# Three Numbers That Frame the Problem

**$301B**

**Global Stablecoin Market**

Total market size as of April 2026

**<1%**

**Held for Payments**

~$2B actually used as payment instruments

**99%**

**Not Held for Payments**

~½ trading assets · ~⅓ corporate treasury

**The core tension:** Every major regulatory framework — GENIUS Act, OCC NPRM, SEC interim guidance — treats stablecoins as payment instruments.

**ASC 820 doesn't care what regulators call them. ASC 820 cares what they are.**

*Source: Franklin Noll · Federal Reserve Bank of Kansas City · April 2026*

INSTITUTIONAL LANDSCAPE

# Where Institutional Digital-Asset Money Already Sits

Where institutional and financial-markets digital-asset money already sits — treasury holdings, regulated ETF wrappers, tokenized real-world assets, staking infrastructure. Not retail. Not speculation.

| Component | AUM | Trajectory |
|---|---|---|
| Spot BTC ETFs | $96 B | ▲ $0 → $96B in 27 months (Jan 2024 launch) |
| Stablecoin Corporate Treasury | $88 B | ▲ ~doubled in 18 months (Noll / KCFed) |
| Public-Company BTC Treasuries | $80 B | ▲ +$2.5B added in April 2026 alone (Strategy) |
| Distributed Tokenized RWAs | $30 B | ▲ 4× in 18 months (RWA.xyz) |
| Institutional Staked ETH | ~$25 B | ▲ Category did not exist 36 months ago |
| Spot ETH ETFs | $12 B | ▲ $0 → $12B in ~10 months (Jul 2024 launch) |

⚠ **Every component is doubling on a 12–24 month cycle.** An engagement signed today is signing into a position that will be materially larger by the next examination cycle. Methodology must scale into the trajectory — not get retrofitted under examination pressure.

THE GAP

# Three Layers — One of Them Is Missing

Two regulatory regimes govern digital assets. Neither specifies methodology for the risks that live between them.

### 🏛️ REGULATORS — Settlement Layer

Custody · Reserves · Redemption · Capital · Charter

*GENIUS Act · OCC NPRM (12 CFR Part 15) · FDIC NPRM · SEC interim guidance · OCC Bulletin 2026-7*

### ⚠️ METHODOLOGY LAYER — Unspecified by Either Side

Smart-contract execution risk · Oracle dependence as a priced input · Cross-protocol composability

For the underlying assets — a T-bill, a money-market fund — fair-value measurement is settled practice. For these three surfaces, it isn't. *This is where examination risk lives.* The supervised institution is on the hook for fair-value measurement that includes inputs nobody has specified methodology for.

### 📊 ACCOUNTANTS — Measurement Layer

Fair value · Level 1 / 2 / 3 · Disclosure · Documentation

*ASC 820 (US GAAP) · IFRS 13 (international)*

The gap is identical under IFRS 13 — for cross-border clients, the answer is the same answer. Methodology gap is now formally on the public record via OCC comments filed May 2026.

CORE FRAMEWORK

# Tier × Level: Two Independent Axes

**Tier** = where the risk lives architecturally. **Level** = how observable the input is (ASC 820). They are independent.

| | **Level 1**<br>*Quoted prices, active markets* | **Level 2**<br>*Observable inputs* | **Level 3**<br>*Unobservable / model-based* |
|---|---|---|---|
| **Tier I**<br>*Risks inside a protocol* | (rare) | OVA | SCVA · LRVA · BRVA · GVA |
| **Tier II**<br>*Risks attached to the asset* | BTC / ETH spot | SVA · TVLVA · BUIDL / FOBXX | LCVA · SVA (stress) |
| **Tier III**<br>*Risks across protocols* | — | — | **CompVA ★** |

**BUIDL / FOBXX at Level 2:** The wrapper's NAV is observable, but no active market exists for the token itself — explaining why tokenized money-market funds land at Level 2 while BTC/ETH are Level 1. **CompVA (Tier III, Level 3)** is where the April 18–19 cascade was an event. We'll look at that next.

