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EXECUTIVE SUMMARY

The US economy has consistently defied predictions of a broad-based recession and has demonstrated resilience in withstanding supply-chain stresses caused by lockdowns, global conflicts, labour shortages, and significant interest rate hikes. However, this resilience is now facing another test, as a banking crisis threatens the stability of the global financial system.

The recent stress that emerged in the market followed the collapse of Silicon Valley Bank on March 10, exposed cracks in existing US commercial bank policies. To prevent a potential financial meltdown, the Fed swiftly threw the larger banks and financial institutions a lifeline by rolling out a lending program that increased the loans to banks on its balance sheet by about $297 billion.

Unfortunately, fears regarding the health of the banking system have now spread from the US to Europe, leading to an abrupt loss of confidence in Credit Suisse, which is a systemically important global financial institution. Credit Suisse was able to secure $54 billion in liquidity to prevent its possible failure. However, eroding trust in the banking system remains an ongoing concern, and the bank has agreed a takeover, sponsored by the Swiss central bank, by its larger rival UBS.

This has complicated the Federal Reserve's already difficult job of gradually slowing the economy to bring inflation under control. Recent data from the Bureau of Labor Statistics shows that despite moderating year-over-year headline inflation, prices continued to rise in February, particularly in the service sector.

Persistently high prices are also continuing to worry American consumers, as reflected in the University of Michigan's Consumer Sentiment Index. The index is still far below its pre-pandemic levels, and it is expected to worsen in the next report, after factoring in the impact of the banking crisis.

Despite these concerns, crypto assets and particularly Bitcoin, have seen substantial price appreciation, bolstered by central bank measures to restore financial stability. On March 19th, the price of Bitcoin reached a new high for the year, driven by a significant influx of spot buying, particularly by new market participants. Bitcoin non-zero balance wallets have spiked to almost 45 million and the exponential moving average for new addresses is also demonstrating a sustained upward trend.

In the Bitcoin perpetual futures markets too, there has been little change in the funding rate, indicating that derivatives volume has stayed at normal levels during this period of price appreciation. This further supports our thesis that spot buying across wallet sizes is underpinning the market moves.

Ether (ETH) supply is also deflating at an increasing rate. If demand for Ether continues to grow, this would further increase Ethereum gas fees and eventually further accelerate its rate of deflation - a bullish scenario for Ethereum investors.

As the winds of change continue to blow through the crypto-sphere, firms in the space find themselves still grappling with the lingering aftermath of the 2022 Terra-Luna catastrophe, compounded by the uncertainties in the macroeconomic environment. Circle cleared USDC backlogs amid fear of the stablecoin's collapse; Signature bank was forced to shut down by New York regulators; and DeFiance Capital, after facing a set-back last year, closed its first funding round for its new $100 million liquid token fund.

In other news, the US Justice Department (DOJ) also announced it is investigating Jump Trading and Jane Street, two prominent trading firms, regarding a potential bailout plan that it decided not to execute for the collapsed TerraUSD (UST). The DOJ has also filed an appeal against the decision of the bankruptcy court judge to allow Binance.US to acquire the assets of crypto lender Voyager Digital. Anchorage Digital cut its workforce by 20 percent as it navigates through the uncertain regulatory environment in the US. ; and UBS agrees to buy Credit Suisse for more than $2 Billion to stop the banking crisis from spreading.

Happy Trading!

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GENERAL MARKET UPDATE

Fed Throws Banks a Lifeline

The recent banking crisis has made it clear that the health of the US economy depends on the overall health of its financial sector. To control the contagion from the closures of several banks last week, the Federal Reserve (Fed) was quick to throw a lifeline.

In last week's issue of *Bitfinex Alpha*, we discussed how investors were migrating to safer, short-term securities amidst increasing economic uncertainty and concerns regarding the banking crisis.

Since the news of Silicon Valley Bank's (SVB) collapse broke, there has been further significant adjustment in investor risk tolerance, as demonstrated not only by investors seeking safety through short-term securities, but also by depositors transferring funds from smaller or boutique banks to larger banks, and other financial institutions accessing more liquidity from the Fed.

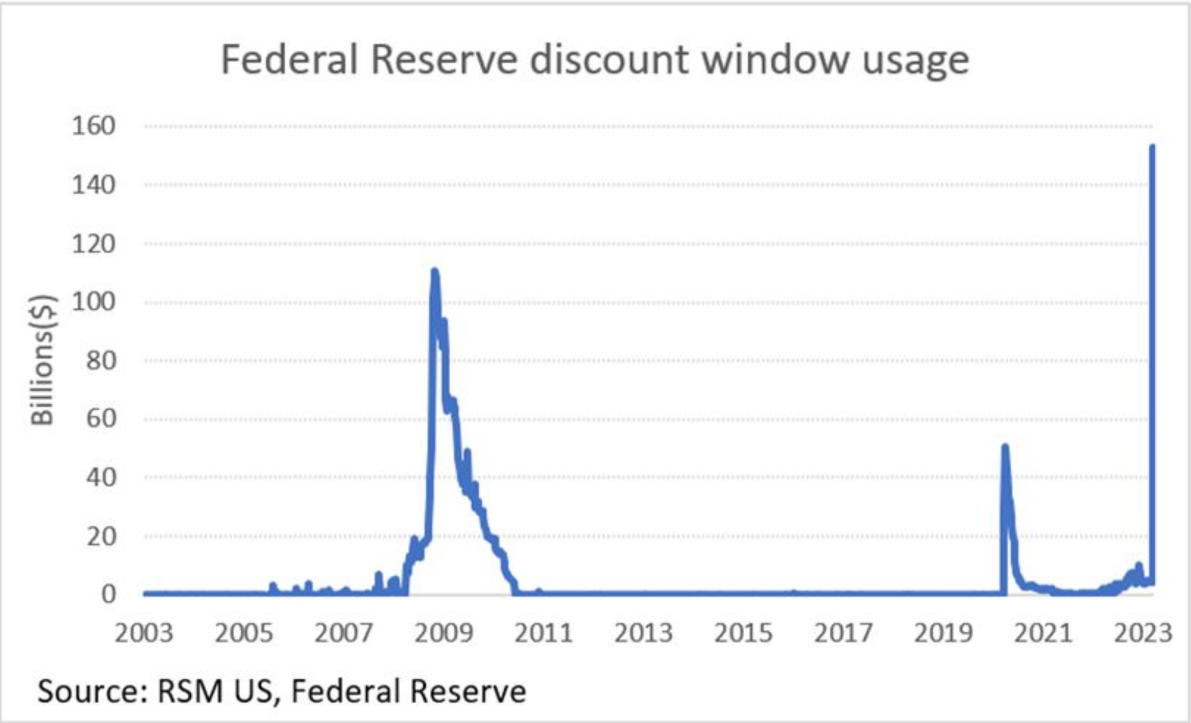


Figure 1. Federal Reserve Discount Window Usage (Source: RSM US, Federal Reserve)

In response to the heightened risk of bank runs, the Fed has launched lending programs to prevent a larger crisis from spreading through the real economy.

One of the best known is the Fed's discount window, which has seen a significant surge in usage in the last few weeks. The discount window is a central bank lending facility meant to help commercial banks manage their short-term liquidity needs. From March 9th to 15th, there was a total demand for liquidity amounting to $152.9 billion, with $148.3 billion of that demand representing an increase from the previous week. The previous record was $111 billion, a level reached during the 2008 financial crisis.

The Fed has implemented various lending programs to mitigate the risk of bank runs and prevent a larger crisis from spreading through the real economy. The more traditional route is the discount window, which offers loans of up to 90 days. Alternatively, the Bank Term Funding Program (BTFP) offers banks the opportunity to take one-year loans under favorable terms in exchange for high-quality collateral valued at par. This allows institutions to avoid selling off their assets rapidly in times of financial distress, which could lead to bank runs as in the case of SVB. The BTFP aims to protect the real economy and restore public faith in the financial sector.

The aforementioned lending programs have resulted in a significant increase in the amount that the Fed has loaned to banks on its balance sheet, with the total rising by over $297 billion. While this figure is not as extreme as the peak of the 2008 financial crisis, it is important not to underestimate the current stress on the US financial system. The migration of deposits from regional to larger banks and the increase in financial institutions seeking emergency borrowing programs pose a threat to confidence in the banking system and a decrease in the willingness of banks to lend to one another.

This, in turn, could result in tighter credit standards, requiring higher collateral or creditworthiness from borrowers, and ultimately leading to slower growth and potential unemployment.

As for the upcoming FOMC meeting, we expect that the spotlight will be on an appropriate strategy to address the liquidity crisis. The Fed will want to strike a balance between restoring price stability while still maintaining financial stability post the recent financial panic.

Fed’s Dilemma Between Price and Financial Stability

Inflation is still far from the Fed’s target rate and with financial stability now adding to the list of concerns, there will be a difficult trade-off between inflation versus growth in the Fed’s monetary policy decisions over the next few months.

The latest data from the Bureau of Labor Statistics shows that inflation remains elevated, with a 0.4 percent month-over-month (MoM) increase (indicated by the yellow circle in Figure 2) and a 6.0 percent year-over-year (YoY) increase in prices in February. Core inflation, which excludes the effects of changes in food and energy prices, rose by 0.5 percent MoM (indicated by the red circle in Figure 2) and 5.5 percent YoY.

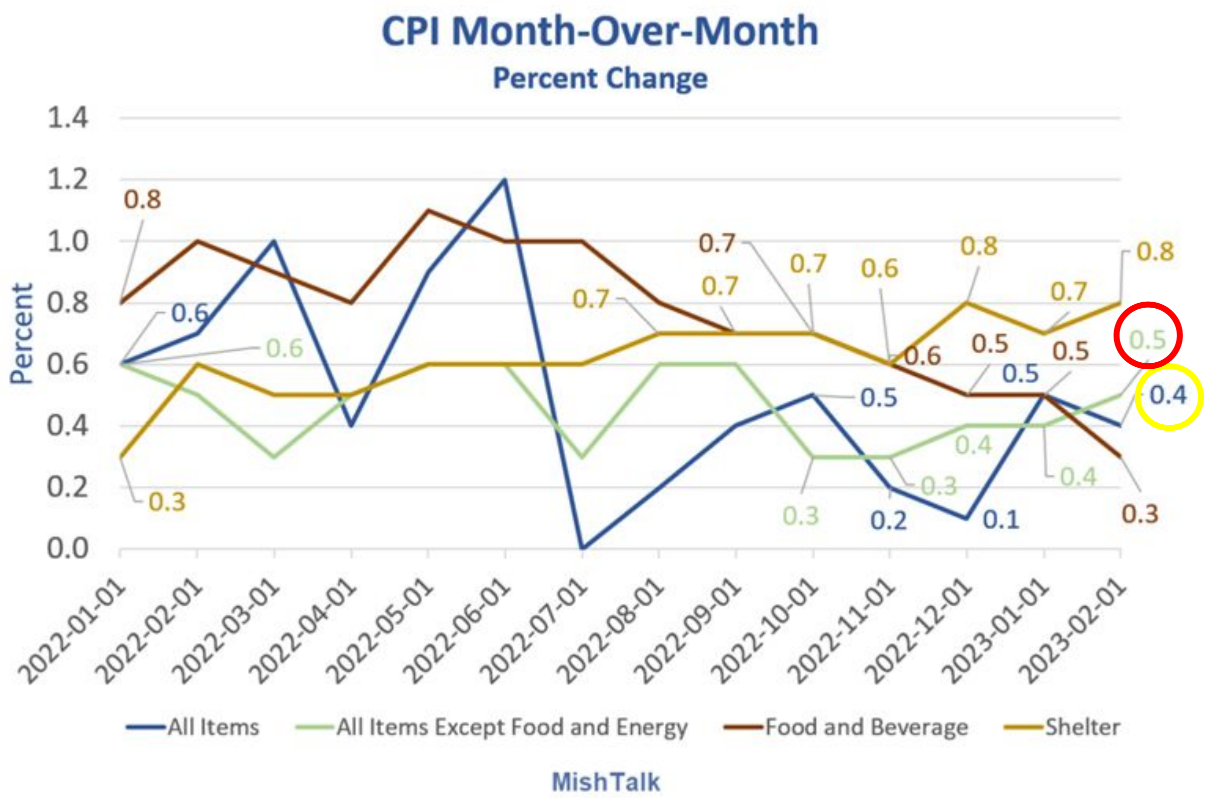


Figure 2. CPI Month-Over-Month Percent Change (Source: Bureau of Labour Statistics, Mishtalk)

