Bankman-Fried Faces Lengthy Sentence, Long Odds on Appeal

Huge investor losses on FTX could increase length of prison term

**By Corinne Ramey and James Fanelli**

Disgraced crypto star Sam Bankman-Fried is staring down a lengthy prison sentence after being convicted of fraud in the collapse of FTX, and he faces long odds of making any inroads on appeal.

A federal jury in New York wasted little time Thursday in convicting the 31-rear old FTX founder of all seven counts he faced, a verdict issued just hours after deliberations began. The conviction, after aa monthlong trial, capped the stunning downfall of the former billionaire. Venture capital and unfettered enthusiasm in the crypto markets helped fuel his swift ascent. Jurors agreed with prosecutors that theft and lies by Bankman-Fried fueled FTX’s demise.

Thursday’s conviction carries a potential maximum prison sentence of 110 years. Defendants, however, rarely receive the statutory maximum punishment, and recommended prison terms under federal sentencing guidelines often involve complex calculations.

Certain factors could help Bankman-Frie, including that he is a first-time offender and voluntarily agreed to return to the U.S. from the Bahamas to face charges. Cutting against him: At sentencing, prosecutors will likely say he hasn’t accepted responsibility for his actions and that he lied on the witness stand.

If U.S. District Judge Lewis Kaplan agrees, he could opt for a longer prison term, said Jessica Lonergan, a former federal prosecutor.

“For a judge, there is something sacred about a courtroom and a witness stand and being under oath,” said Lonergan, now at firm Wilson Sonsini.

The biggest problem for Bankman-Fried is the sheer size of the economic harm inflicted by the collapse of his crypto exchange. Recent bankruptcy filings estimated that missing customer funds total nearly $9 billion.

“The penalty goes up in financial crimes based on how many dollars are,” said Martin Auerbach, a defense attorney at law firm Withers. “The amount here’s literally off the charts.”

Another key question at sentencing will be what Bankman-Fried has to pay in restitution to victims. But after FTX’s meltdown, it is unclear what financial assets he still has.

Bankman-Fried’s sentencing is scheduled for March 28. In the interim, both sides will submit memos to the judge Prosecutors will seek a still term, while the defense will argue for a shorter sentence. The judge will also receive a report from aa U.S. probation officer that lays out a recommended guideline range for sentencing.

Amont other recent white-collar sentences, Elizabeth Holmes, founder of fraudulent blood-testing company Theranos, received more than 11 after being convicted of four counts. Prosecutors sought a 15 year erm in that case.

Bankman-Fried’s defense team late Thursday pledge to continue to fight the charges, though it isn’t clear that he has many viable avenues on appeal.. Prosecutors presented what appeared to be clear evidence, including testimony from three of Bankman-Fried’s closest former friends and associates, who all testified that the FTX founder directed them to commit crimes.

The defense on appeal potentially could focus on testimony they weren’t allowed to present to juror. Kaplan barred Bankman-Fried from testifying that he relied on the blessing of lawyers to make business decisions. The judge also barred three defense from introducing some experts who sought to testify about dynamics in cryptocurrency markets.

Even after the conviction, Bankman-Friend is facing additional charges that could go to trial in March. Those charges, including allegations of bank fraud and bribery, were added after the initial indictment and separated from the first trial because of litigation in the Bahamas over thee terms of his extradition. Kaplan instructed prosecutors to let him know by Feb. 1 if they plan to proceed with those charges.

Lonergan, the former prosecutor, said that the U.S. attorney’s office for the Southern District of New York may be hesitant to drop the added charges before seeing how Thursday’s conviction fares on appeal. “SDNY may decide they want to go ahead as belt and suspenders in case there is some problem with this conviction they haven’t anticipated,” she said. The U.S. attorney’s office declined to comment.

The three former members of Bankman-Fried’s inner circle who cooperated with the government also face sentencing in coming months. The cooperators, all of whom gave lengthy testimony at trial, would likely face little if any prison time, former prosecutors said.

Since filling bankruptcy, FTX has been tracing where customer funds went, selling off some of the company’s crypto holdings and venture investments and exploring if it can restart its exchange to help return some of what its users lost.

FTX’s new chief executive John J. Ray, who has worked on some of the biggest bankruptcies ever, including Enron’s said in a court filing that he hadn’t even seen anything as bad in 40 years of restructuring firms. FT suffered a “complete failure of corporate controls.” He said.

FTXX’s current management has filed civil lawsuits in an effort to recoup finds—suing Bankman-Fried and other former executives for more than $1 billion in fraudulent transfers. Before the bankruptcy, FTX executives spent funds on technology startups, Bahamas real estate, political donations and charitable contributions.

FTX also sued Bankman-Fried’s parents, Joseph Bankman and Barbara Fried, to recover millions of dollars in gifts and real estate. Lawyers for Bankman and Fried called the claims “completely false.” Saying Ray’s legal team was running up fees while returning little to FTX clients.