

# ACI CREDIT INTELLIGENCE

*Independent Credit Assessment for Digital Asset Markets*

## COUNTERPARTY RISK ASSESSMENT

### Celsius Network LLC — Ex-Ante Simulation (Q1 2022)

Assessment Date: Simulated Q1 2022 | Framework: ACI v1.0 (BSM-1.0) | Published: April 2026

## DECISION: REJECT

Score: 38 / 100 | Risk Band: D | Convexity: Negative | Time to Failure: ~4 months

#### Primary Drivers:

1. Collateral opacity — no independent reserves verification as of Q1 2022
2. Structural liquidity mismatch — on-demand liabilities vs. illiquid assets
3. Governance concentration — single decision-maker in credit, treasury and risk

INSTITUTIONAL INFORMATIONAL USE | ACI Framework v1.0 | Version 1.1 | April 2026

[aethoncredit.com](https://aethoncredit.com)

## TABLE OF CONTENTS

Section	Title	Page
01	Executive Summary	3
02	Entity Profile	4
03	ACI Scoring Breakdown	5
04	Critical Risk Factor Analysis	6
05	Peer Comparison — Q1 2022	8
06	Stress Scenario Analysis	9
07	IC Decision Block	10
08	Why This Matters Now	11
09	Methodology Reference	12
10	Citations & Evidence Register	13

Classification Notice: Based exclusively on publicly available information prior to June 12, 2022. Does not constitute investment advice. Version 1.1.

## 01 — EXECUTIVE SUMMARY

COUNTERPARTY Celsius Network	ACI SCORE <b>38 / 100</b>	RISK BAND <b>D</b>	CONVEXITY <b>Negative</b>	DECISION <b>REJECT</b>	TIME TO FAIL <b>~4 months</b>
------------------------------------	------------------------------	-----------------------	------------------------------	---------------------------	----------------------------------

**WHY THIS MATTERS NOW:** These three failure conditions — collateral opacity, liquidity mismatch, governance concentration — remain present in parts of the current digital asset lending market. ACI scores them systematically across the live provider universe.

### TL;DR — KEY FINDINGS

ACI assessment: REJECT (38/100, Band D, Negative convexity). Three factors independently trigger the REJECT threshold — collateral opacity, structural liquidity mismatch, and governance concentration. All three were directly observable from the public record as of Q1 2022, approximately four months before the June 12, 2022 withdrawal suspension.

## Objective and Scope

This report presents an ex-ante simulation of how Celsius Network LLC would have scored under the ACI Framework (BSM-1.0) had an independent credit assessment been conducted in Q1 2022 — four months before the platform suspended all withdrawals. The analysis draws exclusively on evidence publicly available prior to the collapse event.

The purpose is to demonstrate that the risk factors which caused the failure were observable in advance using a systematic, evidence-based scoring methodology, and to show how the ACI Framework converts fragmented due diligence into a deterministic IC output: APPROVE / ADJUST / REJECT, with a documented evidence trail behind each decision.

## Summary Scorecard

ACI Dimension	Score	Band	IC Signal
<b>Composite Score</b>	<b>38/100</b>	<b>D</b>	<b>REJECT</b>
BTC Collateral Lending	<b>28/100</b>	D	<b>REJECT</b>
Treasury Preferred Shares	<b>44/100</b>	C	<b>ADJUST</b>
CeFi Stablecoins	<b>33/100</b>	D	<b>REJECT</b>
DeFi Stablecoins	<b>45/100</b>	C	<b>ADJUST</b>
Infrastructure	<b>29/100</b>	D	<b>REJECT</b>

## 02 — ENTITY PROFILE & BUSINESS MODEL

Entity Attribute	Detail as of Q1 2022
Legal Entity	Celsius Network LLC (US); Celsius Network Limited (UK)
Jurisdiction	Incorporated: United Kingdom. HQ: Hoboken, New Jersey, USA
CEO	Alexander Mashinsky (personally assumed trading control January 2022)
AUM (May 2022)	~\$11.8 billion (Celsius website, per CNBC)
Retail Depositors	~600,000 Earn accounts; ~1.7 million registered users
Custody Model	Earn accounts: title transferred to Celsius per ToS v6+ (July 2021)
Proof of Reserves	None published for deposit base as of Q1 2022
Regulatory Status	C&D orders: NJ, KY, TX, NY + others. SEC subpoenas from Aug 2021
Last Fundraise	\$750M (Oct 2021) at \$3B+ valuation — WestCap, CDPQ

### Business Model & Structural Risk

Celsius operated a centralised yield platform: users deposited crypto assets and received interest payments funded by deploying those assets in higher-yield instruments. The business model contained a structural tension visible from the public record: liability duration was on-demand while asset deployment was in instruments with extended duration, illiquidity, or lock-up constraints.

