

## Collapse of FTX Crypto Trading Firm

### Why in news?

FTX, the world's second biggest crypto exchange, went bankrupt, affecting an estimated 10 lakh-plus people who were barred from withdrawing funds.

### What is the issue about?

*A cryptocurrency is a medium of exchange in digital format that uses encryption techniques to control the creation of monetary units and to verify the exchange of money.*

*Bitcoin is the largest in the world according to market capitalisation, followed by Ethereum.*

*To know more about how crypto currencies work, click [here](#)*

- **FTX** - FTX is a cryptocurrency exchange that enable customers to trade digital currencies for other digital currencies or traditional money, and vice versa.
- FTX is run by Sam Bankman-Fried and is headquartered in the Bahamas.
- FTX has a native cryptocurrency token called FTT, which traders use for operations like paying transaction fees.
- **Reasons for the collapse** - Alameda's balance sheet was reported to be heavily stacked with its sister company FTX's native tokens instead of other cryptocurrencies, which led to a panic selling in FTT.
- The fear of insolvency in FTX Group over its financial positions started.
- When Binance, the world's largest cryptocurrency exchange, started to liquidate their holdings in FTT tokens, and later refused to bail out FTX, the situation worsened.
- FTX has also confirmed that there had been unauthorized access to its accounts.
- FTX filed for bankruptcy along with 130 additional affiliate companies.

### What is the impact of FTX bankruptcy on crypto market?

- **Uncertainty** - The FTX Group's bankruptcy has sent shockwaves of fear, uncertainty and ambiguity across the crypto market worldwide.
- The issue reminds about the previous case of the [Terra tokens collapse](#) that wiped out billions of dollars in wealth.
- **Effect on other cryptocurrencies** - The collapse cast a shadow over the performance of bigger cryptocurrencies such as Bitcoin and Ethereum.
- Bitcoin, the largest cryptocurrency, is trading at an almost two-year low around 16,600 dollars while Ethereum dropped more than 8%.
- **Impact on retail investors** - There is a fear that lot of retail investors might go

inactive for a while due to the current volatility in the market.

- **Impact on institutional investors** - The institutional investors might like to capitalize on discounted assets at the moment and hedge their investments.
- **Stringent regulations** - Structural changes in the crypto ecosystem and much stricter regulations are expected after this episode.
- **Positive impact** - Other active exchanges could see a flurry of deposits coming in which depends on which exchange is in its best shape at the moment.

## References

1. [The Indian Express | What's happened to crypto exchange FTX?](#)
2. [Forbes | FTX Falls: What It Means For Indian Crypto Investors](#)
3. [Livemint | How will FTX bankruptcy impact crypto markets?](#)