FRAMEWORK DEEP DIVE

# Nine Adjustments Across the Grid

**The framework is a mapping, not a list.**

R : (instrument class × market regime × jurisdiction) → active risk surfaces

Most surfaces are zero for any given position. The nine below are the currently formalized snapshot — the architecture is open by design (precedent: CVA → DVA → FVA → KVA → MVA → COLVA, a set that grew as understanding deepened).

## Tier I — Protocol

*(risks inside a protocol)*

- **SCVA** — Smart Contract Valuation Adjustment
- **OVA** — Oracle Valuation Adjustment
- **LRVA** — Liquidity Regime Valuation Adjustment
- **BRVA** — Bridge Valuation Adjustment
- **GVA** — Governance Valuation Adjustment

## Tier II — Asset

*(risks attached to the asset)*

- **SVA** — Stablecoin Valuation Adjustment (appears at L2 with secondary-market depeg data; at L3 under stress modelling — not a contradiction, it's the point)
- **TVLVA** — Total-Value-Locked Valuation Adjustment
- **LCVA** — Legal Custody Valuation Adjustment (typically Level-3 measurement-wise; custody-arrangement and jurisdictional-custody layering enters here)

## Tier III — Cross-Protocol / Network

*(risks across protocols)*

- **CompVA** — Composability Valuation Adjustment (typically Level-3; the network-propagation loss component is unobservable — this is where the April 18–19 cascade was an event)

ⓘ **Non-additivity corrections** (not in the count above): CCVA (within-protocol), CompVA's cross-protocol correction term. **Policy-only Level-3 Residual cluster** (OCVA, TXVA, KVA, MVA + DPVA, RAVA, FXVA, QVA, COVA) sits separately outside the crypto XVA methodology's main mapping, scenario/reserve-priced.

WORKED EXAMPLE

# What Stablecoins Are Actually Used For

## Noll / KCFed Distribution — April 2026

- **0.7%** — Payments (~$2B)
- **48.7%** — Trading-asset functions (exchanges, DeFi, bridges) (~$147B)
- **29.3%** — Corporate treasury / transfers (~$88B): (cross-border transfers, crypto system flows, tokenized assets and liabilities)
- **21.3%** — Unallocated in Noll methodology (residual; not explicitly categorized) (~$64B)

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## Trovata CORP$ — Worked Example, April 2026

First US public-company enterprise deployment: Parent entity → CORP$ stablecoin (Paxos USDP) → Sub entity → Balance sheet as **Cash & Equivalents (ASC 230)**.

SEC interim guidance permits cash-equivalent classification for fully-reserved redeemable stablecoins.

CRITICAL DISTINCTION

# Cash-equivalent classification is an accounting treatment.

# It is not a risk assessment.

A stablecoin and a three-month Treasury bill can share the same balance-sheet line — and carry fundamentally different risk profiles. ASC 820 fair-value measurement is the place that distinction either surfaces or doesn't.

| 3-Month T-Bill | Stablecoin (e.g., USDP) |
|---|---|
| Cash equivalent · Level 1 · Sovereign credit · No smart-contract risk · No oracle dependence | Cash equivalent · Level 2 · Reserve composition risk · Smart-contract execution risk · Oracle dependence · Redemption risk |

SESSION CLOSE

# Key Takeaways

### The Gap

No industry methodology exists for digital-asset-specific risk inputs under ASC 820 / IFRS 13. OCC comments filed May 2026 put it on the public record.

### The Tier

The Tier × Level framework maps nine valuation adjustments across two independent axes: audit-defensible, version-controlled, and open by design.

### The $301B

Every institutional component is doubling on a 12–24 month cycle. Methodology must scale in: not be retrofitted under examination pressure.

# April Cascade — the (Tier III, Level 3) Cell, in Motion

*Tier III, Level 3, CompVA. The April 18–19 cascade was an event in that cell: $292M primary at LayerZero, $6.6B downstream across four uncompromised protocols, 22× amplification through shared collateral and oracle infrastructure. Replay next — the methodology in action, not a separate demo.*

Cascade replay frozen at Apr 17, 2026 · 12:00 UTC anchor frame. crypto-xva.app