

Title: Crypto Billionaire Sam Bankman-Fried Is Dangling \$1 Billion in Political Donations; But He Wants Dangerous Crypto Derivatives Trading in Return

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Crypto Billionaire Sam Bankman-Fried Is Dangling \$1 Billion in Political Donations; But He Wants Dangerous Crypto Derivatives Trading in Return

By Pam Martens and Russ Martens: July 6, 2022 ~

Sam Bankman-Fried is the co-founder and CEO of crypto firm, FTX. He's also a man on a mission. The mission is to spend tens of millions of dollars on political campaigns until he gets his desired outcome in Washington: permission for FTX to be able to offer highly leveraged derivative contracts on cryptocurrencies with margin accounts and 24/7 automated liquidation of defaulting customers, effectively being able to sell out customer accounts while they're asleep in their beds. And, by the way, the pesky detail of a regulated brokerage firm intermediary in the transaction would become history.



Sam Bankman-Fried, Co-Founder and CEO, FTX

To bring his dream to fruition, Bankman-Fried has been writing out checks in a wild flurry of activity this year. Between February 4 and April 14 of this year, Bankman-Fried wrote out three checks totaling \$23 million to Protect Our Future PAC. According to Federal Election Commission (FEC) records, that PAC spent \$10.45 million supporting the candidacy of Carrick Flynn who was running in a Democratic primary in Oregon for a seat in the U.S. House of Representatives. The Protect Our Future PAC also spent \$935,705 opposing Andrea Salinas in that same Oregon Democratic Primary according to FEC records. (Hold onto that thought for a moment more.)

On April 4, 2022, Bankman-Fried also sluiced the astonishing sum of \$6 million to the House Majority PAC – whose slogan is "Fighting to protect and expand the Democratic House Majority."

But instead of working to unite Democrats, according to a group of Democratic candidates in that Oregon primary, the House Majority PAC (enriched with all that money from crypto billionaire Bankman-Fried) inserted itself into the Oregon primary with a \$1 million infusion to help Bankman-Fried's preferred candidate, Carrick Flynn, beat out the other Democratic candidates.

Andrea Salinas (who went on to win the Oregon Democratic primary despite all of that crypto money sloshing around) [released a joint statement](#) with other Democratic challengers in Oregon, stating this: "We strongly condemn House Majority PAC's unprecedented and inappropriate decision to spend nearly a million dollars in this Democratic primary... This effort by the political arm of the Democratic establishment to buy this race for one candidate is a slap in the face to every Democratic voter and volunteer in Oregon – and is especially concerning in a year when all resources must go to protecting the Democratic majority."

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Why might Bankman-Fried have been so opposed to Andrea Salinas for a House seat? Salinas is a strong supporter of saving the planet from climate change. That's not a particularly appealing platform for crypto kings since [crypto mining relies heavily on fossil fuels and uses more energy than numerous countries](#).

According to FEC records, Protect Our Future PAC spent \$250,000 in May on ad production and [an advertisement buy for Senator Robert Menendez of New Jersey](#), who just happens to sit on the powerful Senate Banking Committee which might be inclined to pass crypto regulations to safeguard the U.S. financial system.

On January 18 of this year, Bankman-Fried also contributed \$2 million to GMI PAC, which says it "supports candidates committed to making way for a more secure, competitive, and innovative digital marketplace."

Nothing, absolutely nothing, is going to make crypto secure. It is the instrument of money launderers, hackers and other assorted criminals. The [Federal Trade Commission reported in June](#) that "since the start of 2021, more than 46,000 people have [reported losing over \\$1 billion in crypto to scams](#). That's about one out of every four dollars reportedly lost to fraud during that period." (For more on this crypto nightmare, see [our report on how customers on the Coinbase crypto exchange are being victimized](#).)

Since August 2, 2021, Bankman-Fried has also donated \$1 million to the Senate Majority PAC (a PAC to help Democrats); \$10,000 each to Democratic Committees in New York State, New Hampshire and Michigan; \$500,000 on May 5 of this year to the Democratic National Committee; and millions of dollars more to dozens of Congressional candidates from a wide assortment of states.

Now Bankman-Fried is attempting to burnish his image as an altruistic do-gooder while simultaneously dangling the allure of being the biggest elephant in the room in the 2024 presidential election. In a [podcast released in May](#), Bankman-Fried said he expects to spend "north of \$100 million" with a "soft ceiling" of \$1 billion.

On May 12, the House Agriculture Committee held a specific hearing on Bankman-Fried's proposal for FTX to engage in leveraged crypto derivatives using an unprecedented structure for U.S. markets. Testifying at that hearing was Walter Lukken, President and CEO of the Futures Industry Association (FIA). [Lukken told House Committee members this](#):

"Specifically, the FTX direct clearing proposal would, for the first time, combine margined futures with near real-time margining, 24/7 auto liquidation of defaulting customers, and a self-funded CCP default fund without the benefit of FCM's risk management processes.

"It is important to point out that FTX's proposal would permit futures trading in any underlying asset class transacted by any type of customer, including commercial hedgers. This requires us to view this proposal with an eye beyond retail cryptocurrencies. ~~We must also consider the same users of our~~

cryptocurrencies. We must also consider the core users of our markets, including farmers, refiners, pension funds, and other main street businesses that use futures to hedge price risk in the real economy.”

Terrence Duffy, Chairman and CEO of the CME Group which operates registered futures and commodity exchanges in the U.S., testified at the same hearing, calling the FTX proposal “glaringly deficient” and posing “significant risk to market stability and market participants.”

On the subject of counterparty due diligence, Duffy told the Committee members this:

“Counterparty due diligence is a linchpin of the modern financial system and a key part of current DCOs’ [Derivatives Clearing Organization] risk management practices, used to confirm that clearing members are well-placed to meet the obligations that arise from their risk-taking. FTX would not be the first party, novice or otherwise, to suggest that financial modeling and algorithm design could eliminate the need for best practices in risk management; however, the eventual fate of Long-Term Capital Management and bespoke financially engineered products, such as mortgage-backed securities and collateralized debt obligations, suggest that it would be folly to unwind core risk management practices based on the assurance that ‘this time it’s different.’”

Market veterans will well understand the reference to Long-Term Capital Management and CDOs. Despite its illustrious roster of Ph.D.s., Long-Term Capital Management blew itself up in 1998 with insanely leveraged derivative bets. Collateralized Debt Obligations (CDOs) and their related derivatives brought much of Wall Street to the edge of bankruptcy in 2008, resulting in a massive taxpayer bailout and trillions of dollars in secret loans from the Fed.

Bankman-Fried also testified at the House Agriculture Committee hearing, focusing heavily in his written remarks on the altruistic nature of FTX and the \$100 million in philanthropy it has sprinkled around.



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