

Explainer: What's happening at bankrupt crypto exchange FTX?

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The FTX logo appears on a home plate umpire's jacket at a baseball game with the Minnesota Twins on Sept. 27, 2022, in Minneapolis. The imploding cryptocurrency trading firm FTX is now short billions of dollars after experiencing the crypto equivalent of a bank run. Credit: AP Photo/Bruce Kluckhohn, File

The imploding cryptocurrency trading firm FTX is now short billions of dollars after experiencing the crypto equivalent of a bank run.

The exchange, formerly one of the world's largest, sought [bankruptcy protection](#) last week, and its CEO and founder resigned. Hours later, the trading firm said there had been "unauthorized access" and that funds had disappeared. Analysts say hundreds of millions of dollars may have vanished.

The unraveling of the once-giant exchange is sending shockwaves through the industry. Here's a look at the [company's](#) collapse so far:

WHY DID FTX GO BANKRUPT?

Customers fled the exchange over fears about whether FTX had sufficient capital, and it agreed to sell itself to rival crypto exchange Binance. But the deal fell through pending Binance's due diligence on FTX's balance sheet.

FTX had valued its assets between \$10 billion to \$50 billion, and listed more than 130 affiliated companies around the world, according to its bankruptcy filing.

FTX and dozens of affiliated companies—including CEO Sam Bankman-Fried's [hedge fund](#), Alameda Research—filed the bankruptcy petition in Delaware on Friday.

This week's developments marked a shocking turn of events for Bankman-Fried, who was hailed as somewhat of a savior earlier this year when he helped shore up a number of cryptocurrency companies that ran into financial trouble. He was recently estimated to be worth \$23 billion and has been a prominent political donor to Democrats.

WAS IT HACKED, TOO?

FTX confirmed Saturday there had been [unauthorized access](#) to its accounts, hours after the company filed for Chapter 11 bankruptcy protection.

A debate formed on [social media](#) about whether the exchange was hacked or a company insider had stolen funds—a possibility that cryptocurrency analysts couldn't rule out.

Exactly how much money is involved is unclear, but analytics firm Elliptic estimated Saturday that \$477 million was missing from the exchange. FTX's new CEO John Ray III said it was switching off the ability to trade or withdraw funds and taking steps to secure customers' assets.

IS FTX UNDER INVESTIGATION?

The Royal Bahamas Police Force said Sunday it is investigating FTX, adding to the company's woes. The police force said in a statement Sunday it was working with Bahamas securities regulators to "investigate if any criminal misconduct occurred" involving the exchange, which had moved its headquarters to the Caribbean country last year.

IS ANYONE ELSE INVESTIGATING?

Even before the [bankruptcy filing](#) and missing funds, the U.S. Department of Justice and the Securities and Exchange Commission [began examining FTX](#) to determine whether any [criminal activity](#) or securities offenses were committed, according to a person familiar with matter who spoke to The Associated Press last week on condition of anonymity because they could not discuss details of the investigations publicly.

WHAT ARE THE REPERCUSSIONS?

Companies that backed FTX are writing down investments, and the prices of bitcoin and other digital currencies have been falling. Politicians and regulators are calling for stricter oversight of the unwieldy industry. FTX said Saturday that it was moving as many digital assets as can be identified to a new "cold wallet custodian," which is essentially a way of storing assets offline without allowing [remote control](#).

FTX had also entered into a number of sports-related deals, some of which are crumbling. The NBA's Miami Heat and Miami-Dade County decided Friday to terminate their relationship with FTX, and will rename the team's arena. Earlier Friday, Mercedes said it would immediately remove FTX logos from its Formula One cars.

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