

FTX Collapse

Presentation



Introduction



Harvey

The heart and soul of the company. Also a person who covered the background story about SBF



Ben

The creative force behind businesses. Responsible for tracking down the spending of FTX



James

The brain behind investigating the FTX 'hack'



Snoops on the internet

Presenters & content:

Abraham

- SBF and Family
- MIT Connections
- Alameda and FTX Launch

Lucas

- FTX Employees
- What went wrong?

Mohammad

- Before the 'hack'
- What followed the 'hack'

Background to SBF



SBF Parents



Born on March 6, 1992 , in
Stanford, California, into a Jewish
Family



MIT connections



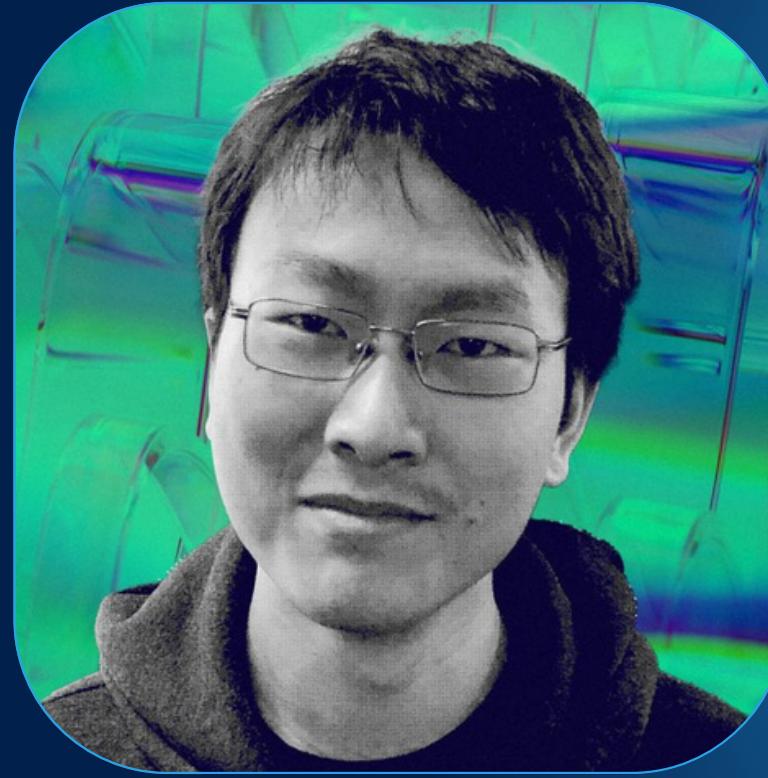
Caroline Ellison

CEO of Alameda



Trabucco

Former CO-CEO of
Alameda



Gary Wang

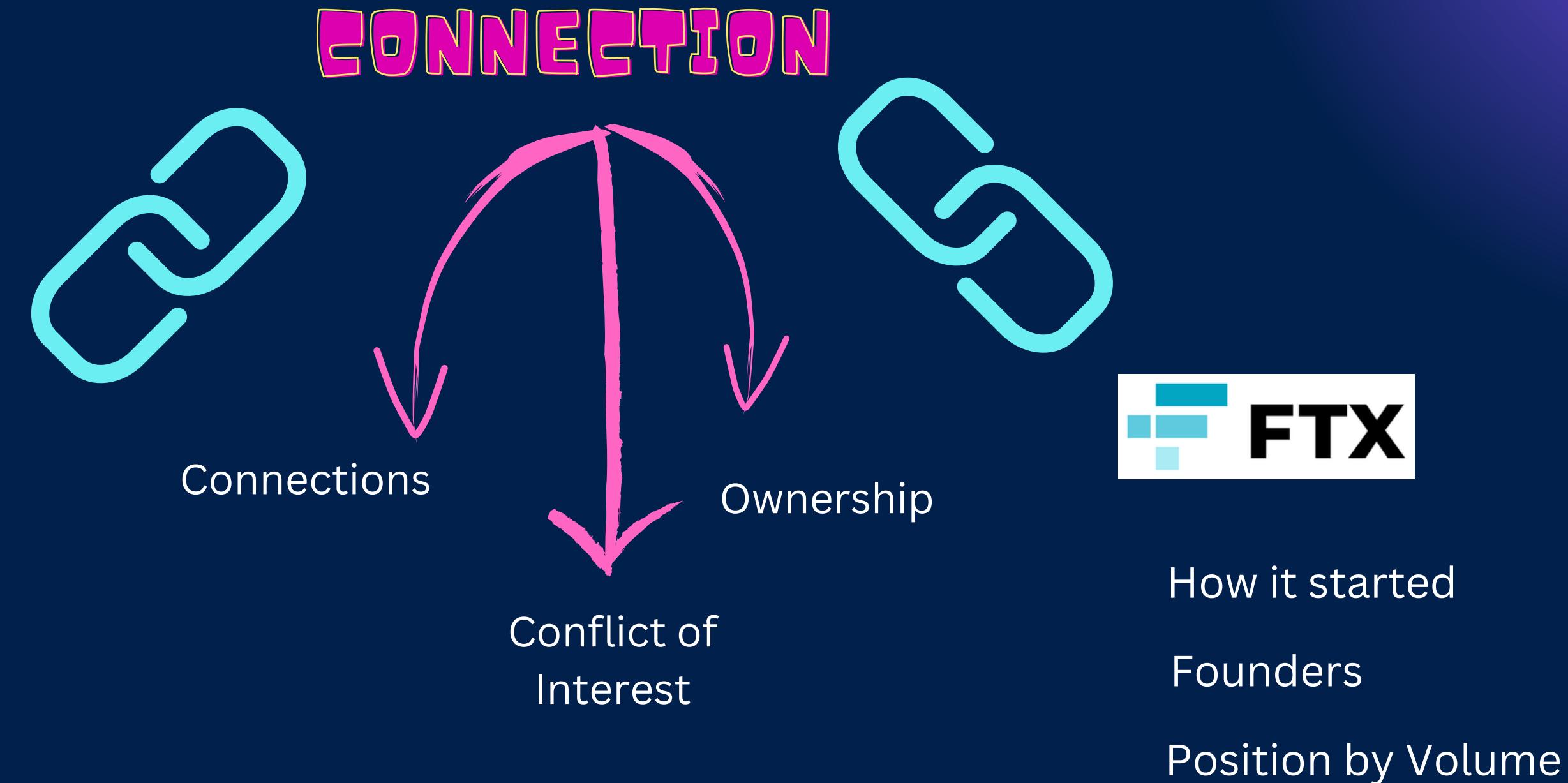
CO-Founder of FTX

Background to FTX and Alameda Research



How it started?

How did they make
money?



