

Kraken Pauses Monero Deposits Amid Blockchain Takeover

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Cryptocurrency exchange Kraken has temporarily suspended deposits of Monero (XMR), currently valued at \$226.47, following a major security incident on the privacy-focused blockchain. The move comes after a single mining pool gained control of over half the network's computing power, a situation known in crypto circles as a 51% attack. This type of attack allows the controlling entity to manipulate transactions, including double-spending and reordering ledger entries, posing a serious threat to network integrity.

Kraken explained on Friday: “As a security precaution, we have paused Monero deposits after detecting that a single mining pool has gained more than 50% of the network’s total hashing power. This concentration of mining power poses a potential risk to network integrity.” The announcement underscores the vulnerability even well-established privacy coins face when mining power becomes overly centralized.

The mining pool involved, Qubic, a layer-1 artificial intelligence (AI)-focused blockchain and mining operation, claimed responsibility for taking over the majority of Monero’s hashing power on Monday and reorganizing six blocks. While Qubic’s representatives celebrated the technical accomplishment, the Monero community quickly denied that the event constituted a formal attack, reflecting ongoing debate over protocol security and decentralization.

Monero, ranked as the 29th largest cryptocurrency by market capitalization according to CoinMarketCap, is widely regarded for its privacy-preserving protocols. The recent developments have sparked concern among investors and blockchain analysts about the risks of concentrated mining power, particularly on networks that prioritize anonymity and decentralization.

Qubic stated: “After a month-long, high-stakes technical confrontation, Qubic reached 51% of Monero’s hashrate dominance, successfully reorganizing the blockchain.” Initially, the pool faced resistance from the protocol’s seventh-largest miner and suffered a denial-of-service (DDoS) attack, which floods a computer network with fake traffic to disrupt legitimate activity, on August 4.

Sergey Ivancheglo, who claimed responsibility for orchestrating the takeover, noted that Qubic’s hashing power dropped from 2.6 gigahashes per second (GH/s) to just 0.8 GH/s due to the DDoS. However, the pool quickly regained computing power and established majority control over the Monero network. Qubic highlighted the significance of the event, pointing out the emergence of a \$300 million AI protocol exerting influence over a \$6 billion privacy-focused blockchain.

This incident illustrates both the innovation and the fragility inherent in decentralized cryptocurrency systems. Exchanges like Kraken are prioritizing user security in response, highlighting the delicate balance between advancing technology and safeguarding digital assets. The Monero episode serves as a stark reminder to investors and developers that even established privacy-focused cryptocurrencies are not immune to concentrated mining threats and network vulnerabilities.

