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Digital Assets - Comments

October 29, 2026

BINANCE HACK PUTS >$3B OF ASSETS AT RISK, BUT NO MEANINGFUL SOLVENCY RISK IS EXPECTED, WHILE THE MARKET ABSORPTION TEST BEGINS AND THE CASE FOR NON-CUSTODIAL INFRASTRUCTURE STRENGTHENS



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- Binance appears to be the latest victim of an increasingly challenging cybersecurity environment. Onchain tracing shows ~$6.3B drained from Binance hot wallets across eight chains on 10/29, ~$6.1B of it in the first 55 minutes. That would make it the largest crypto hack on record, roughly 4.5x Bybit's ~$1.4B in February 2025. Tether, Circle, Ripple, Paxos, World Liberty, and Binance itself have since frozen ~$2.8B, leaving ~$3.3B that can still move, mostly BTC and ETH. Binance says user funds are safe, has paused withdrawals on several networks as a precaution, and continues to investigate.
- The most important takeaway for markets is that this does not currently appear to create meaningful solvency risk for Binance. Assuming frozen stablecoins are ultimately returned, the hole is ~$3.3B. Binance's SAFU emergency fund (~$1.2B, held in BTC) covers roughly a third, with the balance coming from Binance's own balance sheet. Binance does not publish audited financials, but hot wallets typically hold only a small fraction of an exchange's reserves, and CZ, its largest shareholder, has said he expects user funds to be fully covered. That removes what I would view as the most dangerous tail risk. The real systemic concern would be a shortfall in customer assets that forces Binance to liquidate reserves, accelerates withdrawals, causes counterparties to pull credit, and creates a reflexive deleveraging cycle across crypto. I do not think that is the setup we are

dealing with, but the key tell will be how quickly withdrawals resume and whether outflows stay orderly.

- The attack was planned in advance. On 10/28, the attacker funded its wallets through Tornado Cash. On 10/29, it built a program designed to empty wallets and spent the afternoon testing it on its own accounts. That evening, it submitted a batch of approvals that handed control of one of Binance's large Ethereum hot wallets to that program. Each approval carried a valid signature from the wallet's own key, created only minutes earlier. Once one went through, the program emptied the wallet in a single transaction: 167,464 ETH, 1.615B USDT, and 61 other tokens. Over the same half hour, Binance hot wallets on seven other blockchains, including Bitcoin, XRP, Solana, and Tron, were drained as well. In traditional finance terms, this looks less like a stolen password and more like someone gaining live access to a bank's own payment-approval system. How the attacker got that access is the key open question.
- From a market perspective, the next question is how the ~$3.3B that can still move gets absorbed. It is now almost entirely volatile assets: 18,270 BTC (~$1.4B), ~459k ETH (~$1.0B), ~$290M of XRP, ~$240M of TRX, and ~$280M of other tokens. The ETH stack is larger than what was stolen, mainly because the attacker sold ~$435M of USDT to market makers and DEXs for ETH before Tether's blacklists caught up. The BTC, XRP, and SOL have not moved, and the BTC sits in 19 wallets, 17 of them holding exactly 1,000 BTC. If BTC and the broader complex absorb that supply without a material breakdown, I would view that as useful confirmation of demand around current prices. See below for a more granular breakdown of the assets drained.
- The incident is also another reminder that operational security is becoming increasingly important. Earlier the same day, Polymarket briefly halted trading after a compromised third-party script cost users ~$2M. Hackers continue to find new ways around existing defenses, and AI could accelerate that trend by making vulnerability discovery, social engineering, and attack automation more sophisticated. There is no evidence yet that AI played a role here, but I think the direction of travel is clear. Security standards will need to rise materially as offensive capabilities improve.

