



Unravelling the FTX Fallout: Lessons from the collapse

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Today's presenters



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Insolvency



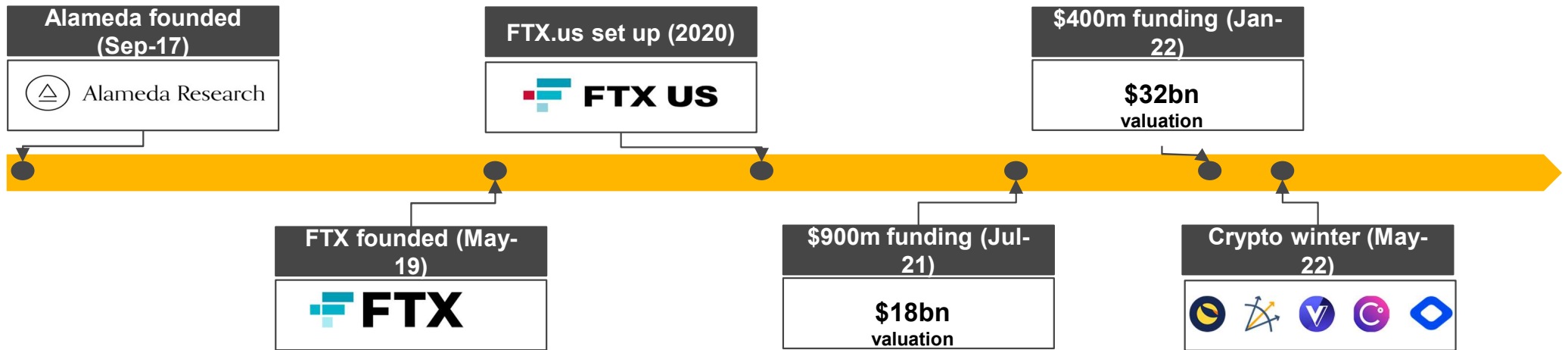
Jason Gunter
Director, Restructuring &
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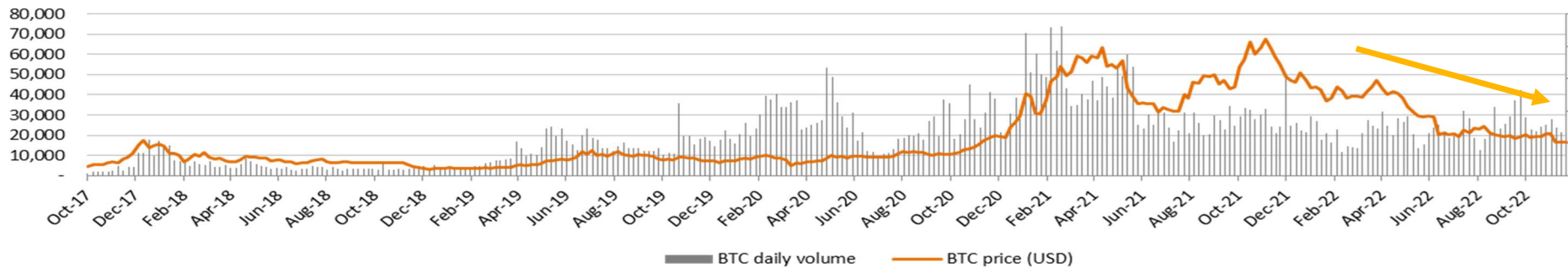
Mark Sinka
Director, Investigative
Analytics & Technology

The FTX Story

The growth in FTX mirrored the uplift in the market indicated by the price of BTC

