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FTX: The Lehman Brothers of 2022 - A Lesson for The Indian Crypto Regime?

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ABSTRACT

The recent fall of FTX, one of the largest crypto exchanges in the world, has sent shockwaves across the crypto community. The rapid collapse of FTX has resulted in parallels being drawn with the infamous downfall of Lehman Brothers; in fact, many have branded the event as crypto's 'Lehman Brothers moment'. In this regard, a comparison of the two events is important to bring to light the adverse effects that ill-thought and badly-timed decisions can have; the lack of proper regulation and inadequate corporate governance contributed significantly to the downfall of both these empires. The fall of FTX also imparts important lessons which need to be adopted to address the loopholes that currently plague the world of cryptocurrencies. In an unregulated market like India's, where the regulators already have a wary attitude towards cryptocurrencies, an event like this is bound to spell significant repercussions. Thus, by way of this paper, the researchers seek to undertake an in-depth examination of the reasons for the collapse of FTX, whether it can truly be called the 'Lehman Brothers moment' of crypto, and the lessons which can be implemented to establish a degree of stability in the fledgling Indian crypto regime.

Keywords: FTX, Lehman Brothers, Crypto currency, Back door mechanism.

I. INTRODUCTION

In November 2022 FTX, the world's second-largest crypto exchange collapsed, sending ripples across the world of cryptocurrency. It is speculated that the damage that this has caused the Indian crypto market is minimal, taking into consideration the rudimentary exposure of Indian cryptocurrency investors.³ In the world of cryptocurrencies, it is being referred to as the "Lehman moment" of the industry, drawing parallels to the 2008 failure of Lehman Brothers. This event caused widespread financial panic and made it obvious to the general public the extent of the problems faced by Wall Street. FTX's future as a cryptocurrency exchange is in significant doubt. By mid-November 2022, the ability to make withdrawals had been

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³ Outlook Money Team, "Here's All You Need To Know About FTX, The Biggest Crypto Exchange Collapse Of 2022", December 21st, 2022, <https://www.outlookindia.com/business/here-s-all-you-need-to-know-about-ftx-the-biggest-crypto-exchange-collapse-of-2022-news-246750>.

suspended, and a statement on the FTX website warned against making any new deposits.⁴

The FTX incident has become more significant due to its size, the individuals involved, the claimed self-dealings, and the current uncertain legal consequences.⁵ It can also be seen that similar to the cascading effect on the world economy following the collapse of Lehman Brothers, the bankruptcy filing of FTX and its 130 subsidiary companies has an international impact.⁶ After FTX declared bankruptcy, hundreds of millions of dollars were taken from the cryptocurrency exchange. More than \$600 million have been estimated to be snatched from FTX's crypto wallets.⁷ FTX is presently undergoing a criminal inquiry in the Bahamas, where it has its headquarters. It is also evaluating its assets and is getting ready to sell or restructure to repay its investors.⁸

Hence as of now to compact the panic and distress this has created in the market Cryptocurrency exchanges like CoinDCX and CoinSwitch Kuber need to reassure traders and investors that they have enough reserves in both cryptocurrencies and INR to cover the funds and investments of their clients.

II. THE LEHMAN BROTHERS SAGA: EXPLAINED

Before drawing parallels between the fall of FTX and the Lehman Brothers saga, it is crucial to examine the reasons behind the Lehman Brothers' fall from grace. The bankruptcy of Lehman Brothers is often counted as the turning point of the 2008 mortgage crisis. Believed to be amongst the largest investment banks in the US at the time of its fall, the collapse of the housing market, coupled with the company's ill-timed decision to venture into the subprime mortgage market, proved to be its undoing.⁹

Although its decision to make headway into the market for mortgage-backed securities (a decision which initially proved to be hugely profitable¹⁰), defaults on subprime mortgages and

⁴ Nathan Reiff, "The Collapse of FTX: What Went Wrong with the Crypto Exchange?", January 4th, 2023, <https://www.investopedia.com/what-went-wrong-with-ftx-6828447#citation-17>.

⁵ Mirva Anttila, "Potential Impacts of the Unraveling of the FTX Crypto Empire", November 15th, 2022, Wisdom Tress, <https://www.wisdomtree.com/investments/blog/2022/11/15/potential-impacts-of-the-unraveling-of-the-ftx-crypto-empire>.

