The New York Times

SE Business/Financial Desk; SECTB

HD **A Crypto Bank Linked to FTX Faces a Lawsuit From New York**

BY By David Yaffe-Bellany

WC 640 words
PD 6 January 2023
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 5
LA English

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LP

Letitia James accused the founder of Celsius Network, Alex Mashinsky, of a scheme to defraud hundreds of thousands of investors.

The New York attorney general, Letitia James, sued the founder of the collapsed cryptocurrency bank Celsius Network on Thursday, accusing him of a scheme to defraud hundreds of thousands of investors.

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The lawsuit stems from Celsius's implosion this summer, when the company filed for bankruptcy and its customers lost billions of dollars in deposits. For years, the Celsius founder, Alex Mashinsky, 57, misled customers into depositing their crypto savings on the platform, promising that it was as safe as a traditional bank, the lawsuit claimed. The lawsuit seeks to bar him from conducting business in New York and force him to pay damages.

"When Celsius suffered losses on risky investments, Mashinsky failed to disclose these losses to investors," the lawsuit said. "The collapse of Celsius left many individuals in a state of desperation and financial ruin."

A Celsius spokesman said in a statement that Mr. Mashinsky was no longer involved in the company's management. Mr. Mashinsky did not respond to a request for comment.

The lawsuit is the latest aggressive government response to the risky practices and widespread fraud that sent the crypto industry into crisis in 2022. Last month, U.S. prosecutors charged Sam Bankman-Fried, the founder of the collapsed crypto exchange FTX, with widespread fraud. Mr. Bankman-Fried also faces civil charges from the Securities and Exchange Commission and the Commodity Futures Trading Commission.

On Wednesday, the S.E.C. also pushed back on plans by the U.S. arm of the giant crypto exchange Binance to buy Voyager Digital, a crypto lending operation similar to Celsius that failed around the same time.

Before FTX declared bankruptcy in November, Celsius's failure was considered arguably the worst moment of crypto's disastrous 2022. For years, Mr. Mashinsky had promoted the company with a too-good-to-be-true marketing promise: interest as high as 17 percent on crypto deposits.

As the industry boomed, he became one of its most successful and charismatic pitchmen. He frequently appeared in YouTube videos promoting Celsius as a populist and egalitarian alternative to the traditional banking system, which he said was ripping off customers. By June, he had recorded 179 "ask me anything" videos, most of which were about an hour long, according to the suit.

Mr. Mashinsky's pitch worked. In 2021, Celsius, which was based in New Jersey, managed assets valued at $20 billion.

But cracks emerged as the crypto industry started teetering in May. As Celsius grew larger, the lawsuit said, the company struggled to generate enough revenue to pay high yields.

"In search of revenue, Celsius moved into significantly riskier investments, extending hundreds of millions of dollars in uncollateralized loans, and investing hundreds of millions of dollars in unregulated decentralized finance platforms," the lawsuit said.

Some of Celsius's risky loans went to Alameda Research, the crypto hedge fund founded by Mr. Bankman-Fried. Between 2020 and 2022, the lawsuit said, Celsius lent Alameda roughly $1 billion. As collateral for the loans, Celsius accepted a crypto token that Mr. Bankman-Fried had invented, called FTT. The price of FTT plummeted this fall, contributing to the downfall of Alameda and FTX.

By then, Celsius was already in deep trouble. The company collapsed in June and filed for bankruptcy the next month. After a brief attempt to revive the firm, Mr. Mashinsky resigned in September. Now customers are scrambling to recover what remains of their savings, recruiting lawyers to represent them in the bankruptcy process.

ART Alex Mashinsky, founder of Celsius, is accused of defrauding investors. (PHOTOGRAPH BY BENJAMIN GIRETTE/BLOOMBERG) This article appeared in print on page B5.

CO wnxdwz : Celsius Network LLC | ftxdig : FTX Trading Ltd

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PUB The New York Times Company

AN Document NYTF000020230106ej160003n

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The New York Times

CLM Jessica Grose

SE Opinion

HD **The Hour Between Babe and Hag**

BY By Jessica Grose

WC 1,834 words

PD 4 January 2023

ET 14:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

I had never heard of Sam **Bankman-Fried** until his disheveled image began to dominate my news feeds in November — probably because whenever someone says “crypto” or “blockchain,” my eyes glaze over, and I enter a fugue state. Most photos I’ve seen of this 30-year-old man — accused of orchestrating a massive, yearslong fraud through his cryptocurrency exchange, **FTX** — depict him wearing ill-fitting T-shirts and shorts, sometimes with black sweat socks spilling out of his sneakers.

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As The Wall Street Journal’s Jacob Gallagher put it: “The erstwhile monetary whiz kid was rarely seen in anything other than an oversize shirt and equally baggy khaki shorts. Slovenly attire was the centerpiece of the Sam Bankman-Fried brand.”

Every time I read the news and see Bankman-Fried’s unkempt visage, I’m filled with just a little bit more rage, because I know — women know — that investors would never entrust a young woman looking this sloppy with a single cent, much less billions of dollars, for the equivalent of magic beans.

I get angry because Bankman-Fried reminds me that what experts call gendered ageism affects women both young and old. There seems to be about 10 years when you can hope to be taken seriously at work, and the ante for even sitting in the game means you’d better be dressed absolutely appropriately — whatever that even means — at all times and at every age. You’d better act as if you don’t have kids or convey in the most overt way possible that they’re always being taken care of by somebody else and never cause a single work-life conflict.

I like to think of that small window — in which you might maybe, possibly, in the best-case scenario be seen as competent — as the hour between babe and hag. Tetyana Shippee, a social gerontologist at the University of Minnesota School of Public Health, told AARP in June that “From ages 18 to 30, women report age discrimination due to being too young. From your mid-30s to your mid-40s is a safe time. Then age discrimination starts to pick up again after age 50, and it’s especially high after 55-plus.”

