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UNBEARABLE HEAT



It finally got too hot in the bear-market kitchen for Celsius. Unable to meet its debt obligations because of a liquidity crisis, the crypto-lending platform filed for Chapter 11 bankruptcy on Wednesday, leaving investors and platform users wondering if they will ever see their funds returned. Celsius suspended all withdrawals, swaps, and transfers in mid-June due to “extreme market conditions”, and have not allowed any platform activity since then.

Celsius’s activity freeze drew the attention of regulators, now totalling six, including Vermont’s Department of Financial Regulation who said the platform “deployed customer assets in a variety of risky and illiquid investments, trading, and lending activities.” Investment manager Jason Stone of KeyFi agrees, stating similar concerns about Celsius’s poor business practices in his lawsuit against them. KeyFi managed investments for Celsius for less than a year, having ceased in early 2021.

Now that the bankruptcy process is underway, it could be several years before customers see any result. Any money returned will probably be GWEI, not ETH; most victims in a bankruptcy usually only receive pennies on the dollar, if anything. Those who bought into Celsius’s high-yield deposit offerings will probably be left hungry since they would be viewed as “unsecured creditors.”

The 1.7 million customers Celsius proudly brags about on its landing page have a long wait ahead until the end of this debacle. While we can be glad that the lid has been lifted on the bad behavior, the stench of whatever Celsius was cooking in the DeFi kitchen will linger for a long while.



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