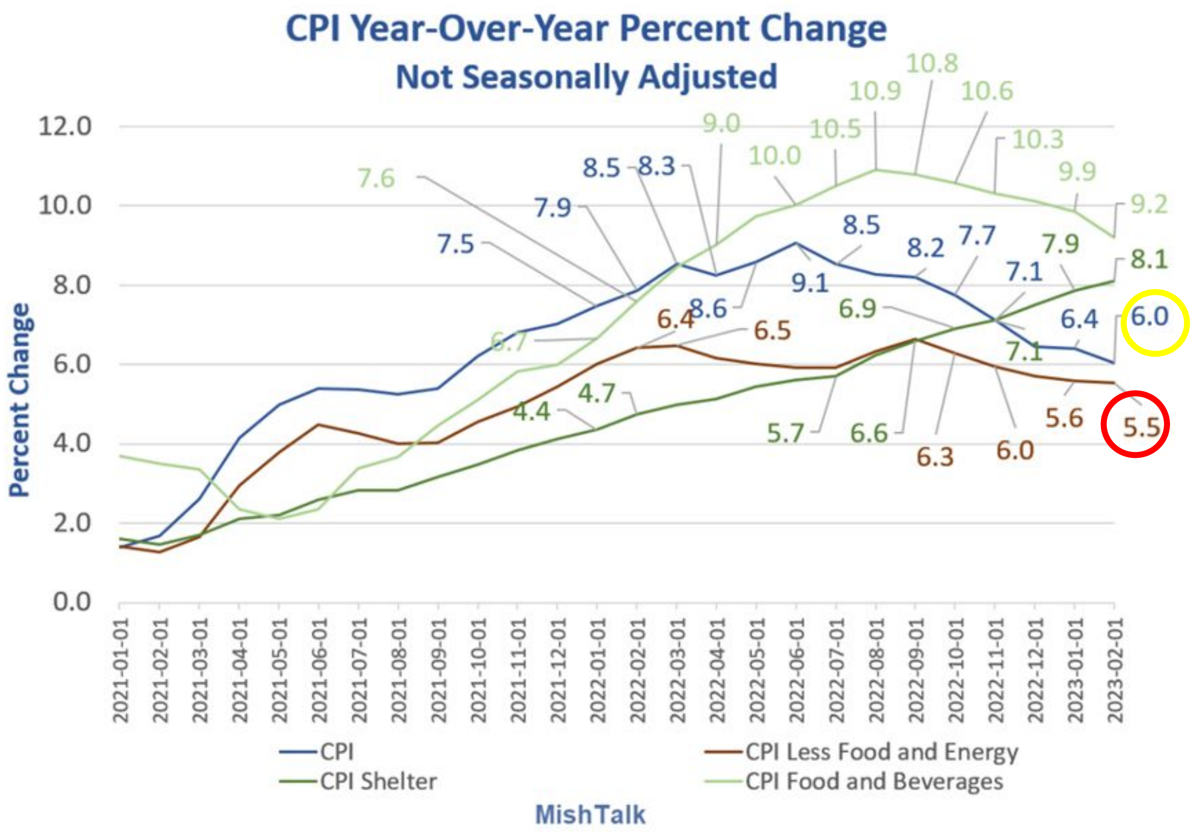


Figure 3. CPI Year-Over-Year Percent Change (Source: Bureau of Labour Statistics, Mishtalk)

Services inflation, excluding housing, is moderating year-over-year, although if energy is included, still remains elevated. Service sector inflation rose by 0.5 percent in February and was up by 7.6 percent YoY. Services excluding energy increased by 0.6 percent from the previous month and were up by 7.3 percent YoY. (See Figures 4 and 5 for services inflation) .

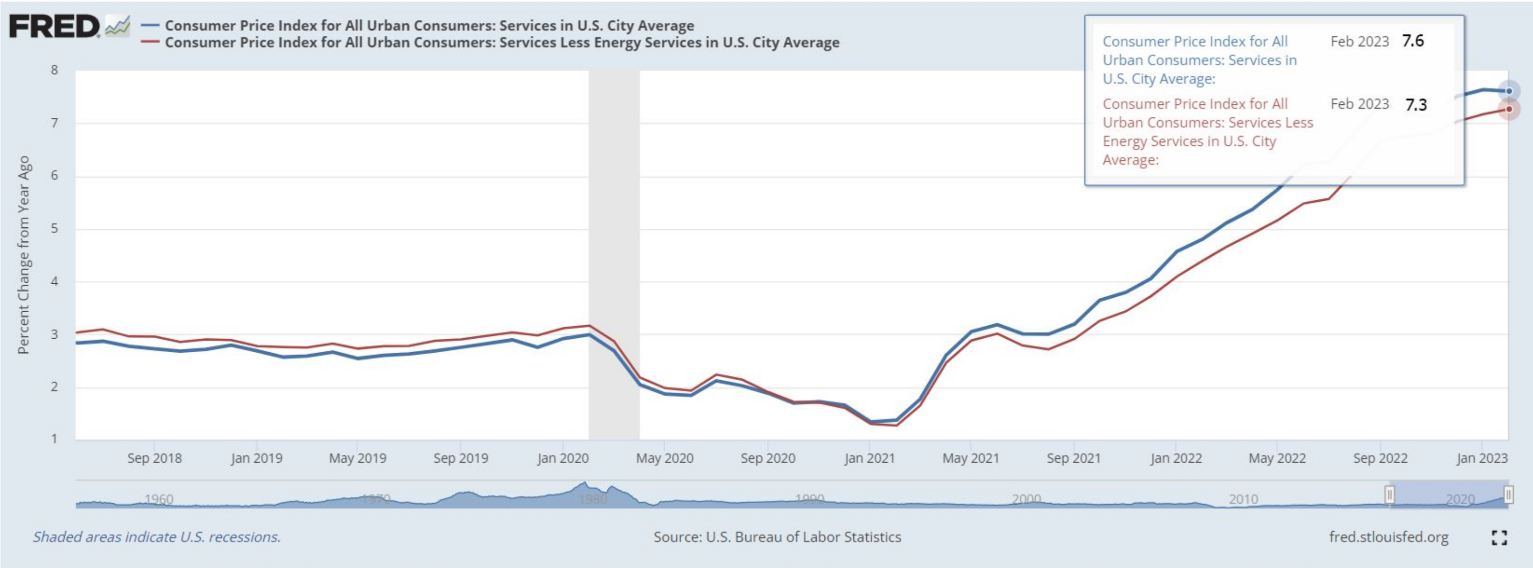


Figure 4. Consumer Price Index for Services & Services Less Energy Services Year-Over-Year Percent Change (Source: Bureau of Labour Statistics)

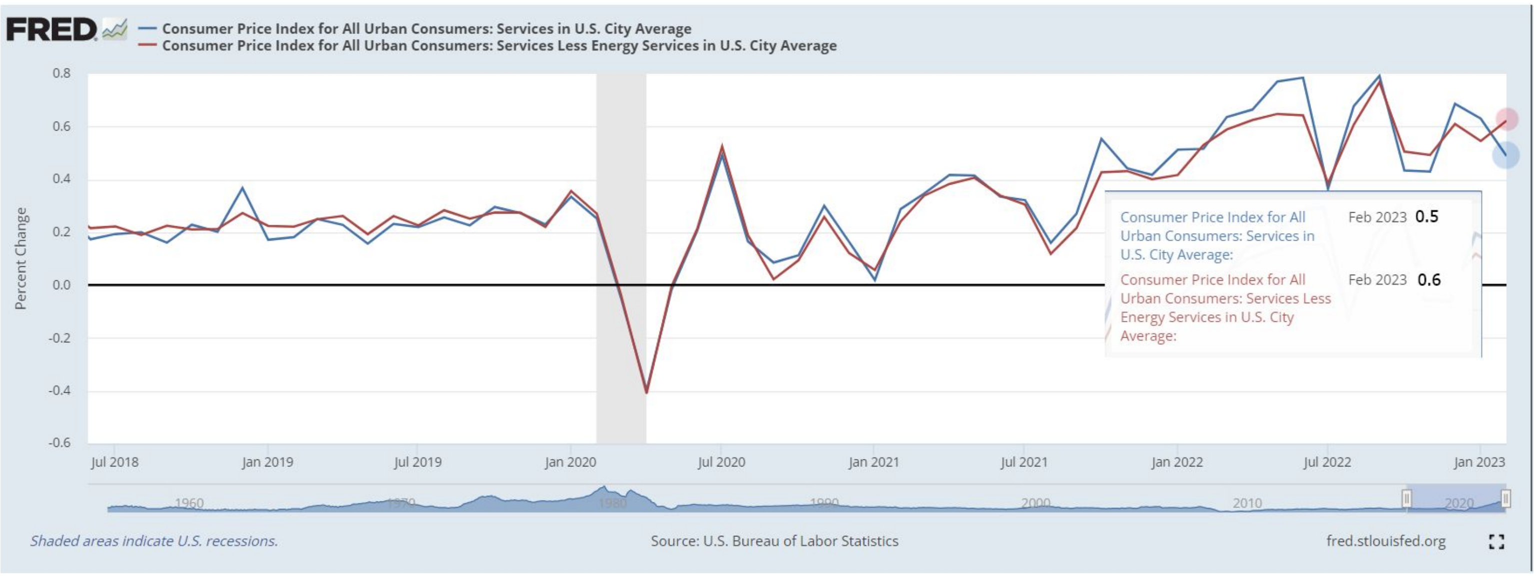


Figure 5. Consumer Price Index for Services & Services Less Energy Services Month-over-Month Percent Change (Source: Bureau of Labour Statistics)