“Gender stereotypes frequently create a no-win situation for women leaders. The impact is even greater for women who hold multiple marginalized identities,” Lauren Pasquarella Daley, the leader of Catalyst’s women and the future of work initiative, told me via email. As Fortune’s L’Oreal Thompson Payton wrote of Bankman-Fried and his messy ilk, “a Black woman could never. Black women rarely get a first chance, let alone a second chance, and when we are promoted into leadership positions, it’s often without the resources we need to succeed.”

Catalyst’s research has found that women, no matter their ages or backgrounds, are walking a tightrope between being seen as effective and being seen as nice: “Women are often viewed as either competent or likable but rarely both. As a result, women have to spend more time overcoming these biased impressions and often have to prove their competence as leaders” repeatedly, Daley said.

Joan Williams, the founding director of the Center for WorkLife Law at the University of California College of the Law, San Francisco, called this pressure “prove it again” bias in a 2015 Harvard Business Review article about why women are underrepresented in STEM fields. “Two-thirds of the

women interviewed, and two-thirds of the women surveyed, reported having to prove themselves over and over again — their successes discounted, their expertise questioned," she wrote.

When you're in your 20s and early 30s, proving competence can also mean dodging unwanted sexual attention and infantilization. In the FTX universe, this meant that Bankman-Fried could parade around in drab, even dirty-looking playclothes and still serve as the respectable face of crypto while Caroline Ellison, Bankman-Fried's colleague with whom he was romantically involved, was characterized in a now-deleted puff piece on Sequoia Capital's website as "bubbly" and for no real reason pictured in a cosplay ensemble with the description, "dressed as a sultry wood nymph."

Ellison's "sultry" costume, however, appears to be a modest long-sleeved shirt and black skirt that wouldn't be inappropriate for church as long as she ditched the accompanying light-up crown. (Sequoia invested in FTX and subsequently apologized to its investors; Ellison pleaded guilty to fraud charges in December.)

In my early career, trying to prove my competence meant, as an intern, rejecting advances from an older, more senior male colleague and being criticized repeatedly and publicly for my young-sounding voice, despite efforts to eliminate my upspeak. Most memorable was when a big-time magazine editor who had never met me looked me and my outfit — a tailored jumpsuit and heels — up and down and said, "That isn't what I thought you'd look like at all." To this day, I'm not sure if it was a backhanded compliment (I assumed you were a frump!) or a straight-up insult (I figured you'd be more attractive). Either way, it was an insidiously effective power move. And the subtext was clear: Your looks and presentation matter, and they are being assessed.

Then tack on the motherhood penalty, the reality that having kids tends to be bad for women's careers and good for men's — and is the biggest cause of the gender wage gap. The bias against mothers at work, which can happen at any age, can be so strong, it has been referred to as a wall — though there's evidence that it recedes as children get older.

My children are a bit older now, but unfortunately that means that, at 40, I'm also "older." Research has found that age discrimination against women at work can start as early as 35, though Catalyst notes that "younger women (under age 45) are more likely to be called back for another interview (almost double the rate for older women)." There's age discrimination against older men at work as well, but it may start a bit later than it does for women, and women often feel more pressure to take cosmetic steps like getting Botox or dyeing their hair to mitigate the signs of aging.

Returning to Bankman-Fried, my point here is not that we shouldn't give younger people a chance to take big risks. (I probably wouldn't fork over vast sums of money to someone wearing a washed-out T-shirt who was covertly playing a video game during a professional Zoom, however.) Obviously, I'm also not advocating that we break the glass ceiling in the arena of corporate fraud.

Rather, it's that we should be doing due diligence no matter how superficially impressive a wunderkind might seem, and that investors, executives and anyone else in a position to dole out career opportunities should offer well-earned stretch assignments to young women based on the same criteria they use to give them to young men. While I feel grateful and blessed to be where I am in my career, I wouldn't be here without a few editors and bosses taking a flier and allowing me to work on more complex and high-profile projects than those I took on before.

My other wish is that we recognize that there's only so far we can go as individuals toward embracing our aging selves, or our "inner hag," as the psychologist and mythologist Sharon Blackie suggests. Though it's important for us to find power and confidence in aging, all the personal growth in the world won't prevent society's cocktail of sexism and ageism from affecting us if we have to make a living. As we get inundated with a barrage of "new year, new you" content, it's essential that we recognize there's only so far self-actualization can take us.

Still, there are limits to the world's embrace of Bankman-Fried's slob-genius shtick — limits he appears to have tacitly acknowledged. He didn't wear a baggy T-shirt when he pleaded not guilty to fraud and other crimes in federal district court yesterday. He wore a suit and tie.

Want More?

* In 2021, Jessica Nordell and Yaryna Serkez created a simulated workplace called NormCorp to show the impact of gender bias over time. As they explained in an article for Opinion:

NormCorp employees are affected by the kinds of gender bias that are endemic in the workplace. Women's successful solo projects are valued slightly less than men's, and their successful joint projects with men accrue them less credit. They are also penalized slightly more when they fail. Occasional "stretch" projects have outsize rewards, but as in the real world, women's potential is underrecognized

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compared with men's, so they must have a greater record of past successes to be assigned these projects. A fraction of women point out the unfairness and are then penalized for the perception that they are "self-promoting." And as the proportion of women decreases, those that are left face more stereotyping.

* A September 2019 installment of The Times's Work Friend column tackled two questions about age discrimination at work. A senior attorney for AARP Foundation told the writer Megan Greenwell: "We haven't made many inroads in fighting those stereotypes [that older workers] are not flexible, that they're stuck in their ways."

* Fatphobia affects women at work in a way it doesn't affect men. As The Economist reported in December, "Myriad studies find that overweight or obese women are paid less than their thinner peers while there is little difference in wages between obese men and men in the medically defined 'normal' range."