⁶ Kevin Roose, "Is This Crypto's Lehman Moment? The New York Times," November 9th, 2022, <https://www.nytimes.com/2022/11/09/technology/cryptocurrency-binance-ftx.html>.

⁷ Cheyenne Ligon, Sam Reynolds, Sam Kessler, Nikhilesh De, Reilly Decker, "FTX Has Been Hacked': Crypto Disaster Worsens as Exchange Sees Mysterious Outflows Exceeding \$600M", November 12th, 2022, CoinDesk, <https://www.coindesk.com/business/2022/11/12/ftx-crypto-wallets-see-mysterious-late-night-outflows-totalling-more-than-380m/>.

⁸ Dalia Ramirez, "FTX Crash: Timeline, Fallout and What Investors Should Know", January 10th, 2023, <https://www.nerdwallet.com/article/investing/ftx-crash>.

⁹ Nick Lioudis, "The Collapse of Lehman Brothers: A Case Study, Investopedia," January 30th, 2021, <https://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>

¹⁰ Mike Adu-Gyamfi, The Analysis of the Collapse of Lehman Brothers, Swiss Management Center University (2015).

the erupting economic crisis spelled the beginning of the end for Lehman Brothers. Despite the warning bells, in 2007, Lehman accumulated a portfolio of \$85 billion by underwriting a tremendous number of mortgage-backed securities, a decision which rendered it exposed to deteriorating market conditions. Following Bear Stearns' downfall¹¹, Lehman's shares plummeted a record 48%.¹² Although the company tried to pacify its investors by reporting strong numbers, it was fast hurtling towards its downfall. By the first week of September 2008, its stock plunged 77%, a loss that was further compounded by other banks bailing Lehman out by buying a stake in it.¹³ Facing a \$3.9 billion loss (and a huge possibility of its credit ratings being downgraded), selling its majority stakes appeared to be the only visible option.¹⁴ Ultimately, on the fateful day of September 15, Lehman declared bankruptcy, consequent to which its stock plunged a staggering 93% from its previous close on September 12.¹⁵

III. COURSE OF EVENTS

The fall of FTX, which is widely considered amongst the world's largest cryptocurrency exchanges, left the crypto industry reeling. Much like the fall of Lehman, the collapse of FTX has been attributed to what has been described as a "complete failure of corporate control".¹⁶

FTX's failure has been largely attributed to the questionable decisions taken by Sam Bankman-Fried, its creator. Pertinently, in addition to FTX, Bankman-Fried also started the hedge fund called Alameda Research. Despite the two having been intended to function as separate firms, reports published by the Wall Street Journal¹⁷ and the Bitcoin news website CoinDesk¹⁸ implied this was not the case. The report published by the former claims that FTX loaned money to Alameda using deposits made by clients on the exchange platform, while CoinDesk noted that a significant amount of Alameda's assets are made up of a cryptocurrency called FTT that was produced by FTX and could potentially be generated without limit.¹⁹ It has also been speculated

¹¹ Matt Egan, The stunning downfall of Bear Stearns and its bridge-playing CEO, CNN Business, September 30, 2018, <https://edition.cnn.com/2018/09/30/investing/bear-stearns-2008-crisis-jimmy-cayne/index.html>.

¹² Nick Lioudis, "The Collapse of Lehman Brothers: A Case Study", Investopedia, January 30, 2021, <https://www.investopedia.com/articles/economics/09/lehman-brothers-collapse.asp>.

¹³ Ingo Fender and Jacob Gyntelberg, "Three market implications of the Lehman bankruptcy", BIS Quarterly Review (2008).

¹⁴ Id.

¹⁵ Id.

¹⁶ David Yaffee-Bellamy, "New Chief Calls FTX's Corporate Control a 'Complete Failure'", The New York Times, Nov 17, 2022, <https://www.nytimes.com/2022/11/17/business/ftx-bankruptcy.html>.