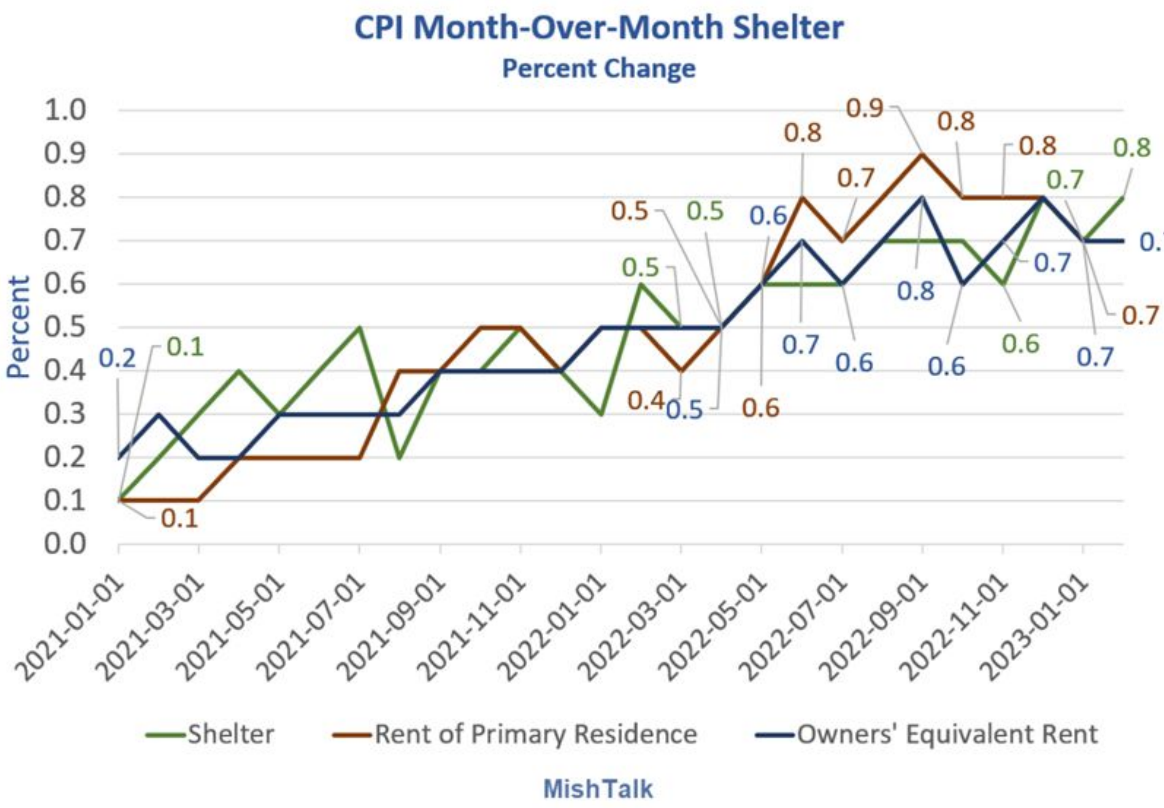


Figure 6. CPI Month-Over-Month Shelter (Source: Bureau of Labour Statistics, Mishtalk)

Other Categories which saw an increase in prices in February include shelter, recreation, household furnishings and operations, and airline fares.

The mounting financial stress and excessive fluctuations in fixed income markets, caused by rising rates and a persistently inverted yield curve, present a compelling case for the Fed to exercise caution. Market expectations for a pause in rate hikes at the next FOMC meeting have suddenly spiked from zero expectation on March 10th to 38 percent as of March 18th (See Figure 7). It is our belief that recent developments in the financial markets will play a pivotal role in shaping the Fed's decision during the forthcoming FOMC meeting.

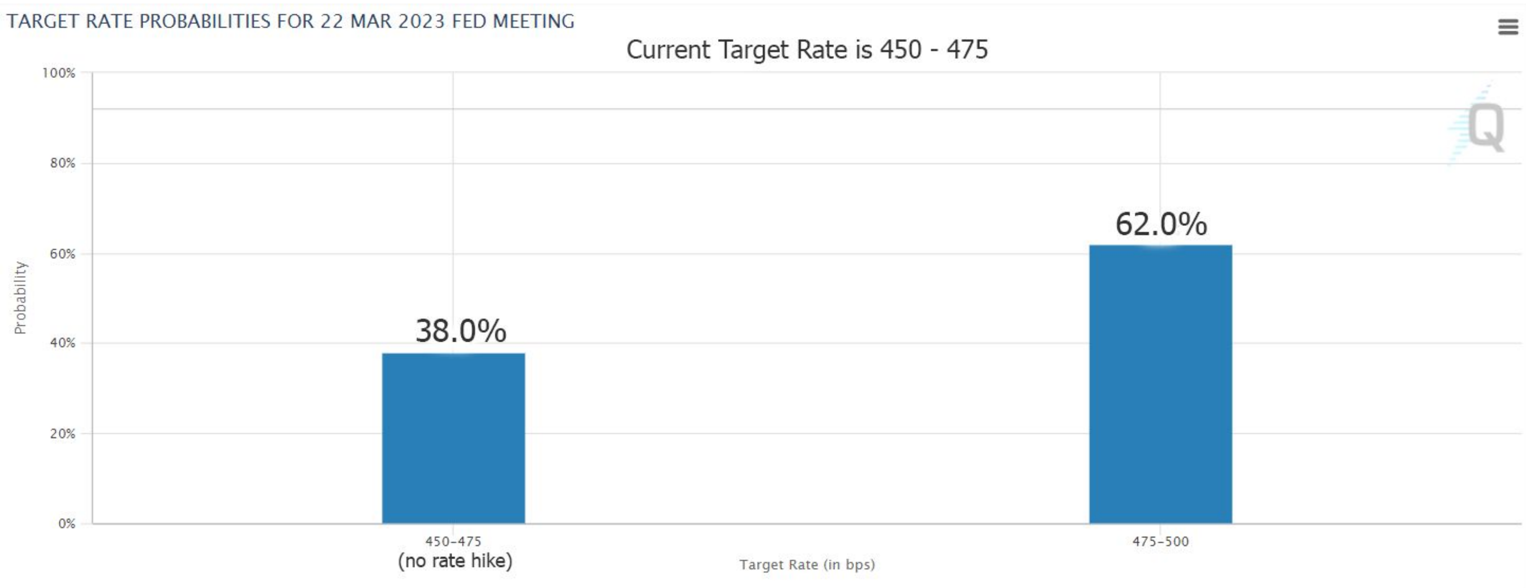
The March FOMC meeting presents a high level of unpredictability. In recent months, there has been significant fluctuations in market expectations of target rates. Figure 7 demonstrates the target rate probabilities under consideration.

The likelihood of further interest rate hikes is being driven by concerns over price stability. When Fed chairman, Jerome Powell delivered a hawkish speech on March 7, suggesting further rate hikes, the probability of a 50 basis points hike surged. This coincided with the release of data by the US Census Bureau indicating increased factory orders in March 6, which, in turn, signaled a growing economy and potential inflationary pressures.

However, following the outbreak of the banking crisis, the probability of a 50 bps rate hike plummeted to zero. This can be attributed to the fragility of the banking sector and the economy at large being exposed, prompting concerns about financial stability. Market participants saw the potential for massive rate hikes to further exacerbate cracks in the banking system, leading to the expectation that the Fed would pause and reassess its stance. The probability of a zero bps rate hike surged.

News of the lending program by the Fed prompted a decrease in the probability of zero rate hikes, indicating a positive market response to such interventions. Additionally, there was an increase in the probability of a 25 bps hike in response to the core inflation print, which showed a slight increase in February, albeit with a moderating trend in year-over-year figures.

Overall, the March FOMC meeting presents a challenging environment for policymakers, with concerns about price stability and financial stability driving significant shifts in target rate probabilities.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 17 MAR 2023	1 WEEK 10 MAR 2023	1 MONTH 17 FEB 2023
450-475 (Current)	38.0%	38.0%	0.0%	0.0%
475-500	62.0%	62.0%	59.8%	81.9%
500-525	0.0%	0.0%	40.2%	18.1%

* Data as of 18 Mar 2023 10:18:17 CT

1/1/2024 and forward are projected meeting dates

Figure 7. Target Rate Probabilities for March 22 FOMC Meeting (Source: CME group)

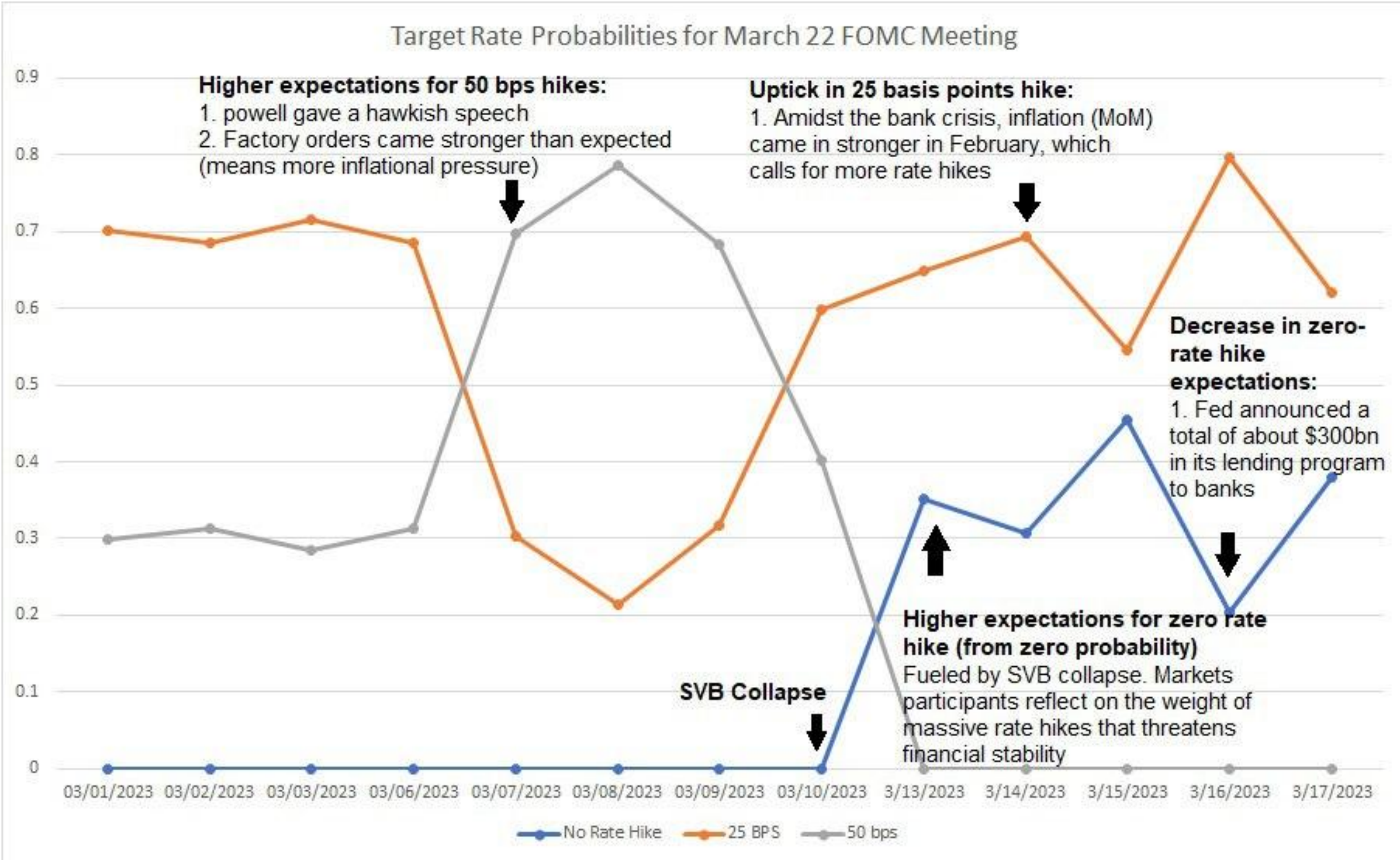


Figure 8. Target Rate Probabilities for March 22 FOMC Meeting

Overall, the year-over-year inflation data is trending in the right direction, implying that a moderating inflation regime is on its way later this year. However, service inflation remains elevated, and we expect total inflation to remain substantially above the Fed's official two percent target rate throughout the year.