* One BuzzFeed headline from December sort of speaks for itself: "A News Outlet Tweeted That Hilary Duff 'Still' Looks 'Great' at 35, and It's Sparked a Conversation Around People's 'Skewed Perception of Aging' When It Comes to Women."

Tiny Victories

Parenting can be a grind. Let's celebrate the tiny victories.

My 5-year-old told me, "Mama, everyone's path has obstacles." I asked what his obstacles are. "Brushing teeth, getting dressed, going potty." So I guess his life is pretty good.

— Katharine Bernstein, Guilford, Conn.

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AN Document NYTFEED020230104ej14002be

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The New York Times

SE Business/Financial Desk; SECTB

HD **FTX Founder Pleads Not Guilty to Fraud**

BY By Benjamin Weiser, David Yaffe-Bellany and Matthew Goldstein

WC 1,458 words

PD 4 January 2023

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

The founder of the collapsed cryptocurrency exchange **FTX**, who was released on a $250 million bond, returned to New York to appear in court on Tuesday.

Nearly two weeks after he was released by a Manhattan judge on a $250 million bond and ordered to stay with his parents in Palo Alto, Calif., Sam **Bankman-Fried**, the disgraced cryptocurrency executive, returned to New York and pleaded not guilty on Tuesday to charges that he engaged in widespread fraud, paving the way for a possible trial.

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Mr. Bankman-Fried, 30, appeared in Federal District Court in Manhattan, where he faces charges stemming from the implosion of FTX, the cryptocurrency exchange he founded and led. Its collapse resulted in billions of dollars in customer losses.

Mr. Bankman-Fried could ultimately change his mind and plead guilty to at least some of the charges. But his initial response tees up a potentially titanic court fight. The judge, Lewis A. Kaplan, set a tentative trial date of Oct. 2.

Mr. Bankman-Fried did not speak during the hearing, and the not-guilty plea was entered on his behalf by one of his lawyers, Mark Cohen. Throughout the court session, which lasted about half an hour, Mr. Bankman-Fried, wearing a dark jacket and tie, sat between his two lawyers, occasionally scribbling notes and leaning over to consult with one of them.

The hearing was the latest step in an unusually fast-moving investigation. Mr. Bankman-Fried was arrested on Dec. 12 at his luxury apartment in the Bahamas, where FTX was based until it filed for bankruptcy in November.

An eight-count indictment charged him with a multiyear scheme that defrauded customers and lenders, and with violations of federal campaign finance laws. Prosecutors have accused him of misappropriating billions to buy real estate in the Bahamas, trade digital currencies, invest in other crypto companies and make tens of millions of dollars in campaign donations.

After Mr. Bankman-Fried was extradited to the United States in late December, he appeared in court and was granted bail under highly restrictive conditions, including the rule that he stay confined to his parents' home in Palo Alto.

At the hearing on Tuesday, prosecutors requested a new bail condition prohibiting Mr. Bankman-Fried from transferring any funds controlled by FTX or Alameda Research, a crypto hedge fund that he also founded.

The request came in response to claims that circulated last week that Mr. Bankman-Fried was moving cryptocurrencies from digital accounts controlled by Alameda.

Mr. Bankman-Fried denied the reports on Twitter. In court, Danielle Sassoon, an assistant U.S. attorney, said that prosecutors had no evidence that Mr. Bankman-Fried had moved the funds himself, but that they had reason to distrust his public statements.

"We don't put full stock in that simply because our investigation has revealed that he has tweeted knowing false statements before," she said.

Judge Kaplan authorized the bail condition.

The judge also took up a request by Mr. Bankman-Fried's lawyers to keep secret the names of two people who, along with the FTX founder's parents, had agreed to sign bonds to help assure his appearance in court.

In a letter filed with the judge on Tuesday morning, the lawyers noted that Mr. Bankman-Fried's parents -- the Stanford Law School professors Joe Bankman and Barbara Fried -- had in recent weeks become "the target of intense media scrutiny, harassment and threats."

Among other things, the lawyers wrote, the parents had received "a steady stream of threatening correspondence, including communications expressing a desire that they suffer physical harm."

Judge Kaplan said he would grant the request, but left open the possibility that he would revisit the issue if there was opposition.

"I anticipate the possibility that members of the media or others may wish to contest the sealing of that information," Judge Kaplan said.

Mr. Bankman-Fried faces an uphill battle fighting the charges by U.S. prosecutors. As he was flown back to the United States in December, prosecutors announced that two former executives of his crypto-trading empire had pleaded guilty to federal fraud charges and were cooperating in the investigation.

They were Caroline Ellison, 28, who was the chief executive of Alameda, as well as Mr. Bankman-Fried's onetime girlfriend; and Zixiao "Gary" Wang, 29, a founder of FTX.

At the hearing on Tuesday, Ms. Sassoon said the government had also amassed hundreds of thousands of documents, including material turned over by banks, employees, political campaigns, internet service providers and the new leadership of FTX.

When Mr. Bankman-Fried was released on bond last month, a magistrate judge approved a bail package that required him to be confined to his parents' home and to wear an electronic monitoring bracelet. Since then, he has been relatively quiet; usually a prolific tweeter, he has posted only twice in recent days, and only to rebut the claims that he was secretly moving crypto funds.

But he has received at least two visitors at his parents' home. One of them, the author Michael Lewis, is writing a book about Mr. Bankman-Fried, and in the months before FTX's collapse, he met with him in the Bahamas to conduct interviews. Mr. Lewis's visit was first reported by The New York Post and was confirmed by The New York Times.

Mr. Bankman-Fried also met with Tiffany Fong, who runs a crypto-themed YouTube page. She shared an account of the meeting on Substack, writing that Mr. Bankman-Fried seemed "a bit more trepidatious about upsetting his lawyers during this chat than he has in the past." In the weeks before Mr. Bankman-Fried was arrested, Ms. Fong conducted two phone interviews with the FTX founder and posted recordings on YouTube.

