

Twitter Thread by Onchain Wizard



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@OnChainWizard



How to make a >800 million dollars in crypto attacking the once 3rd largest stablecoin, Soros style:

Everyone is talking about the \$UST attack right now, including Janet Yellen. But no one is talking about how much money the attacker made (or how brilliant it was).

Lets dig in■



Our story starts in late March, when the Luna Foundation Guard (or LFG) starts buying BTC to help back \$UST. LFG started accumulating BTC on 3/22, and by March 26th had a \$1bn+ BTC position. This is leg #1 that made this trade (or attack) brilliant.

<https://t.co/YkjGOuiBgM>

The [@LFG_org](#) now [#hodl](#) 24,954.96 [#Bitcoin](#) at a total balance of \$1,109,824,161.90 USD in the Atlas Reserve.

— LFG_Reserve (@LFG_Reserve) [March 26, 2022](#)

The second leg comes in the form of the 4pool Frax announcement for \$UST on April 1st. This added the second leg needed to help execute the strategy in a capital efficient way (liquidity will be lower and then the attack is on).

<https://t.co/pC2fqGtxU2>

1/ Introducing the 4pool - between [@fraxfinance](#), TFL and [@redactedcartel](#) we pretty much own all the cvx

UST-FRAX-USDC-USDT

Curve wars are over, all emissions are going to the 4pool <https://t.co/LNJs7CAfcV>

— Do Kwon \U0001f315 (@stablekwon) [April 1, 2022](#)

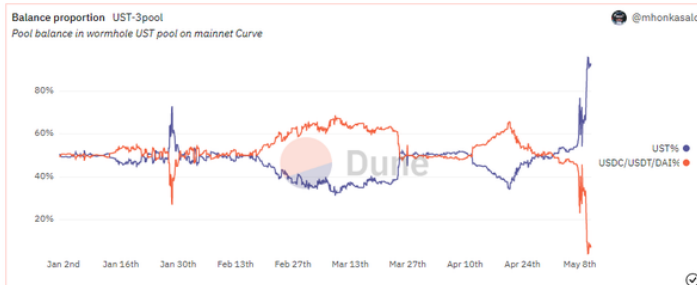
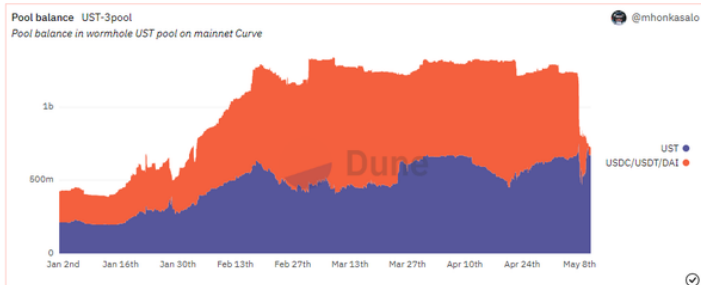
We don't know when the attacker borrowed 100k BTC to start the position, other than that it was sold into Kwon's buying (still speculation). LFG bought 15k BTC between March 27th and April 11th, so lets just take the average price between these dates (\$42k).



So you have a ~\$4.2bn short position built. Over the same time, the attacker builds a \$1bn OTC position in \$UST. The stage is now set to create a run on the bank and get paid on your BTC short. In anticipation of the 4pool, LFG initially removes \$150mm from 3pool liquidity.

Largest Token Transactions					
	Tokens	Counterparty	Time	Tx	
-150,771,347		Terra: Community Pool	May 08, 2022, 05:44		
-100,113,552		Terra: Community Pool	May 08, 2022, 06:52		

The liquidity was pulled on 5/8 and then the attacker uses \$350mm of UST to drain curve liquidity (and LFG pulls another \$100mm of liquidity).



But this only starts the de-pegging (down to 0.972 at the lows). LFG begins selling \$BTC to defend the peg, causing downward pressure on BTC while the run on \$UST was just getting started.

Do Kwon @stablekwon · May 6
I am the master of stablecoins and I do not approve of this reality

Alex Svanevik @ASvanevik · May 5
Soon 40% of the top 10 cryptocurrencies will be ... different versions of the US Dollar.

☆ 3	Tether	USDT
☆ 4	BNB	BNB
☆ 5	USD Coin	USDC
☆ 6	XRP	XRP
☆ 7	Terra	LUNA
☆ 8	Solana	SOL

114 131 1,722

With the Curve liquidity drained, the attacker used the remainder of their \$1b OTC \$UST position (\$650mm or so) to start offloading on Binance. As withdrawals from Anchor turned from concern into panic, this caused a real de-peg as people fled for the exits



So LFG is selling \$BTC to restore the peg while the attacker is selling \$UST on Binance. Eventually the chain gets congested and the CEXs suspend withdrawals of \$UST, fueling the bank run panic. \$UST de-pegs to 60c at the bottom, while \$BTC bleeds out.

Bitcoin to USD Chart



The crypto community panics as they wonder how much \$BTC will be sold to keep the peg. There are liquidations across the board and LUNA pukes because of its redemption mechanism (the attacker very well could have shorted LUNA as well). BTC fell 25% from \$42k on 4/11 to \$31.3k

So how much did our attacker make? There aren't details on where they covered obviously, but if they are able to cover (or buy back) the entire position at ~\$32k, that means they made \$952mm on the short.

On the \$350mm of \$UST curve dumps I don't think they took much of a loss, lets assume 3% or just \$11m. And lets assume that all the Binance dumps were done at 80c, thats another \$125mm cost of doing business. For a grand total profit of \$815mm (bf borrow cost).



BTC was the perfect playground for the trade, as the liquidity was there to pull it off. While having LFG involved in BTC, and foreseeing they would sell to keep the peg (and prevent LUNA from dying) was the kicker.

Lastly, the liquidity being low on 3pool in advance of 4pool allowed the attacker to drain it with only \$350mm, causing the broader panic in both BTC and \$UST. Any shorts on LUNA would've added a lot of P&L here as well, with it falling -65% since 5/7.

And for the reply guys, yes I know a lot of this involves some speculation & assumptions. But a lot of money was made here either way, and I thought it would be cool to dive into how they did it.