The increase in core inflation and other components like shelter in February appears to merit more rate hikes. When we look at the service sector inflation, more interest rate hikes is also a rational decision in the context of price stability. However, the next rate hike will be driven by the extent to which financial stability can be restored after the Fed's prompt steps to ring-fence bank deposits through its lending programs. This complicates the Fed's efforts which right now, must strike a balance between restoring price stability and financial stability.

A decision to pause rate hikes at the March FOMC meeting will send a message that the Fed's lending facility is not enough to restore financial stability. Hence, as long as the financial markets don't deteriorate further, and there will be no more major bank failures, regulator seizures and problems in globally important financial institutions, we could expect a 25 basis points hike in the upcoming March FOMC meeting.

Here is the sequence of events that led to Silicon Valley Bank's failure

MASSIVE INCREASE IN DEPOSITS
Jamie Quint, general partner at Uncommon Capital, explained in a tweet that SVB experienced a significant increase in deposits in 2021, with the amount rising from $61.76 billion at the end of 2019 to $189.20 billion at the end of 2021.

2021

2022

THE FED RAISED RATES DURING THEIR QUANTITATIVE TIGHTENING REGIME : THROUGHOUT 2022

CEO, GREG BECKER SOLD $3.57 MILLION OF STOCK BASED ON INSIDE INFO : FEBRUARY 28 2023

2023

SVB DECLARED THAT THEY DISPOSED OFF THEIR AFF AVAILABLE FOR SALE SECURITIES FOR A LOSS OF $1.8 BILLION

Ticker	Name	Amount	Owned after	Filing date	Trans date	Trans code
SIVB	BECKER GREGORY W	-160K	92.6K	2/28/2023	2/26/2023	S
SIVB	BECKER GREGORY W	-899.00	104K	2/28/2023	2/26/2023	S
SIVB	BECKER GREGORY W	4.45K	101K	2/28/2023	2/26/2023	M
SIVB	BECKER GREGORY W	-4.00K	4K	2/28/2023	2/26/2023	M

Moody's **2023**

MOODY'S THREAT TO DOWNGRADE SVB'S RATING: IN THE BEGINNING OF MARCH 2023
Moody's Investors Service, often referred to as Moody's is a bond credit agency that ranks the creditworthiness of borrowers on the basis of assessed risk and the borrower's ability to make interest payments. In the week before the collapse, Moody's informed SVB Financial, the bank's holding company, that it was facing a potential downgrade of its credit rating.

SVB SELLS AFS (AVAILABLE FOR SALE) SECURITIES PORTFOLIO AT A LOSS OF $1.8 BILLION : MARCH 8

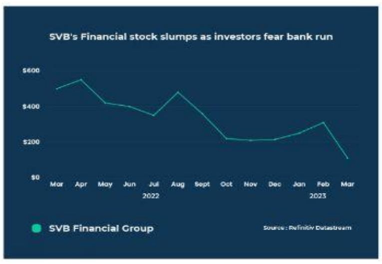
2023

2023

MOODY'S DOWNGRADES SVB FINANCIAL A FEW HOURS LATER : MARCH 8

SVB'S STOCK COLLAPSE : MARCH 9

2023



FDIC **2023**

SVB GOES INTO RECEIVERSHIP: MARCH 10
Federal Deposit Insurance Corporation (FDIC) has declared that SVB is closed and placed under its receivership.

SVB'S IMPACT ON THE CRYPTO INDUSTRY: MARCH 9

2023

Bank Contagion Spreads to Europe

On Wednesday, March 15th, the Swiss National Bank offered $53.7 billion in liquidity to avert the possible failure of Credit Suisse, a systemically important global financial institution.

Financial markets were calmed by the Swiss National Bank's measures, but the eroding confidence in global banks persists and is expected to persist in the near future.

Credit Suisse can't be allowed to fail as it could trigger a chain reaction that would be hard for central banks to control because it is too interconnected with important financial institutions. Stress at Credit Suisse could easily spread to other European banks.

Though Credit Suisse got its lifeline, investors are not convinced. This is evident in the daily share price chart given in figure 9 below.

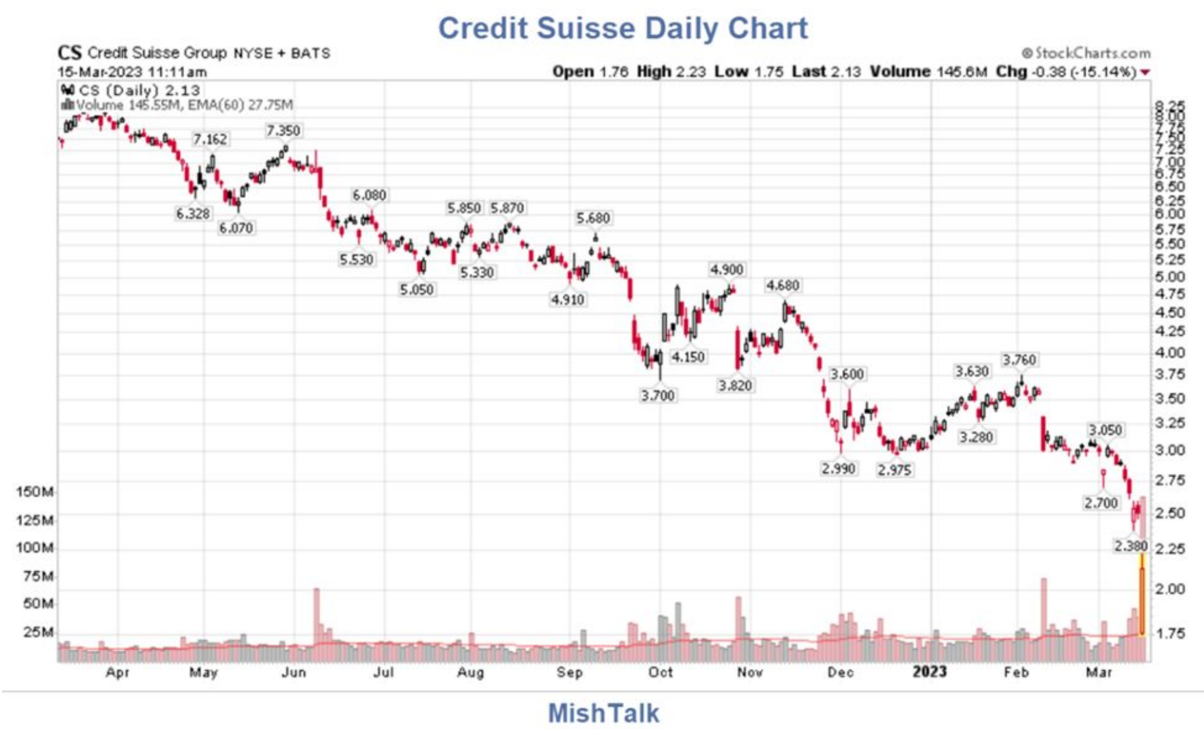


Figure 9. Credit Suisse Daily share price Chart (Source: Mishtalk)

On Wednesday, shares of Credit Suisse Group AG dropped by more than 25 percent, reaching a record low as investors contemplated whether the problems plaguing regional US banks might have spread across the Atlantic. Credit Suisse has lost a third of its stock market value since the start of the year, and nearly 75 percent in the past 12 months.

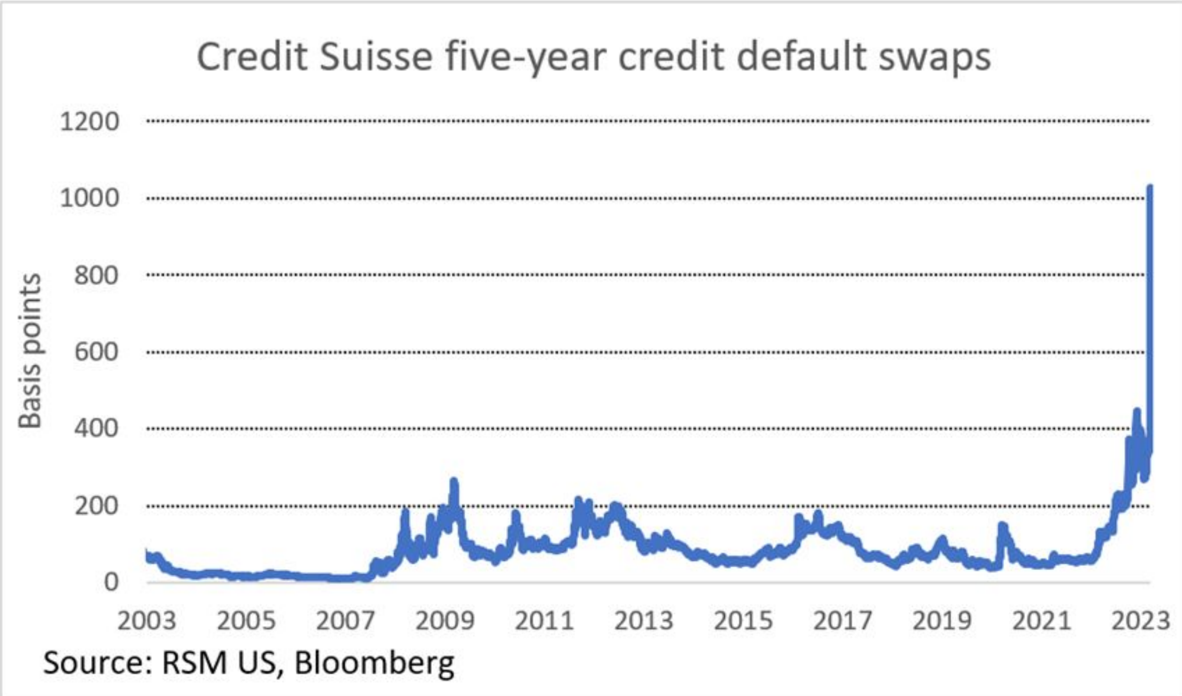


Figure 10. Credit Suisse Five-Year Credit Default Swaps (source: RSM US, Bloomberg)

Bondholders are also anxious about the bank's capacity to fulfill its obligation to repay them. The cost of buying derivatives that insure against the risk of default by the bank — known as a credit default swap — surged to an all-time high last Wednesday as seen in the figure above. This should be understood as a proxy for default risk.

