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Original:

<https://www.btcc.com/en-US/academy/research-analysis/is-ftx-crashed-really-because-of-binance-cz-or-bad-operation>

**Is FTX crashed really because of Binance CZ or bad operation?**

### FTX Binance - What happened?

The crypto world was rocked on Tuesday as Binance, the world's largest crypto exchange, said that it had entered an agreement to acquire FTX, amid fears the industry could enter another meltdown because of the FTT liquidity.

Cracks started emerging last week when the crypto publication CoinDesk reported on a leaked balance sheet that appeared to show that FTX's sister company, Alameda Research, was on shaky foundations. Alameda is a hedge fund that Mr. Bankman-Fried founded before starting FTX. The two companies have close financial ties.

The report showed that a large portion of Alameda's assets were a cryptocurrency called FTT, which FTX invented for traders to use on its platform. The disclosure stoked fears that a sudden drop in the price of FTT could cause a crisis for Alameda and FTX.

Mr. Zhao was an early investor in FTX, which gave him a stake in the company. Mr. Bankman-Fried later bought that stake back, paying for it partly in FTT. Over the weekend, Mr. Zhao announced that [Binance would sell its FTT holdings](#), citing "recent revelations."

The announcement set off a public spat between Mr. Zhao and Mr. Bankman-Fried. "A competitor is going after us with false rumors," Mr. Bankman-Fried said on Twitter on Monday. "FTX is fine. Assets are fine."

But Binance's moves also sent the price of FTT plummeting. By Tuesday, it had dropped about 63 percent over 24 hours. The rest of the crypto market took a hit, with the prices of [Bitcoin](#) and

[Ether](#) also falling.

Traders rushed to move their cryptocurrencies off FTX's platform, as fears grew that the company could be the next in a series of high-profile crypto firms to collapse. More than \$1.2 billion was withdrawn from FTX on Monday, Nansen reported that night.



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## So why did FTX collapse?

1.They can't pay back customers.

This means they stole customers funds. As an exchange instead of bank, they aren't allowed to lend out your assets and are supposed to have all customers funds covered 1:1. Anything apart from this means they were committing fraud.

2.They inflated their balance sheets.

This is simple enough. If 1) is true then it means FTX is insolvent. They can't pay back their creditors - namely the customers they lied to that the funds were available. Besides, Alameda also inflated its balance sheets by increasing the value of its own assets. Thus pretending they are solvent. A small company called ENRON did this too. They used this inflated balance to get credit to gamble on the crypto.

3.They was trading customer funds.

According to Coinglass data, that for a time left FTX with a balance of, unbelievably, just one bitcoin. That has now rebounded to 36 BTC, compared to more than half a million BTC each held by Coinbase and Binance.

This rush to the exits reportedly led Bankman-Fried and his team to begin frantically shopping for an acquisition partner, approaching a variety of potential partners before Binance entered the picture.

It remains worryingly unclear, though, exactly why even such a dramatic rush for the exits would have led FTX to seek its own bailout. The exchange promised users that it would not speculate with cryptocurrencies held in their accounts. But if that policy was followed, there should have been no pause to withdrawals, nor any balance sheet gap to fill. One possible explanation comes from Coinmetrics analyst Lucas Nuzzi, who has presented what he says is evidence that FTX transferred funds to Alameda in September, perhaps as a loan to backstop Alameda's losses.

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