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Will Genesis Bankruptcy Transform Crypto Lending Business?

Ritika Sharma | January 29, 2023 | 11:01 am

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Genesis Global Capital, one of the industry's leading crypto lenders, filed for bankruptcy protection on January 19, 2023. Digital Currency Group wholly owns the Crypto lending firm.

The crypto lender opted to file bankruptcy protection because it was continuously struggling after the third biggest crypto exchange, FTX, filed for bankruptcy on November 11, 2023.

Genesis is not the first crypto lender to file for bankruptcy; earlier, Celsius Network, Voyager Digital and BlockFi opted to file for bankruptcy protection to secure themselves from bankruptcy.



While talking to a renowned crypto media outlet, Edward Moya, a senior market analyst at Oanda, noted, "The demise of crypto lender Genesis reminded traders that there still needs to be a lot more cleaning up in the crypto-verse. You don't need exposure to FTX to go under, and that theme might continue for a while for many distressed crypto companies."

The Chief Executive Officer of Kadena Eco, a layer-1 blockchain Francesco Melpignano believes that "contagion from these meltdowns continue to reverberate this year and maybe the next few."

Campbell Harvey, professor of finance at Duke University, was asked: Is crypto lending kaputt? He answered: "I don't think so." He believes that the business model remains sound and there is a place for it in future finance.

Campbell is an author and has also written a book "DeFi and the Future of Finance."

What could explain this disregard for basic risk management practice? The second question asked by the finance professor he answered by saying, "It's easy to start a business when prices are rising."

A principal at venture capital firm Collider ventures, Eylon Aviv, perceived cryptocurrency lending as an "essential primitive for the growth of the crypto ecosystem."

Meanwhile, talking to a crypto media outlet, Eylon noted that "We are currently caught in transitional limbo between centralized actors [Genesis, 3AC, Alameda Research] that have a scalable solution with poor risk management and handshake deals that go belly-up; and decentralized actors [Compound, Aave] that have a resilient but non-scalable solution."

On January 6, 2023, a crypto media outlet reported that Genesis had laid off 30% of its workforce in their second lay-off round to cut costs amid an ongoing downtrend.

The crypto market has been struggling since the end of 2021, with several companies filing for bankruptcy throughout 2022. Among the top failures in crypto is one of the biggest and most disastrous events continuously troubling the market after its bankruptcy.

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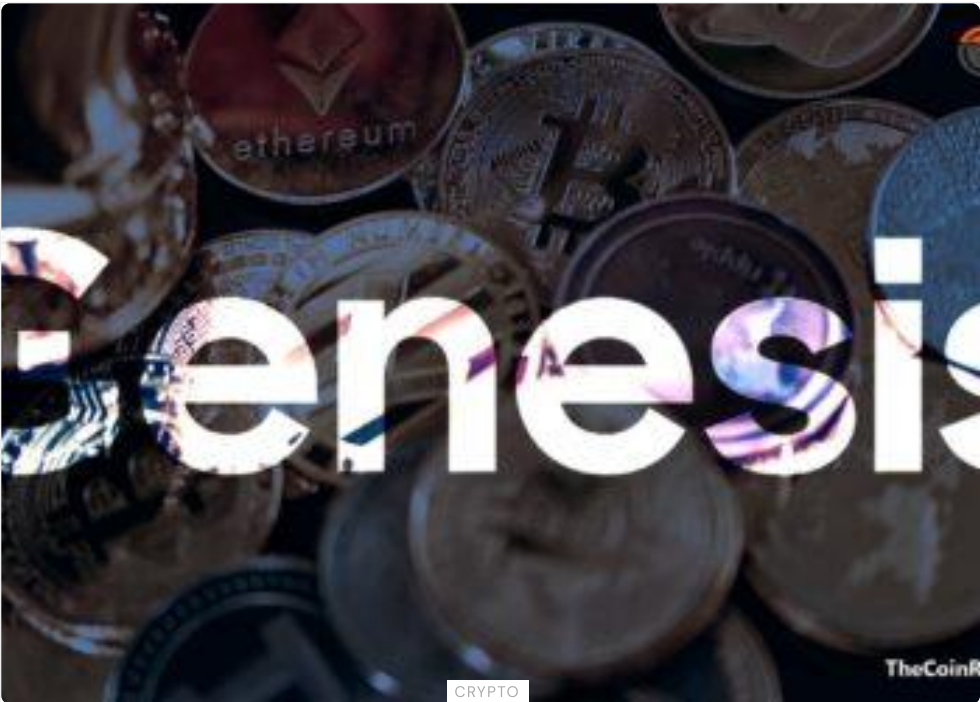


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