classification regardless of weighted score output.
HIGH_DEPEG_OVERRIDE	A hard rule that forces a HIGH RISK classification on any stablecoin with a 90-day maximum price deviation exceeding 1.5% from peg.
HV30	30-Day Historical Volatility. Used as the primary automated input for HV1Y tier derivation in Treasury Strategies.
HV1Y	252-Day Historical Volatility. The primary sub-component (50% weight) of the Market Risk Composite in Treasury Strategies.
Linear Interpolation Protocol	The scoring method applied to all continuous-value criteria: scores transition smoothly between bucket boundaries rather than jumping discretely.
LTV	Loan-to-Value. The ratio of outstanding loan principal to the current market

	value of pledged collateral.
Methodology Version	A formally CRO-approved state of the scoring framework. All scores permanently reference the methodology version under which they were computed.
CeFi Stablecoins	The CeFi sub-module of Stablecoin Yield. Scores centralised stablecoin yield platforms.
DeFi Stablecoins	The DeFi sub-module of Stablecoin Yield. Scores decentralised stablecoin yield protocols.
Par Value	The stated face or liquidation preference of a preferred share instrument. All Treasury Strategies instruments carry $100 par (STRE: EUR100).
Planner	One of three scoring modules: BTC Collateral Lending (BTC lending), Treasury Strategies (BTC treasury preferred shares), Stablecoin Yield (stablecoin yield).
Risk Band	One of four qualitative risk classifications: LOW RISK (80-100), MEDIUM RISK (60-79), ELEVATED RISK (40-59), HIGH RISK (0-39).
Score	The numeric output of the DCC scoring engine on a scale of 0-100.
Score Versioning	The principle that every score permanently references the methodology version under which it was computed. No retroactive revision is permitted.
SDACR	Senior-Debt-Adjusted Coverage Ratio. The ratio of (BTC Treasury Value minus Senior Debt Outstanding) to Total Preferred Obligations. The primary metric for Treasury Strategies C1.
SRI	Scenario Risk Index. A supplementary real-time collateral stress metric in BTC Collateral Lending. Formula: SRI = clamp(100 x (LTV / liquidationLTV)^2, 0, 100).
TVL	Total Value Locked. The aggregate value of assets deployed within a DeFi protocol.
Worst-Case Protocol	The automatic mechanism that substitutes a CRO-approved conservative worst-case score for any criterion where evidence confidence falls below 0.70.
Worst-Case Score	The CRO-approved conservative score pre-assigned for each criterion, substituted automatically by the Worst-Case Protocol.
Capital Structure Waterfall	The legal priority ordering of claims in a corporate insolvency. Senior secured debt ranks above senior unsecured debt, which ranks above preferred equity, which ranks above common equity.

DIGITAL CREDIT COMPASS

02 — Service Description & Independence

What DCC Is — An Information Service

DCC is an independent data and analytics platform providing digital credit risk analytics and scored intelligence computed from publicly available data via a published, version-controlled methodology. No fiduciary, advisory, or contractual relationship is created by the production, delivery, or use of any DCC document or score.

The scores, outputs, and documents produced by DCC are analytical tools produced for informational purposes only. They do not constitute investment, financial, legal, or tax advice. All scores are computed deterministically from publicly available information using a published, version-controlled formula.

DCC does not accept payment from any provider, issuer, or platform in connection with the production or modification of any score. No score is influenced by commercial relationships or issuer-paid engagement. All scores are computed deterministically from publicly available information only.

INDEPENDENCE STATEMENT

DCC holds no financial interest in any instrument, provider, or allocation shown in any document it produces. Scores reflect the output of a deterministic algorithm applied to public evidence — they do not represent the opinion of any individual analyst or the result of any issuer engagement. No DCC employee or contractor holds any financial interest in any scored instrument as a condition of employment.

How to Use This Document

This document is the complete public reference for all scoring criteria, weights, formulas, and data sources used by the Digital Credit Compass platform. It is published in full and is freely accessible.

Score Verification: Any DCC score can be independently replicated using this methodology and the same publicly available inputs. Every score displayed on the platform carries a reference to the methodology version used in its computation.

Score Details: The Score Details panel on any instrument surfaces the full evidence pack and score breakdown, including criterion-level scores, the data source used for each sub-criterion, and any worst-case score applications.

Methodology Versioning: DCC uses append-only versioning. Scores produced under a prior version remain permanently retrievable. Subscribers can query any historical score and retrieve the methodology version under which it was computed.

Due Diligence Use: This document is appropriate for use in due diligence processes, compliance reviews, and investment committee briefings as a description of DCC's analytical methodology. It does not constitute a regulatory opinion or investment recommendation.

