

House panel to hold hearing on crypto exchange FTX collapse

November 16 2022, by Fatima Hussein



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

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.

The House Financial Services Committee said Wednesday that it expects to hear from Sam Bankman-Fried, the 30-year-old founder and former CEO of FTX, who was previously hailed as a hero in the crypto community but now faces potential civil and criminal charges related to FTX's collapse.

The panel also expects to get testimony from FTX representatives, other crypto exchanges including Binance, Bankman-Fried's hedge fund, Alameda Research, and others at a December hearing.

"The fall of FTX has posed tremendous harm to over one million users, many of whom were everyday people who invested their hard-earned savings into the FTX cryptocurrency exchange, only to watch it all disappear within a matter of seconds," committee chairperson Rep. Maxine Waters (D-CA) said in an emailed statement.

FTX filed for bankruptcy protection Friday, sending shockwaves through the cryptocurrency industry, which has seen an enormous amount of volatility this year, including a sharp decline in the price of bitcoin and other digital assets.

But the sheer size of FTX's collapse highlights the massive market risks inherent in the growing crypto industry. Billions of dollars of wealth may have been destroyed in a few days. The circumstances have prompted investigations by the Justice Department and Securities and Exchange Commission.

"We must get to the bottom of this for FTX's customers and the

American people," ranking member Rep. Patrick McHenry (R-N.C.) said. "It's essential that we hold bad actors accountable so responsible players can harness technology to build a more inclusive financial system."

Bankman-Fried has testified in Congress before, saying at a Senate Agriculture Committee hearing on the risks presented by digital assets in February that crypto firms should address risks to "ensure against substantial or catastrophic losses that could lead to existential threats against their own firm, thereby imperiling the assets of their customers."

In March, President Joe Biden issued an executive order directing the Treasury Department and other agencies to study the impact of cryptocurrency on financial stability and national security.

Treasury Secretary Janet Yellen said during several hearings on the Hill this year that more government regulation is needed to police the proliferation of cryptocurrency, due to risks posed to financial markets.

On Wednesday Yellen said "the federal government, including Congress, also needs to move quickly to fill the regulatory gaps the Biden Administration has identified."

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Citation: House panel to hold hearing on crypto exchange FTX collapse (2022, November 16) retrieved 27 April 2024 from

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