¹⁷ Patricia Knowsmann, Vicky Ge Huang, Caitlin Ostroff and Gregory Zuckerman, "Troubles at Sam Bankman-Fried's Alameda Began Well Before Crypto Crash", The Wall Street Journal, Dec. 31, 2022, <https://www.wsj.com/articles/alameda-sam-bankman-fried-ftx-crypto-crash-11672434101>,

¹⁸ Ian Allison, "Divisions in Sam Bankman-Fried's Crypto Empire Blur on His Trading Titan Alameda's Balance Sheet", CoinDesk, Nov 2, 2022, <https://www.coindesk.com/business/2022/11/02/divisions-in-sam-bankman-frieds-crypto-empire-blur-on-his-trading-titan-alamedas-balance-sheet/>.

¹⁹ Rahul Sabharwal, "Crypto's Lehman Brothers moment – and what happens after the fall of FTX," November

that Alameda's need for funds was the reason behind FTX's creation in the first place.²⁰ To make matters worse, Binance, the world's largest crypto exchange, was in talks of acquiring the company. However, after the allegations surrounding Alameda came to light, the crypto giant pulled out of the deal and announced its decision of selling its FTT tokens.²¹ Although there was much back and forth regarding Binance's decision of renegeing from the agreement, it ultimately decided against bailing FTX out, citing "corporate due diligence" as its reason.²²

The rapid collapse of FTX inevitably jeopardized the savings of its customers; as a result, customers scrambled to withdraw their investments. The estimated amount is rumored to be \$6 billion, an amount which far exceeded the company's ability to pay its customers back.

IV. THE CRYPTOCURRENCY REGIME IN INDIA

India's cryptocurrency regime is still fledgling: from a 2013 Press release of the Reserve Bank of India ["RBI"] where it cautioned users against the risks associated with Virtual Currencies ["VCs"]²³ to an outright ban prohibiting entities regulated by the RBI from partaking in services with relation to VCs²⁴ (which was subsequently set aside by the Supreme Court²⁵), it is evident that the Indian crypto regime is still in its nascent stages. Despite a chequered history with regards to the issue, we have come a long way from seeking to ban cryptocurrencies in their entirety²⁶ to penalizing the failure to pay Tax Deducted at Source ["TDS"] on crypto transactions under the Finance Bill 2023.²⁷ The announcement that the transfer of any VC asset will be liable to 30 per cent tax²⁸ has been interpreted as many as the first step in granting cryptocurrencies a degree of legitimacy.²⁹ Suffice to say, the crypto market in India is booming. There are several cryptocurrency start-ups in India (the likes of which include CoinSwitch Kuber, etc.), which have generated great interest and demand amongst Indian crypto

15, 2022, The Indian Express, <https://indianexpress.com/article/explained/explained-sci-tech/crypto-lehman-brothers-moment-what-happens-after-fall-ftx-8266999/>.

²⁰ Kalley Huang, *Why Did FTX Collapse? Here's What to Know*, The New York Times, Nov. 10, 2022, <https://www.nytimes.com/2022/11/10/technology/ftx-binance-crypto-explained.html>.

²¹ Id.

²² Id.

²³ RBI Press Release 2013-2014/1261 dated Dec 24, 2013

²⁴ RBI Circular DBR.No.BP. BC.104/08.13.102/2017-18.

²⁵ Internet and Mobile Association of India v. Reserve Bank of India, 2020 SCC online SC 275.

²⁶ *Draft Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019*, PRS Legislative Research, <https://prsindia.org/billtrack/draft-banning-of-cryptocurrency-regulation-of-official-digital-currency-bill-2019>.

²⁷ Aakanksha Chaturvedi, *Budget 2023-24: Up to 7 years in jail for failure to pay TDS on crypto transactions*, Business Today, Feb 03, 2023, <https://www.businesstoday.in/crypto/token/story/budget-2023-24-up-to-7-years-in-jail-for-failure-to-pay-tds-on-crypto-transactions-368840-2023-02-03>.