How it started

Founders

Position by Volume

FTX Employees

- 1. VPN, TOR & Socket Puppet Account; used to search for current employees of FTX**
- 2. Recommended search: ‘FTX employees reddit’ with the following title – ‘Former FTX employee gives insight into company culture’**
- 3. Post: Summary of a twitter thread posted by user -> ‘@daniicloud’ on 13th December 2022 who mentioned to ‘resign’ from FTX two weeks ago.**
- 4. Her thread detailed the culture at FTX and employee-benefits**

The image shows a composite of two screenshots. The top screenshot is a Reddit post titled "Former FTX employee gives insights into company culture" by u/zoomercoomer9000. It has 34.2k upvotes and was posted 3 months ago. The post contains a list of highlights from ex-FTX employee Danielle Cloud:

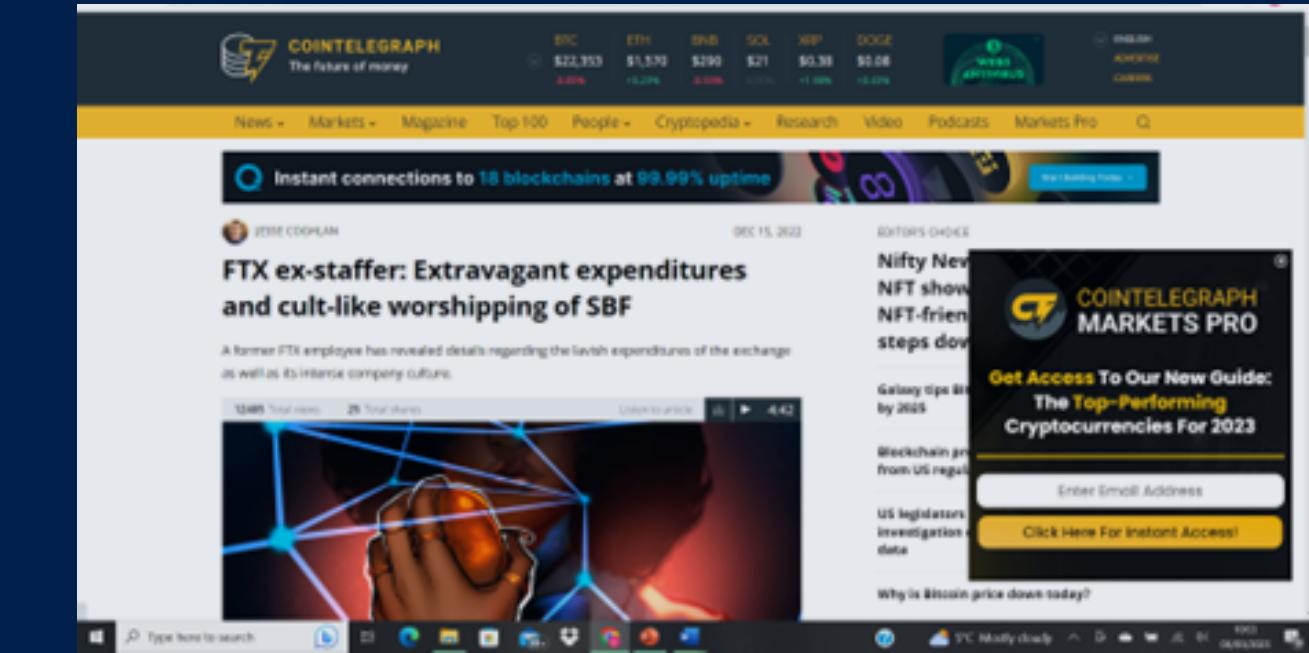
- The Bahamas office had 24/7 food catering. Employees were also provided with free groceries, free monthly haircuts, and bi-weekly massages.
- The company had 6 or so luxury condos for employees to use, free-of-charge. Stays at luxury hotels were also expensed by FTX.
- Staff worked Monday through Sunday, and were shouted at for requesting holidays off.
- Sam brought in a mental health specialist to treat employee fatigue. This person is said to be a family friend of the Bankman-Frieds. There are allegations that the psych frequently asked Danielle about her sex life, and informed her that his wife would not mind if he cheated (yikes).
- Allegations that FTX admin illegally shipped drugs to Nassau, with prescriptions being filled in California and Florida.
- Everyone at FTX knew the "effective altruism" persona was bullshit.
- FTX failed to meet its charitable commitments. Sam's father told staff the money would be better spent on legal fees.

The bottom screenshot shows a Twitter thread from @daniicloud. The first tweet, dated 13 Dec 2022, says: "Two(ish) weeks ago, I formally resigned from my position as an FTX employee." It has 299 Retweets, 75 Quote Tweets, and 1,577 Likes. Subsequent tweets in the thread discuss her employment history and a disclaimer about the nature of the information shared.

Is this information reliable?

Verified using the following:

1. Dani's Twitter thread
2. Cointelegraph article detailing the case
3. Apple Podcast by 'TH3LAB Podcast' featuring Danielle Cloud (Dani) who detailed the situation, explaining her experience at FTX



Reverse-image Search

Whilst attempting to reverse image search for Danielle Cloud, or photos including her were unsuccessful, so it was important to attempt to find her social media accounts; see below:

