

**Paxos Trust Company, LLC**  
**Examination of Management Assertions**  
**Reserve Accounts Report – BUSD Token**  
**September 18, 2023 and September 29, 2023 at 5:00 PM Eastern Time**  
**With Independent Accountant’s Report**

**Paxos Trust Company, LLC**  
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**September 18, 2023 and September 29, 2023**

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## INDEPENDENT ACCOUNTANT'S REPORT

Paxos Trust Company, LLC  
New York, NY 10011

We have examined Paxos Trust Company, LLC's (the "Company") below assertions. Paxos Trust Company, LLC's management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination. Management's assertions, which are summarized in the attached report, (hereafter referred to as the "Reserve Accounts Report"), which we examined are as follows:

- The Reserve Accounts Report refers to the total supply of BUSD tokens ("BUSD") as of September 18, 2023 and September 29, 2023 (collectively, the "Report Dates and Times") at 5:00 pm Eastern Time ("ET"). Such BUSD, (which also represents the total circulating supply) as denoted under contract 0x4fabb145d64652a948d72533023f6e7a623c7c53 at 18 decimals at 5:00 pm ET on the Report Dates and Times is 2,471,073,375.43 and 2,259,538,520.17, respectively, as reported by the Etherscan API and an internally maintained and operated node on the Ethereum network.
- The Reserve Accounts Report refers to the accounts held by the Company at U.S. insured depository institutions and debt instruments that are expressly guaranteed by the full faith and credit of the United States Government. The USD balance and, when applicable, amounts backed by U.S Treasury Debt in the Reserve Accounts is at least equal to or greater than \$2,471,073,375.43 and \$2,259,538,520.17, respectively, at the Report Dates and Times. This contemplates the impact of outstanding wires, deposits in transit or other reconciling items.
- The Reserve Accounts Report refers to the Company's Reserve Account holdings as of the Report Dates and Times at 5:00 pm ET, which includes the disclosure of the total fair value of the Company's asset holdings by asset type. Any amounts held in U.S. Treasury Debt include additional disclosures such as CUSIP and maturity date, as applicable.
- The total BUSD supply, for which each BUSD is assigned a redemption value, strictly pegged at 1:1 to the U.S Dollar by the Company, does not exceed the balance of the Reserve Accounts reported below.
- The Reserve Account Report refers to the Reserve Account holdings by asset class which do not violate the asset guidelines that were set forth by the New York Department of Financial Services ("NYDFS").

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions whether due to fraud or error.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

In performing our risk assessment, we considered the Company's internal controls relevant to the aforementioned assertions, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we did not test the operating effectiveness of such controls and express no such opinion on such controls.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We direct your attention to the accompanying notes of the Reserve Accounts Report for risks and uncertainties related to cryptocurrencies and background information provided by management. We have not audited, reviewed or performed any procedures to provide assurance with respect to these notes. Accordingly, we provide no opinion, conclusion or any other form of assurance with respect to these accompanying notes to the Reserve Accounts Report.

The United States Securities and Exchange Commission ("SEC") issued the Company a Wells Notice on February 3, 2023 relating to the BUSD token. This notice serves as a written notification to the Company that the SEC is considering recommending civil enforcement action against the Company for failure to register the offering of the BUSD token as a security. Effective February 21, 2023, the Company ceased the issuance of new BUSD tokens as directed by and working in close coordination with the NYDFS. The impact to the Company or issued and outstanding BUSD tokens is not determinable as of the date of this report.

At any given time, the Company has the right to hold funds in any combination of varying financial instruments at their discretion. Those instruments generally include, but are not necessarily limited to U.S. dollars, U.S. Treasury backed Bills, Bonds, and Notes.

The expressed examination opinion on the above assertions are limited solely to the Reserve Accounts Report at the Report Date and Time noted above. Any activity prior to or after the Report Dates and Times at 5:00 pm ET was not considered when testing the assertions described above. In addition, we have not performed any procedures or provided any level of assurance on the financial or non-financial activity of the Reserve Accounts on dates or times other than the Report Date and Time noted within this report.

In our opinion, management's assertions noted above are fairly stated as of the Report Dates and Times at 5:00 pm ET, in all material respects.