²⁸ Aakanksha Chaturvedi, *Budget 2023-24: Up to 7 years in jail for failure to pay TDS on crypto transactions*,

²⁹ Kumar Gaurav, *Is A Crypto Ban Feasible in India?* Outlook, 30 May 2022, <https://www.outlookindia.com/business/is-a-crypto-ban-feasible-in-india--news-199082>.

enthusiasts.³⁰

The growing interest in the crypto market amongst Indians is attributable to several factors (such as India's mammoth growth in adoption of the internet propelled by the tech-savvy younger generations³¹ and the country's booming tech industry³²). As a result, interest in cryptocurrencies has never been higher. Another reason for people's growing fascination with such VCs is that they can be transferred across borders without the intervention of any third-party institutions. All of these factors hint towards cryptocurrencies being seen as a viable alternative investment opportunity to the traditional options (such as stocks/mutual funds); the fact that they promise a value increase in the future only makes VCs more desirable.³³

Another important development in the Indian crypto saga is the RBI's decision to launch its Central Bank Digital Currency ["CBDC"], which is the digital stand-in of legal tender. Known in general parlance as the 'digital rupee', the VC is intended to be a suitable store of value and exchangeable with other currencies.³⁴ Although the RBI's decision to roll out its form of VC is controversial (and indeed, the diametric opposite of the stance it has thus far adopted on this issue), it is nonetheless a welcome change and has been understood to be the harbinger of a new era in the Indian crypto regime.

V. HOW THE FTX FALL IMPACTS THE INDIAN CRYPTO REGIME

The cryptocurrency industry has always had a rocky foundation; it has long since struggled to convince investors and more importantly, regulators, of its stability and trustworthiness. The fall of FTX is sure to further rock this boat. The shockwaves from FTX's collapse has adversely affected millions of customers; naturally, Indian users are no exception. Experts have suggested that FTX's collapse is spell adverse consequences for Indian crypto investors dealing in foreign exchanges.³⁵ Already reeling from the crypto exchange platform's rapid collapse, the situation

³⁰ Dinesh Unnikrishnan, *Lesson from the FTX explosion: Regulate crypto to avoid casualties*, MoneyControl, November 21, 2022, <https://www.moneycontrol.com/news/business/lesson-from-the-ftx-explosion-regulate-crypto-to-avoid-casualties-9575221.html>.

³¹ Noshir Kaka, Anu Madgavkar, Aloj Kshirsagar, Rajat Gupta, James Maynika, Kushe Bahl and Shishir Gupta, *Digital India: Technology to transform a connected nation*, McKinsey Digital, March 27, 2019, <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/digital-india-technology-to-transform-a-connected-nation>.

³² Srinidhi Moodalagiri, *The evolution of cryptocurrencies in India and what the future looks like*, The Times of India, May 5, 2022, <https://timesofindia.indiatimes.com/blogs/voices/the-evolution-of-cryptocurrencies-in-india-and-what-the-future-looks-like/>.

³³ *Id.*

³⁴ Kunal Varma, Aashika Jain, *What Is Digital Rupee? How Is It Different From Cryptocurrency?* Forbes Advisor, Jan 19, 2023, <https://www.forbes.com/advisor/in/investing/digital-currency-in-india/>.

³⁵ Akash Sinha, *"FTX Collapse: 5 lakhs Indians unlikely to get back funds, Industry Experts opine THESE precautions for investors"*, Zee News, Dec 02, 2022, <https://zeenews.india.com/personal-finance/ftx-collapse-5-lakhs-indians-unlikely-to-get-back-funds-industry-experts-opine-these-precautions-for-investors-2542944.html>.

was worsened for crypto traders when news of US crypto firm BlockFi's bankruptcy hit the markets.³⁶ Cautioning investors in the wake of these developments, Industry experts have speculated that the FTX collapse affected around 3 to 5 lakh Indians.³⁷

VI. LESSONS TO BE LEARNT FROM THE FTX SAGA

Popularly termed 'the FTX contagion', the fall of the cryptocurrency exchange platform has generated much unease surrounding the transparency and security controls followed by such cryptocurrency companies.³⁸ FTX's fall spelt near-instant repercussions for the crypto world: prices of other crypto exchanges (including Bitcoin, Ether, and Solana, which was also supported by FTX) fell sharply within days of FTX's fall. Further, its investors lost most of their investment.³⁹ It will take some time to fully understand the impact of the FTX crisis on the cryptocurrency industry. As the largest failure in the brief history of cryptocurrencies, the FTX situation may further discourage investors who are already wary due to stability and security issues.⁴⁰

In an unregulated crypto market such as the one in India (where policymakers are already considerably skeptical of VCs), the FTX collapse not only spells a loss of confidence for users but also renewed efforts by creators of such institutions coming up with methods to strengthen regulatory and compliance norms in a bid to rebuild and regain the lost trust of the users.⁴¹ In fact, in the aftermath of the collapse, the market fell from \$1.02 trillion to \$824 billion, making for a whopping 20% fall.⁴²