Consumer Sentiment Fell in March

The Consumer Sentiment Index compiled by the University of Michigan fell for the first time in four months, reflecting worries about elevated prices and the overall health of the economy - and this was even before news of the closure of SVB had been announced.

The University of Michigan released the results of its consumer sentiment survey on Friday, March 17th and the results showed a decline to 63.4 from 67 in the February reading as consumer confidence in the current economic conditions and consumer expectations both worsened.

The latest survey reading was not influenced by the recent crisis in the banking system, as the collection of data took place before the news broke out. The final report, which will come out in the last week of March will most likely show more deterioration in sentiment.

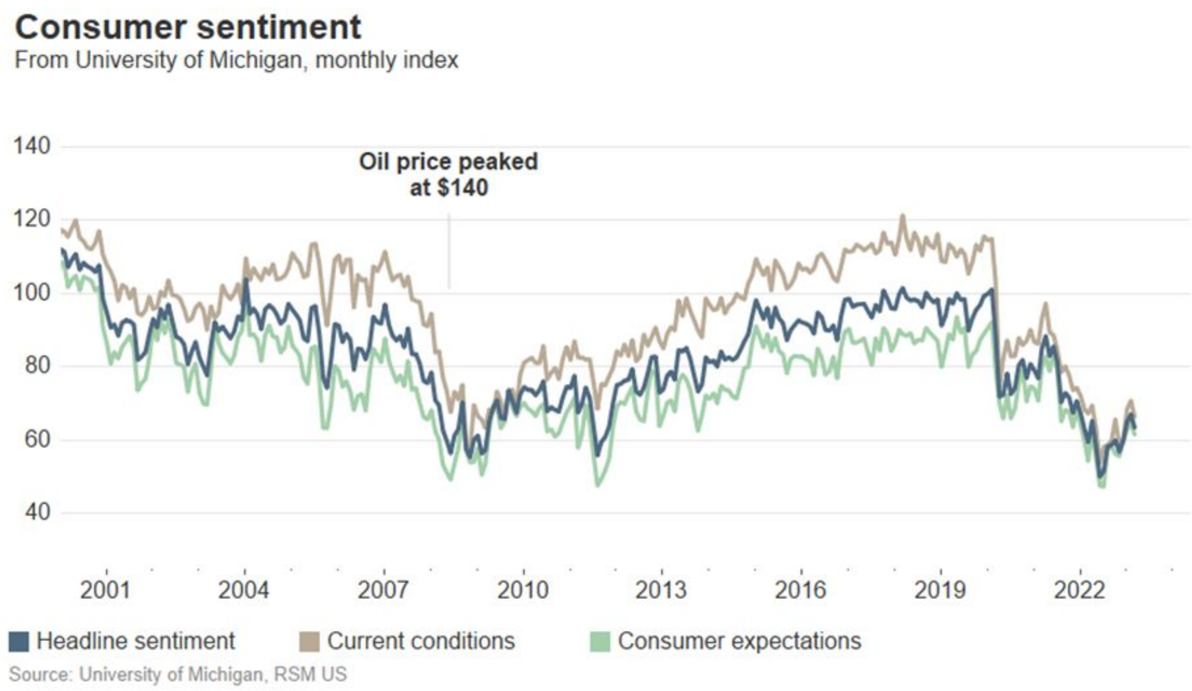


Figure 11. Consumer sentiment from University of Michigan, Monthly Index (Source: University of Michigan, RSM US)

In the summer of 2022, the index hit a record low of 50 before partially recovering. Nonetheless, sentiment is still significantly lower than its pre-pandemic high of 101 and its more recent top of 88.3 in 2021.

Inflation expectations slightly improved, but still remain elevated by historical standards. Consumers expect prices to increase by 3.8 percent in the next year , down from 4.1 percent one month earlier, which is the lowest YoY expectations reading since April 2021.

Consumers generally believe that inflation will persist around these levels for some time. In the long-term, consumers expect inflation to climb by 2.8 percent per year, down from 2.9 percent in the previous month. That's still higher than the Fed's goal rate of 2 percent.

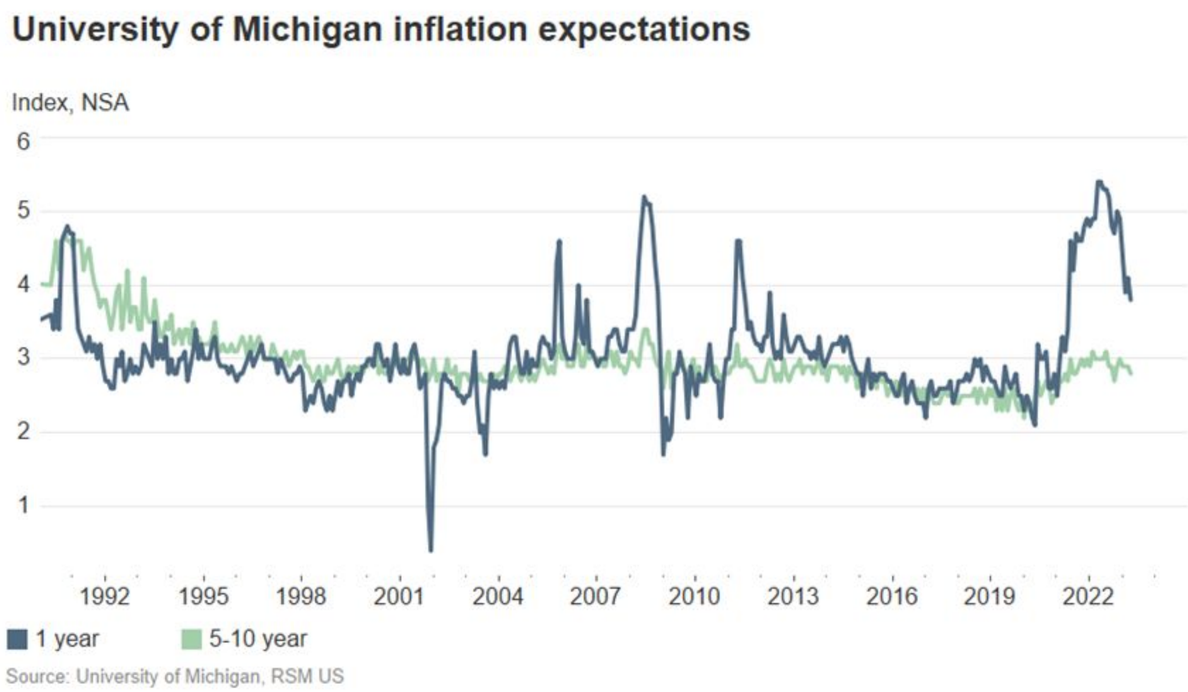
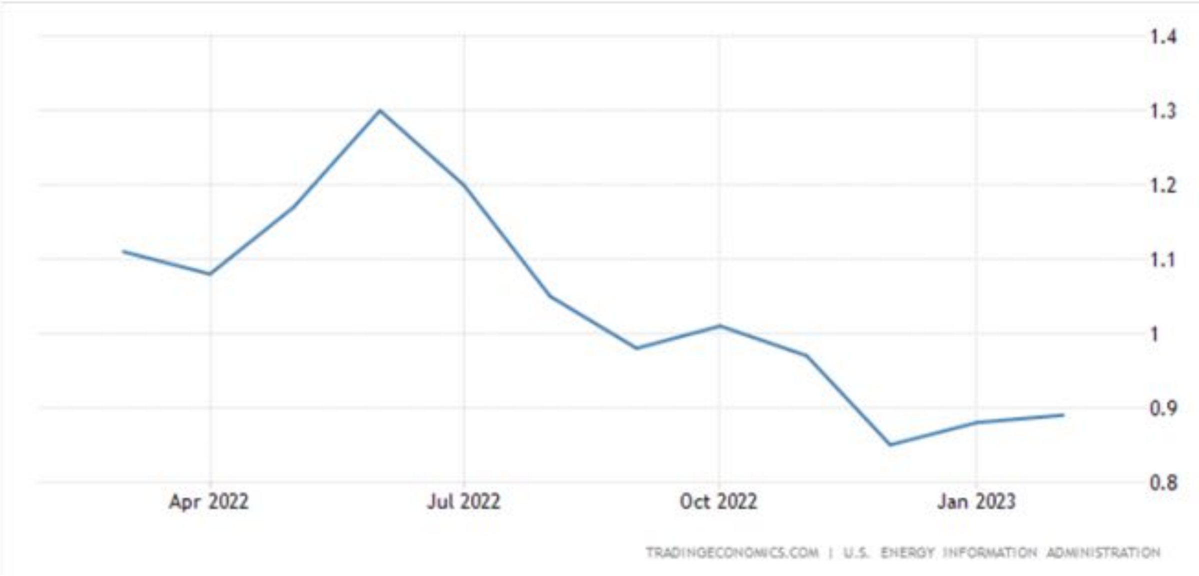


Figure 12. University of Michigan Inflation Expectations (Source: University of Michigan, RSM US)



Related	Last	Previous	Unit	Reference
Gasoline Prices	0.89	0.88	USD/Liter	Feb 2023

Figure 13. US Gasoline Prices (Source: Tradingeconomics)

Inflation expectations are closely monitored by the Fed since they may indicate future price movements. The overall improvement in expected inflation rate is quite surprising, considering the recent rise in inflation. One explanation could be the effect of decreasing gasoline prices. Yet, for whatever reason, the drop in inflation expectations is positive as the Fed strives to balance several goals, including financial system stability.

The consumer's deteriorating outlook toward the economy is in confluence with the recent report on the US Leading Economic Index, published by the Conference Board. The Leading Economic Index, also known as LEI, is a gauge of ten indicators used to assess whether the economy is improving or deteriorating. The economic indicators making up the LEI, include stock prices, building permits and consumer expectations.

The LEI fell 0.3 percent in February, the 11th monthly decline in a row. The leading index has been signaling a recession for months. Like University of Michigan's latest survey, the Conference Board’s report does not reflect the recent financial turmoil in the banking sector.

Consumer sentiment is still far below its pre-pandemic levels, and significant improvement seems unlikely in the near future as Americans still remain concerned about inflation. Increasing interest rates is a common policy used by the Fed to slow down the economy and control inflation. However, higher rates have also destabilised the US financial system as seen by the sudden collapse of Silicon Valley Bank. That's putting more stress on the economy and downward pressure on consumers' already faltering confidence.

