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A Closer Look at What Happened to Vault, the Crypto Lending Platform

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Until further notice, [Vault](#), an online lending platform for [cryptocurrencies](#), has shut down. Investors are unable to deposit, withdraw, or trade as a result of this. To yet, this hasn't reached its zenith for the corporation.

According to a statement on the company's website, CEO Darshan Bathija attributed the decline to "a mix of situations such as uncertain market conditions, the financial challenges of our important business partners affecting us inherently, and the present market climate".

What went wrong with Vault? is one of the many questions investors have. What are the options available to investors right now? Does this mean that investors have reached their nadir? Let's see if we can uncover all of the mysteries.

What's Going on?

Founded in 2018, Vault is a crypto loan company that offers SIP alternatives and greater interest rates on crypto assets to its consumers to encourage long-term investing. On its website, there are more than 275 coins available for trading.

An initial \$25 million Series A investment was made by Valar Ventures, Pantera Capital, CMT Digital and Gumi Cryptos in July 2021, together with Robert Leshner, Cadenza Capital, Robert Leshner and other investors.

These funds were put to good use, as AUM and the number of users have increased by a factor of ten and forty, respectively. In addition, the company's workforce has grown from 40 to 200 employees.

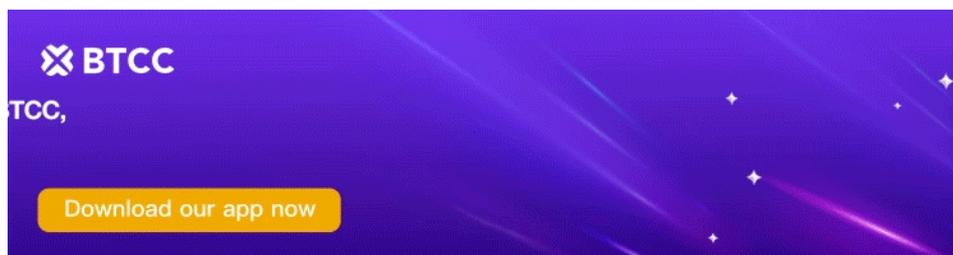
India accounted for 20% of the AUM and \$10-15 million in daily volume on the Vault platform, which was dominated by Indian users. But the corporation stated that most of its users were from the United States.

The company made little or no money from brokerage, but it made a lot of money from interest on loans it made to other projects for arbitrage purposes. Even better than banks lending money to strangers.

However, macroeconomic downturns such as the crypto winter, the collapse of Luna, the Celsius saga, and the bankruptcy of Three Arrows Capital could not be avoided. Users began to flee the exchanges in fear and began to withdraw their cash.

At one point, the company downsized 30% of its workforce in June, reduced marketing spending, and reduced CEO salaries in order to stay afloat. Vaultd, on the other hand, had no one to turn to.

More than \$200 million was liquidated in less than a month for Vaultd because to new tax restrictions and a general lack of optimism about the crypto market.



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Is There Something Wrong?

Vaultd, for example, relies significantly on “yield farming,” which is arbitrage. Lend users’ crypto to such organizations and engage in cash-and-future-market arbitrage.

As a result of the value of a particular crypto token in India vs another country on a different exchange, such platforms hoped to profit from the same Higher returns were hoped for by lending out tokens in this way.

Arbitrage and so-called “yield farming” opportunities have been severely impacted by the crypto market selloff. Even the margin calls were triggered, increasing the selling pressure on the tokens.

According to Credence Wealth Advisors Founder and CEO, Kirtan A. Shah, yield farming has become a global challenge.

As a result, “Crypto as an asset has nose-dived dramatically, turning it into a herculean endeavor in the current climate,” he noted.

The Road Ahead is Daunting

One of London’s leading crypto lending companies, Nexo, has agreed to acquire Vaultd, a fellow lender and cryptocurrency trading platform, for an undisclosed sum.

As part of the deal, Nexo will gain a stronger foothold in Asia. All-equity purchase talks between Vaultd and the company have 60 days of exclusivity.

In spite of the fact that Nexo has a \$5 billion debt obligation, the US-based audit firm Armanino claims that the company has 100% liquidity to satisfy it, clearing the air regarding its liquidity crisis.

The financial situation of all crypto lenders, including Vault, is dire. This week, Voyager Digital became the second high-profile crypto lender to file a bankruptcy petition.



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Investors May Wonder: What are the Prospects?

As a result of Nexo's acquisition, the market has given it a thumbs-up. Due diligence and knowledge of the company's present financial situation are necessary, but these procedures take time.

Investing large quantities of money in cryptocurrency, according to market analysts, is a bad idea. Cold wallets are a better option for larger assets.

When FTX just acquired BlockFi and refused to bail out Celsius due to the company's books having obvious anomalies, investors should recall this fact.

VP- Research & Strategy, EarthID, Sharat Chandra said that the acquisition of Vault by Nexo should calm investors, but they would have to wait until the acquisition process is complete and normalcy returns to the platform before they can feel confident.

As a result of the Vault fiasco, investors' rights have been brought to the forefront. He went on to say that investors in crypto have little legal remedy in the absence of regulation.