*Withum Smith & Brown, PC*

October 18, 2023

## RESERVE ACCOUNTS REPORT

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Paxos Trust Company, LLC  
New York, NY 10011

September 18, 2023 and September 29, 2023 at 5:00 pm ET (hereafter "Report Date and Time")

The management of the Company hereby makes the following assertions as of:

- September 18, 2023 at 5:00 pm ET:

BUSD tokens issued and in circulation (Notes 1 and 4)	2,471,073,375.43 BUSD
U.S. dollars / amounts backed by U.S. government guaranteed debt instruments reserved for BUSD token holders (Note 2)	\$2,471,073,375.43

- September 29, 2023 at 5:00 pm ET:

BUSD tokens issued and in circulation (Notes 1 and 4)	2,259,538,520.17 BUSD
U.S. dollars / amounts backed by U.S. government guaranteed debt instruments reserved for BUSD token holders (Note 2)	\$2,259,538,520.17

The Company's total Reserve Accounts, which are greater than or equal to the total supply of BUSD, are comprised of the following asset holdings (Notes 3 and 5):

- September 18, 2023 at 5:00 pm ET:

Description	CUSIP	Maturity Date	Fair Value as of September 18, 2023 at 5:00pm ET
<b>Collateral Held Pursuant to Overnight Reserve Repurchase Agreements</b>			
U.S. Treasury Debt	91282CAB7	07/31/2025	\$71,400,040
U.S. Treasury Debt	91282CBF7	01/15/2031	\$153,000,099
U.S. Treasury Debt	912810RQ3	02/15/2046	\$16,580,752
U.S. Treasury Debt	912810RS9	05/15/2046	\$35,554,942
U.S. Treasury Debt	912810RT7	08/15/2046	\$66,809,442
U.S. Treasury Debt	912810RW0	02/15/2047	\$24,217,645
U.S. Treasury Debt	912810SA7	02/15/2048	\$13,859,266
U.S. Treasury Debt	912810SC3	05/15/2048	\$437,613,370
U.S. Treasury Debt	912810SD1	08/15/2048	\$478,325,872

## RESERVE ACCOUNTS REPORT

U.S. Treasury Debt	912810SE9	11/15/2048	\$249,888,589
U.S. Treasury Debt	912810SF6	02/15/2049	\$6,154,049
U.S. Treasury Debt	912810SH2	05/15/2049	\$227,437,501
U.S. Treasury Debt	912810SJ8	08/15/2049	\$365,905,861
U.S. Treasury Debt	912810SK5	11/15/2049	\$14,985,931
U.S. Treasury Debt	912810SN9	05/15/2050	\$138,709,197
U.S. Treasury Debt	912810SX7	05/15/2051	\$200,597,649
<b>Total U.S. Government Guaranteed Debt Instruments Held Pursuant to Overnight Reserve Repurchase Agreements:</b>			<b>\$2,501,040,206</b>
<b>Total U.S. Dollars Held:</b>			<b>\$26,040,874</b>
<b>Total Assets Held in Reserve Accounts:</b>			<b>\$2,527,081,080</b>

- September 29, 2023 at 5:00 pm ET:

Description	CUSIP	Maturity Date	Fair Value as of September 29, 2023 at 5:00pm ET
<b>Collateral Held Pursuant to Overnight Reserve Repurchase Agreements</b>			
U.S. Treasury Debt	912828N71	01/15/2026	\$35,700,091
U.S. Treasury Debt	912828V49	01/15/2027	\$163,200,032
U.S. Treasury Debt	912810SC3	05/15/2048	\$907,909,240
U.S. Treasury Debt	912810SD1	08/15/2048	\$443,513,263
U.S. Treasury Debt	912810SE9	11/15/2048	\$740,597,538
<b>Total U.S. Government Guaranteed Debt Instruments Held Pursuant to Overnight Reverse Repurchase Agreements:</b>			<b>\$2,290,920,164</b>
<b>Total U.S. Dollars Held:</b>			<b>\$24,306,444</b>
<b>Total Assets Held in Reserve Accounts:</b>			<b>\$2,315,226,609</b>

### NOTES

- The total supply of BUSD tokens ("BUSD") (which also represents the total circulating supply) as denoted under contract 0x4fabb145d64652a948d72533023f6e7a623c7c53 at 18 decimals at the Report Dates and Times is 2,471,073,375.43 and 2,259,538,520.17, respectively, as reported by the Etherscan API<sup>1</sup> and an internally maintained and operated node on the Ethereum network.

