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Justin Sun's involvement in WBTC business: Market reaction and its impact on the crypto world

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Cryptocurrency custodian BitGo announced on August 10 that it is moving its Wrapped [Bitcoin](#) (WBTC) operations to the world's first multi-jurisdictional and multi-agency custody service powered by a partnership with BiT Global. Since BiT Global has a close relationship with Justin Sun, this cooperation also means the strengthening of the alliance between BitGo and Tron founder Justin Sun.

In this regard, it is widely speculated that Sun may have considerable influence on the joint venture that manages WBTC, which may determine its future direction. This caused strong dissatisfaction in the community and led the BA Lab team to propose to MakerDAO to stop accepting WBTC as

collateral for new loans. The proposal is significant considering MakerDAO's status as one of WBTC's primary use cases.

So why has Justin Sun's involvement in WBTC caused such a fuss, and what significance does WBTC have in the wider [cryptocurrency](#) space?

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Justin Sun's involvement in WBTC business caused huge controversy

The BitGo blog announced the establishment of a joint venture with BiT Global on August 10, aiming to diversify WBTC's multi-jurisdictional custody and cold storage business, in which BitGo holds a minority stake. Hong Kong-based regulated trust and company services provider (TCSP) BiT Global has reportedly entered into a strategic partnership with Justin Sun and [TRON](#) Ecosystems.

News of this collaboration immediately sparked speculation among users that Justin Sun may have significant influence or control over the joint venture managed by WBTC, triggering concerns in the DeFi market about the potential risks involved in such a transfer of power.

In response, [Jupiter](#) co-founder Meow spoke to the WBTC community through social media, emphasizing that the Bitcoins hosted by WBTC should not be affected for any other purpose, and urged BitGo to clarify any lingering uncertainties. .

One of the first projects to react in the DeFi market was MakerDAO, the largest WBTC off-taker. On Sunday, MakerDAO proposed to the community a measure to reduce the size of WBTC's collateral in an effort to mitigate potential risks associated with custody changes. In response to concerns, Justin Sun clarified that [BTC](#) remains unchanged, the audit is performed in real time, and it can be accessed through <http://wbtc.network>. He emphasized that the minting process is completely managed by the custodians Bitglobal and Bitgo and adheres to previously established procedures. Sun further stated that Bitglobal and Bitgo will not authorize any unaudited transactions. Utilizing Bitgo's cold wallet technology and offline storage, with backups distributed in multiple countries and regions, the security of the key remains strong.

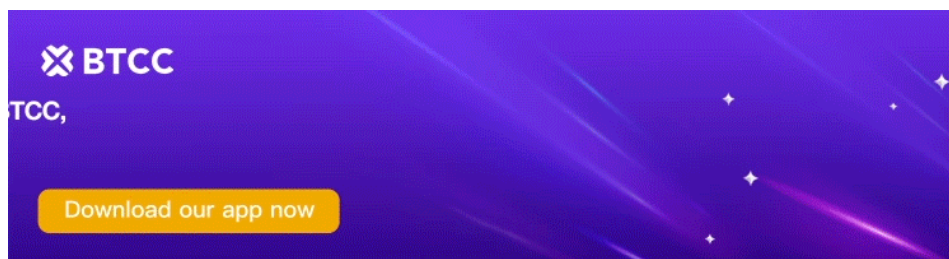
However, Sun's statement did not calm the market debate.

BitGo CEO Mike Belshe responded on Monday, downplaying Sun's involvement in the joint venture while emphasizing BitGo's long-term dedication to security.

Belshe said BiT Global has a committed team that oversees multiple client accounts and is responsible for their safekeeping. He clarified: "They cannot lend or transfer funds to Justin Sun, me or anyone else without breaking the law and facing possible jail time." Additionally, Belshe mentioned that wbtc.network has been responsible for moderation and will continue to do so . The partnership between BitGo and WBTC is built on trust and security, ensuring the safety of funds and transactions. The alliance is expected to have a positive impact on the market, instilling confidence among investors and potentially boosting the growth of the cryptocurrency industry.