Upon further looking into the functioning of the FTX group of firms, it becomes plenty clear that they lacked sufficient internal corporate governance procedures, held no board meetings, and did not designate independent directors (as per John J. Ray III, the CEO of FTX appointed to oversee the bankruptcy procedures, declaration). Additionally, the company was not properly maintaining records regarding the digital assets held for users and was being controlled by a

³⁶ MacKenzie Sigalos, Rohan Goswami, "Crypto firm BlockFi files for bankruptcy as FTX fallout spreads", CNBC, Nov 29, 2022, <https://www.cnbc.com/2022/11/28/blockfi-files-for-bankruptcy-as-ftx-fallout-spreads.html>.

³⁷ Akash Sinha, "FTX Collapse: 5 lakhs Indians unlikely to get back funds, Industry Experts opine THESE precautions for investors", Zee News, Dec 02, 2022, <https://zeenews.india.com/personal-finance/ftx-collapse-5-lakhs-indians-unlikely-to-get-back-funds-industry-experts-opine-these-precautions-for-investors-2542944.html>.

³⁸ Vinod Mahanta, "Systems, protocols in place to avoid FTX-like crisis: Indian crypto companies", The Economic Times, Nov 21, 2022, <https://economictimes.indiatimes.com/news/company/corporate-trends/systems-protocols-in-place-to-avoid-ftx-like-crisis-indian-crypto-companies/articleshow/95646085.cms>.

³⁹ Supra Note 1.

⁴⁰ Supra Note 2.

⁴¹ Id.

⁴² Ayushi Kar, "All fall down. Indian exchanges see subdued volumes after FTX collapse", BusinessLine, November 15, 2022, <https://www.thehindubusinessline.com/money-and-banking/cryptocurrency/indian-exchanges-see-subdued-volumes-after-ftx-collapse/article66136081.ece>.

small, inexperienced group of individuals with questionable integrity.⁴³

Thus, the first and most important takeaway from this is that significant measures need to be implemented to prevent another FTX-like situation from recurring. This need is further exemplified in an unregulated market like India's, as the lack of a proper regulatory mechanism is all the more likely to jeopardize the position of the users. The primary motive behind effecting a regulatory mechanism is to safeguard consumers from fraudulent activities and financial crimes. It is estimated that about 1.5 crore Indians have invested nearly Rs 15,000 crore in cryptocurrencies, thus necessitating the need for a regulatory mechanism all the more.⁴⁴ Despite VCs being a relatively new form of asset, the recent chain of events has made it amply clear that cryptocurrencies are susceptible to scams and illegal acts. In this regard, regulators can help to lower the risk associated with such activities and safeguard consumers from financial harm by setting regulations and standards for the usage and exchange of cryptocurrencies. Additionally, it may help promote more consistency and dependability in the cryptocurrency market.

A major lesson that we can learn from this incident is to refrain from engaging in underhanded transactions. The crypto community has visibly rebuked Sam Bankman-Fried after it was revealed that he was attempting to make secretive agreements with the US Securities and Exchange Commission, Commodity Futures Trading Commission and other regulators to advantage his centralized operation at the cost of decentralized finance. Additionally, it has been claimed that wealthy venture funds have proposed regulations that would benefit their investments. It is not uncommon for market participants in political bargaining to attempt to sway policy in their favor at the cost of others. However, doing so in a secretive and unclear manner goes against the principles of transparency and community involvement in Web3. This approach is also unnecessary.⁴⁵ For instance, the Brooklyn Project, sponsored by ConsenSys, routinely consulted the world's crypto community between 2017 and 2019 before making key policymaker representations. Coin Center has routinely and successfully used this strategy.

Another important step that can be put into force is the monitoring of related party transactions. The guidelines for disclosing related-party transactions are not well defined and have been recognized as a flaw in the system for a long time. There is no clear rule mandating companies

⁴³ Suhail Nathani, Yash Desai, Stella Joseph, "India: The FTX Collapse: Key Takeaways", Economic Law Practice, 9th January 2023, <https://www.mondaq.com/india/fin-tech/1268678/the-ftx-collapse-key-takeaways#:~:text=Key%20learnings%20from%20the%20FTX,practices%20in%20the%20crypto%20industry>.