WHAT’S ON-CHAIN THIS WEEK?

Bitcoin Price Reaches $28,000 After 11 Months

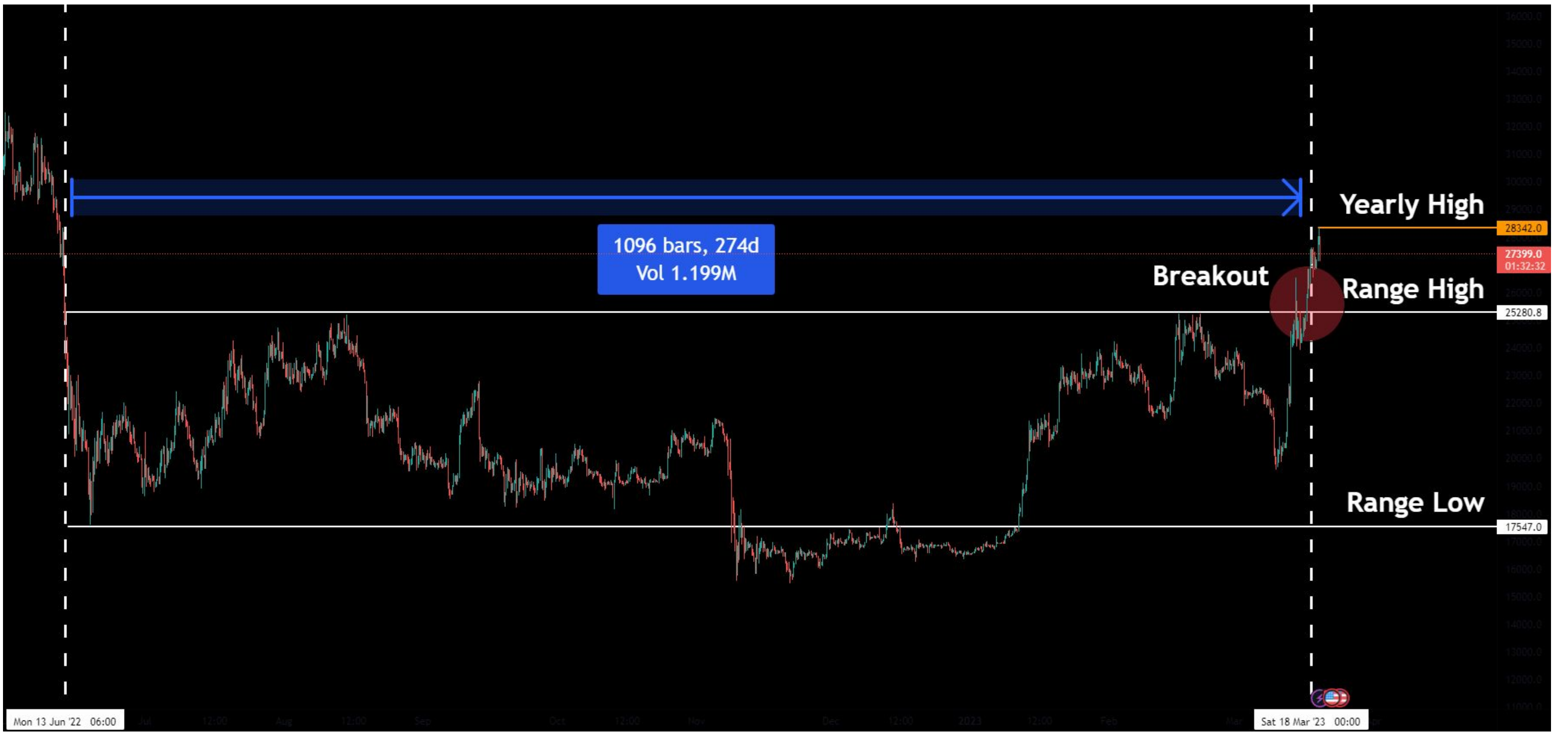


Figure 14. BTCUSD 6H chart. (source: Bitfinex)

On Saturday, March 19th, the price of Bitcoin reached a new high for the year, exceeding the $28,000 level while breaking out from a 273-day range. As seen in figure 14, we have also had a weekly close above the range high of around $26,000.

This surge in price was supported by optimistic on-chain metrics and positive market sentiment, which could be influenced by investors' restored confidence after the Fed's intervention through its lending programs. Even though macroeconomic uncertainty continues to overshadow any positive sentiment, even for crypto prices, headline year-over-year inflation is moderating and the Federal Reserve moving towards pausing it's rate hikes in due course, is certainly an indication that we are on a road to stabilisation, however bumpy. Moreover, the rise in Bitcoin's value was driven by a significant influx of spot buying, especially by new market participants.

Last week, we discussed the possibility that the pullback below $21,000 could represent the bottom. While the actual bottom turned out to be slightly lower than anticipated, the market rebound is within our expected timeframe. The recent surge in BTC price beyond the long-term range high is a promising sign for the cryptocurrency market.

In less than a month, the Bitcoin network has recorded almost one million new wallets with non-zero balances. The number of non-zero balance wallets had declined to around 43.8 million by February 23rd, raising concerns about the sustainability of the yearly open rally. Any bullish market argument requires the influx of new retail investors and Bitcoin shrimps, which are entities with wallets of less than one BTC.

We consider the number of wallets with non-zero balances on the Bitcoin network to be a rough indicator of the network's adoption.

This metric has however, experienced a robust recovery, surging to a new all-time high of 44.778 million as of Wednesday, March 15th. This increase in the number of wallets with non-zero balances is a positive indicator of the network's growing adoption and suggests a bright future for the cryptocurrency market.

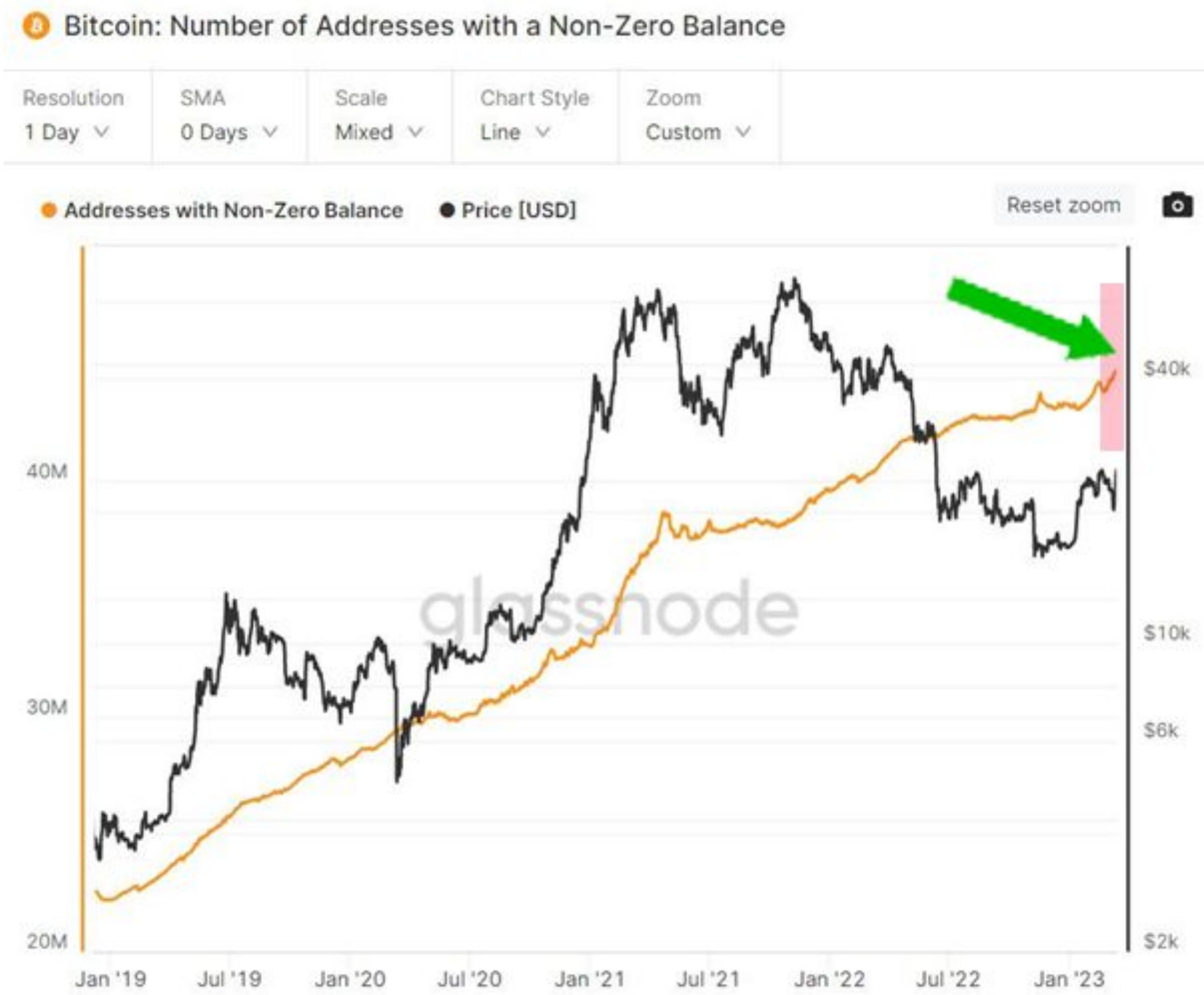


Figure 15. Number of Bitcoin addresses with a non-zero balance. (source: Glassnode)

Theoretically, a surge in the number of addresses possessing a non-zero balance implies an increase in demand for Bitcoin, ultimately contributing to an increase in its value over an extended period.

The significant increase in the number of wallets containing a non-zero balance is not the sole on-chain proxy for the rising demand for Bitcoin. The seven-day Exponential Moving Average (EMA) of New Addresses engaging with the Bitcoin network has been exhibiting an upward trend since August 2022 and reached its highest level since mid-2021, this month as indicated in Figure 16.

