Is Binance.US a Game of Musical Chairs?

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Watching the continued shrinkage of Binance.US made us think of the game of musical chairs. The prospect of there being a last person with deposits in Binance.US before they close the doors brought this to mind. Musical chairs is the party game where the last person has no place to sit. We are wondering what happens to the last person holding Binance tokens or the last person with an interest bearing deposit when **Binance.US trading volume** falls to zero. The fact that Binance.US trading volume has fallen by 98% since the beginning of 2022 suggests that a further collapse is not impossible. Is Binance.US a game of musical chairs?

What Is Going On With Binance.US?

The US Commodity and Futures Trading Commission went after Binance.US for trading violations and the US Securities and Exchange Commission sued them and the parent company earlier this year. Customers saw accusations of trading control violations and more and were spooked. What had been an attractive crypto exchange became a source of worry. Customers followed Binance executives in **leaving a sinking ship**.

What Happens If Nobody Wants to Trade on Binance.US?

Binance.US is not essential to the crypto system in the USA. Crypto traders have fled to Coinbase and other trading platforms as they have left Binance.US. However, a real issue is that folks can deposit their crypto with Coinbase.US and receive interest. They can also take out interest bearing loans. What happens to these loans and crypto savings accounts if Binance.US keeps shrinking and eventually goes out of business?

There Is No Crypto Deposit Insurance Corporation

In the 1920s and especially into the 1930s and the Great Depression there were many bank failures. People lost their life savings. In 1933 Congress created the **Federal Deposit Insurance Corporation**. This Federal government entity insures deposits in every individual bank account. Since 1934 accounts in failed banks have been insured up to the then-current limits. The amount of insurance per account has steadily gone up over the years.

Date	Deposit Insurance Amount
June 16, 1933	$2,500
June 16, 1934	$5,000
Sept. 21, 1950	$10,000
October 1966	$15,000
Dec. 23, 1969	$20,000

Oct. 28, 1974 $40,000

March 31, 1980 $100,000

July 21, 2010 $250,000

Over the years the FDIC has covered every cent of insured funds in cases of bank failure. In addition to insuring deposits, the FDIC examines and supervises financial institutions for safety, soundness, and consumer protection; makes large and complex financial institutions resolvable; and manages receiverships. Our point is that there is no comparable entity that insures crypto deposits with folks like Binance.US.

Thus Binance.US Musical Chairs

When a bank is in trouble depositors try to withdraw from their accounts. In the 1930s this amounted to lines of customers at the bank waiting for their money. This is a "run on the bank." Today the run on the bank can go a lot faster as customers take out their money by electronic transfer. When customers lose trust in a bank (or crypto bank) they take their assets and go elsewhere until there are no assets to take. If you have Bitcoin deposits at Binance.US, you will want to withdraw your Bitcoin. If you have deposits in other tokens you will want to withdraw the same tokens. Unfortunately, banks and crypto entities typically do not have all of their assets in readily available tokens (or cash). We saw this recently with the Silicon Valley Bank collapse. The bank had much of its assets in long term US Treasury bills which had lost value due to the Federal Reserve raising interest rates. They did not have sufficient liquid assets to satisfy withdrawal requests and collapsed. Like the game of musical chairs, there will be a last person standing with a crypto business failure and they could lose everything.

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