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Cryptocurrencies

Traders pull \$800mn out of Binance after SEC lawsuit

More than \$450mn turned into stablecoins after US regulator sues world's largest crypto exchange



The withdrawals mark the largest day of outflows into stablecoins from Binance since the US regional banking turmoil earlier this year © Getty Images

Scott Chipolina in London JUNE 6 2023

Traders moved more than \$800mn out of Binance in the 24 hours after the crypto exchange was sued by the US securities regulator.

The flight underscores the jitters among traders as US authorities try to clamp down on illicit domestic crypto market activity. The Securities and Exchange Commission on Monday alleged that Binance, led by chief executive Changpeng Zhao, had committed multiple violations of securities laws, including mixing customer assets, operating an unregistered securities exchange and offering unregistered securities. On Tuesday, the agency [announced a lawsuit](#) against Coinbase, another large crypto exchange.

The withdrawals data is based on more than \$800mn of net outflows from Binance on the Ethereum network — one of the most commonly used blockchains in the crypto industry and the network where many decentralised finance projects are built — according to Nansen, a data provider. The total includes popular cryptocurrencies like ether, the second largest token by market cap, although it does not include bitcoin.

The withdrawals mark the largest day of outflows into stablecoins from Binance since the US regional banking turmoil earlier this year. According to data from

CCData, roughly \$451mn of the net flows were turned into stablecoins, a kind of token that lets buyers easily move between crypto markets.

“Stablecoin net flows are a valuable indicator for gauging trader sentiment. The substantial outflows witnessed from Binance yesterday hint at market participants’ preference for holding their assets outside the exchange,” said Hosam Mahmoud, research analyst at data provider CCData.

Of the \$451mn net flows into stablecoins, crypto traders sold over \$360mn worth of crypto assets and switched into Tether’s USDT stablecoin, the largest of its kind on the market. Roughly \$86bn also flowed into Circle’s USDC and BUSD, a Binance-branded stablecoin issued by Paxos.

“Binance will clearly have its wings clipped and this frontal attack on the largest cryptocurrency exchange could also put a crimp on the cryptocurrency industry more broadly, particularly if the SEC’s actions are seen as a harbinger of further regulatory tightening,” said Eswar Prasad, professor of economics at Cornell University.

In February, New York regulators halted the further issuance of the BUSD token, citing “several unresolved issues” relating to Paxos’s oversight of its relationship with Binance for the token. Prior to the action taken by New York regulators, BUSD represented roughly 40 per cent of trading volume on the exchange.

The SEC’s 13 charges against Binance also include allegations that the company misrepresented trading controls and a claim that Binance and Zhao had control of client assets, which allowed funds to be merged or rerouted to a Zhao-owned entity in the British Virgin Islands.

According to the SEC, although Binance and Zhao said in public that US customers were barred from using the offshore exchange, they “subverted their own controls to secretly allow” top US clients to trade on the platform.

“The SEC’s [136-page complaint](#) is a scathing attack not just upon Binance and Zhao, but upon the entire cryptoverse,” said John Reed Stark, former head of the SEC’s internet enforcement division, adding the case presents “violations of just about every major securities statute there is”.

In March, the Commodity Futures Trading Commission also issued a lawsuit against Binance, alleging the exchange illegally accessed US customers’

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