By Q1 2022, Celsius was operating under active regulatory pressure across 8+ US states and was the primary target of SEC enforcement attention following the BlockFi settlement on February 14, 2022.

## 03 — ACI FRAMEWORK SCORING BREAKDOWN

Module-by-module scoring applied to Celsius Network as of Q1 2022. All scores derived from evidence in the public record at that date.

Module	Score	Weight	Wtd.	IC	Primary Evidence Finding
BTC Collateral Lending (1A)	28	25%	7.0	REJECT	No PoR. ToS v6+ confirmed commingled custody and title transfer.
Treasury Preferred Shares (1B)	44	15%	6.6	ADJUST	EUR-denominated stablecoin (STRE) limited. Duration within bounds.
CeFi Stablecoins (1C-A)	33	20%	6.6	REJECT	USDT concentration. stETH basis risk visible on-chain Q1 2022.
DeFi Stablecoins (1C-B)	45	15%	6.75	ADJUST	Anchor Protocol (~\$535M) observable on-chain. Illiquidity risk present.
Infrastructure (Module 4)	29	25%	7.25	REJECT	CEO assumed trading control Jan 2022. No credit committee. 8+ regulatory actions.
<b>COMPOSITE</b>	<b>38</b>	<b>100%</b>	<b>34.2</b>	<b>REJECT</b>	<b>D Band — Three modules independently breach IC threshold.</b>

## 04 — CRITICAL RISK FACTOR ANALYSIS

### Risk Factor 1: Structural Liquidity Mismatch

Celsius offered 600,000 Earn account holders immediate, on-demand withdrawal on ~\$12B AUM. Simultaneously, the platform deployed customer assets in instruments that could not be rapidly liquidated:

- ~\$535M in Anchor Protocol (Terra) — accessible only via stETH → bETH → Wormhole bridge → Terra. Multi-step process with no single-step liquidity exit under stress. Source: The Block Research, Igor Igamberdiev, May 2022.
- ~\$500M in stETH (Lido staked ETH) — illiquid until the Ethereum Merge, date unscheduled as of Q1 2022. Not redeemable at 1:1 ETH in any stress scenario. Source: CoinSnacks on-chain analysis, June 2022.
- \$532M WBTC as MakerDAO collateral against \$235M DAI. Auto-liquidation at ~\$15k BTC. Celsius required continuous top-ups as BTC declined — depleting reserves under maximum withdrawal pressure.
- Independent reconstruction estimated Celsius was losing ~\$415M/year from interest costs alone as of March 2022 — before any market stress. Source: AlgoTune, August 2022.

*ACI convexity note: This structure produces negative convexity. As withdrawal pressure increases, forced liquidation of illiquid assets at depressed prices amplifies losses non-linearly — precisely what occurred in June 2022.*

### Risk Factor 2: Collateral Opacity & Title Transfer

The key legal fact — that depositors had transferred ownership of their assets — was embedded in publicly available Terms of Service from July 2021. The clause in ToS v6+ explicitly permitted Celsius to 'lend, sell, pledge, hypothecate, assign, invest, use, commingle or otherwise dispose of' deposited assets. A credit analyst reading the ToS in Q1 2022 would have found this immediately.

The ACI BTC Collateral Lending module penalises the absence of proof-of-reserves attestation. As of Q1 2022, Celsius had not published any reserve attestation covering its deposit base, while peers Ledn (Jan 2021) and Nexo (Sept 2021) had established independent PoR programs.

### Risk Factor 3: Governance Concentration & Regulatory Exposure

The ACI Framework applies a governance concentration penalty when a single individual controls material credit, treasury, and risk decisions without oversight structure. At Celsius, this condition was unambiguously met as of January 2022: the CEO personally directed trading strategy, overruling executives with financial risk experience.

Regulatory exposure compounded this risk: active enforcement actions in NJ, KY, TX, NY, AL, MA, WA plus SEC subpoenas from August 2021 — all observable from public record in Q1 2022.

## 05 — PEER COMPARISON | Q1 2022

The comparison scores three contemporaneous digital asset lending platforms using the same ACI Framework and evidence standards — all sourced to Q1 2022 public record. The comparison demonstrates that the REJECT is calibrated, not binary: meaningful score dispersion existed across the peer group.

