

Monitoring the Meltdown of FTX

Using social media intelligence to measure the fallout of crypto's largest bankruptcy

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The crypto winter of 2022

FTX, the second largest cryptocurrency exchange in the world by volume, collapsed and declared bankruptcy in November 2022. The first section of this brief will tell the story of how that collapse played out on Twitter over just a few days. The second part of this brief will outline the collapse’s ramifications to small investors, financial influencers, and large brands.

Bitcoin and other cryptocurrencies rode to a high in November 2021, buoyed by cheap interest rates and an investing public flush with stimulus cash. That high collapsed in early 2022 with increasing economic uncertainty, rising interest rates, and growing inflation. As investors moved away more speculative assets, large cryptocurrency exchanges like Celsius, Voyager, and BlockFi have gone bankrupt. Even more mainstream crypto exchanges like Kraken, Coinbase, and Gemini have laid off thousands of their employees. This graph shows that “cryptocurrency layoffs” has surged 181% in the last six months.

Mentions of Crypto Layoffs (June 2022 to Present)



Initial events leading up to collapse

Coindesk, a leading cryptocurrency news publication, published a report on November 2, 2022 alleging that Alameda Research, a trading company also owned by FTX's founder and CEO Sam Bankman-Fried, held a particularly large amount of FTT tokens, a cryptocurrency created by FTX. Alameda holding these tokens was controversial, as they were investing self-created money. Coindesk further alleged that Bankman-Fried was using customer accounts to replace money Alameda Research had lost, despite reassuring customers that their accounts would not be invested without their express permission. This article spread like wildfire on Twitter and caused many investors to panic and try to withdraw their money.

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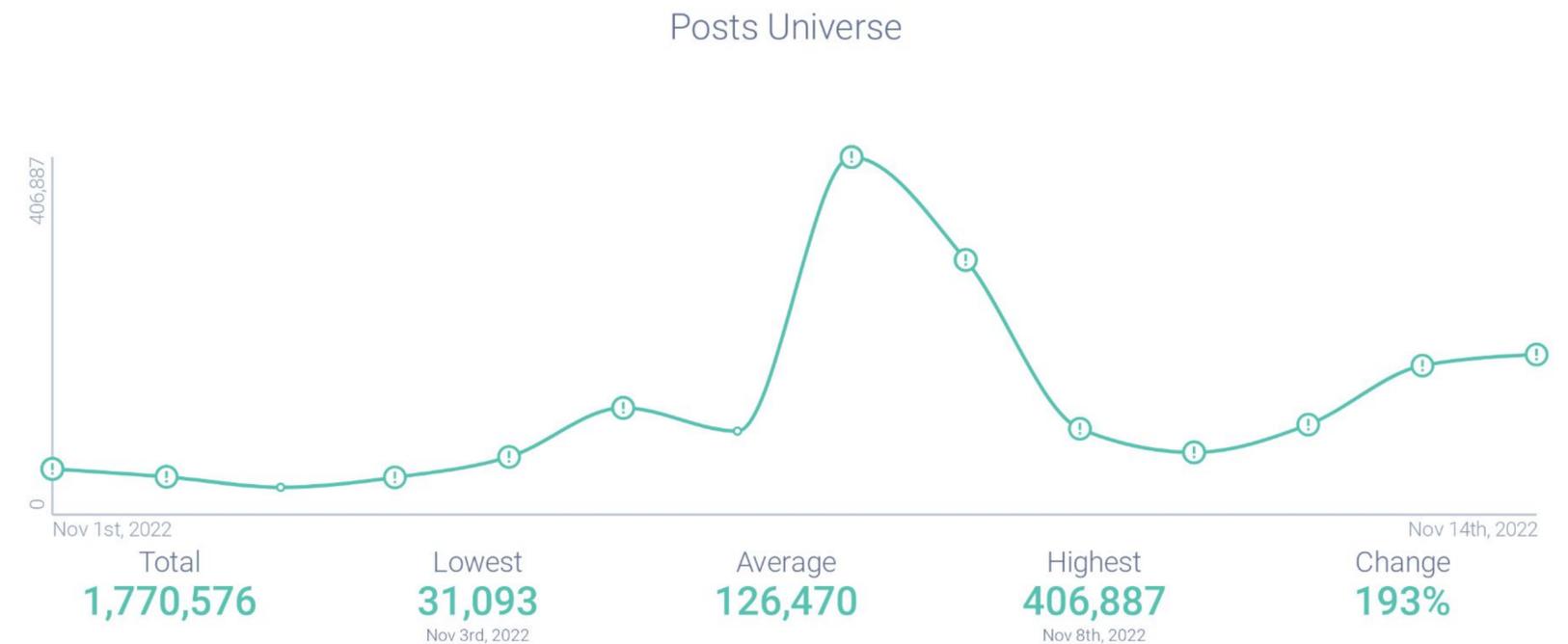
Ethereum ▼ \$1,216.61 -0.46% Binance Coin ▼ \$274.11 -0.87% XRP ▲ \$0.37123520 +10.60% Binance USD ▼ \$1.00 -0.05% Doge ▶ Crypto Prices →

