

THE LOST STABLECOIN DEPEG, JULY 2023

2023-09-25



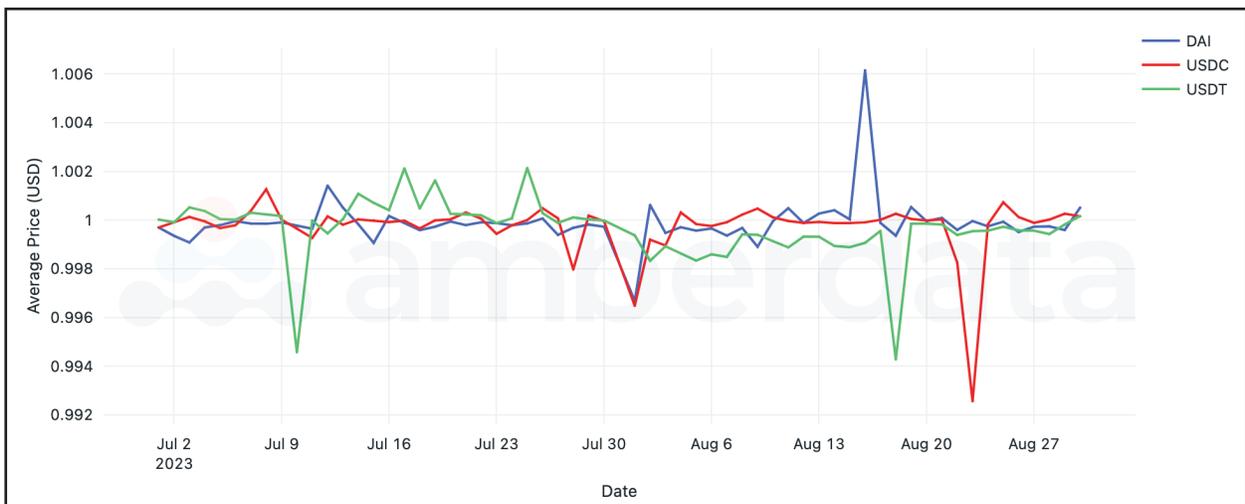
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When a tree falls in the forest, the only one who hears it is the one swinging the axe. In July of 2023, stablecoin prices on centralized exchanges underwent a significant depeg. In the chaos of regulation noise, a major arbitrage opportunity was all but forgotten about.

STABLECOIN PRICES

Eagle-eyed investors still frequently use stablecoins for marginal yield on arbitrage opportunities. Relatively small depeg events are common and often short-lived, but significant 2023 events like USDC in March or USDT in August are still frequent enough for more slothlike investors to evaluate risk-to-reward ratios.



USDC, DAI, USDT DEX prices based on WETH pair exchange rates between July and August 2023.

During the summer of 2023, several stablecoins such as USDC, USDT, and DAI were affected by market movements. June, July, and August brought news from United States regulators like [the U.S. House Financial Services Committee](#) and [the Securities and Exchange Commission \(SEC\)](#), who [hit Binance with multiple charges](#).

STABLECOIN PRICES ON CEXS

Aggregating stablecoin prices across all CEXs shows a peculiar story.