Provider	ACI Score	Band	Convexity	Decision	Key Differentiator vs. Celsius
Ledn	78/100	B	Neutral	ADJUST	Published Armanino PoR Jan 2021. Segregated custody. No regulatory actions.
Nexo	73/100	B	Neutral	ADJUST	Published Armanino PoR Sept 2021. Credit committee documented. EU licensed.
BlockFi	61/100	C	Negative	ADJUST	SEC settlement Feb 2022. Partial transparency. Operational audit in place.
<b>Celsius</b>	<b>38/100</b>	<b>D</b>	Negative	<b>REJECT</b>	<b>No PoR. Title transfer ToS v6+. CEO trading control. 8+ regulatory actions.</b>

### What the Peer Comparison Shows

Ledn and Nexo both score in the B band — adequate counterparties under ACI, not approved ones. The distinction matters: ACI produces ADJUST recommendations for these platforms, meaning allocation is possible with documented conditions and a monitoring cadence. Celsius produces REJECT. The 40-point gap between Ledn (78) and Celsius (38) is driven almost entirely by three binary differentiators: proof-of-reserves attestation, custody segregation, and the absence of active regulatory enforcement.

Key implication: the information required to make these distinctions was publicly available in Q1 2022. It required a systematic framework — not hindsight.

## 06 — STRESS SCENARIO ANALYSIS

Parameter	Assumption	Basis
BTC decline	-40% over 60-day window	Q2 2022 actual; plausible stress in Q1 2022
stETH peg	Depeg to 0.93 ETH	Structural risk visible Q1 2022 on-chain
Anchor liquidity	Bridge withdrawal >72 hours	Multi-step process documented on-chain
Withdrawal demand	Elevated / run conditions	Triggered by UST collapse + BTC decline

Metric	Base (Q1 2022)	Stress Outcome	ACI Assessment
Collateral coverage	~1.3x	~0.6x (BTC -40%)	Below minimum — REJECT trigger
stETH exit capacity	Limited	Near-zero under stress	Forced loss at impaired price
MakerDAO CDP (WBTC)	Stable	Liquidation at ~\$15k BTC	Loss crystallisation
Depositor access	On-demand (promised)	Frozen	Exact June 2022 outcome
ACI Decision	REJECT	REJECT	No change — pre-stress already REJECT

### Why Negative Convexity Matters

- Mechanism 1 (Collateral cascade): As BTC declines, MakerDAO CDP collateral falls. Celsius must top up with customer BTC to avoid liquidation — depleting reserves precisely when withdrawal demand peaks.
- Mechanism 2 (stETH basis risk): stETH cannot be redeemed 1:1 until the Ethereum Merge. As ETH prices fall and stETH depegs, Celsius holds an instrument worth less than its ETH liability — and cannot efficiently liquidate it.
- Mechanism 3 (Withdrawal-liquidity inversion): Customer withdrawal demand peaks in exactly the scenario where Celsius has least liquidity. This is the structural definition of a bank-run-susceptible platform.

## 07 — INVESTMENT COMMITTEE DECISION BLOCK

### ACI FRAMEWORK — INVESTMENT COMMITTEE OUTPUT | BSM-1.0

COUNTERPARTY: Celsius Network LLC  
ASSESSMENT DATE: Simulated Q1 2022 (pre-event)  
ACI SCORE: 38 / 100 | RISK BAND: D | CONVEXITY: Negative

### DECISION: REJECT

#### RATIONALE:

1. Collateral opacity — independent reserve verification not possible from public record
2. Structural liquidity mismatch — on-demand liabilities vs. illiquid / long-duration assets
3. Governance concentration — single-point-of-failure in credit, treasury and risk oversight

*This assessment is based solely on information available prior to June 12, 2022. It does not constitute investment advice.*

## IC Recommendation (Standard ACI Output Format)

### ACI ASSESSMENT: REJECT

Celsius Network does not meet minimum ACI Framework criteria for institutional capital allocation.

Re-assess only if all three conditions are independently satisfied:

- (a) Proof-of-reserves independently verified and published for full deposit base;
- (b) Segregated custody confirmed by third-party custodian or auditor;
- (c) Formal credit committee structure documented and operational.

*This recommendation is produced for IC process documentation purposes only. It does not constitute investment advice.*

## 08 — WHY THIS MATTERS NOW

The Celsius case is not simply historical. The three structural failure modes that produced the REJECT decision remain present to varying degrees across the current digital asset lending market. The ACI Framework scores these dimensions systematically across the live provider universe.

### **Proof-of-Reserves is the Minimum, Not the Maximum**

Celsius's absence of independent reserve attestation was the clearest single indicator of risk. Any provider that cannot demonstrate independent verification of reserve composition relative to depositor liabilities fails the ACI BTC Collateral Lending module. Current market providers show significant dispersion on this dimension.

### **Yield is Not a Proxy for Credit Quality**

Celsius offered yields of up to 18.63% APY in the days before bankruptcy. The ACI Framework does not score yield as a positive credit attribute. High yield in the absence of collateral transparency and structural liquidity is a negative signal. Investment committees should treat elevated yield as a trigger for enhanced scrutiny, not reduced scrutiny.