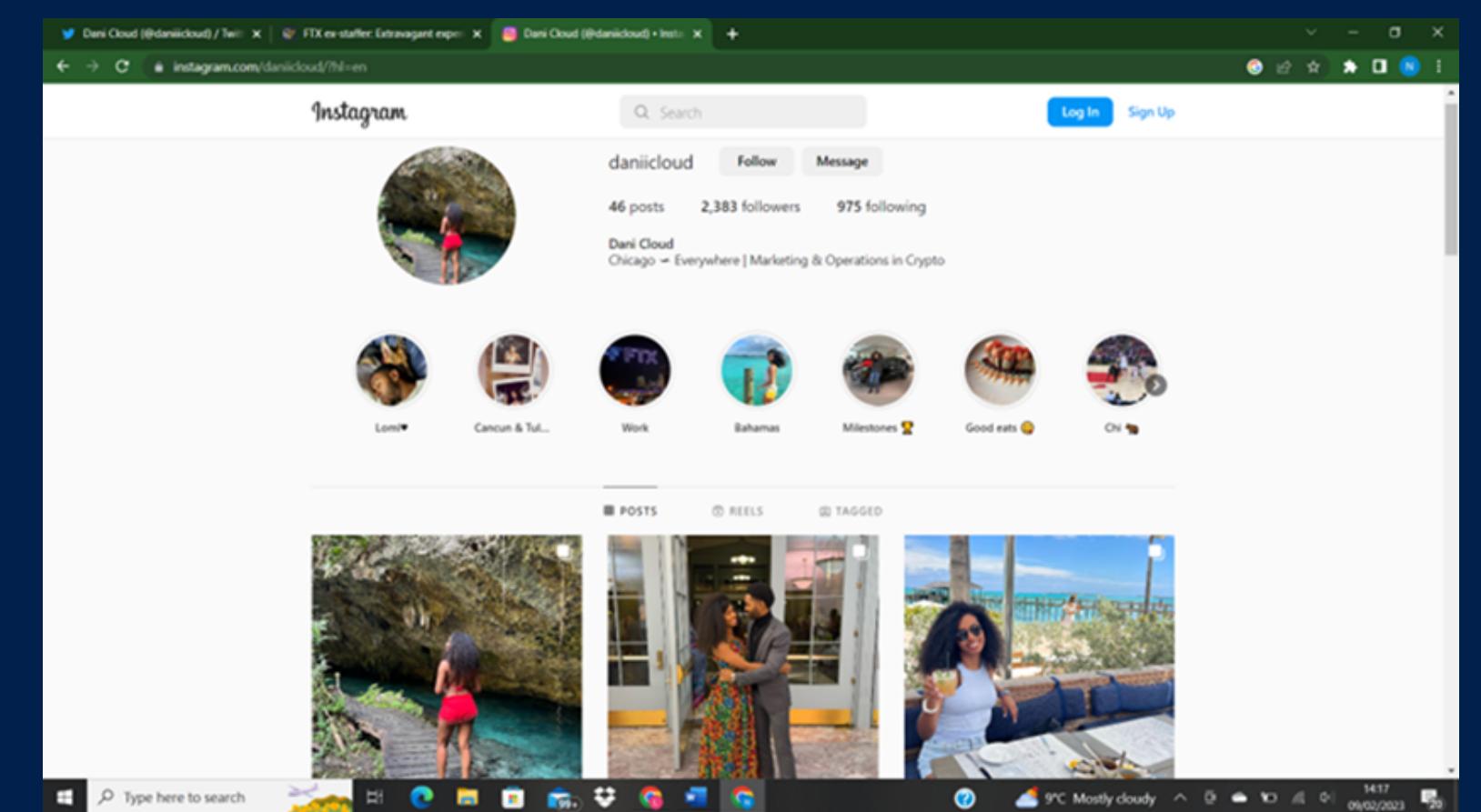
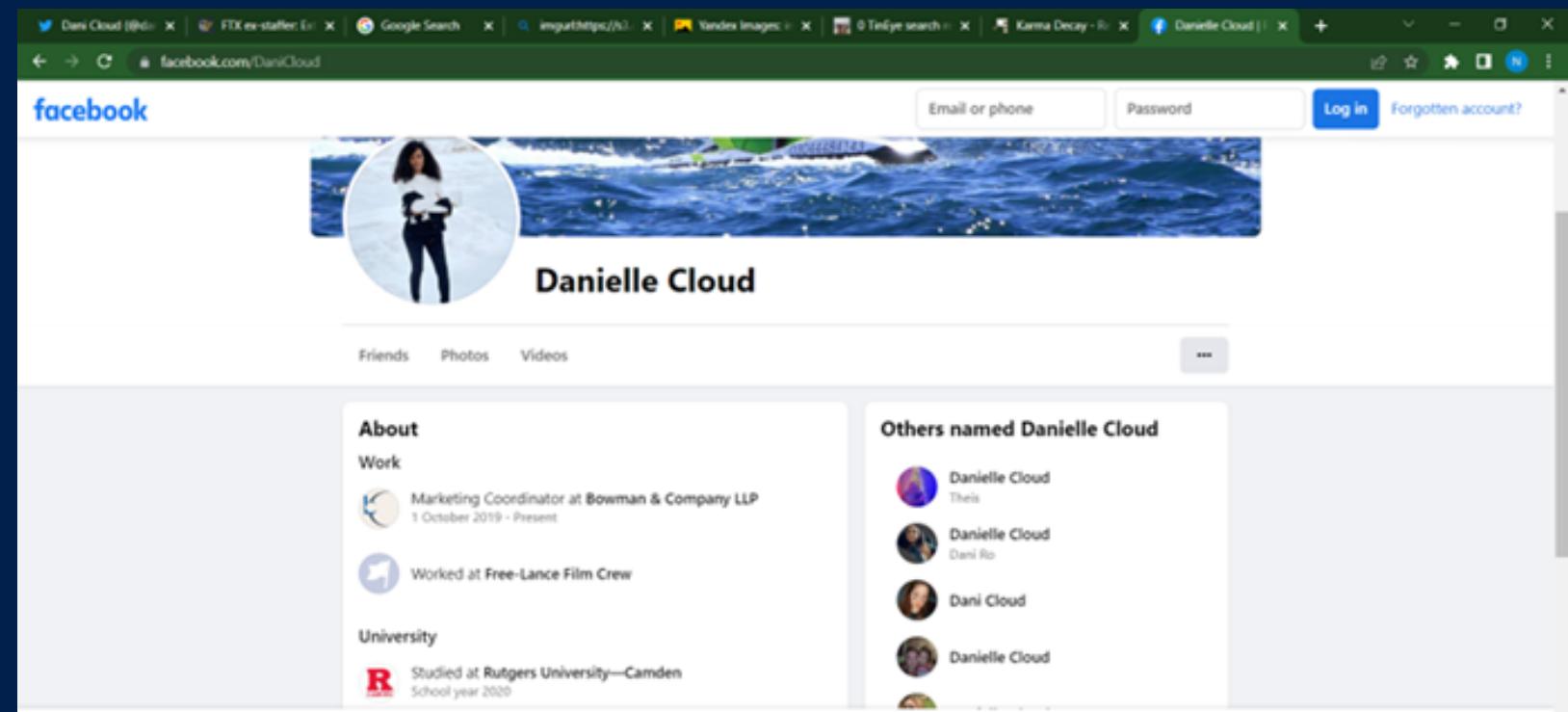
Twitter - <https://twitter.com/daniicloud>

Facebook -

<https://www.facebook.com/DaniCloud>

Instagram -

<https://www.instagram.com/daniicloud/?hl=en>



FTX – What went wrong? (1)

Lack of experience - FTX's Executives and the lack of internal control:

1. According to reports, FTX's Board of Directors was composed of only one person, Mr. Bankman-Fried, who was also the majority shareholder.
2. The unclear running of FTX by inexperienced individuals was a monumental mistake.
3. If FTX had implemented and tested internal controls, the bankruptcy could have been avoided.



FTX – What went wrong? (2)

No adequate accounting:

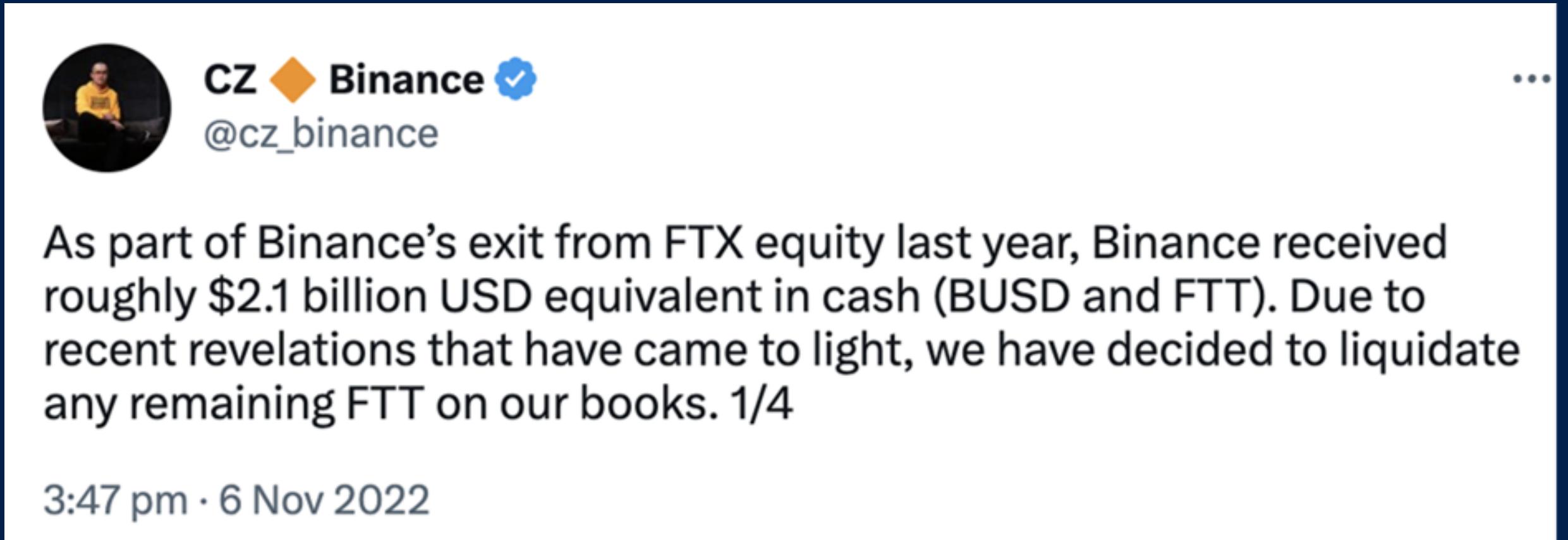
1. As a private company, FTX were not required to publicly disclose its financial statements.
2. The bankruptcy report revealed that FTX had a significant problem with financial record-keeping.
3. The company did not have proper control over its cash. Because of these failures, the exact amount of cash held by FTX Group is still unknown.