The terms of Mr. Bankman-Fried's bail are silent on whether he is allowed to receive visitors to his home and post on social media. On Friday, he posted the two messages on Twitter, disputing claims that after his release he transferred cryptocurrencies from digital wallets associated with Alameda.

Those claims started circulating after crypto experts noticed that digital accounts associated with Alameda were transferring funds. The movement of the money was visible because cryptocurrency transactions are recorded on a public ledger that anyone can access and analyze.

In court, Ms. Sassoon said that prosecutors were investigating the transfers. "While we don't know whether it was the defendant who made these transfers, he did at one point have access to these wallets," she said.

Mr. Cohen denied that Mr. Bankman-Fried had made the transfers.

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Ms. Sassoon also alluded to a brewing jurisdictional battle between FTX's new leadership, which is overseeing the bankruptcy process in the United States, and the government of the Bahamas. She said that Mr. Bankman-Fried had helped foreign regulators obtain FTX assets, and that he had expressed an intention to "stall" the U.S. bankruptcy process.

Since he authorized FTX to file for bankruptcy on Nov. 11, Mr. Bankman-Fried has said repeatedly that he regretted the decision. While Ms. Sassoon was speaking, the FTX founder looked agitated, shaking his head and scribbling a note to his lawyer. Mr. Cohen told the judge that the transfer to regulators that Ms. Sassoon was describing had been ordered by a court in the Bahamas.

Judge Kaplan was assigned a week ago to preside in Mr. Bankman-Fried's case after the original judge, Ronnie Abrams, said she was recusing herself because the law firm Davis Polk & Wardwell, where her husband is a partner, had done work for FTX in 2021. Although her husband was not involved in that representation, she said, she was withdrawing to "avoid any possible conflict, or the appearance of one."

Prosecutors have vowed to continue investigating, and it's possible more executives in Mr. Bankman-Fried's orbit could be charged. On Tuesday, Damian Williams, the U.S. attorney for the Southern District of New York, announced the creation of a special FTX task force of prosecutors drawn from his office's units that investigate securities fraud; public corruption; and money laundering and transnational crimes. The task force will be led by Andrea Griswold, the chief counsel to the U.S. attorney.

Liset Cruz contributed reporting.

Liset Cruz contributed reporting.

ART Sam Bankman-Fried, center, arrived at court in Manhattan on Tuesday. (B1); Sam Bankman-Fried departing the courthouse for the Southern District of New York. The judge, Lewis A. Kaplan, set a tentative trial date of Oct. 2. (PHOTOGRAPHS BY KARSTEN MORAN FOR THE NEW YORK TIMES) (B3) This article appeared in print on page B1, B3.

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The New York Times

CLM DealBook Newsletter
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HD **How Sam Bankman-Fried Negotiated His Way Out of Jail**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni

WC 1,951 words
PD 3 January 2023
ET 12:37 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Intense legal wrangling led to the disgraced crypto mogul paying virtually nothing to live with his parents ahead of his upcoming trial. He returns to court on Tuesday.

The truth about **Bankman-Fried**'s historic bail deal

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Andrew here. Happy New Year and welcome back to DealBook. We're looking forward to a big 2023.

One story line we'll be following, of course, is the saga of Sam Bankman-Fried and FTX. The fallen crypto mogul is scheduled to be in court in New York on Tuesday, where he is expected to plead not guilty. We'll bring you all the behind-the-scenes details in Wednesday's newsletter.

But one question that came up over the holidays — perhaps even at your own gathering — was: Why was Mr. Bankman-Fried granted bail, allowing him to stay out of prison and live at his parents' home, before his trial? It was especially puzzling because his bail was set at $250 million, and he had told me at the DealBook Summit that he had only $100,000 to his name.

Over the break, I spoke with many involved in Mr. Bankman-Fried's extradition from the Bahamas to the United States and with his bail arrangement. It's a fascinating story of deal-making and negotiation, driven in large part by public perception.

First, it's worth explaining how bail actually works. When a judge sets bail, the accused doesn't have to put up that entire amount to stay out of prison. The figure is instead what the accused would have to pay if he or she doesn't show up for court. Typically, the defendant posts bond, which is about 10 percent of bail — though that's not a hard-and-fast rule. Bond could also be provided as collateral or as cash and can be posted by others, including friends or a bail bond agent.

For prosecutors, bail is meant to be a strong disincentive to flee, not to make a statement about justice. In fact, the legal system would prefer defendants who aren't a danger to others to stay out of prison, reducing costs. (The annual cost of detaining an inmate in New York City, for example, is over $500,000.)

Mr. Bankman-Fried had another point of leverage: U.S. prosecutors had wanted to extradite him from the Bahamas quickly, to avoid both the perception of slow-moving justice and his getting hurt in a Bahamian jail before being moved to the U.S. If he had fought extradition, he would most likely have lost that fight, but it would have cost the U.S. time and money. In return, he wanted to stay out of prison before trial.

The Justice Department and Mr. Bankman-Fried's lawyers ultimately negotiated over how to extradite him in exchange for letting him stay out of prison without posting a huge bond, given his lack of funds. So while prosecutors could herald a $250 million bail, one of the highest in history, he was ultimately released on something closer to his own recognizance, which is also a standard arrangement.

Prosecutors did demand that his parents post their home as collateral and co-sign the bail deal, expecting that Mr. Bankman-Fried wouldn't want to hurt his family.

Of course, many FTX customers remain furious about this arrangement, given how many poorer defendants are stuck in prison. What do you think? Let us know at dealbook@nytimes.com.

HERE'S WHAT'S HAPPENING

Tesla investors fret over missed sales goal. Shares in Tesla were down over 3 percent in premarket trading, after the carmaker disclosed sales growth in its most recent quarter that fell short of analysts' expectations. The announcement will put more pressure on Elon Musk to focus on making cars rather than running Twitter.

Southwest Airlines' travails continue. The embattled carrier canceled or delayed hundreds of flights on Monday, after saying it had resumed "normal" operations on Friday. It's the latest setback for Southwest, which has faced criticism from customers, employees and government regulators for a huge number of flight disruptions over the holidays.

