

FTX

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FTX International offered investors an option to trade in tokenized stocks, which are digital coin-based derivative of shares of actual companies. | Photo Credit: AFP

Famed celebrity interviewer David Rubenstein introduced Sam Bankman-Fried as “one of the most successful crypto entrepreneurs in the world” on his talk show in August. Often called ‘crypto’s white knight’, the CEO of crypto exchange FTX was seen as a saviour of digital assets industry, giving lifelines to platforms facing imminent collapse. On Friday, [the 30-year-old billionaire’s crypto empire crumbled](#).

A physics graduate from Massachusetts Institute of Technology, Mr. Bankman-Fried began his career in 2014 in Jane Street that specialises in ETF and high-frequency trading in 2014. Three years later, he took the plunge into the crypto world by setting up a Hong Kong-based investment fund Alameda Research that traded in crypto tokens and derivatives. His rise coincided with the boom in the cryptocurrency. In 2017, after years of price fluctuations between \$100 and \$900, bitcoin breached \$1,000. By mid-May, its value doubled; and by the end of the year, the de facto crypto benchmark asset was trading at \$20,000.

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But the cryptocurrency was not traded at the same price on different crypto exchanges. Mr. Bankman-Fried’s Alameda saw an arbitrage opportunity from this inherent volatility in the crypto ecosystem. The fund made a lot of money.

In April 2019, Mr. Bankman-Fried moved to Nassau, Bahamas, and launched his crypto exchange FTX to provide the infrastructure for crypto investors to buy and sell digital assets such as bitcoin, ether, solano, and a dozen other tokens via its platform. He set up two different exchanges: one in compliance with U.S. laws and the other for international investors.

FTX International offered investors an option to trade in tokenized stocks, which are digital coin-based derivative of shares of actual companies. It also allowed users to bet on expected valuations of pre-IPO companies. Such features attracted users to the platforms.

Investors poured money into the company. Sequoia, Ontario Teachers’ Pension Plan, SoftBank, Third Point LLC and Tiger Global invested as FTX rose. Football star Tom Brady endorsed the platform. While FTX does not disclose its financials, the exchange’s rise made Mr. Bankman-Fried one of the youngest billionaires. Forbes estimated his net worth at \$8.7 billion. In January,

the Nassau, Bahamas-based crypto exchange raised \$400 million in a new round of funding, raising its value to \$32 billion, up from \$25 billion in October 2021.

During the mid-May crypto meltdown when Terra Luna and several other crypto platforms failed, [Mr. Bankman-Fried was seen as the bailout man](#). In July, his exchange offered to rescue crypto lender Voyager after hedge fund Three Arrow Capital (TCA) defaulted on nearly \$1 billion loan.

Some crypto watchers raised concerns about the potential conflict of interest in Mr. Bankman-Fried's empire. They saw FTX being used to siphon off money into trading arm Alameda Research. On November 2, a report by CoinDesk, citing private documents, revealed that Alameda's balance sheet was loaded with FTT, a token invented by its sister firm FTX. This proved the unusual link between the exchange and the trading arm.

Following that report, Binance, the largest crypto exchange by volume and an early investor in FTX, said [it was liquidating its \\$580 million of FTT holding](#). Binance CEO Changpeng Zhao's decision caused a stir in the crypto industry as more FTX depositors rushed to withdraw their investments from the exchange.

FTX's customer withdrawal request hit nearly \$5 billion. That made Mr. Bankman-Fried seek funding assistance. Mr. Zhao first agreed to help, and for a day, it looked like FTX struck a deal with its rival. But Binance walked away the next day, saying the Bahamas-based exchange's problems were beyond its control or "ability to help."

Meanwhile, Mr. Bankman-Fried's personal fortune tumbled. On Thursday, he tweeted: "And so we are where we are. Which sucks, and that's on me. I'm sorry." A day later, the beleaguered crypto exchange filed for bankruptcy protection and said that CEO Bankman-Fried has resigned from his position, marking a swift end to a three-year old crypto empire.

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