FTX – What went wrong? (3)

Negative impact of Binance's exit from FTX equity:

1. Binance's CEO CZ announced on Twitter that Binance would sell its share of FTT tokens. This announcement caused the value of FTT tokens to drop by 86%, from \$14 billion in March to approximately \$825 million. (Saul, 2022)
2. Ultimately flooded the market and caused chaos, beginning the never-ending withdrawal of FTX equity, crumbling the market and the company itself.



A screenshot of a Twitter post from the account 'CZ ♦ Binance' (@cz_binance). The post contains the following text:
As part of Binance's exit from FTX equity last year, Binance received roughly \$2.1 billion USD equivalent in cash (BUSD and FTT). Due to recent revelations that have came to light, we have decided to liquidate any remaining FTT on our books. 1/4
The timestamp at the bottom of the post is 3:47 pm · 6 Nov 2022.

FTX – What went wrong? (4)

Reckless spending - \$4.5 to \$5 million each month (totalling \$40 million in nine months)

1. Property:

- \$250m on real estate in Bahamas (35 properties)
- For employees/free of charge/parties
- SBF properties - \$15m vacation home & \$40m Bahamas residence

2. Food/Services:

- \$7 million on food during a 9-month period (2022)
- Food expenses also covered CEO lunches that cost \$2,500 each.
- Danielle Cloud; US employees were given \$200 'DoorDash' allowance and Bahamas given free groceries, bi-weekly massages, cars with gas included, and fully-paid trips to any of the company's offices worldwide.

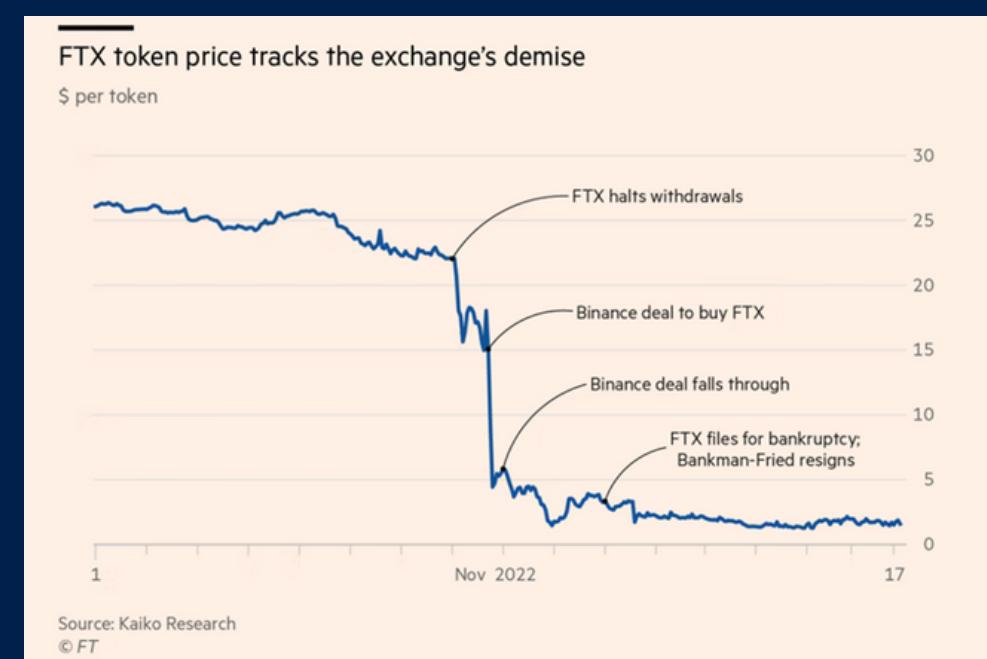
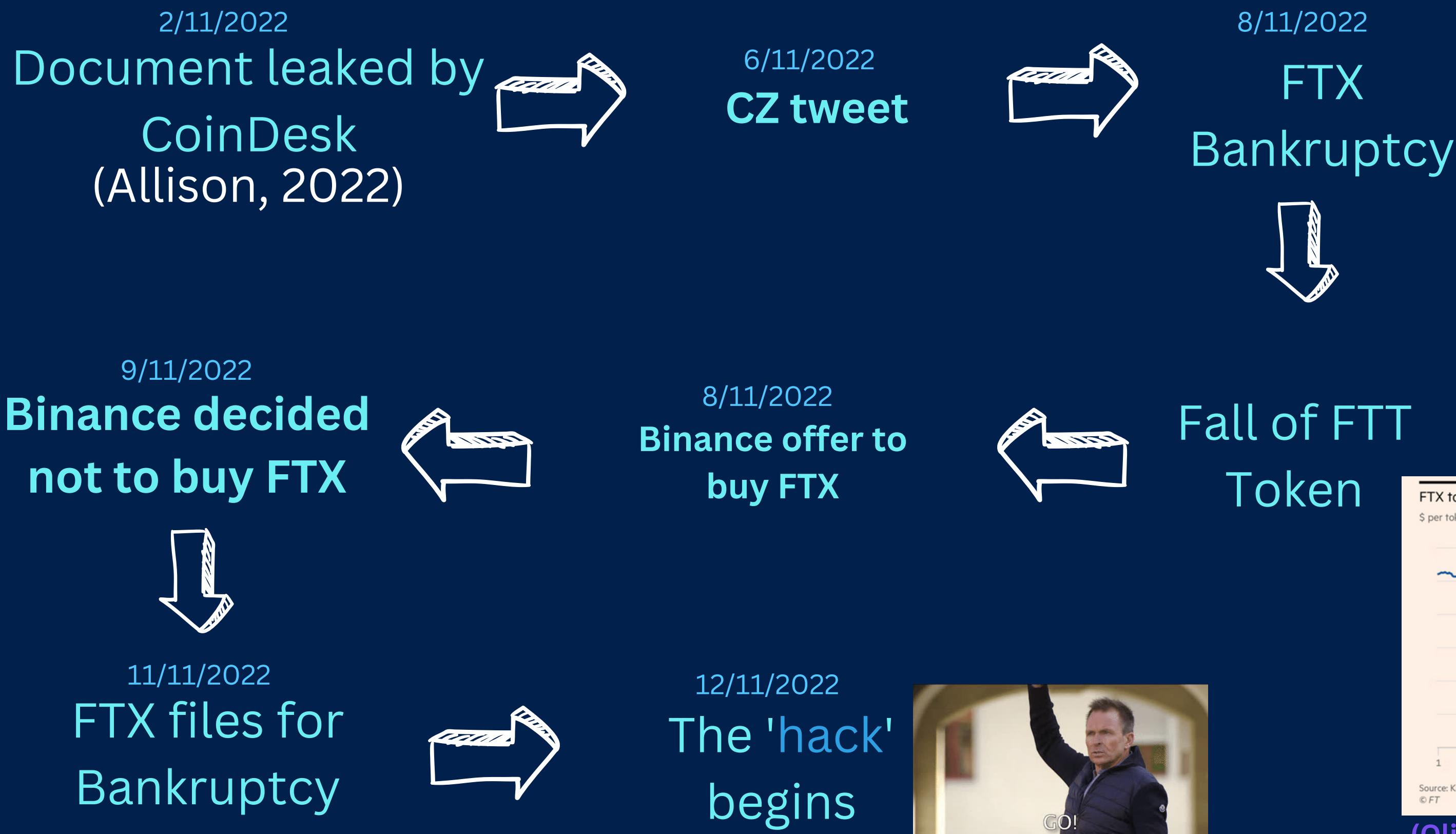
3. Travel:

- \$4 million on private flight
- \$500,000 on postage and delivery expenses
- Sam Bankman-Fried, the CEO of FTX, owns a 52-foot yacht worth several million dollars (Ruiz, 2022).

