

COMMERCIAL OBSERVER

FTX Turmoil Undermines Miami's Crypto Strategy

By Jeff Ostrowski November 10, 2022



Miami Mayor Francis Suarez speaking at the Bitcoin 2021 Convention in Wynwood. Photo: Joe Raedle/Getty Images

In a turnabout that illustrates the risk underlying Miami's attempts to fashion itself as a center of the crypto economy, values of cryptocurrencies are plunging, and one of Miami's most prominent crypto names is on the brink of collapse.

Cryptocurrency exchange **FTX** this week was caught in a liquidity crisis that roiled crypto markets. The global company, headquartered in the Bahamas, said it had struck a deal to be acquired by **Binance**, a competitor. Then FTX said that deal was off.

"What does this mean going forward? I'm not sure — that depends on what happens over the next week," FTX co-founder and CEO Sam Bankman-Fried wrote Thursday morning on his Twitter account.

In September, FTX said it was moving its U.S. headquarters to Miami from Chicago. Miami Mayor **Francis Suarez** lauded FTX's move at the time, tweeting, "Very honored to have your new U.S. headquarters moving to the MIA. FTX is one of the most innovative companies on the planet."

Earlier this year, FTX paid \$135 million for the naming rights of the waterfront arena where the **NBA's Miami Heat** play. The Heat didn't respond to requests for comment, but it's not the first time a South Florida sports venue has been named for a financially troubled company. In the early 2000s, the **Miami Dolphins'** home was known as **Pro Player Stadium** even as the apparel brand's parent was in bankruptcy.

Bankman-Fried wrote Thursday that FTX's U.S. operations were unaffected by its troubles.

But one Miami blockchain entrepreneur compared the meltdown to the dot-com bust of two decades ago.

"These days are brutal for the crypto industry," **Natalia Karayaneva**, the Miami-based CEO of real estate blockchain firm **Propy**, told Commercial Observer. "Now, the good actors, the builders among us, will have to pay for and weather out the mistakes of the irresponsible ones. This season doesn't feel like another crypto winter, more like a Web3 dot-com bust."

In 2021, as cryptocurrency values rocketed to record highs, Suarez made a characteristically ambitious pronouncement. He unveiled Miami Coin, the city's custom digital currency, and proclaimed Miami "the bitcoin capital of the world." Suarez even has taken some of his salary in cryptocurrency.

It wasn't just the mayor who felt the momentum. A slew of crypto companies, including **XBTO Group**, **Blockchain.com** and **Ripple**, have opened offices in Miami over the past two years. Silicon Valley venture capital firm **a16z** also established a Miami office.

The **Miami Beach Convention Center** hosts the annual **Bitcoin Conference**. And **Major League Soccer's Inter Miami** plays in pink jerseys emblazoned with the name of crypto exchange XBTO.

"Miami certainly took a risk, but it's hard to say it was too much given the limited size crypto plays in Miami's economy," **Lee Reiners**, a crypto expert who teaches at **Duke University Law School**, told Commercial Observer. "I think the bigger problem is that Miami's endorsement of crypto provided a veneer of legitimacy that was not deserved."

Miami jumped in at the peak of the crypto bull market. But cryptocurrency values have plunged as the **Federal Reserve** has moved aggressively to raise interest rates. Bitcoin is off 73 percent in the past year, and ethereum is down 72 percent.

"Miami helped facilitate significant investor losses over the past year," Reiners said, "and the city government should apologize for this."

But **John Boyd Jr.**, a site-selection consultant and principal at **The Boyd Co.**, took a more optimistic view of the region's approach.

"Miami has gained much from its association with crypto and stands to lose little from the current collapse of the industry," Boyd told Commercial Observer. "Miami's link with crypto has helped to change how companies and investors view the Miami market, from just a tourism and hospitality enclave into a new and emerging global tech haven."

Propy founder Karayaneva likewise is bullish about Miami's long-term prospects.

"Silicon Valley is only for geeks. L.A. is only for creatives and artists," she said. "Miami allows both worlds to come together and build the future. It will become the next Silicon Valley of Web3."