The Virgin Islands' attorney general is ousted. Denise George, who struck a $105 million settlement with the estate of Jeffrey Epstein late last year, was removed from her job days after suing JPMorgan Chase in connection with her investigation into the late financier. According to news reports, Ms. George hadn't notified Gov. Albert Bryan about the lawsuit before it was filed.

U.S. News & World Report plans changes to its law school rankings. The publication said on Monday that it would revamp its list of top schools, including by giving more credit to institutions whose students pursue advanced degrees, and less credit to surveys of their reputations. The move comes after top schools like Harvard and Yale said they would boycott the rankings.

The N.F.L. is criticized for delay in postponing play after Damar Hamlin's collapse. Several commentators and former players said the league took too long to halt the game between the Buffalo Bills and the Cincinnati Bengals last night after Mr. Hamlin, a Bills safety, collapsed nine minutes in. (The Bills later said he had suffered from cardiac arrest.) Scores of supporters, including LeBron James and the Disney C.E.O. Bob Iger, offered public support for Mr. Hamlin.

Chaos greets House Republicans

The new year is off to a rocky start for House Republicans, with internal disarray and scandal threatening to delay the new majority's stated agenda to challenge, among other things, the Biden administration's new rules on E.S.G. investing. Before that, the chamber must vote on a speaker. Kevin McCarthy of California, the top Republican, is struggling to muster support, potentially putting the congressional session in peril.

The House leadership vote could go into overtime, as a small contingent of ultraconservative Republicans who oppose Mr. McCarthy may force more rounds of ballots. To secure the 218 votes to clinch victory, Mr. McCarthy has already made concessions, including a proposed rule change making it easier to remove the speaker. Still, he needs every vote he can get, which may explain why he has been silent about his problematic new colleague, Representative-elect George Santos of New York.

A Times investigation revealed that Mr. Santos had fabricated most of his résumé, including details about a career on Wall Street. (He has since admitted that much of his history was fiction.) Mr. Santos is facing scrutiny into his campaign finances and spending, and could face a congressional ethics inquiry once seated. Some Republican lawmakers have joined the chorus of Democrats who say that Santos should not assume office. But with the Republican majority so slim, Mr. McCarthy needs the support Mr. Santos has promised him.

The bumpy start doesn't bode well for House business in 2023. The Republican strife has already delayed committee appointments and could soon leave staff members without pay. More critically, this initial acrimony signals the challenges a new Republican leader will have in keeping the party united over key issues.

At the state level, however, change is already afoot with new laws in effect for the new year:

* California and Washington are requiring employers to post salary ranges on job listings; prospective bosses in Rhode Island must provide a range if requested. Some employers are already finding ways to sidestep new pay transparency rules.

* There are minimum wage increases in 23 states, with Washington paying the top hourly rate at $15.74, and California at $15.50.

* Massachusetts residents will pay a 4 percent tax surcharge on income over $1 million.

Winners and losers of 2022

Stock markets around the world are off to a decent start for 2023, with exchanges from Hong Kong to Paris in positive territory this morning. That's little consolation for investors who endured a brutal 2022.

Here are some of the highlights and lowlights from last year:

* The S&P 500 fell 18.1 percent on a total returns basis, its largest annual decline since 2008.

* In crypto, Bitcoin tumbled 64.3 percent, while Ethereum plummeted 67.5 percent.

* It wasn't just stocks and crypto in the red: The global bond market "fell into a bear market for the first time in 70 years," the research analysts Jim Reid and Henry Allen of Deutsche Bank wrote to investors this morning. One reason was that investors are concerned about a global recession.

* Among those that did well were Brazil's Bovespa, Greece's Athex, India's Nifty, the United Kingdom's FTSE 100, the Dow Jones Stoxx 600 banks sector and the S&P 500's energy sector. All finished the year higher.

"We expect one-third of the world economy to be in recession. Why? Because the three big economies — U.S., E.U., China — are all slowing down simultaneously."

— Kristalina Georgieva, managing director of the International Monetary Fund, delivers a gloomy year-ahead outlook.

The week ahead

It may be a holiday-shortened week, but there will be a lot of economic data released, plus a smattering of corporate earnings. And get ready for plenty of headlines about new tech gadgets. Here's what to look for:

Tuesday: After the New Year's break, stock markets reopen in New York and London. At 7 a.m. Eastern, S&P 500 futures were 0.3 percent higher in premarket trading, and Britain's FTSE 100 was up by nearly 1 percent.

Wednesday: Minutes from the December meeting of the Fed's Open Market Committee will be published. Investors will look for clues into how the central bank might set interest rates this year.

Thursday: Earnings from Walgreen Boots Alliance, Conagra and Constellation Brands are on deck. CES, the annual consumer tech trade show, opens in Las Vegas and runs through Jan. 8.

Friday: The jobs report comes out before the opening bell. Economists expect December payrolls to rise by 200,000. Investors fear that a big increase could push the Fed to keep up its aggressive pace of interest rate increases.