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03 — Executive Summary

The Case for Deterministic Digital Credit Intelligence

The 2022 collapse of Celsius, BlockFi, and Voyager was not primarily a market event. It was a structural failure — a consequence of institutional capital allocating to digital asset income products without access to the structural analysis those products required. No existing rating agency possessed the methodology to provide it. The market filled that gap with reputation, yield, and trust. The outcome was predictable.

Digital Credit Compass was built on a single premise: informed investors require structured, transparent, and independently replicable risk scores for digital asset income products before they allocate capital — not after something goes wrong. This document is the complete public reference for Methodology v1.0, the inaugural published framework approved by the Chief Risk Officer.

BOTTOM LINE UP FRONT

DCC provides deterministic, transparent, independently replicable risk scores for three categories of digital asset income products: BTC-collateralised lending platforms (BTC Collateral Lending), BTC treasury preferred shares (Treasury Strategies), and stablecoin yield protocols (Stablecoin Yield).

No issuer pays for scores. No scores are influenced by commercial relationships. Every score is computed from public evidence using a published, version-controlled formula.

Treasury Strategies applies a purpose-built capital structure waterfall framework, using the Senior-Debt-Adjusted Coverage Ratio (SDACR) to model preferred shareholder risk after senior debt claims.

Stablecoin Yield operates two independent modules — CeFi Stablecoins for CeFi platforms and DeFi Stablecoins for DeFi protocols — each with distinct criteria, weights, and worst-case protocols.

All continuous-value criteria use linear interpolation for proportional, smooth scoring. Every criterion weight and scoring threshold has been calibrated against an empirical dataset of 38 historical digital asset failure events (2020–2025), ensuring that the framework reflects real-world failure patterns rather than theoretical assumptions alone.

04 — Market Context & Structural Gap

Why This Methodology Exists

The traditional credit rating architecture — Fitch, S&P, Moody's — was designed for a different universe. Their frameworks depend on audited financial statements, private issuer disclosures, and decades of default data from traditional finance instruments. That architecture serves sovereign debt and corporate bonds well. It was never designed for BTC-collateralised lending, stablecoin yield protocols, or Bitcoin treasury preferred equity.

The risk factors that govern outcomes in digital asset income products — on-chain reserve verification, collateral liquidation mechanics, stablecoin peg behaviour, DeFi governance structures — are structurally absent from traditional agency methodologies. DCC was built to close that gap.

Dimension	Fitch / S&P / Moody's	Digital Credit Compass
Asset coverage	Corporate bonds, sovereign debt, structured products	BTC lending, stablecoin protocols, BTC treasury preferred shares
Primary data source	Audited financials, private issuer disclosures	Public on-chain data, regulatory registries, prospectuses, real-time market APIs
Rating scale	Letter grades (AAA to D) — analyst consensus	Numeric 0–100 — deterministic formula with published weights
Transparency	Methodology published; issuer inputs confidential	Every weight, formula, and sub-criterion published in full; independently replicable
Conflict of interest	Issuer-pays model	No issuer payment; public evidence only
BTC collateral risk	Not assessed	Central criterion in BTC Collateral Lending (Collateral Control, 35% weight)
Stablecoin peg risk	Not assessed	Automated daily scoring via live price APIs; auto-flag if 90-day depeg > 1.5%
DeFi / Protocol risk	Not assessed	Native DeFi Stablecoins: Protocol Security (40%), Governance Risk (30%)
Update frequency	Annual or event-driven; may lag by months	Market data weekly; structural changes within 30 days of material event

DIGITAL CREDIT COMPASS

05 — Platform Architecture

Empirical Grounding

Every criterion weight and scoring threshold in this methodology has been tested against an empirical dataset of 38 historical digital asset failure events spanning January 2020 through December 2025. This dataset covers CeFi platform insolvencies (Celsius, BlockFi, Voyager, FTX), DeFi protocol exploits (Euler, Cream, Beanstalk, Mango Markets), and stablecoin failures (TerraUSD, Iron Finance, USDN). For each event, public evidence was reconstructed approximately 30 days prior to failure and scored retroactively under the DCC framework.

Criteria that demonstrated strong discriminative power — the ability to distinguish entities that subsequently failed from those that survived — were assigned higher weights. Criteria that failed the discrimination test were reduced. Scoring thresholds were anchored to the empirical boundary values observed in the failure dataset and, where applicable, to established regulatory and industry precedents. The result is a framework whose weights and thresholds are evidence-based, not narrative-based.

Three Planners. One Universal Scoring Architecture.

DCC scores three distinct product categories through three dedicated Planners, each with purpose-built criteria and weights. All three share a common universal architecture: a Score Band classification system, a Duration Multiplier applied after raw score computation, and a Linear Interpolation Protocol for continuous-value criteria.