4. Marketing & Politics:

- Renaming rights to the Miami Heat arena - \$135m
- Spokesperson: Kevin O'Leary - \$15 million
- FTX commercials: Tom Brady (\$45m), Gisele Bundchen (\$25m), and Larry David's (unknown)
- Political Support/Lobbying: \$93m

prior to the 'hack'



(Oliver et al., 2022)



FTX 'hack' and what followed..



The screenshot shows a news article from Cointelegraph. At the top left is a profile picture of Sam Bourgi. To the right of the picture is the author's name, SAM BOURGI. Further to the right is the publication date, NOV 12, 2022. The main title of the article is "FTX reportedly hacked as officials flag abnormal wallet activity". Below the title is a brief summary: "Wallets tied to FTX and FTX US have seen \$659 million in cumulative outflows over the past 24 hours, according to Nansen." At the bottom of the screenshot, there is a decorative graphic featuring a hand holding a smartphone displaying a keypad, with a background of red hex code and the Cointelegraph logo.

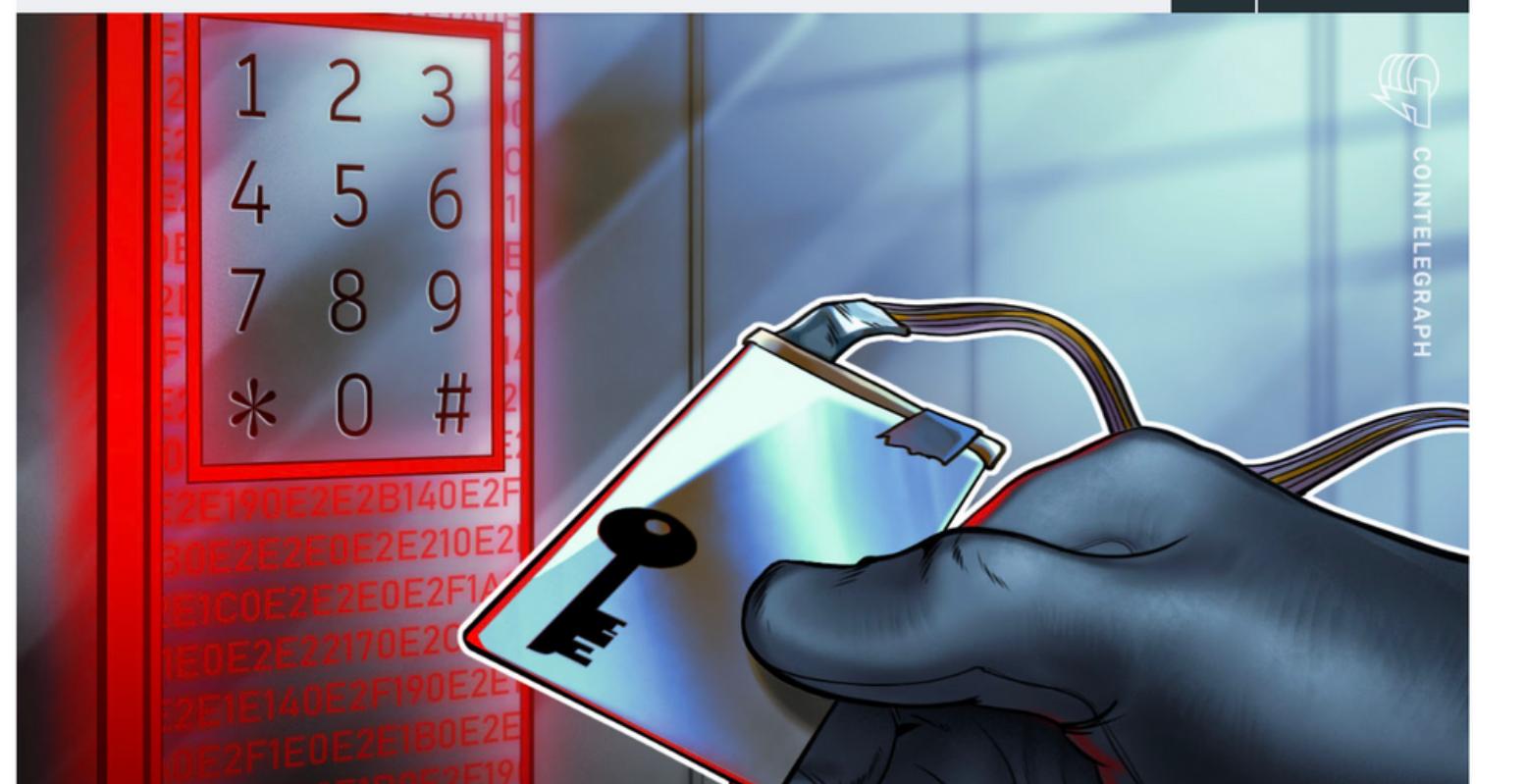
SAM BOURGI

NOV 12, 2022

FTX reportedly hacked as officials flag abnormal wallet activity

Wallets tied to FTX and FTX US have seen \$659 million in cumulative outflows over the past 24 hours, according to Nansen.

11702 Total views 49 Total shares Listen to article 4:02



(Bourgi, 2022)

12/11/2022



Martin Lee | Nansen 🌐

@themlp

...

We've seen over \$2B in net outflows from FTX Intl and FTX US over the past 7 days

Of which \$659M (33%) happened in the last 24 Hours

Somehow no congestion or long wait times when the wallet was getting mass drained