THE SPEED READ

Deals

* SpaceX has reportedly clinched $750 million in new funding at a $137 billion valuation, led by the venture firm Andreessen Horowitz. (CNBC)

* The bankrupt movie theater operator Cineworld said it won't sell individual assets and denied holding sales talks with its chief rival, AMC. (Reuters)

* Funds at Fidelity marked down the value of their stakes in Twitterby over 50 percent. (Reuters)

Policy

* Meta is reportedly set to decide soon whether to let Donald Trumpback on Facebook and Instagram, after Elon Musk's Twitter did so in November. (FT)

* The European Parliament's president moved to start the process for waiving legal immunity for lawmakers accused of participating in a bribery scheme allegedly run by Qatar. (Bloomberg)

* Talk of banning TikTok in the U.S. has moved from Washington to a city council in South Dakota. (WSJ)

Best of the rest

* With stocks and bonds languishing, a wave of retail investors have found a new market to tap: commodities trading. (FT)

* Looking to bolster tourism and overseas business, Dubai scrapped a 30 percent tax on the sale of alcohol. (NYT)

* Twitter's San Francisco landlord is suing the company for $136,260 in unpaid rent. (WSJ)

* Britain faces the deepest recession among G7 nations. (FT)

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ART Sam Bankman-Fried is due back in court today. | Justin Lane/EPA, via Shutterstock

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RE usa : United States | uk : United Kingdom | eurz : Europe | namz : North America | weurz : Western Europe

IPD United States Politics and Government

PUB The New York Times Company

AN Document NYTFEED020230103ej13002bd

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The New York Times

CLM SCREENLAND
SE Magazine Desk; SECTMM
HD **Heel Turn**

BY By Robin Kaiser-Schatzlein
WC 1,234 words
PD 1 January 2023
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 7
LA English
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LP

Operating in shadows, he was a hero; in the light, he quickly became a villain.

On Sept. 16, CNBC's "Squawk Box" aired a segment about Sam **Bankman-Fried** -- the chief executive, at the time, of the cryptocurrency exchange **FTX** -- and his recent spree of acquisitions in the wake of an industry downturn. "They call him the J.P. Morgan of crypto, right?" the host asked, comparing **Bankman-Fried** to a financier with so much money he backstopped myriad failing banks in order to stabilize the entire financial sector. "The White Knight of Crypto," read the text at the bottom of the screen.

TD

Over a shot of Bankman-Fried trotting through a parking lot in the Bahamas, a reporter repeated facts I have come to think of as the Precrash Litany of Sam Bankman-Fried: He's a multibillionaire at 30, he drives a Toyota Corolla, he lives in the Bahamas with nine roommates and a goldendoodle. He has gotten richer, faster, than almost anyone in history, having started his best-known company in 2019. In an interview, he perched on a stool and talked about the moves that drew the Morgan comparison: self-sacrificing investments his firm made in the interest of saving, in his words, the larger crypto "ecosystem."

Two months later, the "White Knight" narrative was tossed in the office trash can and lit on fire. The crypto publication CoinDesk had reported on documents that shook people's faith in Bankman-Fried's companies, and soon most everyone apart from the goldendoodle -- investors, customers, employees -- rushed for the doors. In a snap, Bankman-Fried was deposed as chief executive, and FTX filed for bankruptcy. The Nov. 11 edition of "Squawk Box" featured Anthony Scaramucci, whose SkyBridge Capital sold a 30 percent stake of its fund to Bankman-Fried around the time of those "White Knight" bailouts. "I don't want to call it fraud at this moment, because that's actually a legal term," he said. But you sensed that he very much did want to call it fraud, the legal word.

The rapidity of this shift, especially in financial media, was enough to give a casual observer whiplash. In 2021, Forbes featured Bankman-Fried on its cover for its list of the 400 richest Americans, with a buoyant profile inside focused on the youthful billionaire's promises to donate his expanding wealth. Switch to this past fall, and the magazine posted a video titled "'Devil in Nerd's Clothes': How Sam Bankman-Fried Fooled Everyone."

On YouTube, the top comments on precollapse coverage of Bankman-Fried now tend to be sarcastic allusions to this shift. ("Kudos CNBC for recognizing a solid businessman!") On Twitter, angry FTX customers have berated crypto journalists for their perceived failures. But the media was hardly alone in rapidly changing its tenor; almost nobody told a consistent story before and after the crash. Even among the angriest commentators, few had picked up on details like Bankman-Fried's relative lack of philanthropy compared with all the stories about his grand plans for philanthropy. Far from being isolated, credulousness abounded.

Bankman-Fried insisted on remaining the main character of this story long after lawyers advised against it, giving numerous on-the-record interviews and appearing at The Times's DealBook Summit conference. The saga of his ascension and decline grew larger and larger, in part because it told a rare crypto story: the kind legible to those uninterested in crypto. On the way up, he was a budding philanthropist. On the way down, he was proof, to those who wanted it, that crypto businesses were not much more than a shell game. In mid-December he was arrested in the Bahamas and charged with a wide variety of fraud in the United States, and the blockbuster financial thriller stood to become a legal one.

Theranos, WeWork, countless early dot-coms and pre-2008 financial instruments: Almost all began as exciting business stories about people and companies that seemed poised to remake their industries in innovative ways and had the capital, growth or returns to suggest they might be on to something. Those articles continued right until the businesses imploded amid revelations of fraud, incompetence or brazen recklessness. "Whom the gods would destroy," Paul Krugman wrote in a 2001 Times column about Enron, "they first put on the cover of Businessweek."

These sorts of seductively optimistic possibilities -- promises like painless blood testing or office space that builds community -- naturally draw attention, but they also sit at the heart of deception and fraud. The worst narrative implosions may be less about bad individuals than how easy it can be to hide consequential information that might help reveal the difference. Public companies based in the United States must regularly open their books to investors, but private ones have no such obligation -- especially ones based offshore, as FTX was. Private wealth has soared over the past 20 years, and so has the number of private companies, leading one S.E.C. official to warn recently that a rapidly increasing portion of the economy is "going dark." This can enable dangerous carelessness or fraud. John Jay Ray III, the man brought in to clean up after Bankman-Fried -- the man tasked with the same job in the Enron bankruptcy -- said he'd never before seen "such a complete failure of corporate controls and such a complete absence of trustworthy financial information." On one hand, those outside the firm may have failed to do their due diligence; on the other, it would have been impossible had they tried.

All this opacity can scramble our ability to tell accurate stories, allowing for only two speeds: full throttle and roadside car fire. What little people did know about FTX supported, in a very real way, the tale the company was telling; people really did entrust Bankman-Fried with billions, and that really did give him newsworthy power and influence. It was when the public no longer bought this story that the money rushed out. His power was contingent on belief, an all-or-nothing proposition that media coverage feebly reflected. It's not surprising that Bankman-Fried says he opposed filing for bankruptcy, a process that reveals heaps of information in public filings; he believed, rightly, that if he could somehow win back people's confidence, everything could continue.