Business

Divisions in Sam Bankman-Fried's Crypto Empire Blur on His Trading Titan Alameda's Balance Sheet

Alameda had \$14.6 billion of assets as of June 30, according to a private document CoinDesk reviewed. Much of it is the FTT token issued by FTX, another Bankman-Fried company.

By Ian Allison ⌚ Nov 2, 2022 at 9:44 a.m. CDT Updated Nov 9, 2022 at 12:36 p.m. CST



Binance attempts to intervene

Changpeng Zhao, the CEO of rival exchange Binance, said that Binance would be selling all of its FTT tokens on November 6 due to the increased risk associated with FTX's token. He offered to acquire the struggling FTX two days later if FTX successfully passed through a Binance-induced due diligence check. However, Binance's auditors quickly realized that FTX was short \$8 billion. As a result, Binance pulled out of the deal, and FTX was forced to declare bankruptcy.



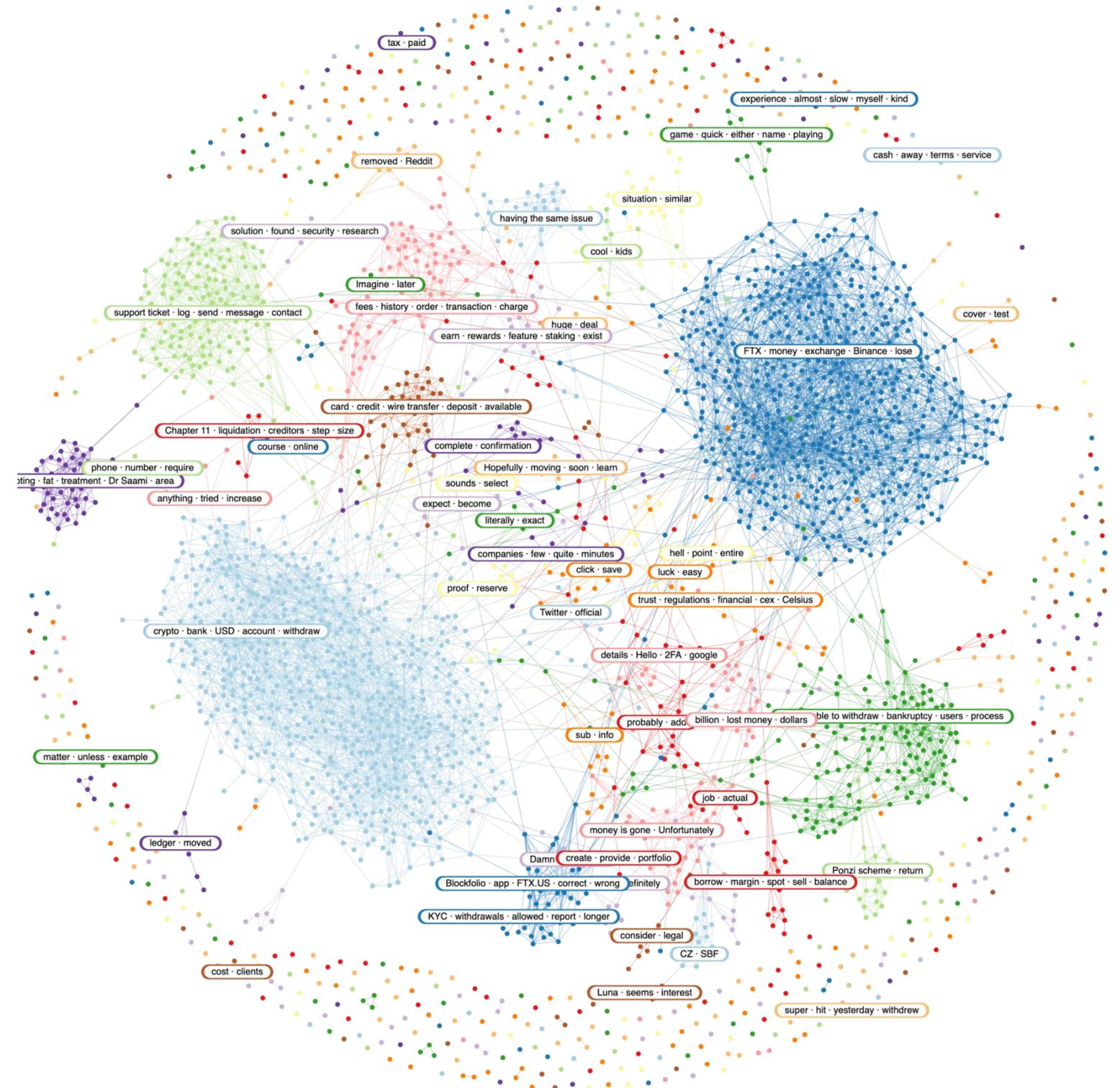
Sentiment Documents Distribution



Ramifications for smaller investors

Tragically, those holding smaller accounts at FTX are likely to feel the most pain. When looking at Narratives of conversation in FTX's subreddit, the three largest clusters of conversation relate to opening customer support tickets, questions on withdrawing money, and dashed hopes with regards to a potential Binance bailout. Unlike larger banks and investors, smaller retail investors are less likely to be able to recoup loss and have less bargaining power at the bankruptcy table.

Cluster Name	Trend	Universe	Reach	Sentiment
crypto · bank · USD · account · withdraw		585	0	17%
