

## Twitter Thread by FatMan

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■■ A compilation of why I believe Do Kwon is, at some level, personally responsible for the UST machine and owes something to people who lost millions in savings.

**Not all the blame falls on him but these factors should be factored in ethically, morally, and legally. ■■**

### 1. Basis Cash

Basis Cash was an algorithmic stablecoin very similar to UST that failed due to the death spiral problem. In interviews, Do spoke about Basis Cash as if it was someone else's project. Disclosure to investors that your team's model has collapsed once before matters.

### 2. Intimate knowledge of the mechanics

"Do Kwon understood exactly why what he built would someday collapse. And then misled people into financial ruin." - [@scott\\_lew\\_is](#)

Dazzling displays of confidence in a system he knew to be fatally flawed led the layman astray.



**Do Kwon** 🟡 ✓ @stablekwon · 7/26/20 ...

If you get burned by a textbook ponzi scheme you have noone but yourself to blame.

Don't FOMO in after crypto influencers.

Most of them are dumber than you.



75



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569



**Danny Iskandar is doing #cr...** · 7/26/20 ...

so which one do you think are the ponzis?



2



3



**Do Kwon** 🟡 ✓

@stablekwon ...

Replying to [@diskandarcrypto](#)

Beware of protocols with cyclical economic pressures. If they reward richly during upcycles when lots of people buy in, they also likely punish quickly during downcycles when most are looking to exit.

9:18 AM · 7/26/20 · [Twitter for iPhone](#)

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### 3. Speed of personal cashouts

Throughout the last few months, Do cashed out hundreds of millions for "TFL operating expenses". Much of this went to his personal coffer. He encouraged Degenbox to bolster liquidity for the purpose of getting hard cash from LUNA and a little UST.

### 4. A stabilizing destabilizing BTC reserve

Do made the non-malicious but gravely incompetent move to pull out 3 billion dollars from the LUNA/UST machine into hard money all at once. This reduced liquidity and likely exacerbated the domino effect when everything toppled down.

### 5a. "Stay strong" - a dangerous lie that cost people millions

While the LUNA machine came crashing down, Do announced that a recovery plan was in progress to recover the UST peg and collateralize UST. The layman believed that there was a plan in place and many held on tight.



5b. While Do was telling the public to hold on, he plowed bitcoins into UST exit liquidity allowing whales with large tranches of UST to escape the market at high prices (>\$0.75). Retail is now only able to get 8 cents on the dollar and his tweets misled during the crisis.

### 6. Post-crisis lack of responsibility

On Agora, Do proposed that everyone should pack up and move to a new chain while airdropping tokens to old holders in the form of restitution. He did not suggest refunds of his own volition nor did he commit a dollar of his own money.

## 7a. LFG lack of transparency

LFG's communications were very slow, and they raised more questions than they answered.

\$2.7b+ disappeared into defending LUNA/UST. In a zero sum game this money had to go somewhere. Which VCs benefited from these trades, and were they TFL adjacent?

Was Do acting maliciously?

Yes and no. I don't believe Do knew any of this would happen so fast, but he knew it would happen eventually. I believe this collapse was indeed orchestrated by an outside attacker. But now the chickens have come home to roost.

Now that TFL has enriched themselves with hundreds of millions at the expense of LUNA/UST holders via the big 'stablecoin' promise, I believe there lies with them some level of responsibility to make people whole, especially laypeople with a worse understanding of the mechanism.

The rumours of manipulating retail so that big funds and potentially TFL themselves could exit the UST machine at higher prices before the complete collapse make me uneasy. I don't know how much truth there is in these claims but I suspect we will find out in the next few days.

The important thing now is how Do decides to move forward. Clearly making small UST holders whole is paramount. Will he step up and return TFL/personal wealth in any way, or will he continue shying away from responsibility? I think what happens next will determine good or evil.

Faith in DeFi has been shaken irreparably. In the incredibly unlikely scenario that TFL steps up to the plate and refunds the 99% from personal coffers, it would unleash a massive amount of trust back into the crypto/stablecoin space that has been previously lost.

It has been a dark week in crypto and sentiment has seldom been this low ever before, but if the right steps are taken, we could be walking toward's crypto's brightest and most hopeful day. This could bring back everything we have worked for.

The most important aspects of decentralization are trust & consensus. It's something we are sorely lacking right now, but with the right steps, we can bring it back with a vengeance.

Crypto is not going anywhere. We are here to stand and fight. TFL, are you with us or not?

PS. Shoutout to [@cz\\_binance](#) and [@VitalikButerin](#) for supporting my proposal - you guys see things as they are and are thought leaders in the space for good reason - and a huge thank you to [@justinsuntron](#) for pledging \$10m towards the restitution efforts.