

THE RISE AND FALL OF FTX: WHAT DOES IT MEAN FOR CRYPTO INVESTORS?



News about the demise of FTX has filled the airwaves over the past week. It's also fueled shockwaves for individual investors and firms who invested in one of the largest cryptocurrencies in the market. The fall of FTX has individuals who invested funds in cryptocurrency scrambling for answers, but this event has implications beyond the crypto space, including those who invest in more traditional financial markets.

To help you gain a better understanding of what happened to FTX, why it collapsed, and what the current situation can mean for you, **we've put together a list of informative Q&As that helps put the situation in perspective and may provide guidance for moving forward in the midst of the turmoil.**

If you are directly impacted by the FTX downfall, discuss your particular situation with your trusted investment, legal, and financial advisors before you take any action.





What happened to cryptocurrency exchange, FTX?

In short, FTX filed for bankruptcy. It could not meet the billions of dollars in withdrawals when investors learned that the company was having liquidity issues and misused client assets. According to financial media reports, the value of FTX fell to \$0 and the company is now being investigated for lending client funds to its sister firm, Alameda Research, which used and lost the money in highly speculative trades – a move that is prohibited by law.



What does the demise of FTX mean for investors?

According to the Wall Street Journal, about one million investors are directly impacted by the FTX scandal with total losses now estimated at about \$1 billion.

The impact of the FTX downfall could extend to investors across the crypto market, not just those who invested in FTX.

Other cryptocurrencies and exchanges that were exposed to FTX and FTT (its token) are suffering from rapidly falling prices and confidence, further stressing the market. For example, Bitcoin, the world's largest digital currency, Ethereum, and Crypto have all plummeted in recent days, and according to [Forbes](#), "crypto lender, BlockFi appears to be on the brink of bankruptcy."

Of course, inherent to the crypto market is the broader technology sector. While tech stocks in general have been falling due to rising interest rates, they are likely to face added volatility spurred by the FTX trouble as investors continue to retreat from this segment in favor of more stable investments.





What can you do if you are specifically impacted by the FTX collapse?

At this time, it remains unclear how much investors can expect to recoup from FTX. So, whether you invested a little or a lot in FTX, **consider the following:**

- Consult your trusted investment and legal advisors. Together, they can help you understand the FTX situation, how it impacts you, and help guide you through whatever recovery process comes next.
- Collect all statements and records for your crypto investments. Documenting what you had on the exchange can be extremely valuable if/when you try to recoup your funds.
- See if you can withdraw assets from the exchange. If so, keep your digital currency offline in your own crypto wallet. If you can't access your holdings, you may have to prepare for a lawsuit to get them back.
- Rethink your appetite for investment risk. As investments go, crypto is very risky. Prices have been extremely volatile and can fluctuate, causing significant financial loss. At this time, it may be wise to view your portfolio together with your team of investment professionals, and consider adjusting it based on your current needs and long-term goals.



What are some ways to manage investment risk moving forward?

Industry experts say that managing risk is critical for preserving money you invest whether it's in crypto or more traditional investments, like stocks and bonds. Here are a few general tips you may want to consider:

- Choose the right investment advisory team. Get referrals from other trusted financial professionals, colleagues, and family, and do your homework so you can match your needs with an advisor's strengths.
- Conduct background checks. Review profiles to make sure advisors have a track record of success. Make sure they are licensed and check for any infractions or sanctions filed against them by the Securities Exchange Commission (SEC) or other regulatory agencies. Sometimes a quick Google search using their names can reveal important reviews about their work and reputation.



- Do your due diligence. Especially before agreeing to make risky investments. Don't just look at past results. Consider performance relative to other asset classes over both long-term and short-term periods and carefully review any prospectuses or financial analysis about the proposed investment or company. Ask yourself this: if the unexpected happens, can you afford to lose 100 percent of the money you're investing? If the answer is "no," look for another investment opportunity that's more in line with the amount of risk you're willing to take.
- Understand what it means to invest in an 'unregulated' market. Government regulations do not yet exist for cryptocurrencies. So, unlike the stock market and other financial institutions which are heavily regulated, there's no protection against fraud or criminal activity and no certainty that you will get your money back.



How can we help?

Not only do we deploy tailored risk management solutions for both individuals and businesses, but we also provide insights regarding the totality of risk that can give our clients peace of mind. Backed by industry expertise and innovative support tools, we provide resources that empower individuals to make informed decisions about insurance solutions surrounding their investments and high-value assets.

Our Private Risk Management team can easily align with your own team and centers of influence to deliver a holistic and optimal risk management strategy.

While the FTX scandal has created financial turmoil, we remain steadfast in our commitment to helping you protect your assets.

CONNECT WITH US TODAY
TO LEARN HOW WE CAN HELP

This material has been prepared for informational purposes only. BRP Group, Inc. and its affiliates, do not provide tax, legal or accounting advice. Please consult with your own tax, legal or accounting professionals before engaging in any transaction.

AHTINS.COM | 800.648.4807

AHT
INSURANCE
A BALDWIN RISK PARTNER