DEC 20
Jenna McNamee

A roundup of the top five crypto collapses of 2022

Article

The roundup: 2022 saw a reckoning in the crypto markets. The year revealed that crypto investors were easily spooked by negative news, kicking off panic similar to a bank run. But as consumers rushed to withdraw their funds, bigger issues began to emerge, like lack of liquidity and the absence of tangible collateral altogether. The crypto markets now have a long and potentially insurmountable journey to rebuild investor trust.

Here we highlight the top five crypto collapses from the year.

5. Voyager Digital gets knocked for deposit insurance claims.

- In July, the crypto broker/lender filed for bankruptcy after one of its customers defaulted on a $650 million loan.
- That same week, the Federal Deposit Insurance Corporation (FDIC) launched an investigation against the firm for allegedly claiming customer deposits were insured up to $250,000, when they actually weren't.
- Voyager Digital's assets were eventually bought by crypto exchange **FTX** for $1.42 billion. But after FTX also filed for bankruptcy, Voyager Digital reopened the bidding process for its assets.
- Binance.US recently announced it would buy Voyager Digital for $1.02 billion just a few weeks after scrapping plans to acquire FTX.

4. Celsius misleads its customers.

- Also in July, this crypto lender filed for Chapter 11 bankruptcy protection after freezing customer accounts one month before due to "extreme market conditions."
- Investigations into Celsius revealed the firm was facing a cash crunch, and that it had hidden huge H1 losses from investors and neglected disclosure laws regarding its financial status. The firm also allegedly inflated the value of its digital token CEL to boost its balance sheet holdings.
- The filing also revealed notes from a creditor meeting stating the firm never earned enough revenue to pay the yields its investors were earning, and claims the yields were being paid with new investor assets.

3. BlockFi fell from grace.

- Once valued at $3 billion, the crypto lender faced its share of issues in 2022, including a $100 million fine for failing to register its crypto interest account, as well as suffering from major losses on loans when crypto hedge fund **Three Arrows Capital** went bankrupt.
- The firm was bailed out by FTX in a $250 million deal that eventually fell apart when FTX collapsed. This led BlockFi to pause lending and customer withdrawals, and then ultimately file for bankruptcy.

2. Tether untethered from the US dollar.

- In May, the world's largest stablecoin unpegged from the US dollar and traded at around $0.95 as contagion hit the crypto markets.
- The contagion was caused by another stablecoin, **TerraUSD**, and its algorithmic staking coin called **Luna**. Those currencies' values plummeted when another digital currency on its blockchain faced a bank run.
- Investors quickly requested nearly $3 billion in redemptions from Tether, when TerraUSD unpegged, and the requests caused Tether to also destabilize from $1. But its cash and short-term reserve backing allowed the stablecoin to withstand the demand and eventually repeg to the US dollar.

1. FTX went from being a savior to needing saving from itself.

- The crypto exchange swooped in to save multiple crypto firms this year, including BlockFi and Voyager Digital, but that all changed when competitor exchange **Binance** sold all of FTX's digital token FTT.
- This action caused investors to withdraw their FTT tokens in droves and pushed FTX into a liquidity crunch.
- After it was unable to attain a bailout, the firm claimed bankruptcy, and a slew of unsavory behaviors began to be unearthed, including the use of customer deposits to prop up FTX's sister company **Alameda Research**. At the time we went to press, the company and its founder, Sam Bankman-Fried, were likely to face investigations from the Securities and Exchange Commission and the Department of Justice.

Most Important Factor to US Adults When Deciding to Invest in Cryptocurrencies, by Age, May 2022

% of respondents in each group

	18-25	26-41	42-57	58-76	77+
Potential return on investment	34%	44%	40%	58%	29%
Cost to purchase	34%	24%	18%	18%	29%
Company history	16%	16%	15%	4%	18%
Environmental impact	11%	8%	8%	5%	19%
Celebrity investor endorsements	3%	2%	4%	1%	2%
Balancing your portfolio	2%	3%	3%	1%	0%
None of the above	0%	3%	11%	14%	3%

Note: numbers may not add up to 100% due to rounding
Source: Forbes conducted by OnePoll as cited in company blog, May 31, 2022

276745 InsiderIntelligence.com

This article originally appeared in Insider Intelligence's ***Banking Innovation Briefing****—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? Click here to subscribe.*
- *Want to learn more about how you can benefit from our expert analysis? Click here.*