<sup>1</sup> <https://etherscan.io>

## RESERVE ACCOUNTS REPORT

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2. This Reserve Accounts Report refers to the accounts held by the Company in U.S. insured depository institutions where cash is held and debt instruments that are expressly guaranteed by the full faith and credit of the United States Government, which are either owned outright by Paxos or held pursuant to overcollateralized overnight reverse repurchase agreements. The balance in the Reserve Accounts is at least equal to or greater than \$2,471,073,375.43 and \$2,259,538,520.17, respectively, at the Report Dates and Times. This contemplates the impact of outstanding wires, deposits in transit or other reconciling items.
3. This Reserve Accounts refers to the Company's Reserve Account holdings as of the Report Dates and Times at 5:00 pm ET, which includes the disclosure of the total fair value, calculated using the publicly available pricing as of the Report Dates and Times, of the Company's asset holdings by asset type as reported above. Any amounts held in U.S. Treasury Debt include additional disclosures such as CUSIP and maturity date, as applicable.
4. The total BUSD supply, for which each BUSD is assigned a redemption value of \$1 U.S. by the Company, does not exceed the balance of the Reserve Accounts reported above.
5. This Reserve Accounts Report refers to the Reserve Account holdings by asset class, which are in compliance with the approved reserve asset guidelines<sup>2</sup> as set forth by the NYDFS.

To the best of the knowledge and belief of the undersigned, the information contained in the Reserve Accounts Report as of the Report Dates and Times at 5:00pm ET is accurate and complete.

*Jennifer Kattamis*

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Jennifer Kattamis, Controller

Paxos Trust Company, LLC

October 18, 2023

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Date

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<sup>2</sup> [https://www.dfs.ny.gov/industry\\_guidance/industry\\_letters/il20220608\\_issuance\\_stablecoins](https://www.dfs.ny.gov/industry_guidance/industry_letters/il20220608_issuance_stablecoins)

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**1. BACKGROUND INFORMATION PROVIDED BY PAXOS TRUST COMPANY, LLC**

Paxos Trust Company, LLC (the “Company”) is a New York limited purpose trust company. The Company received its trust charter from the New York Department of Financial Services in 2015 and has been a long-time leader in both crypto asset services and the creation of blockchain technologies for the financial world. The BUSD token (“BUSD”) is a cryptographic token, which allows financial market participants to transact in a crypto asset that has been strictly pegged 1:1 to the U.S. dollar by the Company. The Company maintains the reserves securing BUSD in one or more of the following forms: (i) fiat currency held in FDIC-insured bank accounts<sup>3</sup>; (ii) investments (including through overcollateralized overnight reverse repurchase agreements) in debt instruments that are expressly guaranteed by the full faith and credit of the United States Government; and/or (b) Money-market funds composed of such debt instruments. Amounts backed by debt instruments that are expressly guaranteed by the full faith and credit of the United States Government are subject to market pricing risk. BUSD is an ERC-20 token, which is built on the Ethereum public blockchain and as such, the total number of BUSD tokens in circulation is fully and transparently viewable at all times by anyone through any publicly available Ethereum block explorer (e.g. Etherscan).

The United States Securities and Exchange Commission (“SEC”) issued the Company a Wells Notice on February 3, 2023 relating to the BUSD token. This notice serves as a written notification to the Company that the SEC is considering recommending civil enforcement action against the Company for failure to register the offering of the BUSD token as a security. Effective February 21, 2023, the Company ceased the issuance of new BUSD tokens as directed by and working in close coordination with the NYDFS. The impact to the Company or issued and outstanding BUSD tokens is not determinable as of the date of this report.

**2. DISCUSSIONS RELATED TO CRYPTO ASSETS GENERALLY**

As of the date of this report, crypto assets remain an evolving area of technology and market place activity. Those who choose to invest in crypto assets should inform themselves of the general risks and uncertainties associated with such assets.

(1) Crypto assets are owned anonymously. While the public keys of virtual wallets holding crypto assets reside on the distributed networks and can be viewed publicly, the ownership of the wallets are normally not registered and therefore, anonymous. Ownership of crypto assets is evidenced primarily by the possession of the underlying private key (e.g. passcode). The possessor of the private key controls the corresponding crypto asset wallet.

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<sup>3</sup> <https://paxos.com/2022/08/09/fdic-pass-through-insurance-disclosures/>



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(2) Risk of irreversible transactions. Transactions for most crypto assets that occur over the blockchain are generally irreversible, even if such transactions occur fraudulently or accidentally. If a private key is lost or fraudulently used, the crypto assets in the corresponding wallet may not be recoverable.

(3) Regulatory uncertainty. Legislative and regulatory changes or actions at the state or federal level may change or affect the use, transfer, exchange, and value of crypto assets. The effects of any such changes are not determinable as of the date of this report.