Planner	Product Category	Criteria	Primary Criterion (Weight)
BTC Collateral Lending	BTC-collateralised lending platforms	5 criteria	Collateral Control (35%)
Treasury Strategies	BTC treasury preferred shares (STRF, STRK, STRC, STRD, SATA, STRE)	5 criteria	BTC Coverage Ratio / SDACR (30%)
CeFi Stablecoins	CeFi stablecoin yield platforms (Coinbase, Nexo, Kraken, etc.)	5 criteria	Solvency Verification (35%)
DeFi Stablecoins	DeFi stablecoin yield protocols (Aave v3, Compound v3, Spark, Morpho, Ethena)	5 criteria	Protocol Security (40%)

Universal Scoring Formula

```
Raw Score = Σ ( criterion_score_i × weight_i )  for all i in planner criteria
Final Score = clamp( round( Raw Score × Duration_Multiplier ), 0, 100 )

Where: criterion_score_i ∈ [0, 100]
       Σ weight_i = 1.00 per planner module
       Duration_Multiplier is module-specific. BTC: {1.00, 0.97, 0.93, 0.87, 0.80}
| Treasury: {1.00, 0.96, 0.91, 0.83, 0.74} | Stablecoin: {1.00, 0.94, 0.88, 0.84,
0.80}
```

Duration Multiplier Schedule

The Duration Multiplier is strictly downward-adjusting and applies to the risk score only — never to income projections. This reflects the empirical reality that structural risks compound over longer commitment periods.

Investment Duration	Multiplier	Rationale
< 3 months	× 1.00	Current observable facts dominate; no additional structural discount
3 – 6 months	× 0.97	One market cycle phase; moderate forward confirmation risk
6 – 12 months	× 0.93	Full cycle exposure; adverse event probability accumulates
1 – 2 years	× 0.87	Multiple cycles; regulatory and issuer risk compounds materially
> 2 years	× 0.80	Maximum duration discount; structural terms and governance may change

Linear Interpolation Protocol

For all criteria where the measured variable is continuous (as opposed to categorical), DCC applies linear interpolation between bucket boundary scores. This ensures that score transitions are smooth and proportional to underlying value changes, eliminating any discontinuity at threshold boundaries. Categorical criteria — where the value is inherently discrete (e.g., custody model type, rehypothecation status) — retain step-function scoring because there is no meaningful intermediate state between categories.

```
For a measured value V within the interval [lower_bound, upper_bound]:
Interpolated_Score = lower_score + [ (V − lower_bound) / (upper_bound −
lower_bound) ] × (upper_score − lower_score)

Scores are rounded to the nearest integer before use in the weighted sum.
For values at or below the lowest threshold: score = lowest_tier_score.
For values at or above the highest threshold: score = highest_tier_score.
```

06 — Methodology Integrity

Determinism, Transparency, and Independence

Three design principles govern the DCC scoring architecture and are non-negotiable across all planner modules:

Determinism: Every score is computed by a deterministic algorithm. Given the same publicly available inputs and the published weights, any analyst can independently replicate any DCC score. There is no analyst discretion embedded in score computation. Determinism is enforced at the code level: identical inputs always produce identical outputs.

Full Transparency: Every weight, sub-criterion, formula, data source, and hard rule is published in this document. No inputs are confidential. No methodology detail is withheld. Criterion-level score breakdowns are surfaced in the platform's Score Details panel for every instrument.

Structural Independence: DCC does not accept payment from any provider, issuer, or platform in connection with the production or modification of any score. All scores are computed from public evidence only. DCC holds no financial interest in any instrument it scores.

Score Versioning Policy

Score versioning is append-only. Every score produced by DCC references the methodology version under which it was computed. Scores produced under a prior version remain valid and permanently retrievable. No retroactive revision is permitted. Version changes require formal CRO sign-off and public announcement before taking effect.

Worst-Case Protocol

WORST-CASE PROTOCOL

When evidence quality is insufficient or contradictory, the platform substitutes a pre-approved conservative score. Undisclosed information is always treated as the most adverse available outcome.

This substitution is automatic and cannot be bypassed at the Analyst level. Any exception requires CRO sign-off and a permanent audit log entry.

Trigger: Confidence rating < 0.70 OR conflicting evidence detected.

07 — Structural Hard Rules

Override Mechanisms That Cannot Be Gamed

Three hard rules are embedded in the scoring architecture. They exist because certain risk conditions are severe enough that no weighting structure should be able to obscure them. All hard rules are applied post-formula, after the weighted score is computed.

Hard Rule 1 — Algorithmic Stablecoin Ceiling (ALGO_STABLECOIN_CAP)

Algorithmic stablecoins with no direct collateral backing receive a hard score ceiling of 20/100. This cap overrides all weighted criteria outcomes, regardless of how well the protocol scores on other dimensions.