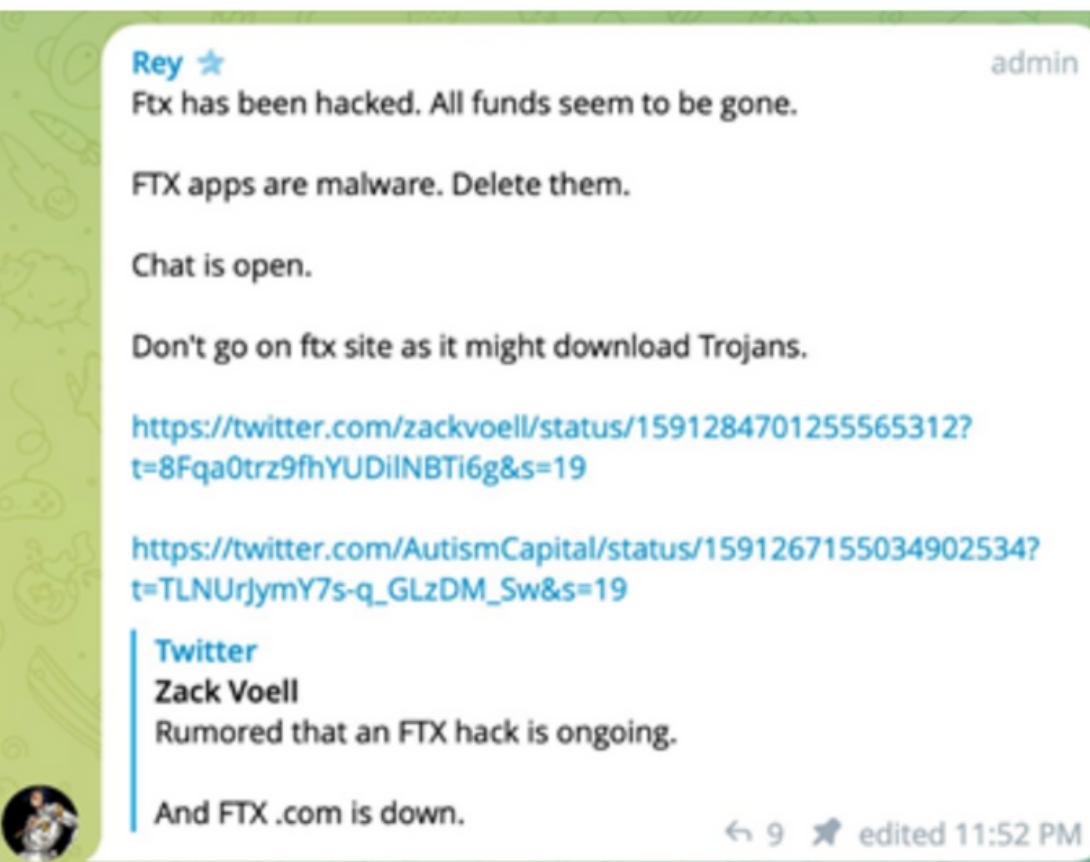
(Martin Lee Nansen, 2022)



This article was updated on November 20th 2022.

On November 12th, just 24 hours after filing for Chapter 11 bankruptcy in the US, FTX's wallets were drained of \$477 million in cryptoassets, through what are believed to have been a series of "unauthorized" transfers.

The "hack" was announced by an admin in FTX's Telegram channel:

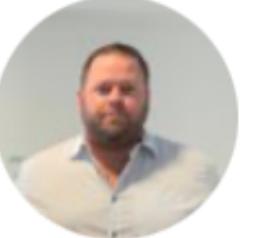


Elliptic report
(Robinson, 2022)

12/11/2022



← **Thread**

 **Ryne Miller** @_Ryne_Miller ...

2/ Among other things, we are in the process of removing trading and withdrawal functionality and moving as many digital assets as can be identified to a new cold wallet custodian. As widely reported, unauthorized access to certain assets has occurred.

6:17 pm · 12 Nov 2022

(Ryne Miller, 2022)



\$477 Million

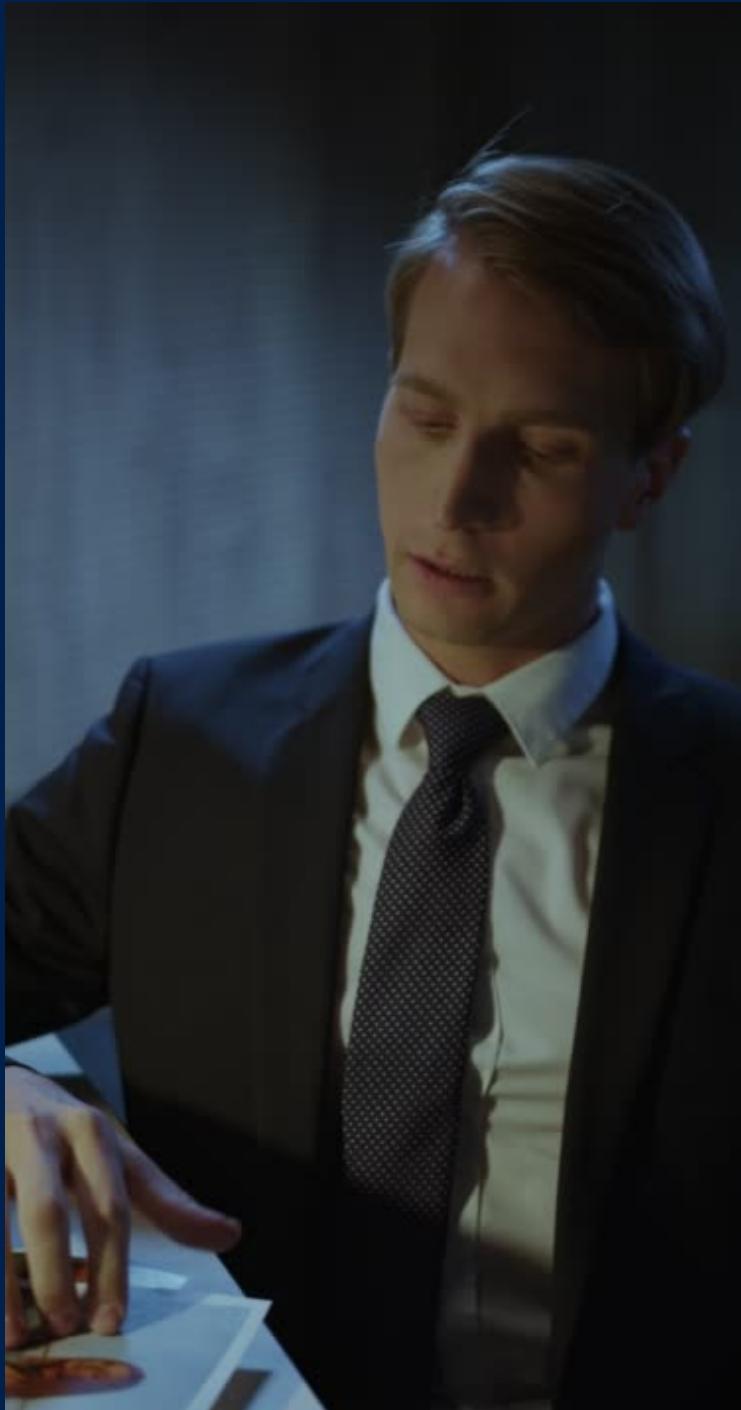


\$100 million of Tether and Paxos Gold were frozen

\$377 million were converted to Ether via decentralized exchange to avoid seizer



13/11/2022



Nick bax.eth ✅
@bax1337

2) The next day, **Nov. 13th** around 02:13
0x2a4f8d77bade18256b1bdb3cf8782645037f60d3 received \$FTT from
the FTT deployer (maybe controlled by SBF/Gary) and ETH from 'FTX
Exchange 2'.

(Nick bax.eth, 2022)

separate transfer of **\$280 million** newly-minted FTT tokens and ETH from FTX's wallets, which took
place on November 13th.

Elliptic report (Robinson, 2022)

However, on November 17th, the Securities Commission of the Bahamas explained that it had directed "the transfer of all digital assets of FTX Digital Markets to a digital wallet controlled by the Commission, for safekeeping".

It was unclear whether the Commission was referring to the \$477 million that was transferred under suspicious circumstances on November 12th. Others have suggested that they are referring to a separate transfer of ~\$280 million newly-minted FTT tokens and ETH from FTX's wallets, which took place on November 13th.

Elliptic report (Robinson, 2022)



17/11/2022 12:06 AM of 18 November



[!\[\]\(0c960be1d8eb5c895b7cfaefee87832a_img.jpg\)](#) ← **Securities Commission of The Bahamas** [Follow](#)

52 Tweets

 **Securities Commission of The Bah... @SCBgov_... · 18 Nov 2022** ...
Securities Commission of The Bahamas Assumes Control of Assets of FTX Digital Markets Ltd.

