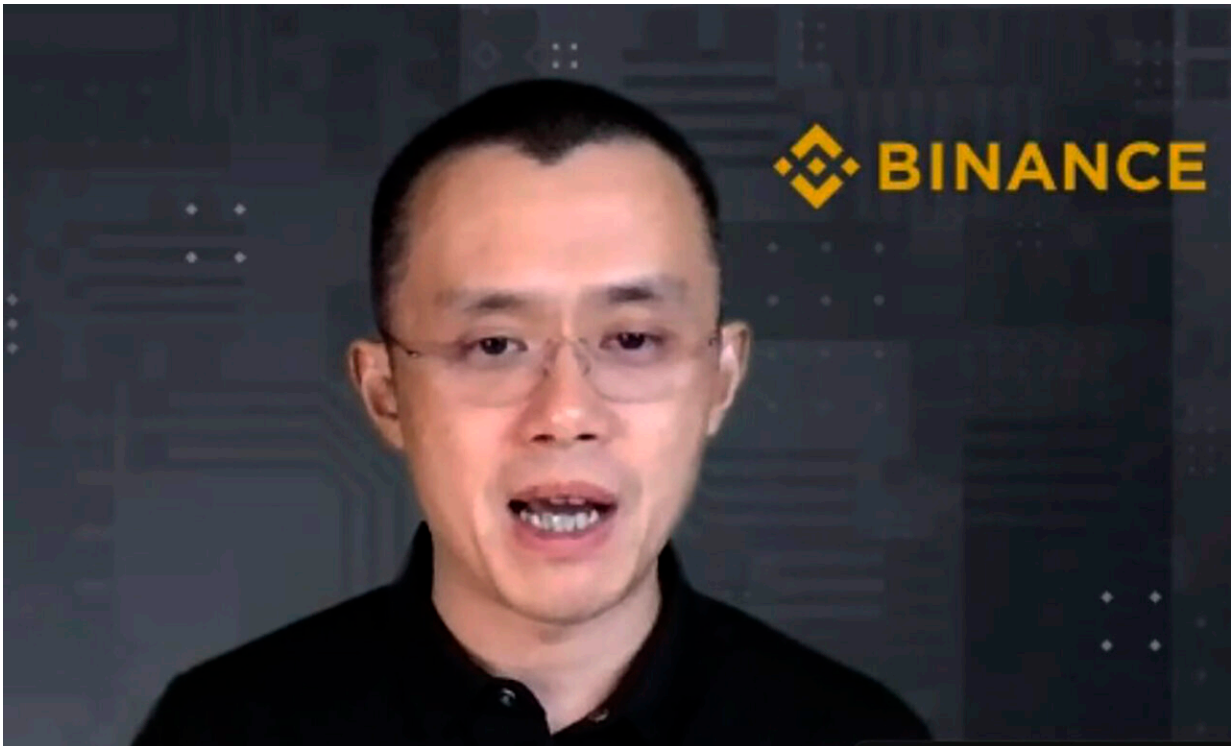


BlockFi files for bankruptcy, latest crypto company to fail

November 28 2022, by KEN SWEET and MICHELLE CHAPMAN



Binance CEO Changpeng Zhao answers a question during a Zoom meeting interview with The Associated Press on Nov. 16, 2021. Cryptocurrency exchange giant Binance is proposing the creation of a rescue fund that would save otherwise healthy crypto companies from failure, aiming to stave off the cascading effects of last week's implosion of the third-largest crypto exchange FTX. Zhao posted on Twitter Monday, Nov. 14, 2022 that his company would create "an industry recovery fund, to help projects who are otherwise strong, but in a liquidity crisis." Credit: AP Photo, File

Cryptocurrency lender BlockFi filed for Chapter 11 bankruptcy protection Monday, the latest casualty of the [collapse of crypto exchange FTX](#).

New Jersey-based BlockFi had been struggling for much of this year but was given a lifeline this summer in the form of an FTX line of credit. FTX's own bankruptcy, however, all but sealed BlockFi's financial fate. BlockFi suspended withdrawals after FTX's failure, and it had hired bankruptcy specialists in recent days.

BlockFi was one of several crypto currency lenders to pop up in recent years. The company gave loans to customers using their crypto assets as collateral. The severe drop in the value of bitcoin, ethereum and other cryptocurrencies made the collateral that BlockFi had secured often worth less than the loans it had outstanding.

In addition, this summer's line of credit from FTX ended up being an albatross around the company's neck. FTX's financial rescue package was no longer available to BlockFi once it ran into its own financial trouble, and BlockFi said any attempts to get additional funds in the days before the bankruptcy were not honored.

"This exposure created a liquidity crisis" for the company, its lawyers said in a court filing.



Signage for the FTX Arena, where the Miami Heat basketball team plays, is illuminated Saturday, Nov. 12, 2022, in Miami. Collapsed cryptocurrency trading firm FTX confirmed there was “unauthorized access” to its accounts, hours after the company filed for Chapter 11 bankruptcy protection Friday, Nov. 11. Credit: AP Photo/Marta Lavandier



Chairwoman Maxine Waters, D-Calif., right, and Ranking Member Patrick McHenry, R-N.C., left, listen to testimony from banking leaders as they appear before a House Committee on Financial Services Committee hearing on Capitol Hill in Washington, Sept. 21, 2022. Lawmakers plan to investigate the failure of FTX, the large crypto exchange that collapsed last week and filed for bankruptcy protection, leaving investors and customers staring at losses that could total in the billions of dollars. Credit: AP Photo/Andrew Harnik, File

In its bankruptcy filing, BlockFi claimed more than 100,000 creditors, and liabilities ranging from \$1 billion to \$10 billion. It said bankruptcy protection will allow it to stabilize the company and restructure. It has \$256.9 million in cash on hand, which it expects will provide enough cushion to support some operations during the restructuring.

One creditor among BlockFi's debts is the Securities and Exchange Commission. Back in February, BlockFi settled with the SEC over its crypto lending products, agreeing to pay \$100 million in fines and penalties. Roughly \$30 million of that is still owed to the U.S. government.

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Citation: BlockFi files for bankruptcy, latest crypto company to fail (2022, November 28) retrieved 10 April 2024 from

<https://techxplore.com/news/2022-11-blockfi-ftx-collapse-rattles-crypto.html>

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