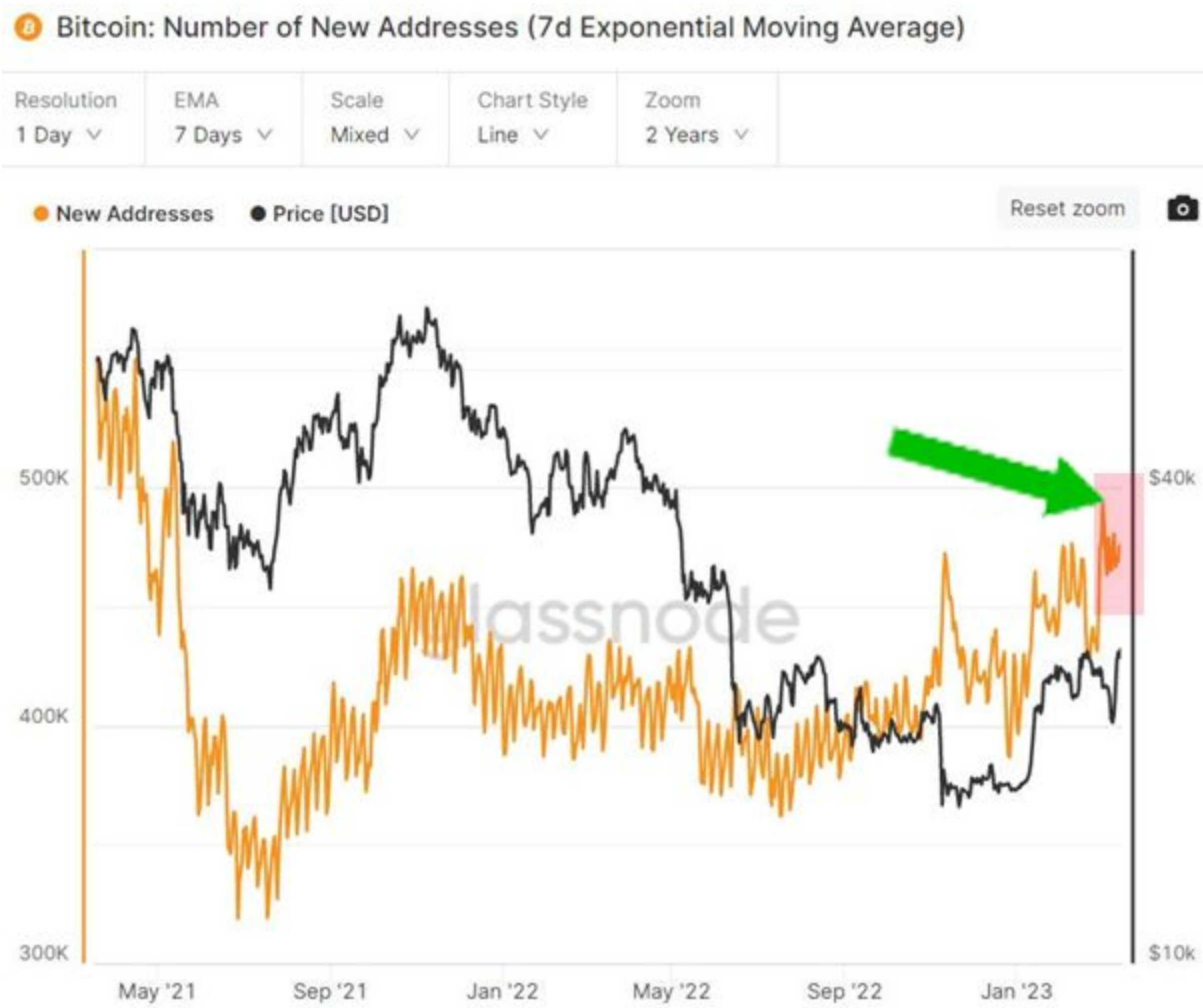


Figure 16. Seven-day EMA Of The Number of New Bitcoin Addresses. (source: Glassnode)

There are a multitude of indicators that point towards increasing adoption of the Bitcoin network. However, it is essential to note that the entry of new market participants and spot buying are typically associated with the early stages of a bull market or the later stages of a bear market. Therefore, it is prudent to wait for confirmation that the breakout from the 273-day range is sustained before engaging in market purchases of BTC.

Notably, large investors were accumulating BTC at sub-$18,000 levels, and with the price increasing by 50 percent, we are now seeing new market entrants. This bodes well for the long-term health of the BTC market.

Bitcoin Rally Fuelled By Spot Buying

Based on order flow and on-chain data, it appears that the increase in Bitcoin (BTC) price beyond the range high can be attributed to spot buying by both larger and smaller-sized investors and traders.

Historical data shows that a breakout over a significant resistance level that is fueled by spot buying has typically served as a positive long-term indicator for Bitcoin.

Figure 17. BTC Predicted Funding Rates History. (source: coinglass)

In Bitcoin futures markets, the predicted funding rate is the expected funding rate at the end of the funding time period, set by an exchange. The funding rate sees a considerable spike if the market is driven by derivatives volume. Throughout the move from $20,000 to $28,000, the funding rate doesn't show any outlier (mostly remaining slightly positive or neutral), and still, the prices kept climbing. This can be seen in Figure 17 by the green spikes remaining constant, indicating that the rally is mainly driven by the spot markets, not affecting the funding rate.

Figure 18. BTC/USDT perpetual futures chart with aggregated open interest. (source: coinalyze)

From the $24,000 level to the range high at $26,000, there was an increase in open interest (OI), and around $1.9 billion worth of new positions were opened in a span of 40 hours during this move-up as seen in Figure 18, indicating that new market positions were added to the large limit orders at the bottom.

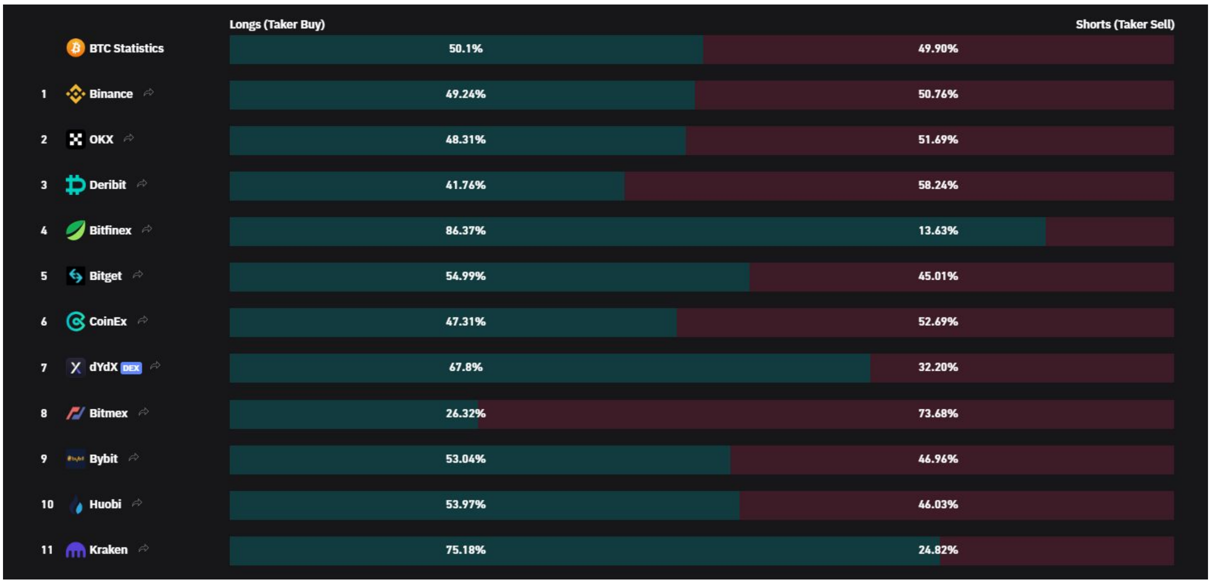


Figure 19. Snapshot of ratio of taker positions that were long or short when price broke above the $26,000 level. (source: coinglass)

Additionally, there has been a significant rise in short liquidation at these levels, as evidenced by the liquidation indicator in the figure below, which has further driven up the price of BTC. Short liquidation involves closing out short trades by purchasing BTC, resulting in a further increase in price.

Figure 20. Total BTC Liquidations. (source: glassnode)

As per coinglass data, there were a total of over $600 million in short liquidations that supported the rally from $22,000 to the range high at around $26,000. The large red candles in figure 20 during March 14th and 15th represent the magnitude of these liquidations in comparison to the beginning of the month with smaller price fluctuations.

Ethereum Deflation Rate Surpasses Five Percent

Figure 21. Ethereum Deflation Rate Surpasses Five Percent

In recent weeks, the rate at which the Ether (ETH) supply is deflating has been increasing rapidly. Ether functions as the digital currency that powers the Ethereum blockchain, which supports smart-contract functionalities. With a market capitalisation that ranks second in the world, ETH is one of the most valuable cryptocurrencies, and Ethereum dominates the Decentralized Finance (DeFi) space.

On Saturday, March 11th, the annualised burn rate, which resulted from Ethereum Improvement Proposal 1559, reached its highest level since May 2022, registering at 5.679 percent. This figure was considerably higher than the Ether issuance rate of 0.578 percent, with a significant margin of 5.101 percent as seen in Figure 22. However, the deflation rate has since decreased and currently stands at around 2.75 percent as of Sunday, March 19th.

Figure 22. Ether Supply Rate of Change vs Issuance Rate. (source: glassnode)

The increase in the Ether burn rate coincided with a surge in Ethereum gas prices, which reached their highest levels since May 2022. If demand for Ethereum continues to grow and cause network congestion, it could lead to a further increase in Ethereum gas fees, ultimately leading to an acceleration in the cryptocurrency's rate of deflation. This, in turn, is likely to act as a long-term tailwind for the ETH price.

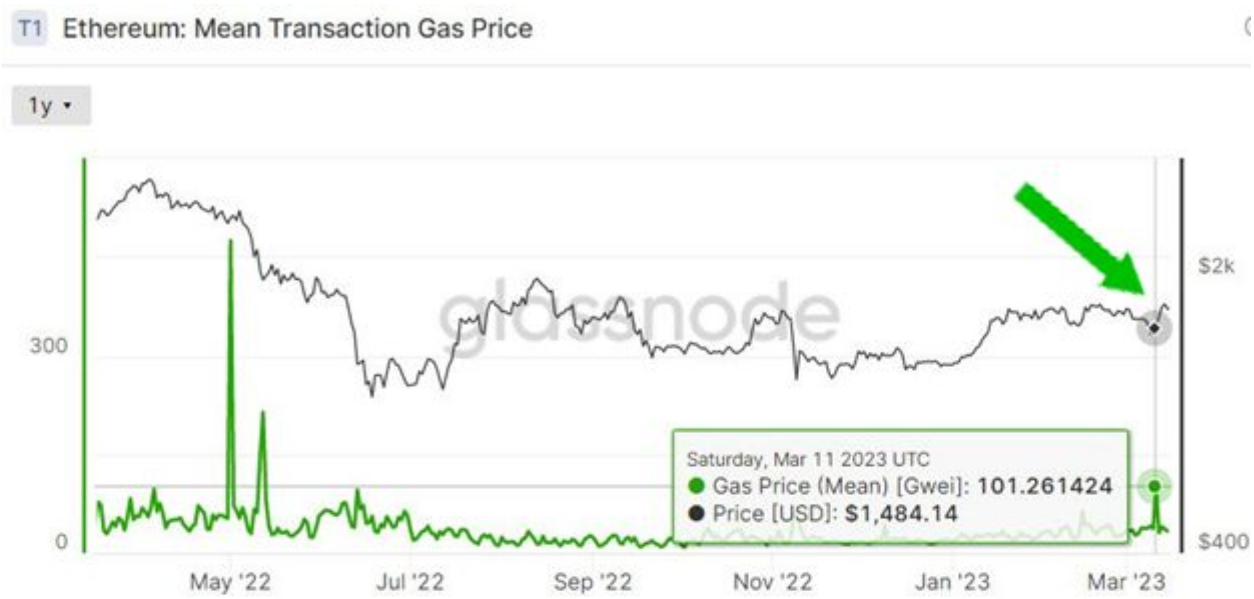


Figure 23. Ethereum Mean Transaction Gas Price. (source: glassnode)

NEWS FROM THE CRYPTO-SPHERE

USDC Clears Backlog After Collapse Fears

Figure 24. USDC peg has been restored on almost all exchanges

Circle, the cryptocurrency company which controls the USDC stablecoin, announced that they substantially cleared the backlog of minting and redemption requests for USDC (USD Coin).