Securities Commission of The Bahamas
MEDIA RELEASE
Contact: Executive Director
Christine Rollie
242 397-4100

Pointiana House
North Building, 2nd Floor
31A East Bay Street
P.O. Box M-8347
Nassau, The Bahamas

FOR IMMEDIATE RELEASE

(Securities Commission of The Bahamas, 2022)

17/11/2022



It was unclear whether the Commission was referring to the \$477 million that was transferred under suspicious circumstances on November 12th. Others have suggested that they are referring to a separate transfer of ~\$280 million newly-minted FTT tokens and ETH from FTX's wallets, which took place on November 13th.

Elliptic report
(Robinson, 2022)



Nick bax.eth
@bax1337

2) The next day, Nov. 13th around 02:13 0x2a4f8d77bade18256b1bdb3cf8782645037f60d3 received **\$FTT** from the FTT deployer (maybe controlled by SBF/Gary) and ETH from 'FTX Exchange 2'.

My educated guess is this is the Bahamian FireBlocks wallet mentioned here:

(I) TO TRANSFER CHAPTER 15 PROCEEDING RELATING TO FTX DIGITAL MARKETS LTD. AND (II) FOR A STAY

FTX Trading Ltd. and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") hereby submit this motion (the "Motion") for entry of an order, pursuant to 28 U.S.C. § 1412 and rule 1014 of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), (i) to transfer the Chapter 15 Petition for Recognition of a Foreign Proceeding relating to FTX Digital Markets Ltd. ("FTX DM"), filed on November 15, 2022 in the United States Bankruptcy Court for the Southern District of New York ("SDNY"); and captioned In re *FTX Digital Markets Ltd. (In Provisional Liquidation)*, Case No. 22-461-1516 (MDW) (the "Chapter 15 Case"); to this Court; and (ii) for a stay of the Chapter 15 Case until this Motion can be considered. In support of the Motion, the Debtors respectfully state as follows:

PRELIMINARY STATEMENT

courtlistener.com
Motion to Change Venue/Inter-district Transfer – #22 in FTX Trading Ltd. (Ba...
Motion to Change Venue/Inter-district Transfer (Emergency Motion Pursuant to Fed R. Bankr. P. 1014(B) (I) to Transfer Chapter 15 Proceeding Relating to FT...

11:24 PM · Nov 17, 2022

(Nick bax.eth, 2022)

17/11/2022

FTX Lawyers



**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

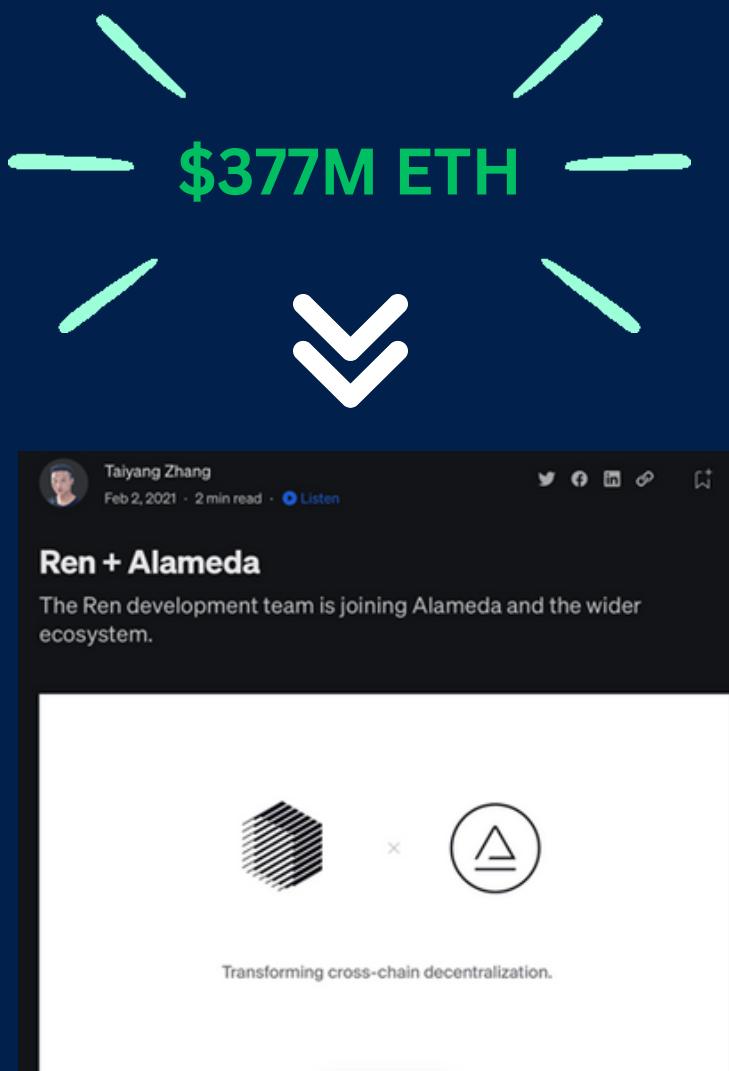
(Joint Administration Pending)

EMERGENCY MOTION PURSUANT TO FED R. BANKR. P. 1014(B)

**(I) TO TRANSFER CHAPTER 15 PROCEEDING RELATING
TO FTX DIGITAL MARKETS LTD. AND (II) FOR A STAY**

20/11/2022

Elliptic report
(Robinson, 2022)



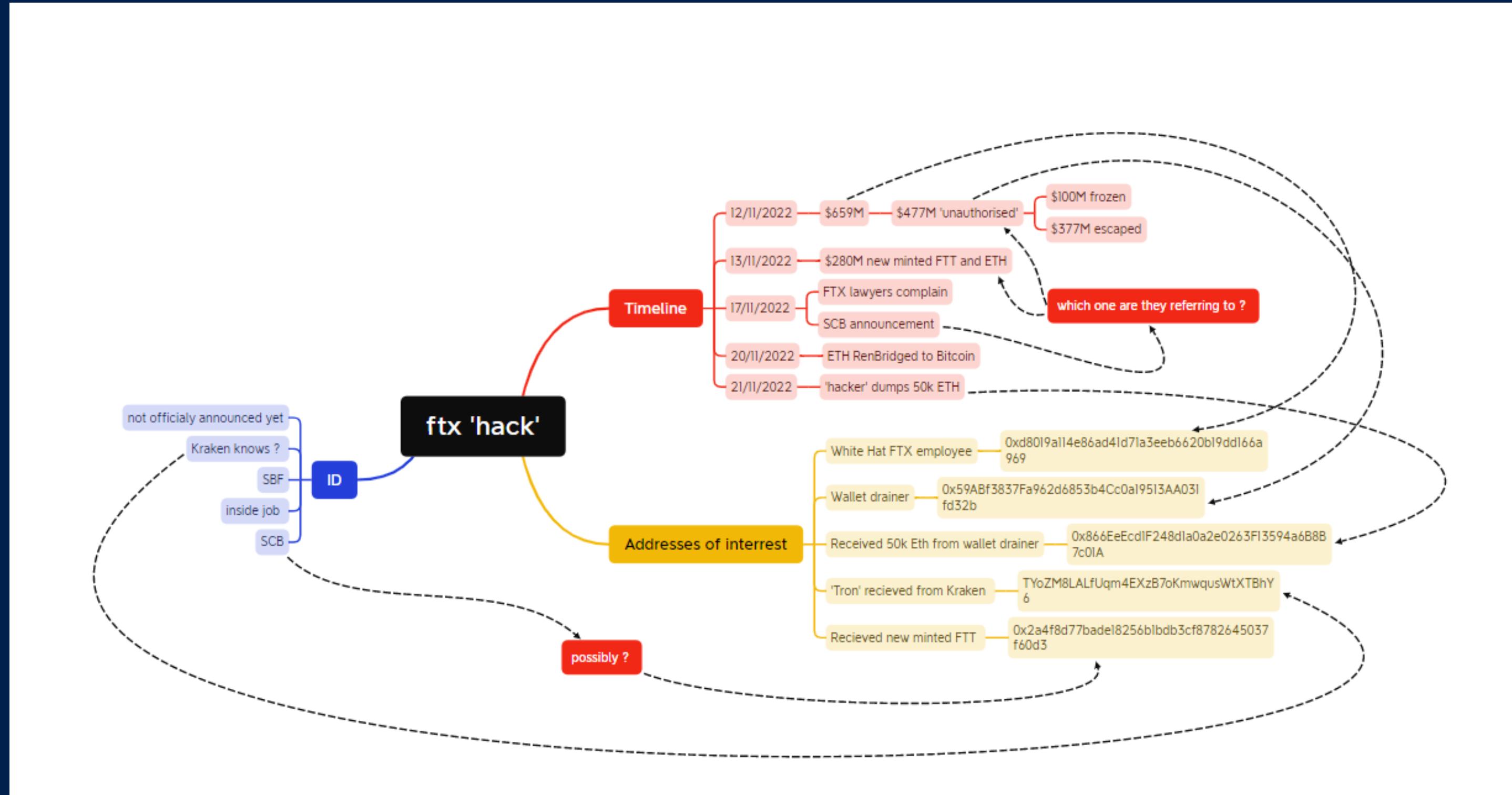
21/11/2022
Cointelegraph Article
(Jha, 2022)