So, why does the community react so strongly to Sun Yuchen's participation in [wbtc](#) business? First,

we need to understand the importance of WBTC in the cryptocurrency world.



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WBTC: The key to bridging the fiat and cryptocurrency worlds

The WBTC incident caused a huge uproar due to its critical role in the crypto ecosystem and the potential risks it poses. WBTC (Wrapped Bitcoin) is an ERC-20 token issued on the [Ethereum](#) network, which maintains a one-to-one peg with Bitcoin (BTC). Each WBTC is backed by an equal amount of Bitcoin and is overseen by a custodian (currently BitGo), ensuring that WBTC holders can exchange their tokens for Bitcoin at any time.

WBTC was originally proposed in 2017 and came into effect after the official release of the white paper in 2019. As its use cases continue to grow, WBTC's locked BTC value exceeded \$2.1 billion in 2020, becoming a critical bridge between the Bitcoin and Ethereum ecosystems.

According to the latest data from @ai_9684xtpa, WBTC is supported by the Ethereum, Base, Kave, Osmosis and Tron networks, with 99.8% of WBTC minted on the main Ethereum network. Currently, the total number of WBTC issued is 154,726, with a value of approximately US\$9.45 billion, accounting for 0.78% of the total market value of Bitcoin.

Analysts' views on the incident

Next, we can take a look at some industry insiders' views on this. Crypto KOL @iamDCinvestor said WBTC's outperformance is a compelling example of why [ETH](#) has such a strong value proposition in the cryptocurrency and DeFi space. The launch of WBTC marked a critical moment in the early days of the Ether DeFi ecosystem. It was during the worst of the market freeze in the second half of 2018 that BitGo launched WBTC alongside the then-nascent but promising DeFi protocol. This move integrates BTC assets into the Ethereum ecosystem in a relatively centralized manner and has been warmly welcomed by all parties. @art_pleb echoed this sentiment, noting that if BTC could build a trust-minimized bridge to DeFi applications on a quality chain like ETH or SOL, it would prevail. However, if such a bridge does not come to fruition, ETH's native on-chain functionality paints a bright future for the token.

This update of wBTC business has raised a new question, that is, can we trust BiT Global?

According to BitGo's announcement, the Bitcoins that need to be locked to mint WBTC will have an additional custodian service provider in the future - BiT Global. And BiT Global is a joint venture between BitGo and Justin Sun. According to all current information, BiT Global was officially

established on August 9, 2023. Shortly after its establishment, the company was canceled by Galaxy Digital because it failed to issue an audit report in a timely manner. The setback forced BitGo to abandon its acquisition of Prime Trust, a move that also followed layoffs and cost-cutting measures as the company struggled to stay afloat.

It wasn't until August 2023, when Bit Global announced that it had raised US\$100 million, that the situation began to improve. The identity of the investors in the round was kept confidential, but later revelations pointed to a new Asian investor, suggesting that Justin Sun might be involved.

In view of BitGo's role as a centralized custodian, and WBTC is a centralized synthetic asset, people urgently need to know the connections and subsequent arrangements behind it. Otherwise, once the control of WBTC is transferred to an individual or a specific group, unpredictable consequences will occur. risk.

In response, the leading DeFi project MakerDAO community proposed removing WBTC from its collateral warehouse, which caused an uproar in the cryptocurrency industry. As the largest mortgage lending protocol, [Maker](#) currently oversees nearly \$5 billion in digital assets on its chain. WBTC is the largest BTC cross-chain asset on the Ethereum chain, representing more than 150,000 BTC and worth nearly \$10 billion. The potential deletion of WBTC has raised serious concerns. The impact of this decision could be widespread and could put numerous DeFi and L2 projects at risk. Many of these projects rely on Ethereum's WBTC inflows, and if the asset is delisted, it could trigger a domino effect that affects most projects in the ecosystem. This situation is similar to a cluster bomb explosion and may have widespread impacts on the stability and security of the DeFi field.