

What Caused the Sharp Drop In Binance Stablecoin BUSD?

Stablecoins in the crypto market help provide USD-pegged tokens in a volatile industry. In bull markets, the market capitalization of stablecoins tends to decline as investors flock to more volatile assets; and during bear markets, investors seek shelter in low volatility stablecoins, thus increasing their market capitalization. On January 26, the total market capitalization of stablecoins such as Tether, USD Coin, Binance USD, and Dai exceeded \$131 billion. Stablecoins are so crucial to the future of crypto that Moody's, a well-respected analytics agency, is planning to develop a scoring system, which may help reduce the speculation and fear that some investors have with stablecoins. This concern amidst the lack of transparency in stablecoins has caused one of the top stablecoins, BUSD, to see a sharp decline in usage over the past few weeks. Although the market capitalization of BUSD has increased sharply on September 30, 2022, this increase is due to Binance's decision to aggressively swap the exchange's USDC holders for its own stablecoin. Those gains have since evaporated. At the time, the automatic conversions took \$3 billion off UDC's market cap. The market capitalization of BUSD has continued to decline as issues with dollar-pegged token management first came to light in January 2023. While Binance pushed back on reports that the stablecoin was not fully backed, investor fears led to a major exodus. According to blockchain analytics provider Nansen, the circulating supply of BUSD dropped to \$15.4 billion on January 25. The drop represents a \$1 billion drop from last week and \$2

billion from December 2022. The most recent decline sped up BUSD's market cap decrease from \$22 billion when worried investors rushed to withdraw money from Binance after it misrepresented the amount of digital assets in its collateral reserves by combining corporate holdings on reports.

Source: [The Pipsafe Team](#) - **What Caused the Sharp Drop In Binance Stablecoin BUSD?**

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