Hard Rule 2 — Automatic HIGH RISK for Peg Deviation (HIGH_DEPEG_OVERRIDE)

Any stablecoin with a 90-day maximum peg deviation exceeding 1.5% from USD $1.00 is automatically classified HIGH RISK, overriding the total weighted score regardless of magnitude. The 1.5% threshold is empirically anchored: historical analysis of stablecoin stress events shows that deviations beyond 1.5% exhibit a materially different recovery profile from transient deviations below that level. The USDD (Tron) near-depeg of 1.9% and the USDC SVB-related depeg of approximately 10% both occurred at levels above this threshold and were associated with significant structural stress. Peg stability is assessed continuously via live market price APIs.

Hard Rule 3 — HV30 Monitoring & Spike Detection

A spike detection mechanism flags any single-period change in HV30 of more than 10 percentage points to the admin audit log, triggering mandatory manual score review. Dual-source HV30 validation is applied: where the two market data sources diverge by more than 5 percentage points, the higher (more adverse) value is used.

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08 — Score Band Framework

Four Bands. Defined Platform Behaviour.

Every DCC score falls into one of four risk bands. Band assignment is deterministic: a score of exactly 60 is MEDIUM RISK; a score of exactly 59 is ELEVATED RISK. No analyst discretion applies.

Score Range	Risk Band	Signal	Platform Behaviour
80 – 100	LOW RISK	● Strong	Full inclusion eligible in Reference Scenario (Illustrative)
60 – 79	MEDIUM RISK	● Moderate	Eligible with risk disclosure note displayed prominently
40 – 59	ELEVATED RISK	● Elevated	Maximum 30% allocation cap in Reference Scenario
0 – 39	HIGH RISK	● High Risk	Not included in Reference Scenario; available in My Scenario with full-screen risk disclosure

09 — BTC Collateral Lending

Scope

This framework covers BTC-collateralised lending platforms: entities where users pledge Bitcoin as collateral to receive a fiat or stablecoin loan. The score measures the structural quality of the lending provider. BTC price risk is shown separately and is not folded into the structural score.

Scenario Risk Index (SRI)

The Scenario Risk Index is a supplementary metric computed for BTC Collateral Lending scenarios. It quantifies the structural risk of a specific user scenario by measuring the proximity of the user's chosen Loan-to-Value ratio to the provider's liquidation threshold.

```
SRI = clamp( 100 × (LTV / Liquidation_LTV)², 0, 100 )

SRI < 40 :  GREEN  — Comfortable buffer from liquidation
SRI 40–69 : AMBER  — Moderate proximity; monitor closely
SRI ≥ 70 :  RED    — High liquidation proximity; immediate attention required
```

Five Scoring Criteria — BTC Collateral Lending

C1 — Transparency & Disclosure (Weight: 20%)

This criterion measures whether a platform gives users the information necessary to understand the safety conditions around their pledged BTC. The primary driver is Proof of Reserves frequency. Transparency is weighted at 20% rather than a higher figure because empirical analysis of CeFi platform failures revealed that disclosure quality alone has limited discriminative power: several platforms that maintained active, detailed disclosure programmes (including proof-of-reserves attestations) subsequently collapsed due to undisclosed structural risks. Transparency matters, but it cannot compensate for deficiencies in custody and structural integrity.

Proof of Reserves Frequency	Score
Monthly attestation by named independent auditor	100
On-chain individual vault verification (e.g. Unchained 2-of-3 multisig)	90
Quarterly attestation	75
Annual attestation	50
No proof of reserves	0

C2 — Collateral Control & Liquidation Mechanics (Weight: 35%)

This criterion is a composite of Custody Model (60% of criterion weight), Collateral Top-Up speed (25%), and Counterparty Concentration (15%). Custody model is the dominant factor because empirical analysis ranks it as the single strongest predictor of platform failure outcomes: custody arrangement accurately predicted recovery outcomes across the historical dataset. Every major CeFi platform that collapsed with

material client losses operated commingled or undisclosed custody models. The 35% weight reflects this empirical primacy.

```
Collateral_Control_Score = round( Custody_Model_Score × 0.60 +
Collateral_TopUp_Score × 0.25 + Concentration_Score × 0.15 )
```

Custody Model	Score
Fully segregated custody, disclosed to clients	100
Pooled custody, disclosed to clients	60
Commingled with operational funds	10
Unknown / not disclosed	0

Collateral Top-Up Speed	Score
Instant top-up required upon margin call	100
Same business day	75
Delayed (2–5 business days)	30
No top-up mechanism — immediate liquidation triggered	0

Liquidation LTV Threshold and Maximum LTV Offered are scored using linear interpolation between tier boundaries:

Liquidation LTV Threshold	Score
≤ 75%	100
76–80%	80
81–85%	60
86–90%	30
> 90%	0

Maximum LTV Offered	Score
≤ 40%	100
41–50%	85
51–60%	65
61–70%	40
71–80%	15
> 80%	0