The past couple of weeks have been challenging for the company, with disruptions to its services caused by banking partner issues. However, Circle stated that since Monday, March 13th, the company has redeemed $3.8 billion USDC and minted $0.8 billion USDC, marking a significant milestone in its efforts to restore liquidity operations, after the stablecoin depegged by more than 17 percent.

Circle has recently announced the launch of a new transaction banking partner for domestic US wires on March 14th and for international wires to and from 19 countries on March 15th. In addition, they will also continue to work with an existing transaction banking partner for international wires. Circle has expressed appreciation towards its customers for their understanding during this transition period and has assured them of their dedication to add more transaction banking partners in order to bring their services back to full capacity.

NY Regulators Force Signature Bank Shutdown

Figure 25. U.S. prosecutors were investigating Signature Bank's work with crypto clients ahead of its collapse

Signature Bank, another big lender in the crypto industry was closed by the New York state regulators on Sunday, March 12th.

In an announcement of the closure, U.S. banking regulators said that the depositors at Signature Bank will have full access to their deposits.

According to a *Bloomberg* report, U.S. prosecutors were investigating Signature Bank's work with crypto clients before regulators decided to seize the bank's assets. The fact of whether these two events are linked or not, is still uncertain.

The report indicates that investigators from the U.S. Department of Justice, in both Washington and Manhattan, are examining whether the bank had taken necessary steps to detect any potential money laundering activities by its customers. The report also notes that the Securities and Exchange Commission (SEC) is investigating the bank. It should be noted that there are currently no allegations of misconduct against the bank or its employees, and the investigation may conclude without any further action being taken.

DeFiance Capital Raises $100 million

Figure 26. DeFiance Capital fund has raised "eight figures", sources told The Block.

According to *The Block*, DeFiance Capital, the crypto investment firm founded by Arthur Cheong, has completed the first close of a new $100 million liquid token fund by raising "eight figures".

Sources with direct knowledge of the matter told *The Block* that the fund received backing from a "good mix of investors", including family offices, other crypto funds, and some of DeFiance's existing investors.

Founded in Singapore in 2020 by Arthur Cheong, DeFiance Capital is a Web3 and crypto-focused investment firm. The firm has provided backing for several projects, such as Aave, dYdX, Lido, Axie Infinity, Layer Zero, Offchain Labs (Arbitrum), and more.

However, DeFiance faced a significant setback when Three Arrows Capital (3AC), the crypto hedge fund, went bankrupt. DeFiance Capital is one of 3AC's creditors and is currently still working with liquidators to gain access to assets that are worth "significantly more than $100 million" according to *The Block*.

Jane Street and Jump Trading face US probe

Figure 27. Terra founder Do Kwon

The US Justice Department is investigating Jump Trading and Jane Street, two prominent trading firms, regarding a potential bailout plan for TerraUSD (UST), the failed algorithmic stablecoin of the Terra network.

Bloomberg reported on Monday, March 13th, that Manhattan federal prosecutors are examining group chat conversations on Telegram, where participants from the two firms discussed a possible bailout of TerraUSD. The report cited an anonymous source who was familiar with the matter.

So far, no one has been accused of any wrongdoing as a result of the scrutiny of the chat messages, and the investigation does not necessarily mean that charges will be filed.

The report also highlights the US government's increasing interest in the cryptocurrency space and its efforts to prevent fraud and market manipulation, as the collapse of both TerraUSD and its sister token, Luna, caused a domino effect of bankruptcies among a string of high-profile companies including Three Arrows Capital, Voyager Digital Ltd., and FTX.

Anchorage Digital Cuts 20 percent of its workforce

Figure 28. Anchorage Digital is laying off around 75 employees

On March 14th, it was reported that Anchorage Digital, a crypto bank and custodian based in San Francisco, is cutting 75 jobs, representing 20 percent of its workforce, due to the current downturn in the digital assets market.

The company cited the uncertain regulatory environment in the US as a contributing factor to the decision.

In a statement to *Bloomberg*, Anchorage Digital emphasised that its banking subsidiary, Anchorage Digital Bank, is not affected by the layoffs, as it has a segregated capital base and is well-capitalised.

Anchorage Digital also acknowledged that the need for better crypto infrastructure is becoming increasingly apparent. It stated that its focus is on being an unequivocally qualified custodian and providing other safe and regulated ways for institutions to participate in the digital asset ecosystem.

Despite the challenges faced by the crypto industry, Anchorage Digital Bank remains optimistic about the future and is investing in and growing its bank staff to prepare for increased demand.

DOJ Appeals Decision to Approve Voyager's Sale to Binance.US

Figure 29. DOJ filed an appeal against plan of Binance.US to acquire Voyager Digital

On March 10th, it was [reported]() that the US Department of Justice (DOJ) has filed an appeal against the decision of the bankruptcy court judge to allow Binance.US to acquire the assets of crypto lender Voyager Digital.

The appeal was filed by the U.S. Trustee's Office, a DOJ arm that oversees bankruptcies, just one day after Judge Michael Wiles approved the deal following a four-day hearing.

Prior to the filing, the SEC also opposed the acquisition, with the SEC arguing that Binance.US may be violating federal securities laws. However, Judge Wiles rejected the SEC's concerns and stressed the need to take action for Voyager's creditors.

If the sale does not proceed or is blocked by regulators, Voyager may have to liquidate, resulting in lower returns for creditors.

Coinbase Disables BUSD Trading

Figure 30. Coinbase has officially delisted the Binance-branded token BUSD, the world's third-largest stablecoin.

On March 13th, Coinbase, the cryptocurrency exchange based in the U.S., announced that it had disabled trading services for the Binance USD stablecoin (BUSD) due to non-compliance with its listing standards.

The decision was first announced on February 27th, and the suspension applies to all Coinbase platforms, including Coinbase Pro, Coinbase Exchange, and Coinbase Prime. Customers were reassured that their BUSD funds would still be accessible and that they could withdraw them at any time.

Binance's stablecoin, BUSD, which was launched in 2019, has come under regulatory scrutiny as the New York Department of Financial Services (NYDFS) ordered Paxos Trust Co., the issuer and custodian of BUSD's fiat reserves, to stop minting any new BUSDs.

The SEC also plans to sue Paxos for violating investor protection rules, claiming that BUSD is an unregistered security. Paxos has refuted these claims, but a legal battle with the SEC could take years to unfold.

India and UAE sign agreement to develop digital currencies

Figure 31. India and UAE to Collaborate on Developing Digital Currencies

On March 15th, *Coindesk* reported that the Reserve Bank of India and the Central Bank of the UAE have entered into a partnership to test the interoperability of their central bank digital currencies (CBDCs).

The banks signed a memorandum of understanding in Abu Dhabi to explore the interoperability of their respective CBDCs.

The agreement states that the banks will conduct proof-of-concept and pilot projects of a bilateral CBDC bridge to facilitate cross-border transactions for remittances and trade.

India has already been testing a retail CBDC in 15 cities, which has reached more than 50,000 customers and 10,000 merchants.

The collaboration between India and the UAE is a significant step in the development of CBDCs and their potential for cross-border transactions.

UBS Agrees To Buy Credit Suisse For More Than $2 Billion

Figure 32. UBS agrees to acquire Credit Suisse for more than $2 Billion

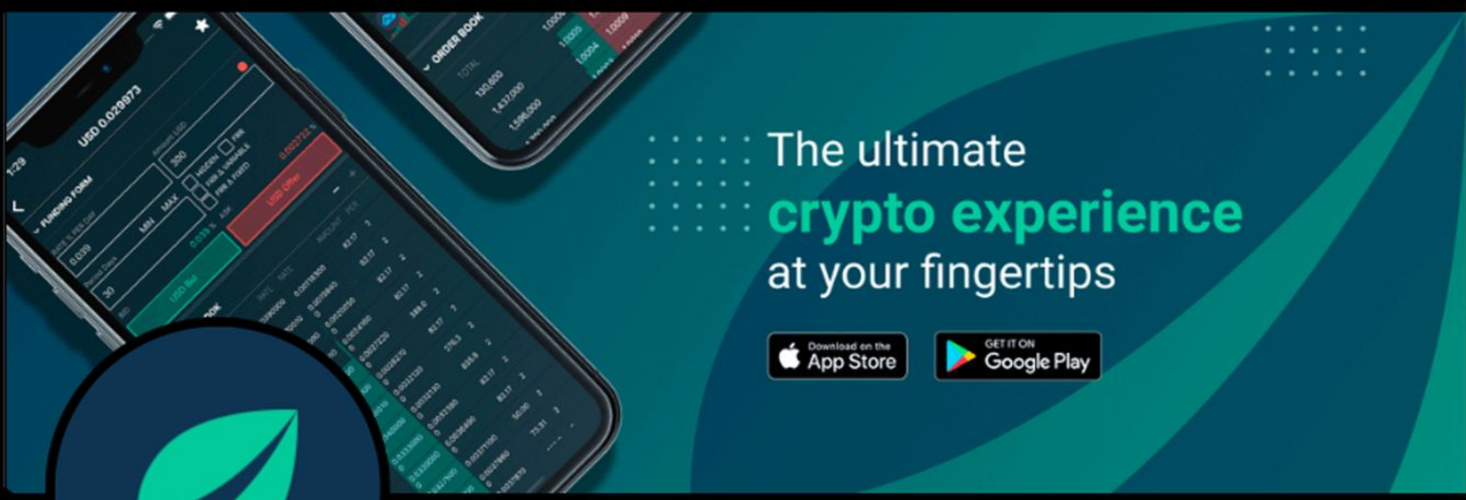
Union Bank of Switzerland (UBS) has agreed to buy Credit Suisse for more than $2 Billion.

The deal between Switzerland's two biggest banks will be priced at a fraction of Credit Suisse's closing price on Friday March 17, and The Swiss National Bank has agreed to offer a $100 Billion liquidity line to UBS as part of the deal.

UBS is also seeking concessions and protection from the government, particularly from any pending legal cases and regulatory investigations into Credit Suisse that could result in fines or losses.

Swiss authorities are preparing emergency measures to fast-track the takeover and bypass the normal six-week consultation period required for UBS shareholders so the deal can be sealed immediately. However, some of the people involved have criticised this decision, arguing that it was poor corporate governance.

Vincent Kaufmann, the CEO of Ethos Foundation, which represents Swiss pension funds that own a significant stake in Credit Suisse and UBS, told The *Financial Times* that UBS shareholders and Ethos Foundation members will not be happy with the situation adding that he had never seen such measures being taken before.



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