⁴⁴ Supra Dinesh Unnikrishnan.

⁴⁵ Ajit Tripathi, "How Crypto Advocacy Must Change Post-FTX Collapse", Feb 2th 2023, Consenses Magazine, <https://www.coindesk.com/consensus-magazine/2023/02/02/how-crypto-advocacy-must-change-post-ftx-collapse/>.

to reveal the parties involved in a related-party transaction.⁴⁶ According to the facts in the FTX case, the group companies participated in multiple related party transactions. The declaration states that the inter-company accounts receivables, loans payable, and loans receivable were not disclosed in the financial statements of the FTX group companies. The exchange software had a “back-door” mechanism that prevented this from being detected by the systems. The FTX group companies failed to comply with strict disclosure and reporting requirements, and in fact, information was intentionally concealed.⁴⁷ Thus, the company’s fall has brought to light the need to improve corporate governance norms as well. It also needs to be noted some fundamental business reforms are required to make the industry more trustworthy and transparent with less reliance on a limited group of players is also important. If customers desire to earn income through lending out their assets, they should be aware of the associated risks and make this decision consciously.⁴⁸ It is anticipated that in the coming years, institutional adoption of blockchain will play a crucial role in making crypto widely accepted and causing disruption in various industries.⁴⁹

VII. CONCLUSION

The rapid and spectacular collapse of Lehman Brothers brought the world to a standstill and is oft-remembered as a watershed moment in the history of the 2008 recession. Much like the collapse of Lehman, the downfall of FTX sent ripples within the crypto world and left the investors shell-shocked. Despite their divergent fields, both events were seminal occurrences within their respective industries; regardless of the disparity in effects and magnitude, the similar unfolding of the two events necessitates a nuanced evaluation when drawing parallels. The degree of interconnectedness witnessed in both the ecosystems undoubtedly makes the two events historical within their respective spheres.

However, it is also important to remember that this is not an instance of history repeating itself, as there are market points of dissimilarities. For one, it remains to be seen whether the fall of FTX will leave behind a lasting legacy; it may so happen that the sudden drop in crypto prices is merely the market’s temporary reaction to the rapid developments.⁵⁰ Further, the collapse of

⁴⁶ Jonathan Weil, “*FTX Disclosed Related-Party Transactions but Didn’t Name Names*,” November 18th, 2022, The Wall Street Journal, <https://www.wsj.com/articles/ftx-disclosed-related-party-transactions-but-didnt-name-names-11668750387>.

⁴⁷ Supra Suhail Nathani.

⁴⁸ Supra Note 2.

⁴⁹ Ritarshi Banerjee, “*What do we know, and what have we learned*” feat. FTX collapse”, January 23rd, 2023, Financial Express, <https://www.financialexpress.com/blockchain/what-do-we-know-and-what-have-we-learned-feat-ftx-collapse/2956511/>.

⁵⁰ Phil Rosen, *Crypto’s Lehman moment: Here’s how Sam Bankman-Fried’s FTX compares to the biggest collapse of the Global Financial Crisis*, Markets Insider, Nov 11, 2022, <https://markets.businessinsider.com/news/curr>

Lehman Brothers was the result of a systemic failure of the traditional financial system, while the challenges faced by FTX and other crypto exchanges stem from the fact that the regulatory framework for digital assets is still evolving and has not yet been fully developed. Although the event marks the exit of one of the biggest players in the crypto industry, it does not signify the end of the game itself.

As for the Indian crypto regime, it is important to note that the country is still in the process of developing a clear regulatory framework for digital assets. The Indian government has taken a cautious approach to cryptocurrencies but has not yet implemented any comprehensive regulations. In a way, the fall of FTX has acted as a reminder that developing a regulatory framework for the Indian crypto regime is the need of the hour.

Thus, it is still too early to determine the long-term impact of FTX or other crypto exchanges on the financial system, but regulators need to strike a balance between promoting innovation and ensuring the stability of the financial system. However, what can be said with absolute certainty is that confidence in the crypto market would remain shaky for a while; the industry needs to mature first before it can attempt to recover. This, in turn, would accelerate the emergence of a regulatory mechanism to protect investors and make the market more robust.