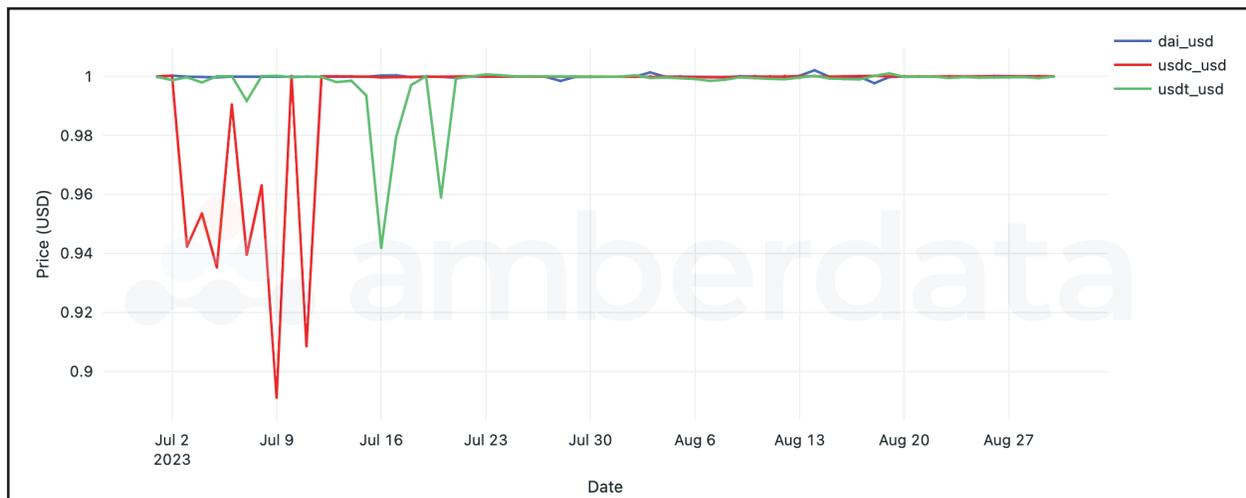


Average stablecoin prices on CEXes for BUSD, DAI, USDC, AND USDT between July and August 2023.

Despite the relative stability of stablecoins, in mid-July of 2023, they all experienced significant and sustained de-pegs across multiple days. USDC and USDT recovered 2-3 days faster than DAI and BUSD, who appear to have dropped furthest from their pegs.

STABLECOIN USD PAIRS

To highlight the difference between CEXs and DEXs we looked at USD trading pairs, which are currently unique to centralized exchanges.

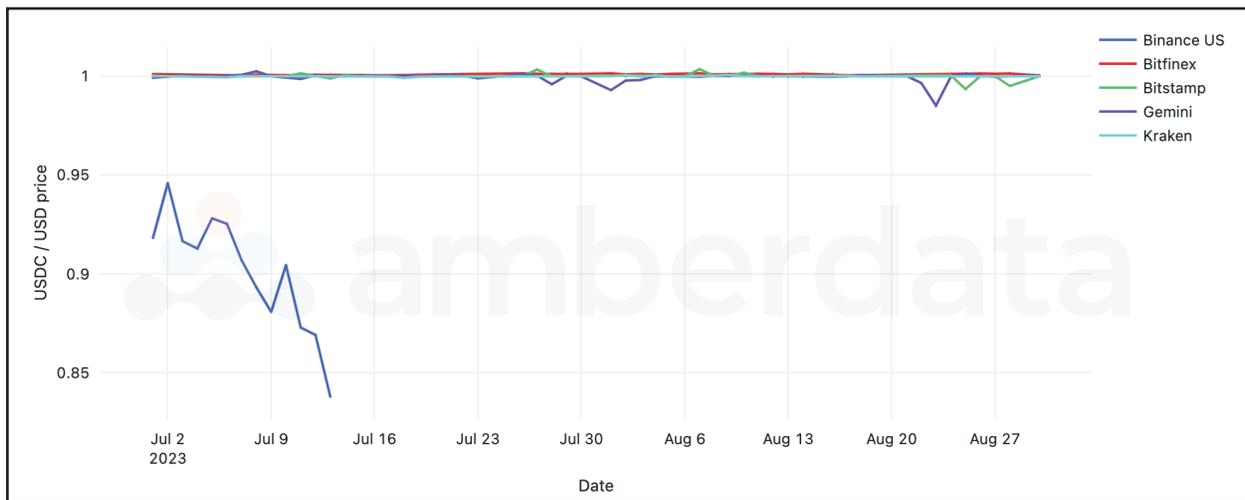


Average stablecoin-fiat pair prices on CEXs for DAI/USD, USDC/USD, and USDT/USD between July and August 2023.

USD pairs for USDC and USDT highlight a major depeg in the early July weeks, while DAI/USD did not appear to be affected. We can surmise that DAI's depeg occurred differently than that of USDC and USDT, but why did CEXs have such large price discrepancies from decentralized exchanges?