C3 — Jurisdiction & Legal Enforceability (Weight: 15%)

Jurisdiction Tier	Description	Score
Tier 1	CH, US, UK, SG, EU (MiCA). Established regulatory frameworks.	100
Tier 2	Gibraltar, HK, Cayman Islands. Frameworks exist; protections narrower.	65
Tier 3	Malta, BVI, Seychelles. Lighter-touch regulation.	25
Tier 4	Offshore, anonymous, unregistered. No meaningful regulatory framework.	0

C4 — Structural & Custody Risk (Weight: 25%)

This criterion directly assesses rehypothecation practice. Empirical analysis identifies rehypothecation status as the second-strongest predictor of platform failure in the historical dataset. Undisclosed rehypothecation was the central structural mechanism in the Celsius collapse ($4.7B in client losses), and was present in every major CeFi lending failure between 2020 and 2023. Pledged BTC was re-used by platforms for their own lending operations, creating hidden counterparty exposure that users were unaware of. Undisclosed rehypothecation scores 0; no partial credit is awarded because the risk is binary and the consequences are existential. The 25% weight reflects the empirical severity of this signal.

Rehypothecation Status	Score
No rehypothecation — client BTC ring-fenced	100
Rehypothecation disclosed in Terms of Service	25
Rehypothecation not disclosed (undisclosed)	0

C5 — Track Record & Operational Resilience (Weight: 5%)

Maturity Tier	Criteria	Score
Established & Regulated	5+ years operating, full regulatory licence, survived at least one major market cycle	100
Mature & Licensed	3–5 years operating, holds regulatory licence or registration	75
Operational & Registered	1–3 years operating, basic registration only	50
New or Unproven	< 1 year operating, OR no regulatory history	15

BTC Collateral Lending — Registered Provider Universe

Current registered providers assessed under BTC Collateral Lending (**12 total**):

Custodial (8): AMINA Bank (Switzerland, Tier 1), Sygnum Bank (Switzerland, Tier 1), Xapo (Gibraltar, Tier 2), Matrixport (Singapore, Tier 2), Ledn (Cayman Islands, **Tier 3**), Nexo (Bulgaria, Tier 2), Salt Lending (USA, Tier 1), **Strike** (USA, Tier 1), and **Abra** (USA, Tier 1).

Non-Custodial / P2P (3): Unchained (USA, Tier 1), Hodl Hodl P2P (Malta, Tier 2), and **Figure** (USA, Tier 1).

10 — Treasury Strategies

Scope

Treasury Strategies covers BTC treasury preferred shares: equity instruments issued by companies whose primary corporate treasury asset is Bitcoin, where preferred dividends are economically backed by that BTC holding. The current universe comprises: Strategy Preferred Shares Series F (STRF), K (STRK), C (STRC), D (STRD), E (STRE — EUR-denominated), and Strive Asset Management Series A (SATA).

Five Scoring Criteria — Treasury Strategies

C1 — BTC Coverage Ratio / SDACR (Weight: 30%)

BTC Treasury Preferred Shares are equity instruments. They are not debt. In a bankruptcy or wind-down scenario, senior secured debt, senior unsecured debt, and accounts payable all rank ahead of preferred equity in the capital structure waterfall. The Senior-Debt-Adjusted Coverage Ratio (SDACR) correctly models the preferred shareholder's economic position by first deducting senior debt obligations from BTC asset value before computing coverage.

```
SDACR = [ (BTC Holdings × Current BTC Price) − Total Senior Debt Outstanding ] ÷
Total Preferred Obligations

Where: BTC Holdings = total BTC in corporate treasury (source: most recent 10-Q or
10-K)
       Current BTC Price = dual-source market API feed (weekly update)
       Total Senior Debt Outstanding = sum of all debt ranking senior to preferred
equity (source: SEC balance sheet)
       Total Preferred Obligations = aggregate par value × shares outstanding, all
series (source: SEC 424B5)

Note: All preferred series for a single issuer are aggregated. They share the same
BTC treasury pool
and compete for the same waterfall position.
```

Coverage Tier	SDACR Threshold (Adjusted)	Score
Extreme	SDACR > 20×	100
Strong	SDACR 10–20×	80
Adequate	SDACR 5–10×	60
Thin	SDACR 1.5–5×	30
At Risk	SDACR < 1.5× OR undisclosed OR senior debt subordinates preferred	0

Linear interpolation applies between bucket boundaries for this continuous-value criterion. The 1.5× floor is anchored to scenario stress analysis: at SDACR below 1.5×, even a moderate BTC price decline (30–40%) would cause remaining BTC value, after senior debt claims, to fall below total preferred obligations —

placing dividend payments and principal at structural risk. The 20× ceiling reflects the level at which no plausible BTC price scenario impairs preferred coverage.

