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FTT Token Price Plummets on Liquidity Concerns

Traders are skeptical about the FTT token's potential with Binance in charge.

Traders on the [FTX.com](https://www.ftx.com) global exchange have been rewarded in various ways for holding and staking FTT, the platform's native token, for quite some time. The future of FTT remains uncertain in the wake of reports that FTX and Binance had reached an agreement to buy each other out.

Among other perks, having a certain quantity of FTT in an account reduced the trading fee for FTX by as much as 60%.

There has been talk in the industry that a FTT coin may become unnecessary because Binance already has its own token, BNB, which offers reduced costs.

Following an early morning increase, FTT dropped rapidly on Tuesday, losing nearly 70% by 3:00 PM ET.



Source: TradingView

Spot trading of FTT is only available on a few number of crypto exchanges, primarily FTX and Binance, despite the fact that it is allegedly banned from US traders.

Recently, Binance CEO Changpeng ‘CZ’ Zhao shocked the market by announcing the company will sell its holdings of the FTT token, before abruptly reversing course and announcing his tentative plan to acquire the company. Due diligence and agreement on the final terms mean that the acquisition does not include FTX’s US operations.

The FTX exchange received 23 million FTT tokens from Binance’s cold wallets on November 5 with a value of \$584 million. On Monday, CZ said the money was being moved as “part” of the Binance investment. Due to the frenzied selling and subsequent lack of market liquidity, this constituted a sizable chunk of the entire volume of FTT transactions.

A Liquidity Crisis of Epic Proportions

Since the cryptocurrency was relatively untradeable, Binance was unable to make any significant volume sales. That fact undoubtedly motivated Alameda CEO Caroline Ellison to tweet an offer to buy out all of Binance’s stock at \$22 per FTT.

[@cz_binance](#) if you're looking to minimize the market impact on your FTT sales, Alameda will happily buy it all from you today at \$22!

— Caroline (@carolinecapital) [November 6, 2022](#)

It set a short-term cap on the FTT rate. However, that was just temporary.

As of 2:30 a.m. Tuesday, Eastern Time (ET), FTT had failed and was never operational again. At 3:00 pm New York time on that same day, the token had rebounded from a low of around \$2.60 to a price range of \$4.50 to \$5.00 in a highly volatile market.

Peter Eberle, CIO and president of Castle Funds, an investment company specializing in digital assets, claims that the FTX exchange experienced a crisis of confidence.

He told Blockworks via email that “FTX saw significant outflows from their exchange as everyone worried losing online assets.” Since liquidity was also being drained by market makers, this is a bad sign. It appears that a large number of traders have either stopped trading altogether or drastically reduced their previous trading activity.

Fear can have a devastating effect on already thinly traded markets due to a lack of liquidity.

No one from FTX with whom to speak was able to provide a response to our requests for comment.

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