Bankman-Fried now seems less like the main character in his own story and more like an empty vessel into which people poured torrents of cash, hoping to create the crypto dreamworld they desired. The problem we must reckon with is that even if the story people told about him was inaccurate, there was incontrovertibly a story to tell -- his success and influence were real enough to alter the world while they existed. Yet almost no one had access to the information necessary to make that story more accurate or reveal the basis of that success. So we got a laudatory story followed by a heaping platter of schadenfreude. There's always next time, right?

Source photograph: Jeenah Moon/Bloomberg, via Getty Images; Alex Wong/Getty Images

ART (PHOTOGRAPH BY JEENAH MOON/BLOOMBERG, VIA GETTY IMAGES.) (MM7); (PHOTOGRAPHS BY ANTHONY GERACE; JEENAH MOON/BLOOMBERG, VIA GETTY IMAGES; ALEX WONG/ GETTY IMAGES; SCREEN GRAB FROM YOUTUBE.) (MM8-MM9) This article appeared in print on page MM7, MM8, MM9, MM10.

CO ftxdig : FTX Trading Ltd

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NS gcat : Political/General News | ncolu : Columns | ncat : Content Types

RE bah : Bahamas | caribz : Caribbean Islands

IPD Magazine Desk

PUB The New York Times Company

AN Document NYTF000020230101ej110003r

The New York Times

CLM THE SHIFT
SE Business/Financial Desk; SECTB
HD **Good Tech Awards: What Went Right in 2022**

BY By Kevin Roose
WC 1,519 words
PD 30 December 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 1
LA English
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LP

The year 2022, in the tech world, was one of big leaps and even bigger pratfalls.

The falls included some of the industry's most recognizable names. Sam **Bankman-Fried** began the year as the biggest celebrity in crypto, with a net worth of more than $20 billion, and ends it as a disgraced pariah who is facing criminal fraud charges. Elon Musk began 2022 as the world's richest man, with a thriving electric car company and a name synonymous with success; he ends it more than $100 billion poorer, as the bitter and beleaguered owner of a social media company that seems to be ruining his life.

TD

The tech industry struggled, too, with harsh macroeconomic conditions, including high inflation and rising interest rates. As the sector's decade of hypergrowth came to an end, start-ups died, tech giants cut perks and laid off workers, and investors' dreams of a new, crypto-fied internet known as "web3" faded into oblivion.

But focusing exclusively on what went wrong risks missing the many noble, clever and socially valuable tech projects that made progress this year.

For several years now, I've highlighted these kinds of projects in my annual Good Tech Awards column. These aren't necessarily technologies that I'm sure will improve the world, while causing no problems whatsoever. They're tools that I believe could improve the world, or help address thorny societal challenges. Some of them could also go quite badly, if they're mismanaged or co-opted in harmful ways.

There were many to choose from this year. Here's what made the final cut.

To OpenAI and the makers of Midjourney and Stable Diffusion, for proving that A.I. can create

The splashiest tech breakthrough of the year, by a significant margin, was the boom in "generative A.I." -- a term for the new type of artificial intelligence apps, trained on vast amounts of data, that can create new media objects out of thin air.

This year, A.I. image generators like DALL-E 2, Stable Diffusion and Midjourney dazzled users (including me) with their creations and set off a Cambrian explosion of new, ultracapable A.I. tools. In recent weeks, ChatGPT, a text-generating A.I. built by OpenAI, became a viral sensation (and every teacher's worst nightmare) when it started cranking out term papers, original poetry and working snippets of code.

Some credit for the generative A.I. boom should go to Google, which created much of the foundational technology. But this year, Google (which has kept most of its A.I. experiments private, to its recent chagrin) got one-upped by OpenAI, as well as the makers of Midjourney and Stable Diffusion, all of which released public-facing products that allowed millions of people to experience generative A.I. for themselves.

The ultimate effects of generative A.I. are still unknown. Some people argue that these apps will destroy millions of jobs, while others argue that they'll be a boon to human creativity. But whether you're an A.I. optimist or pessimist, this year's advances mean that we are no longer debating theoretical costs and benefits -- the tools have arrived, and we now get to decide how to use them.

To Ethereum developers, for pulling off the merge

I know, I know. Putting a crypto project in a "good tech" list in 2022 feels like putting credit default swaps in a "cool financial innovations" list in 2008.

But while the crypto industry took a nosedive this year -- wiping out trillions of dollars in value and leaving many investors empty-handed -- there was at least one bright spot. In September, Ethereum, the network behind the second most valuable cryptocurrency after Bitcoin, completed what was known as "the merge" -- a hulking, years-in-the-making project to switch Ethereum from an energy-guzzling form of blockchain known as "proof of work" to a much greener form of blockchain known as "proof of stake."

The switch, which crypto developers compared to trying to swap a plane's engine in midair, was a smashing success, and cut the energy required to power Ethereum by more than 99 percent. (It didn't, however, boost the price of the cryptocurrency, Ether, which ended the year down nearly 70 percent.)

To Living Carbon, Twelve and BeeHero, for turning tech on the climate crisis

While 2022 was a horrible year for start-up fund-raising in general, it was a great year for climate tech start-ups, which raised billions of dollars to bring climate-friendly technologies to market.

There are too many promising climate tech start-ups to name -- and, to be honest, I don't know enough about climate science to tell which ones stand the best chance of succeeding -- but a few that caught my eye this year were Living Carbon, Twelve and BeeHero.

Living Carbon, a three-year-old California start-up, is genetically engineering trees and other plants to capture and store more carbon from the atmosphere. These G.M.O. supertrees, the company claims, grow bigger and faster than normal trees and can survive in soil with metal concentrations that would be toxic to other plants.