Capital Structure Waterfall — Instrument-Level Position

The following table presents the capital structure waterfall for each scored Treasury Strategies issuer, sourced from the most recent 10-K/10-Q and SEC 424B5 filings.

Issuer	BTC Holdings	Senior Debt	Pref. Obligations	SDACR @ $85K	SDACR @ $50K
Strategy (MSTR)	762,099 BTC	~$8,214M	$2,100M	26.9×	14.2×
Metaplanet	10,116 BTC	~$50M	$180M	4.5×	2.7×
Marathon Digital	44,893 BTC	~$1,400M	$850M	2.8×	1.3×
Semler Scientific	3,192 BTC	~$10M	$120M	2.2×	1.3×
Strive (SATA)	10,547 BTC	~$10M	~$428M	2.07×	1.21×

C2 — Income Structure (Weight: 25%)

Income Type	Description	Score
Fixed Contractual	Fixed rate, legally binding — non-payment triggers a default event	100
Fixed Board-Declared	Fixed rate but board can suspend without triggering legal default	60
Fixed FX	Fixed rate in foreign currency — USD investors carry FX exposure	50
Variable Formula	Variable rate tied to a defined, published formula	40
Fully Discretionary	Entirely at board discretion; no legal or contractual commitment	10

C3 — Market Risk Composite (Weight: 20%)

```
Market_Risk_Score = round( HV1Y_Score × 0.50 + Price_to_Par_Score × 0.30 +
Liquidity_Score × 0.20 )

All three sub-components use linear interpolation for continuous-value scoring.
```

HV1Y Tier (50% of C3)	Threshold	Score
Very Low	HV1Y < 15%	100
Low	HV1Y 15–25%	80
Moderate	HV1Y 25–40%	55
High	HV1Y 40–60%	25
Extreme	HV1Y > 60%	0

Price-to-Par Tier (30% of C3)	Threshold	Score

At Par	Trading 98–102% of par	100
Near Par	Trading 90–98% of par	80
Moderate Discount	Trading 75–90% of par	50
Deep Discount	Trading 60–75% of par	20
Distressed	Trading below 60% of par	0

Liquidity Tier (20% of C3)	30-Day Avg. Volume (USD)	Score
Institutional	> $100M	100
Liquid	$20M – $100M	75
Moderate	$5M – $20M	50
Thin	$1M – $5M	20
Illiquid	< $1M	0

C4 — Convertibility Risk (Weight: 17%)

Convertibility Risk assesses whether the instrument contains conversion features that can force holders into common equity. The three-tier framework distinguishes between instruments with no conversion path, instruments with discretionary optional conversion, and instruments with issuer-forced or automatic conversion triggers.

Convertibility Tier	Description	Score
Non-Convertible	No conversion feature — preferred status is permanent	100
Holder-Optional Convertible	Conversion at holder discretion only; issuer cannot force	60
Issuer-Forced / Trigger-Based	Issuer can force conversion OR automatic triggers exist; holder may be converted under adverse conditions	20

C5 — Issuer Maturity (Weight: 8%)

Maturity Tier	Criteria	Score
Institutional & Established	3+ years BTC treasury, SEC-registered or equivalent, survived full BTC cycle	100
Listed & Emerging	Listed but < 3 years BTC treasury history	65
Private or New	Private entity or BTC treasury < 12 months old	25
Undisclosed	BTC treasury composition cannot be independently verified	0

Treasury Strategies — Instrument Universe

Ticker	Instrument Name	Par Value	Currency	Dividend Type
STRF	Strategy Preferred Shares Series F	$100	USD	Fixed Contractual
STRK	Strategy Preferred Shares Series K	$100	USD	Fixed Convertible
STRC	Strategy Preferred Shares Series C	$100	USD	Fixed Contractual
STRD	Strategy Preferred Shares Series D	$100	USD	Fixed Board-Declared

STRE	Strategy Preferred Shares Series E	€100	EUR	Fixed FX (EUR)
SATA	Strive Asset Management Series A	$100	USD	Variable Formula

11 — CeFi Stablecoins

Scope

CeFi Stablecoins covers centralised platforms distributing stablecoin yield products: Coinbase, Kraken Earn, Nexo, Bybit, OKX Earn, Binance FZE, YouHodler, Matrixport, and Ledn. A critical distinction applies: most platforms are stablecoin distributors, not issuers. CeFi Stablecoins does not assess stablecoin issuer reserve quality. It assesses the platform's own financial safety. The core question is: if this platform fails, do clients recover their stablecoins?