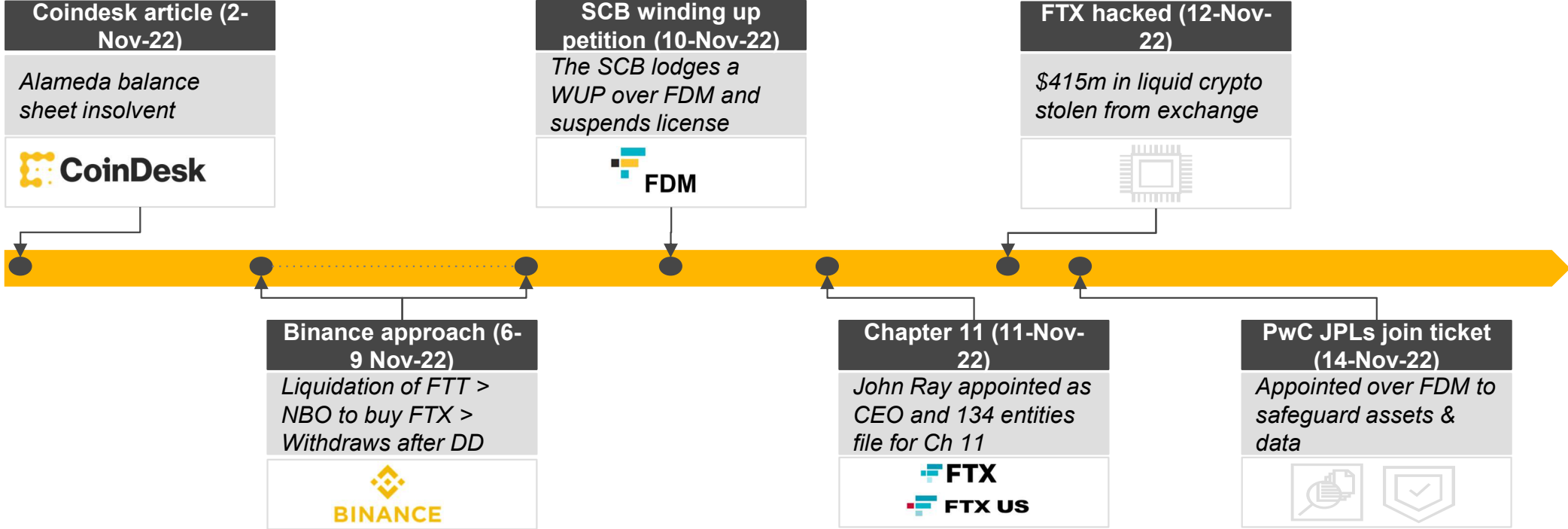


BTC price / volume



Key events leading to the collapse of FTX

From a leaked balance sheet, it took less than 10 days to collapse



What happened when FTX collapsed?

Immediate issues



High profile / public scrutiny



A “run” on the exchange by customers



Liquid assets rapidly depleted



Shortfall of customer assets to meet claims became apparent



Exchange shut down



Parallel bankruptcy processes globally

Implications of the collapse



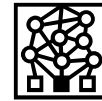
Liabilities are frozen by the courts



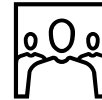
Agent of the court appointed to safeguard and recover assets



Data forensically examined



Opaque funding structure and poor record keeping mean shortfalls and losses likely to be shared amongst all



Will take time to return value to customers

Commercial lessons that we can learn from the collapse

For crypto firms



Robust Governance and Controls are necessary



A constant view of the balance sheet position and cash flow position is critical to monitoring solvency



Legal entity parameters must be clearly defined with intragroup funding clearly documented



Customer asset handling policy needs to be clear and adhered to

For customers



It is critical to understand the custodial arrangements of your assets



Consider the regulatory rules the counterparty is subject to



Parallel bankruptcy processes globally

Lessons for using crypto and crypto exchanges

Crypto Exchanges



Operational treatment of customer's assets (crypto & fiat)



Ownership



Types of assets held (and complexities)