ETH
50,000

TOP 40

'Hack' Investigation Map



Conclusion



Cointelegraph



leads for further investigation

- 1- any fraudulent connections between SBF and his parents.
- 2- While SBF's parents, who are professors of law, could not properly advise him despite his dad working as an FTX employee at the early stage.
- 3- Caroline's parents, who are economist professors and lecturers at MIT, were unable to assist her in steering the ship of Alameda as CEO before she drove the company bankrupt.

leads for further investigation

4- Addresses of interest:

the following could be monitored for more information that might come in the future, it is retrieved From [Nick.bax.eth \(2022\)](#) tweet:

a) “FTX Wallet Drainer”

0x59ABf3837Fa962d6853b4Cc0a19513AA031fd32b

b) “White hat FTX employee”

0xd8019a114e86ad41d71a3eeb6620b19dd166a969

c) “Received FTT from FTT deployer” Maybe the SCB

0x2a4f8d77bade18256b1bdb3cf8782645037f60d3

d) “TRX address” that received a transfer from a Kraken account:

TYoZM8LALfUqm4EXzB7oKmwqusWtXTBhY6

References:

- Allison, I (2022) ‘Divisions in Sam Bankman-Fried’s Crypto Empire Blur on His Trading Titan Alameda’s Balance Sheet’ CoinDesk 2 November. Available at: <https://www.coindesk.com/business/2022/11/02/divisions-in-sam-bankman-frieds-crypto-empire-blur-on-his-trading-titan-alamedas-balance-sheet/> (Accessed: 24 February 2023).
- Binance (2022) [Twitter] 9 November. Available at: <https://twitter.com/binance/status/1590449164932243456?lang=en> (Accessed: 2 March 2023).
- Bourgi, S (2022) ‘FTX reportedly hacked as officials flag abnormal wallet activity’ Cointelegraph 12 November. Available at: <https://cointelegraph.com/news/ftx-reportedly-hacked-as-officials-flag-abnormal-wallet-activity> (Accessed: 27 February 2023).
- Coghlan, J. (2022) ‘FTX’s ongoing saga: Everything that’s happened until now’ Cointelegraph 10 November. Available at: <https://cointelegraph.com/news/ftx-and-binance-s-ongoing-saga-everything-that-s-happened-until-now> (Accessed: 24 February 2023).
- CZ Binance. (2022) [Twitter] 6 November. Available at: https://twitter.com/cz_binance/status/1589283421704290306?ref_src=twsrct%5Etfw (Accessed: 24 February 2023).
- FTX lawyers (2022) ‘EMERGENCY MOTION PURSUANT’ [PDF file] Available at: <https://pacer-documents.s3.amazonaws.com/33/188450/042120648186.pdf> (Accessed: 26 February 2023).
- Huigsloot, L (2023) ‘Breaking: BlockFi uncensored financials reportedly shows \$1.2B FTX exposure’ Cointelegraph 25 January. Available at: <https://cointelegraph.com/news/blockfi-reportedly-posts-uncensored-financials-revealing-1-2-billion-ftx-exposure> (Accessed: 1 March 2023).
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- Martin Lee Nansen (2022) [Twitter] 12 November. Available at: <https://twitter.com/themlpx/status/1591329438746447875> (Accessed: 27 February 2023).
- Nick bax.eth (2022) [Twitter] 17 November. Available at: https://twitter.com/bax1337/status/1593384595994468352?t=AMnz9_gmKgz1B5kmUesH4Q&s=19 (Accessed: 26 February 2023).
- Oliver, J. (2022) ‘we kind of lost track’: How Sam Bankman-fried blurred lines between ... Available at: <https://financialpost.com/fp-finance/cryptocurrency/we-kind-of-lost-track-how-sam-bankman-fried-blurred-lines-between-ftx-and-alameda> (Accessed: March 2, 2023).

References:

- Oliver, J, Asgari, N, and Shubber, K. (2022) ‘FTX: inside the crypto exchange that ‘accidentally’ lost \$8bn’ Financial Times, 18 November. Available at: <https://www.ft.com/content/913ff750-d1f4-486a-9801-e05be20041c1> (Accessed: 20 February 2023).
- Quarmby, B (2023) ‘CFTC and SEC cases against SBF deferred until after criminal trial’ Cointelegraph 14 February. Available at: <https://cointelegraph.com/news/cftc-and-sec-cases-against-sbf-deferred-until-after-criminal-trial> (Accessed: 1 March 2023).
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- Ryne Miller (2022) [Twitter] 12 November. Available at: https://twitter.com/_Ryne_Miller/status/1591495429338071042 (Accessed: 5 March 2023).
- Saul, D (2022) ‘Binance Bails On FTX Acquisition – Here’s What Led To The FTX Crypto Crash’ Forbes Digital Assets. 10 November. Available at: <https://www.forbes.com/sites/derekaul/2022/11/09/binance-reportedly-bails-on-ftx-acquisition---heres-what-led-to-the-ftx-crypto-crash/> (Accessed: 24 February 2023).
- Securities Commission of The Bahamas (2022) [Twitter] 18 November. Available at: https://twitter.com/SCBgov_bs/status/1593395137786171393 (Accessed: 26 February 2023).
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- Tobias Silver (2022) [Twitter] 12 November. Available at: <https://twitter.com/TobiasSilverJM/status/1591352252367015936> (Accessed: 2 March 2023).
- Wright, T (2023) ‘Sam Bankman-Fried’s lawyers request extension for bail condition proposal’ Cointelegraph 24 February. Available at: <https://cointelegraph.com/news/sam-bankman-fried-s-lawyers-request-extension-for-bail-condition-proposal> (Accessed: 1 March 2023).