FTX · money · exchange · Binance · lose		566	0	16%
support ticket · log · send · message · contact		156	0	18%
funds · able to withdraw · bankruptcy · users · process		150	0	11%
fees · history · order · transaction · charge		92	0	20%
probably · add		86	0	34%



Ramifications for financial influencers

As FTX expanded, they spent millions in sponsorships to financial influencers like Graham Stephan (4.1 million YouTube subscribers) and Andre Jikh (2.2 million YouTube subscribers). Via affiliate links, these influencers made money each time a viewer opened an account with FTX. These influencers failed to mention the financial risks associated with these speculative assets. As a result, with viewers potential losing thousands of dollars, a reckoning has emerged online with social media users posting about these “gurus” with way more negativity than ever before.



Negative  Positive

Sentiment by Apparan...



Low  High

Subject Relevan...

About Infegy

We're changing the way companies listen to consumers, and what they do about it.

- Robust social listening data and analysis
- Quickest view of consumers' thoughts and sentiments
- Unmatched client experience and support
- Agile approach to products and services



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Our dataset

- Social dataset spanning hundreds of billions of posts and growing fast.
- Data collection that best mirrors varied real-world populations.
- Unlimited data access provides flexibility to obtain the context that matters.
- In-house data storage allows for unmatched speed to insight.