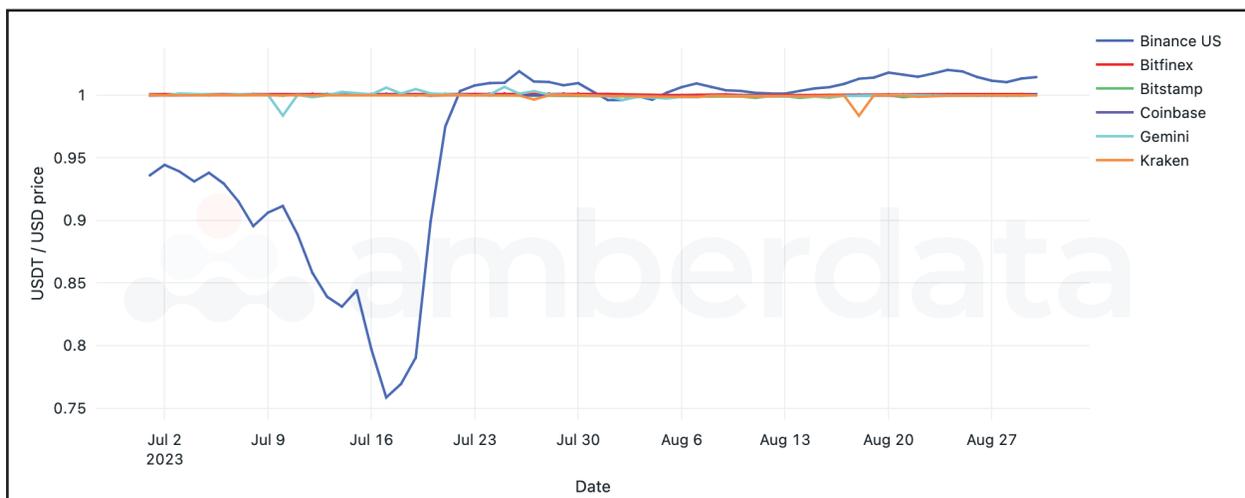
BINANCE AT THE FOREFRONT

As previously mentioned, this summer saw several centralized exchanges at the forefront of regulation and enforcement actions. It seems that SEC charges against [Binance and its entities hit the United States](#) the hardest. Binance has also [recently announced it is ending support for BUSD](#).



USDC/USD trading pair prices between July and August 2023 across multiple exchanges.

USDC/USD trading pairs plummeted on Binance as far as \$0.84, while USDT/USD trading pairs hit almost \$0.75.



USDT/USD trading pair prices between July and August 2023 across multiple exchanges.

The Binance chaos started with a tweet storm from Binance.US on June 5th [addressing the SEC charges](#) and igniting their defense against them. The following day, another [statement on X \(Twitter\)](#) was made in an attempt to reassure customers that funds were “safe and secure.” This statement also hit back at the SEC for a lack of clarity. A [second tweet](#) followed an hour later which attacked the SEC for their regulation by enforcement actions seen throughout the year. Finally, two days later on June 8th, the exchange announced [changes to its U.S. business model](#) by pausing USD withdrawals, suspending USD deposits, delisting USD pairs, and transitioning to a crypto-only trading platform.



Dear Valued Customer,

As you may be aware, Binance.US, alongside other companies in our industry, has become the target of aggressive tactics by the United States Securities and Exchange Commission (SEC). The SEC has brought unjustified civil claims against our business, from which we will continue to vigorously defend ourselves, our customers, our partners and industry.

Irrespective of the baseless claims, and in light of the Commission’s increasingly aggressive tactics, our payment and banking partners have signaled their intent to **pause USD fiat channels as early as June 13, 2023**, meaning our ability to accept USD fiat deposits and process USD fiat withdrawals will be impacted. As part of our customer-first commitment, we are notifying users promptly so you can take necessary actions as we transition to a **crypto-only exchange**. To be clear, we maintain 1:1 reserves for all customer assets, so customer funds are always safe, secure, and available.

Please note the following changes that will impact the platform:

- **ACH WITHDRAWALS: We encourage customers to withdraw their USD via bank transfer (ACH) by June 13, 2023. Due to elevated volumes and weekend bank closures, ACH withdrawals may take longer than usual to process (e.g. up to several days); we appreciate your patience.**
- **USD DEPOSITS:** To ensure a timely USD withdrawal process, we are suspending USD deposits and recurring buy orders today and beginning the transition to a crypto-only exchange. Any deposits already initiated will be processed.
- **USD TRADING PAIRS:** Beginning next week, we will start delisting USD pairs (e.g., BTC-USD) on our platform, while continuing to support stablecoin pairs (e.g., BTC-USDT).
- **USD BALANCES:** Any USD balances remaining on the platform after June 15, 2023 may be converted to stablecoin that can be withdrawn on-chain.
- **Cryptocurrency services remain fully operational, including: crypto trading, staking, deposits and withdrawals.**

Until we secure more stable banking partners, Binance.US will remain a crypto-only exchange—at least for a time. We will continue to provide you with updates via our [status page](#).