- For users, the takeaway is simple. Exchanges and other intermediaries that cannot demonstrate an ability to secure customer funds should not be trusted with unnecessary balances. Until there is greater clarity around how this compromise occurred, I think it is reasonable for users with funds on Binance to reassess how much capital they need to keep on the venue vs. what can be held elsewhere.
- There is also a striking contrast with today's ICE announcement. On the same day one of the world's largest centralized exchanges appears to have suffered a record breach, ICE agreed with Trade[XYZ] to bring Hyperliquid-based perpetual markets onshore. ICE will be the exclusive operator of a new regulated U.S. retail market and clearing structure and is taking a minority stake in Trade[XYZ], subject to regulatory approval. Onchain rails are not foolproof. This attack abused an onchain wallet feature, and Hyperliquid has its own trade-offs. But the core failure here was concentration, with billions of dollars sitting in hot wallets controlled by a single intermediary. Transparent, verifiable settlement and self-custody reduce that single point of failure. To me, that juxtaposition strengthens the longer-term case for more financial infrastructure moving onchain.

Bottom Line: This is likely the largest crypto hack on record, but the key distinction is that it does not currently appear to be a solvency event for Binance. That meaningfully reduces the risk of a negative feedback loop involving withdrawals, forced selling, tighter credit, and broader deleveraging. Near term, the questions are how quickly Binance resumes withdrawals and how well the market absorbs the ~$3.3B of BTC, ETH, and other tokens still under the attacker's control. Longer term, the incident reinforces both the growing importance of operational security and the structural appeal of transparent, non-custodial financial infrastructure.

Binance Hack: Assets Drained by Chain and Current Status

~$6.3B drained across eight chains; ~$2.8B frozen, ~$3.3B can still move (as of ~23:50 UTC, Oct 29, 2026)

Drained, by chain 20:24 UTC prices

Chain	Assets taken	USD
Ethereum	~60 tokens, led by USDT, USDC, ETH	$3.74B
Bitcoin	18,270.2 BTC	$1.47B
Tron	612.7M USDT, 46.4M TRX	$628M
XRP Ledger	233.5M XRP	$296M
Solana	970,522 SOL	$96.1M
Arbitrum	8,426 ETH, 74.6M ARB	$31.8M
Avalanche	1.81M AVAX, 8.41M USDt	$24.3M
Optimism	44.2M OP	$4.8M
Total		**$6.29B**

Ethereum, by asset 20:24 UTC prices

Asset	USD	Share
USDT	$1.87B	50%
USDC	$823M	22%
ETH (197,668)	$457M	12%
RLUSD	$88.5M	2%
wBETH	$76.8M	2%
XAUt	$50.5M	1%
UNI	$49.6M	1%
ENA	$44.7M	1%
PEPE	$40.1M	1%
LINK	$29.6M	1%
USD1	$27.8M	1%
~50 smaller tokens	~$179M	5%
Total Ethereum	**$3.74B**	100%

Frozen ~23:50 UTC

Asset	Frozen by	Amount	USD
USDT (Ethereum)	Tether	1.38B	$1.38B
USDC	Circle	824.6M	$825M
USDT (Tron)	Tether	378.7M	$379M
wBETH	Binance	29,934	~$75M
XAUt	Tether	12,574	~$50M
RLUSD	Ripple	40.5M	$40.5M
USD1	World Liberty	27.8M	$27.8M
USDt (Avalanche)	Tether	8.41M	$8.4M
PAXG	Paxos	1,907	~$7.6M
WLFI	World Liberty	48.5M	~$2.5M
Total frozen			**~$2.80B**

Can still move ~23:50 UTC prices

Asset	Amount	USD	Status
BTC	18,270	$1.42B	Unmoved; 19 wallets
ETH	458,770	$1.03B	9 wallets
XRP	233.5M	$289M	Unmoved
TRX	684.6M	$243M	Incl. USDT swapped to TRX
Other Ethereum tokens		~$136M	
SOL	970.5k	$93M	Unmoved
ARB, AVAX, OP		~$48M	OP unmoved
Total can still move		**~$3.26B**	

Drained values use 20:24 UTC prices and status values use ~23:50 UTC prices, so the panels do not tie. Before freezes landed, ~$435M of Ethereum USDT was sold for ETH and ~$234M of Tron USDT was swapped into TRX. Another 60M USDT is stuck as Aave collateral.

Bitcoin, XRP and Tron legs attributed by timing and transaction fingerprint, not confirmed by Binance. ~ denotes approximate value; PAXG and WLFI values estimated.

Source: @dicksonwumi onchain tracing (X), Oct 29, 2026

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