Lawyers for the collapsed cryptocurrency exchange FTX on Tuesday painted a grim picture of the firm's finances and the fate of the billions of dollars in assets that customers lost.

"A substantial amount of assets have either been stolen or are missing," said James Bromley, a partner at the law firm Sullivan & Cromwell who is representing FTX, at a bankruptcy hearing in federal court in Delaware.

FTX filed for bankruptcy in early November after a run on deposits left the company owing $8 billion. The firm's failure has sparked investigations by the Securities and Exchange Commission and the Justice Department, focused on whether FTX misappropriated customer funds when it lent billions of dollars to Alameda Research, a crypto hedge fund. Both firms were owned by Sam Bankman-Fried, a onetime crypto billionaire who gave up control of the companies at the time of the bankruptcy filing.

The stunning collapse has left amateur investors and major firms scrambling to recover billions of dollars in cryptocurrencies that they deposited on the FTX platform. In the coming months, the bankruptcy process will determine how much of that money can be retrieved.

But more than a week into the legal process, Mr. Bankman-Fried's poor management of FTX has left lawyers with limited information about the firm's finances, Mr. Bromley said at the hearing.

The Aftermath of FTX's Downfall

The sudden collapse of the crypto exchange has left the industry stunned.

- **A Spectacular Rise and Fall:** Who is Sam Bankman-Fried and how did he become the face of crypto? The Daily charted the spectacular rise and fall of the man behind FTX.
- **A Symbiotic Relationship:** Mr. Bankman-Fried's built FTX partly to help the trading business of Alameda Research, his first company. The ties between the two entities are now coming under scrutiny.
- **Wall Street Seeks to Profit:** Brokers are offering FTX customers pennies on the dollar for the bankruptcy rights to their funds trapped on the platform.
- **A Company in Disarray:** The new chief executive of FTX, who helped manage Enron after its collapse, said that he had never seen "such a complete failure of corporate control."

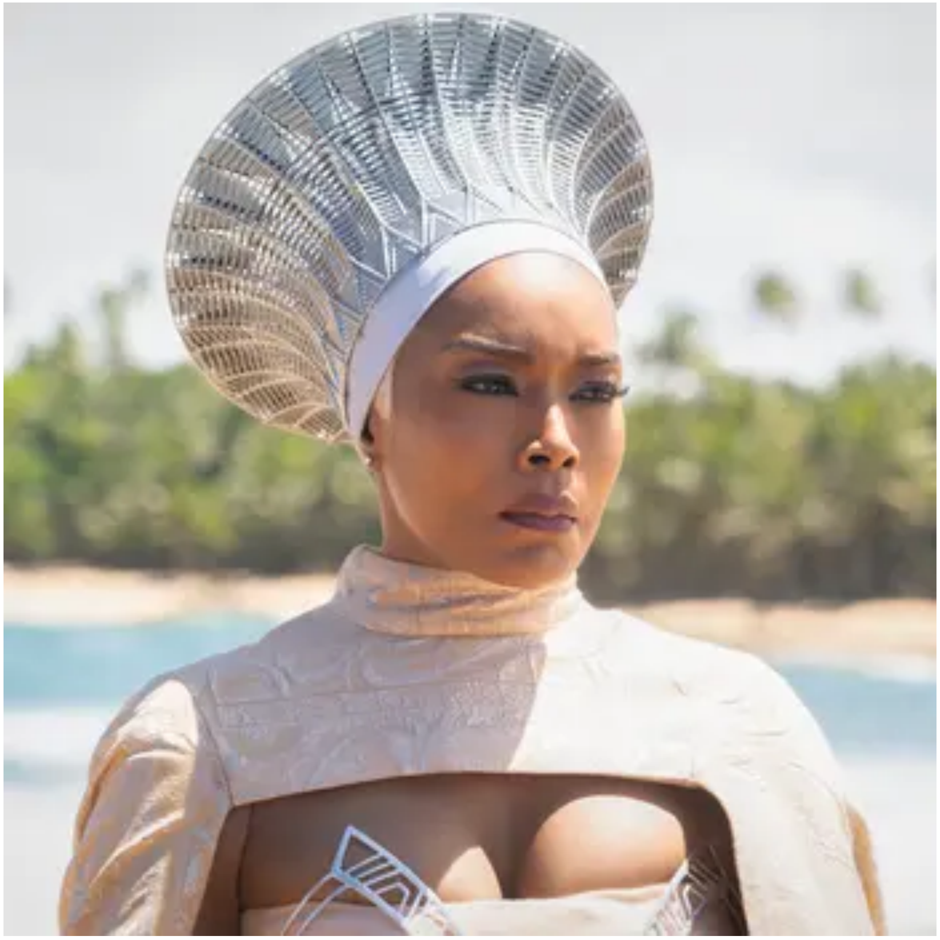
He said the company had faced "cyber attacks," and that assets were still missing. He appeared to be referring to an apparent hack on the day the company filed for bankruptcy, which came to light when crypto researchers noticed the unauthorized movement of hundreds of millions of dollars in FTX assets.