Five Scoring Criteria — CeFi Stablecoins

C1 — Solvency Verification (Weight: 35%)

Solvency Verification is the dominant criterion because empirical analysis confirms it as the strongest single predictor of CeFi platform failure. The presence or absence of independent solvency verification accurately discriminated between platforms that subsequently failed and those that survived. The 35% weight reflects this empirical primacy.

Solvency Verification Tier	Description	Score
Big 4 Audited Annual	Annual accounts audited by a Big 4 firm, filed with SEC/FCA/FINMA	100
Independent Audited Annual	Annual accounts by a recognised CPA, publicly filed	85
POR Quarterly — Named Auditor	Quarterly Proof of Reserves by named CPA with methodology disclosed	70
POR Annual — Named Auditor	Annual Proof of Reserves by named CPA	55
Self-Reported Only	Platform publishes own figures; no named independent auditor	20
No Disclosure	No independent verification published	0

C2 — Regulatory Accountability (Weight: 20%) — Composite

```
Reg_Accountability_Score = round( Q1_Score × 0.40 + Q2_Score × 0.40 + Q3_Score × 0.20 )
```

Q1: Is the yield product within the platform's licence?	Score
Explicitly licensed	100
Probably covered	70
Unclear	40
Exchange only	20

Unlicensed	0

Q2: Does the regulator have enforcement powers?	Score
Prudential supervisor	100
Conduct regulator	80
AML only	40
Registration only	10

Q3: Client compensation or complaints mechanism?	Score
Statutory compensation scheme (e.g. FSCS, SIPC)	100
Regulatory complaints with binding arbitration	70
Voluntary scheme or ombudsman only	40
None	0

C3 — Yield Commitment (Weight: 10%)

Yield Commitment is weighted at 10% — the lowest non-trivial weight in CeFi Stablecoins. This reflects the empirical finding that yield commitment demonstrated near-zero discriminative power in the historical failure dataset: every major CeFi platform that collapsed between 2020 and 2023 maintained attractive, actively promoted yield offers in the months preceding failure. A higher weight on yield commitment would perversely reward the behaviour pattern most strongly associated with subsequent collapse.

Yield Commitment Tier	Description	Score
Contractual Fixed	Fixed rate, legally binding on the platform	100
Contractual Variable	Variable rate tied to a defined, disclosed formula	75
Disclosed Discretionary	Platform may change rate with notice; disclosed policy	45
Promotional Disclosed	Promotional rate; no contractual floor	20
Promotional Undisclosed	Rate may be removed without notice	0

C4 — Liquidity (Weight: 25%) — Composite

Liquidity is weighted at 25% because empirical analysis identifies TVL drawdown as a leading indicator of CeFi platform failure: TVL declines preceded failures by a median of approximately 47 days in the historical dataset. This makes liquidity one of the few forward-looking signals available in a market where structural data is often lagging.

```
Liquidity_Score = round( TVL_Score × 0.70 + Withdrawal_Speed_Score × 0.30 )
```

TVL Tier	Threshold	Score
Above $10B	> $10 billion	100
$1B – $10B	$1B to $10B	85

$100M – $1B	$100M to $1B	65
$10M – $100M	$10M to $100M	40
Below $10M	< $10M	10

Withdrawal Speed	Score
Instant — immediate redemption	100
< 7 days	65
< 30 days	30
Locked — no redemption path	0

C5 — Jurisdiction (Weight: 10%) — Composite

```
Jurisdiction_Score = round( Incorporation_Tier_Score × 0.30 +
Product_Oversight_Tier_Score × 0.70 )
```

Incorporation Tier	Score
Tier 1 G20 — UK, US, EU, SG, CH	100
Tier 2 Established	75
Tier 3 Light-Touch	40
Tier 4 Opaque	0

Product Oversight Tier	Score
Prudential licensed — full balance sheet oversight	100
VASP full Tier 1	80
VASP full Tier 2	60
Registered but not licensed	25
Unregulated	0

DIGITAL CREDIT COMPASS

12 — DeFi Stablecoins

Scope

DeFi Stablecoins covers DeFi stablecoin yield protocols: Aave v3, Compound v3, Spark Protocol, Morpho Blue, and Ethena (USDe). DeFi protocols have no company balance sheet, no custody risk in the traditional sense, and no regulatory licence. The risk is code risk and governance risk. The core question is: is the code secure, and can governance actors attack users?

