



November 11, 2022

FTX Cryptocurrency Exchange Files in Bankruptcy

Today, November 11, 2022, following a stunning collapse in a \$32 billion valuation over less than a week's time, cryptocurrency trading platform FTX filed for Chapter 11 bankruptcy reorganization in Delaware, almost certainly wiping out billions of dollars in invested capital. The filing came almost exactly a year after Bitcoin peaked at about \$69,000.

FTX's bankruptcy filing was accompanied by the filings of affiliate FTX USA and that of Alameda Research Ltd., a trading firm/hedge fund also founded by FTX founder and CEO, Sam Bankman-Fried, who resigned from his positions in the companies with the filings. Another approximately 130 affiliated entities also filed for bankruptcy. The Securities and Exchange Commission ("SEC"), the U.S. securities regulator, is investigating allegations that funds invested on the FTX trading platform may have been used by Bankman-Fried to prop up Alameda. If proven true, the FTX and Alameda bankruptcies could transition from mere massive business collapse to crimes.

FTX's collapse began last weekend, when rival trading platform Binance's CEO C.Z. Zhao published tweets questioning Alameda's financial stability, apparently referring to a Coindesk report and stating that he would sell over \$500 million of cryptoassets, causing major declines in Bitcoin, Ether, FTT (FTX's native token) and other cryptocurrencies traded on FTX and held by Alameda. Investors tried to withdraw their assets, causing a run on FTX that it was unable to honor. Bankman-Fried negotiated a buyout by Zhao, but Binance pulled out of the deal after reviewing FTX's books as part of due diligence, leaving FTX with no other White Knight in sight. FTX owes up to \$8 billion. Alameda's bankruptcy petition listed assets of

approximately \$10 billion and liabilities in approximately the same amount, suggesting that those assets could be marked down to zero.

This is not the first crypto exchange bankruptcy of the year, although it is the largest. Earlier in the year, crypto exchanges Celsius Network and Voyager Digital filed for bankruptcy. Also, as we previously reported, in July, the SEC charged a former manager of publicly traded cryptocurrency exchange platform Coinbase Global (NASDAQ: COIN) and two associates with securities fraud and insider trading trading of blockchain-minted digital tokens and other crypto/digital assets. Further information can be found at [Kurtin PLLC Information Technologies, Blockchain & Internet](#).

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