

Subject: Panel discussion regarding regulation proposed after the FTX scandal.

Moderator: Good evening, ladies and gentlemen. Today, we are gathered to discuss the recent FTX scandal that has raised serious concerns about the need for effective regulation. We have technical and Non-technical interviewees on the discussion panel. Let's start a discussion with our Journalists!

Journalist 1: Can you give us a brief overview of the FTX crisis?

Non-Technical Interviewee: Sure. I will summarize it like this, FTX is a cryptocurrency exchange founded in 2019. It quickly grew to become one of the largest exchanges in the world, with a daily trading volume of more than 10 billion dollars [1]. However, FTX filed for bankruptcy on November 11, 2022 after a spike in customer withdrawals at the beginning of the month. Then CEO Sam Bankman-Fried admitted that the company did not have enough reserve assets to meet customer demand [2]. This caused panic in the crypto market, and the prices of Bitcoin and other cryptocurrencies plummeted.

Journalist 1: Thank you for the context. Can you tell us the causes of the FTX crisis?

Non-Technical Interviewee: There are several factors that contribute to the crisis. One is the broader sell-off in the cryptocurrency market. As the price of Bitcoin fell, FTX customers started withdrawing their funds. This puts a strain on FTX's liquidity, as it has to sell off its assets to meet the withdrawal. Another factor is that FTX is heavily exposed to the Terra ecosystem. Terra is a blockchain project built on the idea of algorithmically stablecoins. However, the Terra ecosystem collapsed in May 2022, and this caused a significant loss to FTX [2].

The root cause is probably the risk of centralization of power, with founder Sam Bankman-Fried making all the decisions, after which he allegedly withdrew funds from his client accounts in FTX to pay for its cryptocurrency trading company.

Journalist 2: Those're important points. Now, Let's hear from our technical interviewee about the technical details of the FTX crisis.

Technical Interviewee: The technical reason for the FTX crisis was a liquidity crisis caused by various factors, including the leaked balance sheet of Alameda Research, which is also owned by Sam-Bankman-Fried. It showed that Alameda held a significant amount of FTX's own cryptocurrency called FTT.

As a consequence of the leakage, the crypto platform Binance sold off all its FTT tokens. This led to a drop in the price of FTT tokens and triggered a spike in withdrawals from the exchange. The spike in withdrawals forced the exchange to freeze withdrawals and file for bankruptcy.

Journalist 2: It's too bad, a lot of investors have lost their money because of this crisis. What measures are necessary to establish regulations and effectively address the FTX crisis or similar events that may arise in the future?

Non-Technical Interviewee: I think the proposed regulations would require crypto exchanges to hold more capital in reserve. This will help prevent a liquidity crunch like the one that happened at FTX. Regulation will also require exchanges to be more transparent about their financial situation. This will help investors make informed decisions about where to invest their money.

Journalist 2: Indeed. What kind of regulations are needed to improve the transparency of crypto exchanges?

Technical Interviewee: There are a number of ways to regulate the crypto exchanges like FTX. These crypto exchanges should adopt the "bookkeeping" method and undergo regular audits. "No bookkeeping" may lead to moral hazard, as we saw in the case of the FTX crisis. These audits can reduce the risks of fraud and other malpractice in the crypto exchanges operations.

As our Non-technical interviewee discussed earlier, another reason for the FTX-like crisis is that these crypto exchanges have centralized power of taking decisions. We should form a board of directors within the crypto exchanges to decentralize the power. This could help to mitigate moral hazards and improve

transparency in crypto exchange activity. These regulations should be implemented uniformly regardless of their size or location.

Journalist 3: I also think it should be done soon, but is there any potential downside to the proposed regulations?

Non-technical Interviewee: Yes, there are some potential downsides to the proposed regulation. One is that it can make it more difficult for new crypto exchanges to enter the market. This can reduce competition and lead to higher fees for consumers.

Another downside is that regulation can stifle innovation in the crypto industry. Cryptocurrency exchanges are constantly developing new products and services. However, the proposed regulation could make it more difficult for them to do this.

Journalist 1: Can you light upon the intended effect of regulation compared to the downside?

Technical Interviewee: The intended effect of regulation is to protect investors from fraud in the crypto market. Crypto exchange will need to meet the same standard of transparency and accountability as a traditional institution. This will ensure that investors can trust that their funds are safe.

However, it is also important to ensure that regulators do not stifle innovation in the cryptocurrency industry. They will need to strike a balance between these two goals.

Journalist 3: For public awareness, Can you tell us about factors that might affect our portfolio in the future?

Non-Technical Interviewee: As with many historical facts, there are a number of factors that may affect our portfolio going forward, including:

- Cryptocurrency market volatility
- The development of technology
- Changes in economic policy
- Events such as natural disasters or wars and epidemics.

- And a few other unexpected factors like security risks.

Therefore we need to keep a close eye on these factors and adjust our portfolio to minimize risk.

Journalist 2: At last, What have you learned from your successes and difficulties?

Non-technical Interviewee: That's a good question. I have learned a lot from my successes and difficulties. Here are some lessons I want to share:

- Always invest with a clear goal in mind.
- Don't invest too much money in one asset class.
- Diversify your investment portfolio.
- Take risks.
- Stay up to date on financial markets.

Moderator: Thank you both for your insight. This has been a very informative discussion.

[1] <https://thedefiant.io/solana-test-ftx-crisis>

[2] <https://www.investopedia.com/what-went-wrong-with-ftx-6828447>