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What Is Crypto Industry Recovery Fund?

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Recovery Fund in the Crypto Industry

Binance, the world's biggest crypto exchange, is launching a fund to help the market recover. This is being done to assist projects that are strong overall but where many of the major players are facing liquidity issues. To further reduce the harmful impacts of FTX, the company's CEO Changpeng Zhao announced the news in a tweet on Monday.

The collapse of competitor platform Sam Bankman-FTX on Friday shook the crypto community after clients rushed to withdraw $6 billion in virtual currency in only 72 hours. Both the Department of Justice and the Securities and Exchange Commission are investigating Bankman and his firm. On Monday, the impact of cryptocurrency exchange FTX's insolvency increased pressure on Bitcoin and other cryptocurrencies. The cryptocurrency market has lost approximately $200 billion in value over the past week.

As the value of Bitcoin, Ethereum, and other cryptocurrencies has declined, FTX is the third cryptocurrency company to declare bankruptcy this year. It's too soon to know how FTX's failure would affect other companies, but their systems are already stressed owing of withdrawal requests from other companies. Following the fall of FTX and BlockFi and Crypto.com reported massive withdrawal requests.

By noting that "the vast majority of these companies are substantially more reasonably valued than a year ago," Zhao made it clear that he intended to use his proposed fund to invest in companies that he thought deserved support. He did not name any specific companies, but the FTX crisis has caused liquidity issues at a number of well-known exchanges, prompting many cryptocurrency investors to return to the security of fiat money. Tether, the world's largest stablecoin network, has declined over 5% in the last two weeks to $66.2B, the lowest level since August. Zhao agreed that there have been some moderate customer outflows from Binance, but he maintained that this was normal during such volatile times. Binance's native coin BNB's outstanding supply has reduced by 13% since the beginning of the month.

While cryptocurrencies are not guaranteed by the government, they lack deposit insurance and

other forms of government protection. The concept of Zhao can be likened to deposit insurance or a cryptocurrency central bank. On Wednesday, Binance announced that it has been granted a license to offer custody services to professional clients. The license is called a Financial Services Permission (FSP). However, Zhao did not elaborate on the size, scope or distribution of the fund.

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