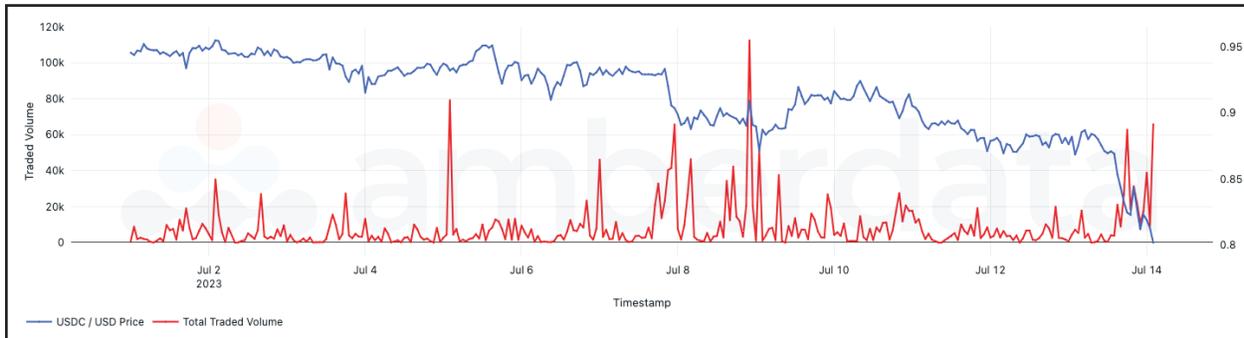
Thank you for your continued support as we fight for a path forward for those who want a thriving digital asset marketplace in America.

The Binance.US Team

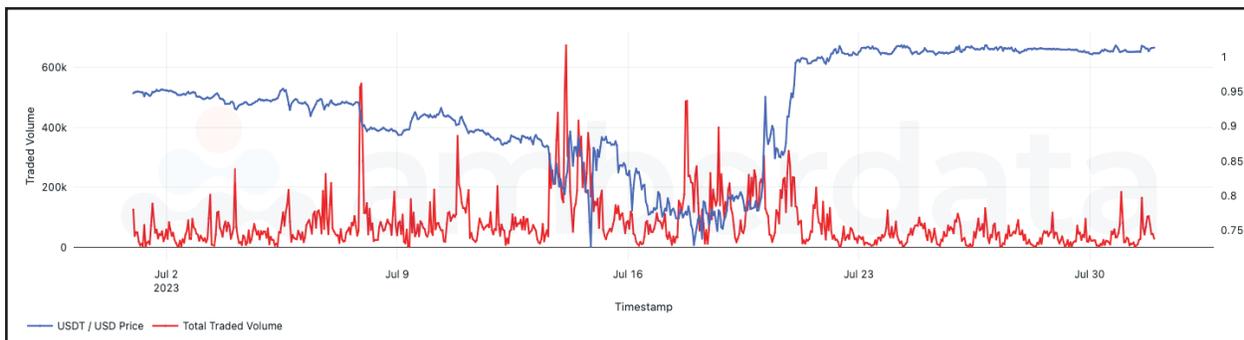
Statement from Binance US on June 8, 2023.

The transition from a fiat exchange to crypto-only is a fundamental shift in business. CEXs often operate as custodial solutions for traders who cannot use decentralized wallets due to corporate charters or a lack of technological ability. Many also use centralized exchanges' custodial solutions for large transactions for preferential treatment or liquidity benefits. Most often, centralized exchanges offer a way to convert fiat currency to crypto and act as a service to onboard funds into the decentralized world.

THE LOST DEPEG



Binance US USDC/USD price and volumes between July 1 and July 14.

