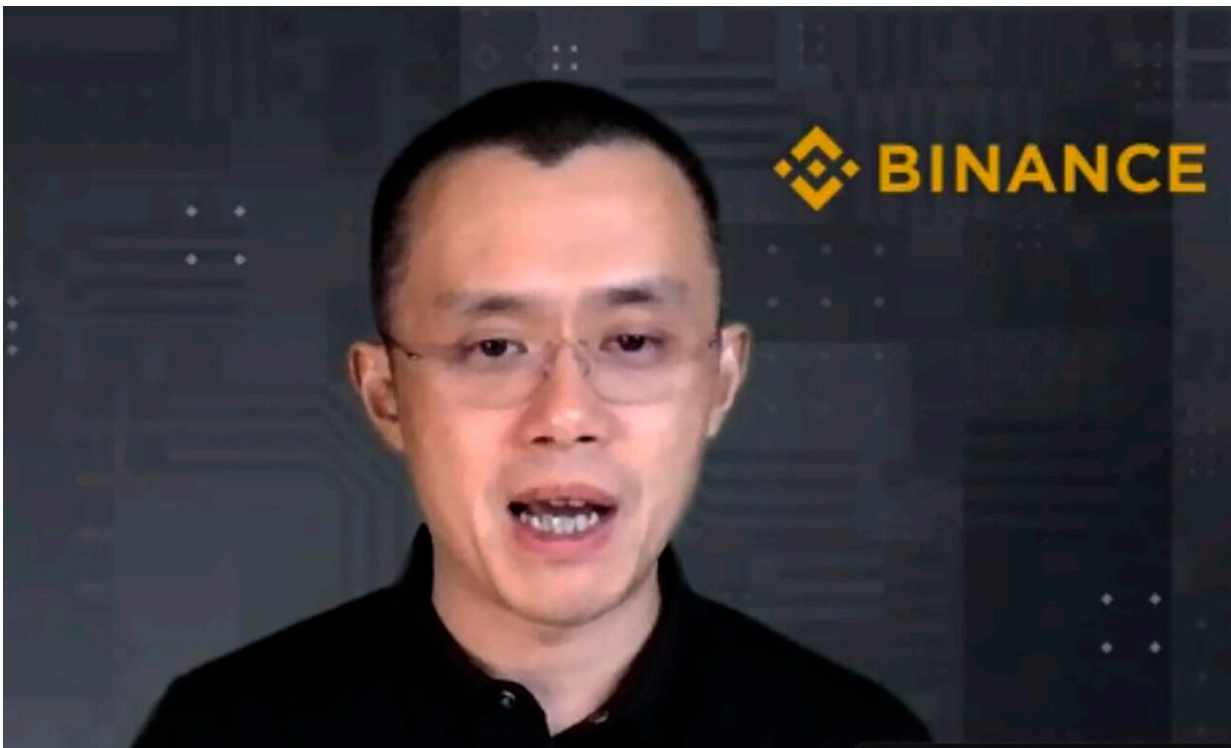


Crypto exchange Binance to buy rival FTX in apparent bailout

November 8 2022, by Ken Sweet



Binance CEO Changpeng Zhao answers a question during a Zoom meeting interview with The Associated Press on Nov. 16, 2021. The cryptocurrency exchange Binance said it plans to buy its rival FTX Trading, in what appears to be a bailout of FTX. Credit: AP Photo, File

The cryptocurrency exchange Binance said it plans to buy its rival FTX Trading, in the latest example of how fortunes can change rapidly in the

crypto world.

Binance CEO Changpeng Zhao said on Twitter Tuesday that his company had signed a letter of intent to buy FTX because the smaller exchange was experiencing a "significant liquidity crunch." The deal was pending due diligence, Zhao said on Twitter.

Samuel Bankman-Fried, founder and CEO of FTX, also took to Twitter to say the deal would protect the exchange's customers. It's a surprising turn of events after Bankman-Fried 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.

FTX is the latest cryptocurrency company this year to come under financial pressure as crypto assets such as bitcoin and ethereum have collapsed in value. Failures include Celsius, a bank-like company that took in crypto deposits in exchange for yield, as well as an Asia-based hedge fund known as Three Arrows Capital.

Coindesk, which specializes in news about digital assets, reported last week that much of the balance sheet of Bankman-Fried's trading firm Alameda Research was tied up in FTX's own digital token called FTT. Binance rattled the market over the weekend when it said it planned to liquidate of its holdings in FTT on concerns that the company was illiquid.

On Tuesday morning, cryptocurrency investors said they were having trouble withdrawing money from FTX as well. The value of FTT plunged overnight only to stabilize after the deal was announced.

Other major cryptocurrencies were higher after the deal was announced as well, with Bitcoin rising 5%.

The deal would make Binance, which is already the biggest cryptocurrency exchange by daily volume, an even more dominant player in the cryptocurrency industry. FTX was the third largest exchange as of this week.

Bankman-Fried, better known by his initials SBF, was hailed by the crypto industry earlier this year after pledging to buy certain crypto assets to bolster the balance sheets of other failing crypto companies. That included companies like Voyager Digital, which failed after owning a stake in the failed stable coin Terra.

Bankman-Fried also purchased a stake in the online trading platform Robinhood after that company's shares plunged as revenue dropped and it lost money.

Bankman-Fried said neither the U.S. operations of Binance or FTX are involved in the deal announced Tuesday.

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