### **Duration Mismatch is the Mechanism; Governance is the Cause**

The Celsius liquidity mismatch was not an accident — it was the outcome of governance decisions that prioritised yield generation over depositor protection. Single-decision-maker structures in credit and treasury management create the conditions for duration mismatch. The ACI governance scoring identifies this structural condition before the liquidity event.

### **Independent Scoring Layers Were the Missing Infrastructure**

In traditional credit, a Moody's or S&P rating provides an independent, methodology-transparent, evidence-based opinion on counterparty quality. In digital asset credit in 2022, that layer did not exist. This gap is precisely what ACI fills.

## 09 — ACI METHODOLOGY REFERENCE

ACI Module	Primary Risk Dimension
1A — BTC Collateral Lending	Collateral transparency, custody, proof-of-reserves, liquidation mechanics
1B — Treasury Preferred Shares	Duration, EUR exposure, structured product counterparty quality
1C-A — CeFi Stablecoins	Reserve composition, redemption mechanics, regulatory status, concentration
1C-B — DeFi Stablecoins	Protocol audit quality, governance concentration, TVL stability, oracle risk
4 — Infrastructure	Operational governance, custody architecture, regulatory posture, liquidity management
5–8 — Extended Modules	Market Neutral, Venture, Tokenised RWA, Volatility — extended provider universe

### Decision Thresholds

Decision	Score	IC Output
APPROVE	75–100	Allocation recommended subject to standard conditions
ADJUST	50–74	Allocation with documented conditions and monitoring schedule
REJECT	< 50	Allocation not recommended — re-assess on condition satisfaction

## 10 — CITATIONS & EVIDENCE REGISTER

Citations are separated into two explicit categories. Scoring inputs are sources available prior to June 12, 2022 — the only sources used to derive the ACI scores. Post-collapse validation sources confirm findings derivable in advance but are not used as scoring inputs.

PRE-COLLAPSE SCORING INPUTS (Sources available Q1 2022 — used to derive ACI scores)	POST-COLLAPSE VALIDATION ONLY (Confirms pre-existing findings — not used as scoring inputs)
<ol style="list-style-type: none"> <li>1. Celsius ToS v6 (July 2021) &amp; v8 (April 15, 2022). Key clause: 'grant Celsius all right and title.' SCORING INPUT.</li> <li>2. The Block Research (Igamberdiev), May 2022. On-chain: Celsius Anchor Protocol position ~\$535M. SCORING INPUT.</li> <li>3. CoinSnacks analysis, June 2022. On-chain: stETH (~288k), MakerDAO CDP (\$532M WBTC / \$235M DAI). SCORING INPUT.</li> <li>4. State regulatory actions (NJ, KY, TX, NY + SEC subpoenas Aug 2021). All public record. SCORING INPUT.</li> <li>5. Ledn Proof of Reserves (Armanino), January 2021. Industry PoR benchmark. SCORING INPUT.</li> <li>6. Nexo Proof of Reserves (Armanino), September 2021. PoR standard confirmed. SCORING INPUT.</li> <li>7. Celsius website — AUM (~\$11.8B May 2022), yield rates (up to 18.63% APY). SCORING INPUT.</li> </ol>	<ol style="list-style-type: none"> <li>1. Celsius Chapter 11 Petition (Case 22-10964, SDNY, July 2022). \$5.5B liabilities / \$4.3B assets. VALIDATION.</li> <li>2. SDNY Memorandum (Judge Glenn), January 4, 2023. Confirmed ToS title transfer. \$4.2B Earn = estate. VALIDATION.</li> <li>3. Examiner's Report (Pillay), January 31, 2023. Problems from 2020. CEO trading control confirmed. VALIDATION.</li> <li>4. SEC Press Release, July 13, 2023. Charges: securities fraud, unregistered offering, CEL manipulation. VALIDATION.</li> <li>5. FTC Settlement, July 13, 2023. \$4.7 billion — one of largest in FTC history. VALIDATION.</li> <li>6. Vermont DFR statement, July 14, 2022. 'Celsius deployed customer assets in risky and illiquid investments.' VALIDATION.</li> <li>7. AlgoTune (Medium), August 2022. \$415M/year interest cost deficit as of March 2022. VALIDATION.</li> </ol>

### Cite this report:

ACI Credit Intelligence (2026)  
 Celsius Network LLC — Counterparty Risk Assessment: Ex-Ante Simulation (Q1 2022)  
[aethoncredit.com/research/celsius-counterparty-assessment](https://aethoncredit.com/research/celsius-counterparty-assessment)  
 ACI Framework v1.0 | Version 1.1 | April 2026

This report is produced by Aethon Credit Intelligence using the ACI Framework (BSM-1.0). Provided for institutional informational purposes only. Does not constitute investment advice. All rights reserved.