Liquidation considerations

General Considerations



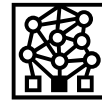
Custody of Assets



Sanctions / Taint

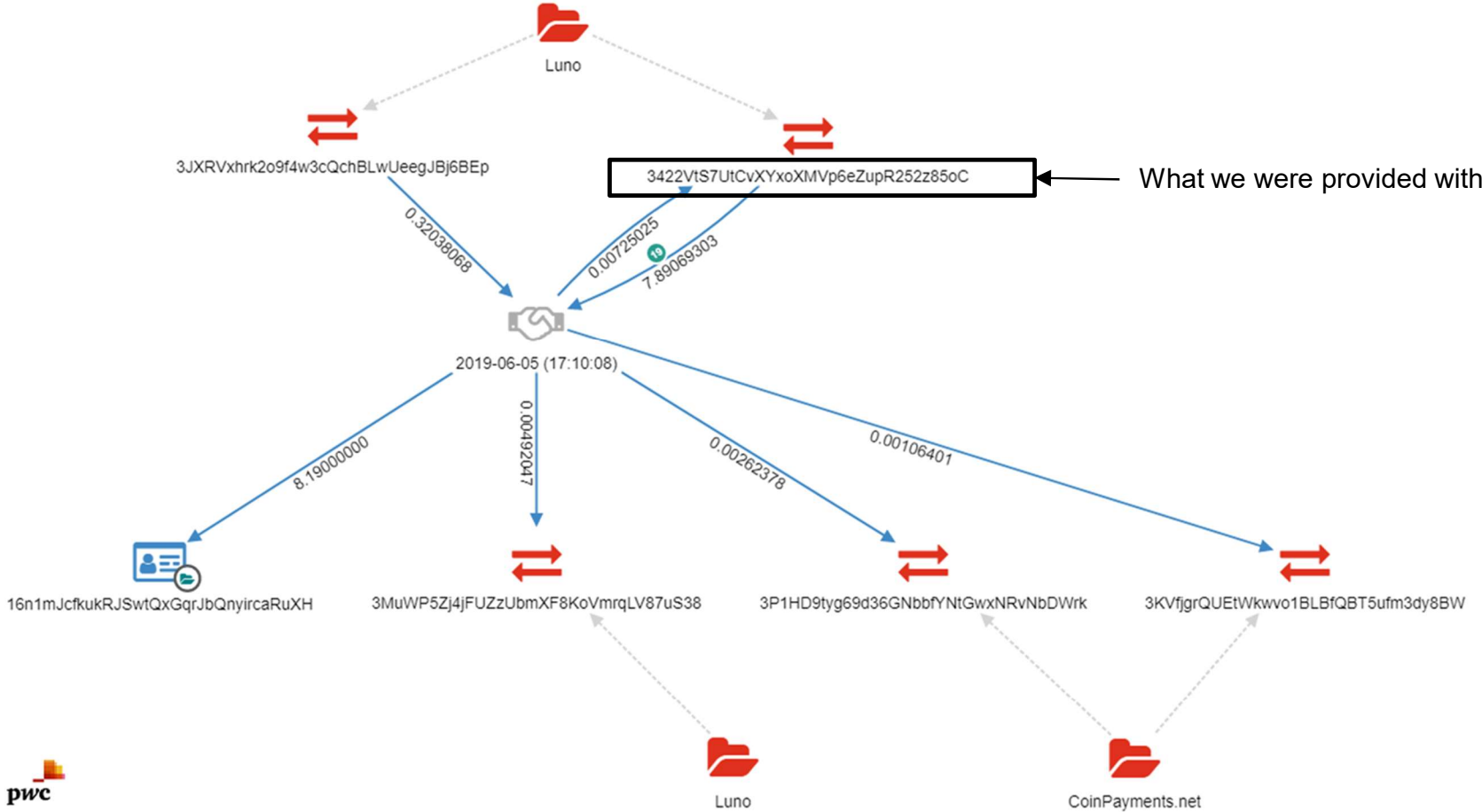


Quantification & Valuation



Tracing & Recovery

Lessons for using crypto and crypto exchanges





Any questions?