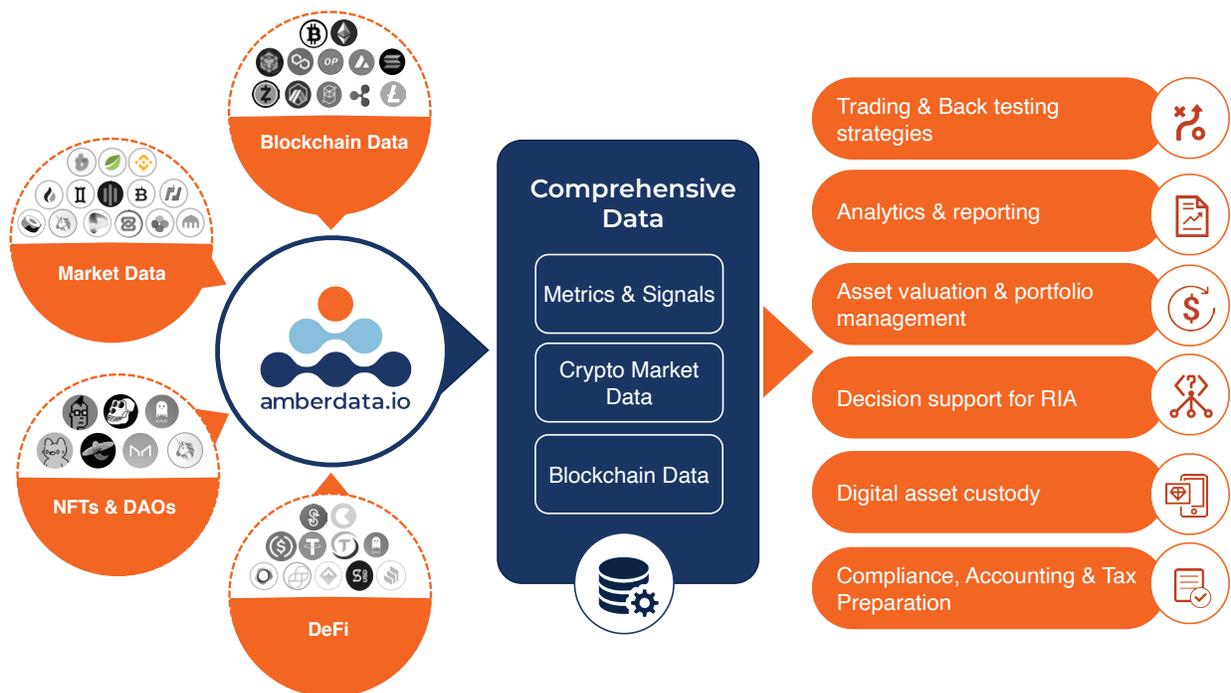


Binance US USDT/USD price and volumes between July 1 and July 31.

Using Binance US trade data, we see that when the volume for the USDC/USD and USDT/USD trading pair spiked, the trading pairs also experienced large price crashes. This indicates that these sell transactions had a major effect on liquidity and price. Support for the USDC/USD trading pair finally ended on July 14th, while USDT/USD continued to be supported. On July 18th, the USDT/USD peg began to slowly climb back to normal.

After seeing the spread of USDC/USD between Binance US and every other exchange, it is easy to imagine a way to leverage this scenario. Given the transition to crypto-to-crypto, few took advantage of the arbitrage opportunities, and the continued support of the USDT/USD trading pair was a massive arbitrage opportunity that few caught. The lost stablecoin depeg can teach us a lot about centralized exchanges and provides traders with an opportunity to capitalize in the future.

LOOKING TO ENTER DIGITAL ASSETS?



If you're looking to enter the digital asset space, you need Amberdata.

Our platform connects to all the blockchains and markets that matter today, allowing a comprehensive view of crypto markets, blockchain networks, NFTs, DAOs, and DeFi. We provide real-time and historical transparency into markets and price discovery across spot, derivative and decentralized exchanges, as well as on-chain data from the most active cryptocurrency networks and protocols.

Our data solutions support all pre- and post-trade functions. We provide deep market data, down to Level 2 order books, facilitating backtesting of quant trading strategies. And our blockchain data provides transparency not seen with other asset classes, allowing you to track pending transactions and wallet balances over time across various blockchain networks, as well as market

cap and total value locked. You can also create analytics dashboards with fundamental data to track network health and understand DeFi data like liquidity and lending rates. For fund accounting and administration, you'll know what was in a wallet at any time and what it was worth in any currency. For institutions that want to do custody themselves rather than outsource it, we provide the on-chain data needed.

With Amberdata, you get a single integration point for market and on-chain data, eliminating the need to integrate offerings from multiple vendors and allowing you to accelerate time to market for your digital asset products. We've built our data sets with institutional use cases in mind, providing the easy to consume formats and reliability you receive with traditional asset classes.

Request a demo to find out how the Amberdata platform solves digital asset data challenges and enables institutions to enter the digital asset space quickly, easily, and reliably. amberdata.io/demo



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