Founder of FTX Cites Lawyers’ Guidance

In an unusual hearing, Bankman-Fried gives a preview of what he wants to tell the jury.

Sam Bankman-Fried testified in an unusual hearing that he relied on the blessing of lawyers to make business decisions such as deleting communications and making loans to himself, actions the prosecutors said allowed him to commit the crimes that led to the implosion of the FTX crypto exchange.

Bankman-Fried, on trial for fraud, money laundering and other offenses, had been expected to testify in front of a Manhattan federal jury on Thursday afternoon. Instead, in what amounted to a practice session, U.S. District Judge Lewis Kaplan required the FTX founder to walk through several subjects that were in dispute so the judge could rule on what Bankman-Fried, 31 years old, began steadily and confidently, walking through business decisions that he said were guided by legal advice..

But the rehearsal quickly turned when the prosecution came out swinging..

Under cross examination, Bankman-Fried testified that he couldn’t recall specific conversations with the lawyers who e earlier said had overseen bank accounts, loans and communication policies.

He at times was evasive and stumbled while saying he didn’t remember important details of the alleged conduct in question.

Assistant U.S., Attorney Danielee Sasson pressed Bankman-Fried on whether he had proof of the involvement of certain layers. “Do you have any paper records of these consultations?” she asked.

Bankman-Fried said he requested such records but didn’t have them. Under other questioning, he said he had little knowledge of some inner workings of the company he created.

The unplanned court detour came hours after federal prosecutors rested their case, which featured 18 witnesses, including three of Bankman-Fried’s closest former confidants who testified in damning terms against their old boss.

Kaplan said he hadn’t held a hearing to screen a defendant’s planned testimony in a very long time, if ever. But he said it was necessary because the government and defense lawyers couldn’t reach an agreement on what testimony jurors should be allowed to hear.

The judge said he would rule on the admissibility of Bankman-Fried’s testimony on Friday morning. He appeared skeptical of the defendant’s claim that lawyers were involved in key business decisions, offering a hypothetical situation where someone robs a bank, then buys a pricey condo and doesn’t tell an attorney involved in the purchase the source of the money.

FTX crashed in November 2022 and Bankman-Fried was charged the next month.

At trail, he faced seven criminal counts. Prosecutors have accused him of promising FTX customers their deposits were safe, then stealing billions of those funds for lavish real estate, risky investments and campaign contributions. Witnesses have testified that Bankman-Fried lied to investors and lenders by directing his staff to alter financial documents.

If convicted, he could face decades in prison.

Almost from the moment he was arrested in the Bahamas in December 2022, Bankman-Fried has been anything but a typical defendant, eager to make his case in the court off public opinion. He posted on Twitter, started a Substack newsletter and gave interviews in an effort to defend himself. While on house arrest at his parents’ California home before trial, Bankman-Fried had more than 1000 phone calls with reporters, prosecutors have said.

The move to testify is considered risky, and most defense lawyers advise their clients not to do so. If the judge determines Bankman-Fried lied on the stand, he could hand down a lengthier sentence after a conviction. Still, the potential payoff to such a gamble is huge.

Even if just one juror believes Bankman-Fried’s version of events, a hung jury could lead to a mistrial.

The one-time crypto star faced a packed courtroom audience when he took the stand, with his parents, senior prosecutors and Michael Lewis, the author of ta new book about Bankman-Fried, among those looking on.

Early in his testimony, Bankman-Fried said FTX used applications like Signal and Slack to communicate in a way that was more interactive than email. He said some conversation threads were set automatically delete after a certain amount time.

“Those would be for chatter, for communication,” Bankman-Fried said. The treads were, he said, the electronic equivalent of someone walking up to his desk.

Other conversations, such as those that dealt with regulators or certain types of documents, didn’t automatically delete, he said.

Bankman-Fried said throughout his appearance that he discussed policies such as deleting messages with lawyers, particularly form chief regulatory officer Dan Friedberg and lawyers from Fenwick & West, an outside law firm that advised the company.

A lawyer for Friedberg, declined to comment. Fenwick & West didn’t respond to a request for comment.

At one point, Sassoon pressed Bankman-Fried to answer whether he recalled having conversations with FTX lawyers prior to November 2022 about customer deposits being used for spending a sister hedge-fund Alameda Research. I don’t really specifically. No,” he said.

Later Kaplan criticized Bankman-Fred for being evasive. “Part of the problem is that the witness has what I’ll simply call an interesting way of responding to questions,” the judge said.

The case is likely to be submitted to the jury next week.