At the hearing, Mr. Bromley presented a detailed account of FTX's corporate history and its abrupt collapse this month. Mr. Bankman-Fried had established a sprawling corporate empire, which was run as his "personal fiefdom," Mr. Bromley said.

But in the end, he said, "the emperor had no clothes."

Over the last two weeks, FTX has faced intense scrutiny over how it spent its money before the dramatic collapse. One business entity involved in the bankruptcy, Mr. Bromley said, bought almost $300 million worth of real estate in the Bahamas, where FTX was based, including homes and vacation properties used by senior FTX executives.

Mr. Bromley also offered new details about the final hours before Mr. Bankman-Fried gave up control of the firm on Nov. 11. Mr. Bankman-Fried didn't make the decision until early that morning, Mr. Bromley said, after consulting with his lawyers at the law firm Paul Weiss and with his father, Joe Bankman, a professor at Stanford Law School



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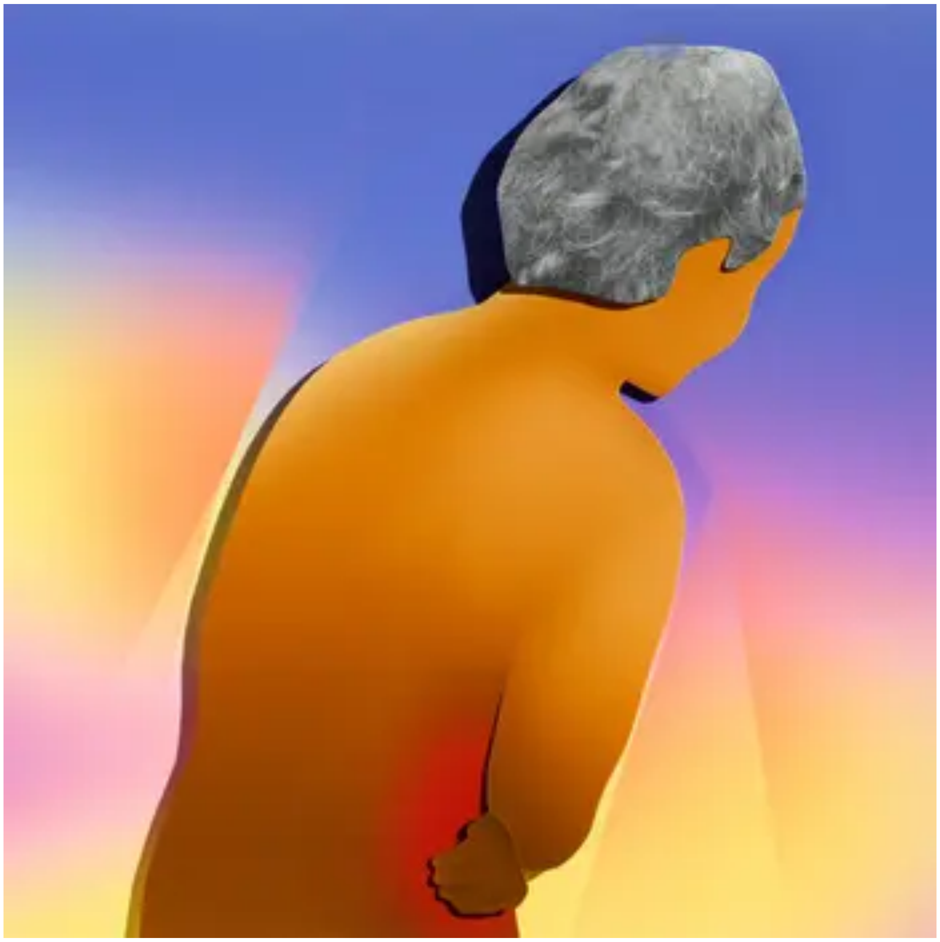

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In his account of the chaos at FTX, Mr. Bromley echoed criticisms of Mr. Bankman-Fried's management that were articulated last week in a stunning court filing by John Jay Ray III, who took over from Mr. Bankman-Fried as FTX's chief executive.

A veteran of managing corporate collapses, Mr. Ray previously oversaw the unwinding of the energy trading firm Enron. But in the filing last week, he wrote that the mess at FTX was the worst he had seen in his career.

Much of the hearing on Tuesday focused on a series of legal issues that have come up in the early stages of the bankruptcy.

Over the weekend, FTX disclosed a redacted list of its top 50 creditors, revealing that those entities or individuals were owed a combined total of about $3.I billion. But the company kept the names of the creditors confidential.

A key issue at the hearing was whether FTX would have to publicly disclose more detailed information about its creditors, a group that likely includes hundreds of thousands of ordinary people who deposited money in the exchange. Lawyers for FTX and some of the creditors argued that revealing that information would endanger users' privacy.

U.S. Bankruptcy Judge John Dorsey ruled that the information could stay private, at least for now. "Everyone in this room knows the internet is wrought with potential dangers," he said. "It's important that we protect those individuals who want to participate in this case."

The hearing attracted an unusual level of attention for a bankruptcy proceeding, with more than 500 people logging into a Zoom broadcast. During a recess, one person on the call started blasting the Justin Bieber song "Sorry."