Five Scoring Criteria — DeFi Stablecoins

C1 — Protocol Security (Weight: 40%) — Composite

Protocol Security carries the highest weight in DeFi Stablecoins because empirical analysis of DeFi protocol exploits (2020–2025) confirms audit depth and battle-test duration as the two most predictive criteria for protocol survival. The 40% weight is supported by exploit data across 14 historical DeFi failure events.

```
Protocol_Security_Score = round( Audit_Depth_Score × 0.50 + Battle_Test_Score × 0.50 )
```

Audit Depth Tier	Description	Score
Tier 1 Multi-Audit	3+ Tier 1 firm audits + Immunefi bug bounty > $1M	100
Tier 1 Dual Audit	2 Tier 1 firm audits + active bug bounty	80
Recognised Single Audit	1 recognised audit + bug bounty	55
Unrecognised Audit	Audit by non-Tier-1 firm	25
Unaudited	No published security audit	0

Battle-Test Tier	Description	Score
Sustained 3yr No Exploit	Current codebase operating > 3 years with no material exploit	100
Sustained 2yr No Exploit	2–3 years without exploit	80
Sustained 1yr No Exploit	1–2 years without exploit	60
Under 1yr	Less than 1 year of operation	35
Post-Exploit Recovered	Prior exploit; protocol recovered with full user reimbursement	25
Active Exploit History	Material exploit with incomplete or no user recovery	0

C2 — Governance Risk (Weight: 30%) — Composite

Governance Risk is the second-highest weighted criterion because empirical analysis identifies governance attack as a major DeFi failure vector. The Beanstalk ($182M) and Mango Markets ($117M) exploits were governance attacks, not code exploits — demonstrating that protocol security alone is insufficient if governance mechanisms can be manipulated. The 30% weight reflects this empirical finding.

```
Governance_Risk_Score = round( Immutability_Score × 0.50 + Regulatory_Record_Score × 0.50)
```

Immutability Tier	Description	Score
Fully Immutable	No upgrade path; no proxy; no admin key	100
Timelock 72h+	Governance vote required + 72h+ timelock	80
Timelock 24–72h	Governance vote + 24–72h timelock	60
Governance No Timelock	Upgradeable by governance with no timelock	30
Admin Key Controlled	Team holds upgrade keys — unilateral changes possible	10

Regulatory Record Tier	Description	Score
No Action — Geofenced	No regulatory action; restricted-jurisdiction access blocked	100
No Action — Open	No action; operates in ungeofenced regulatory grey zones	75
Under Inquiry	Under regulatory inquiry; formal action possible	40
Formal Action	Subject to regulatory enforcement action or sanction	0

C3 — Yield Transparency (Weight: 15%)

Yield Transparency Tier	Description	Score
Fully On-Chain Documented	All yield parameters on-chain with full public documentation	100
On-Chain Under-Documented	Parameters on-chain but documentation incomplete	75
Partially On-Chain	Some parameters on-chain; others determined off-chain	45
Off-Chain Disclosed	Yield determined off-chain but methodology disclosed	20
Not Disclosed	Yield methodology not disclosed or verifiable	0

C4 — Liquidity (Weight: 10%) — Composite

Same liquidity composite structure as CeFi Stablecoins: TVL score (70%) combined with withdrawal speed score (30%).

TVL Tier (DeFi)	Threshold	Score
Above $5B	> $5 billion	100
$1B – $5B	$1B to $5B	85
$500M – $1B	$500M to $1B	70
$200M – $500M	$200M to $500M	50
$50M – $200M	$50M to $200M	25
Below $50M	< $50M	0

C5 — Peg Stability (Weight: 5%)

Peg Stability is scored from the maximum peg deviation over 90 days. This criterion carries a 5% weight but triggers the absolute HIGH_DEPEG_OVERRIDE hard rule if the 90-day maximum deviation exceeds 1.5%.

Maximum 90-Day Depeg	Score
≤ 0.10% (10 basis points)	100
0.10–0.30% (10–30 bps)	80
0.30–0.50% (30–50 bps)	60
0.50–1.50% (50–150 bps)	20
> 1.50% → HIGH_DEPEG_OVERRIDE triggered	0 + AUTO HIGH RISK

13 — Reference Calibration

Illustrative Benchmark Scores — Treasury Strategies, 12-Month Duration

The following scores are provided as an illustrative benchmark only, computed under the Methodology v1.0 framework at a 12-month investment duration with the Treasury Strategies × 0.91 duration multiplier applied. These figures are not investment recommendations.

Ticker	C1 SDACR 30%	C2 Income 25%	C3 Market 20%	C4 Convert 17%	C5 Maturity 8%	Raw	Final	Band
STRF	30	25	14	17	8	94	86	LOW
STRC	30	25	12	17	8	92	84	LOW
STRE	24	15	11	17	7	74	67	MEDIUM
SATA	11	10	10	17	5	53	48	ELEVATED
STRD	14	15	8	3	8	48	44	ELEVATED
STRK	14	15	8	10	8	55	50	ELEVATED

NOTE — Illustrative Scores

These benchmark scores are illustrative only and are computed from publicly available information as of April 2026. Actual published scores incorporate live market data (HV1Y, price-to-par, trading volume) and the most recent CRO-approved evidence. Published scores may differ materially from these illustrative figures.

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