

**David Greenberg**

**BLAW 2301**

**Professor Betanzos**

## **Writing Assignment: FTX and Sam Bankman-Fried**

### **First Step**

The legal topic that I chose to focus on is the collapse of the crypto exchange network FTX and the charges against the founder Sam Bankman-Fried (SBF). FTX was founded in 2019 as a hub to buy, sell, exchange, and stake a broad range of cryptocurrencies. FTX also created its own FTT Token that was openly traded on the platform. The company began to collapse when it was revealed that SBF was also the majority owner of Alameda Research, a crypto hedge fund with most of the portfolio holding FTT Tokens. This was an extremely suspicious position for SBF; the funding of Alameda Research with FTX tokens was a massive conflict of interest. This evidence highlighted potential financial fraud; FTT tokens were being artificially inflated and misappropriated. It was later revealed that tokens were being taken out of personal accounts to fund Alameda Research. This controversy woke up the biggest crypto exchange, Binance, to announce a full liquidation of FTT tokens. Quickly to follow were the smaller groups of investors hoping to liquidate a fraction of their investment. In this process, billions of dollars that belonged to individual crypto owners was gone. It did not take long for the SEC and FBI to begin investigating SBF and the ongoing collapse of FTX. SBF was charged with defrauding customers by misappropriating individuals funds. The US Attorney's Office revealed further incriminating charges against SBF, highlighting the use of laundered money to not only support

expenses and investments, but to illegally fund politicians under his co-conspirator's names. SBF has been charged under numerous counts, including wire fraud conspiracy, conspiracy to commit money laundering, and conspiracy to commit commodity and securities fraud. The maximum sentencing for SBF is 115 years in prison; SBF has pleaded not guilty and will stand trial for his alleged crimes.

<https://www.justice.gov/usao-sdny/pr/united-states-attorney-announces-charges-against-ftx-founder-samuel-bankman-fried>

### **Second step**

Sam Bankman-Fried was arrested in the Bahamas on criminal charges at the federal level before returning to the United States. The charges originated from the SEC in violation of the statutory laws: "Section 17(a) of the Securities Act of 1933 (the "Securities Act") and Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 thereunder." (https://www.sec.gov/news/press-release/2022-219)

### **Third step:**

In my opinion, FTX and the owner Sam Bankman-Fried will undoubtedly be charged by the SEC. The fundamental collapse of the entire FTX platform (The website is no longer operating) has left the owner Sam Bankman-Fried in a terrible position not only with repaying loans and legal filings for his upcoming court appearance, but it has also destroyed any sense of credibility he had in the public's eyes. Institutional investors poured billions into the company, only to face legal ramifications for the negligence of upper management in FTX. To add context, the upper management of FTX consisted almost entirely of SBF's friends who allegedly indulged in stimulants and amphetamines on the job.

Individual investors were advertised FTX as a safe crypto exchange; there was a Super Bowl ad for the company. FTX was even promoted by big names like Kevin O'Leary, known for his role on Shark Tank. Now, he is facing scrutiny and even had to testify before congress for promoting such a disaster. The reciprocal damage to people's bank accounts as well as the complete degradation of the reputability of the company and its constituents leaves FTX and Sam Bankman-Fried in hot water with both the people and the government. The overwhelming evidence as well as disdain against FTX leaves the company unsupported. In fact, I believe most people would enjoy seeing FTX and SBF lambasted for his gross misappropriating of consumers funds and trust. The collapse of FTX left the crypto space in a far worse position, with trust almost nonexistent in an economy that is supposed to be decentralized. I think that Sam Bankman-Fried and FTX will be charged and made an example of, and nearly all parts of the US economy would cheer it on.