Twelve, which is based in Berkeley, Calif., is using a novel electrochemical process to turn carbon dioxide into industrial products as varied as sunglasses and jet fuel. The company raised a $130 million funding round this year and struck deals with companies like Mercedes-Benz and Procter & Gamble.

BeeHero, which was started in Israel in 2017, is using new technology to address problems facing one of the most important parts of our global food supply: bees. Bees pollinate more than one-third of all crops, but they are dying off at alarming rates, setting off fears of a food shortage. To tackle this, BeeHero developed a "precision pollination platform" -- basically, a bee-tracking sensor system that allows for industrial beekeepers to monitor the health and productivity of their hives in real time. The company raised a $42 million Series B (Series Bee?) round this year from investors including General Mills.

To the National Ignition Facility, Commonwealth Fusion Systems and Helion, for keeping the fusion dream alive

Nuclear fusion, an emissions-free form of energy generation that has long been viewed as the "holy grail of energy," took a few important steps toward reality this year.

The biggest fusion news of the year came just a few weeks ago when scientists at the National Ignition Facility at Lawrence Livermore National Laboratory in California crossed a major threshold known as "ignition," creating a fusion reaction that generated more energy than it took to produce. That breakthrough was hailed by officials including Jennifer M. Granholm, the secretary of energy, who called it a "landmark achievement."

Many start-ups have also been plugging away on fusion. One, Helion Energy, has raised hundreds of millions of dollars from well-known investors including Sam Altman, Dustin Moskovitz and Peter Thiel to create affordable, mass-market fusion technology. Helion says it plans to create energy with its next fusion reactor, Polaris, by 2024. Another company, Commonwealth Fusion Systems, which was spun out of the Massachusetts Institute of Technology in 2018, is using an array of powerful magnets to power its prototype fusion machine outside Boston, and plans to have it up and running by 2025.

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Experts have cautioned that despite the latest breakthroughs, affordable fusion power may not be widely available for years. But this year, both the public and private sectors offered a glimpse of a fusion-powered future.

To Locket, for making photo-sharing fun again

If 2022 was the year when social media died, it was also the year when start-ups began trying to recapture what had made social media fun in the first place.

One app I've loved using this year is Locket. It's a very simple premise -- a widget that is installed on your smartphone's home screen, creating a kind of digital photo frame that your closest friends and loved ones can upload photos to.

Locket was created by Matt Moss, a young developer who wanted a way to send photos to his long-distance girlfriend; this year, the app quickly grew to millions of users, raised a major funding round and won an Apple cultural impact award. There are no filters, preening influencers, data-harvesting schemes or algorithmic feeds on Locket -- it's just an easy, no-frills way to share photos with your loved ones.

My wife and I started using Locket this year to share photos of our kid, in a way that wouldn't require us digging through text chains or huge photo albums to find them later on. It's not the tech product I've used most often, or the one I think will create the most net good for society. But it's fun, uncomplicated and respectful of its users -- three qualities to which more tech products should aspire.

ART This article appeared in print on page B1, B7.

NS gcrim : Crime/Legal Action | ncolu : Columns | gcat : Political/General News | ncat : Content Types

RE usa : United States | namz : North America

IPD Business/Financial Desk

PUB The New York Times Company

AN Document NYTF000020221230eicu0004f

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The New York Times

SE Business/Financial Desk; SECTB
HD **The Digest**
BY By The Associated Press and Reuters
WC 521 words
PD 28 December 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 2
LA English
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LP

Cryptocurrency

Bankman-Fried Case Gets No-Nonsense Judge

TD

A Manhattan federal judge known for swift decisions and a no-nonsense demeanor during three decades of overseeing numerous high-profile cases was assigned Tuesday to Sam Bankman-Fried's cryptocurrency case.

The case was relegated to Judge Lewis A. Kaplan, 78, after the judge originally assigned recused herself because her husband worked for a law firm that had done work related to Bankman-Fried's collapsed crypto exchange FTX.

Bankman-Fried, arrested in the Bahamas two weeks ago, was brought to the United States last week to face charges that he cheated investors and looted customer deposits on his FTX trading platform.

On Thursday, he was freed on a $250 million personal recognizance bond to live with his parents in Palo Alto, Calif., after an electronic monitoring bracelet was attached to him so authorities could track his whereabouts.

ASSOCIATED PRESS

REAL ESTATE

Housing Price Growth Slides Into Single Digits

Annual price growth in the increasingly fragile U.S. housing market slid into the single digits in October for the first time in about two years when mortgage rates surged above 7 percent and further stifled demand, a pair of surveys showed on Tuesday.

The S&P CoreLogic Case Shiller national home price index increased by 9.2 percent in October, down from 10.7 percent in September and notching the first single-digit gain since November 2020. Meanwhile the Federal Housing Finance Agency said annual home price growth slowed to 9.8 percent in October from 11.1 percent in September, marking that index's first non-double-digit gain since September 2020.

On a month-over-month basis, S&P Case Shiller's index fell for a fourth straight month, while FHFA's gauge was unchanged.

"As the Federal Reserve continues to move interest rates higher, mortgage financing continues to be a headwind for home prices," Craig Lazzara, managing director at S&P DJI, said in a statement.
REUTERS

INTERNATIONAL

Spain Eases Taxes on Food

To Help Through Crisis

Spain on Tuesday announced a new series of measures including scrapping valued-added tax on staple food, such as bread and milk, and is extending rent and eviction controls to help ease the economic crisis caused by Russia's war in Ukraine.

Prime Minister Pedro Sánchez announced the measures in an end-of-year speech. The government said it would also cut VAT on cooking oil and pasta from 10 percent to 5 percent. Fish and meat products were excluded.

Sánchez said the three packages of aid measures passed since the start of the war in February would cost about 45 billion euros ($48 billion), including 10 billion for the latest round of measures.

He said the aim was "to protect the middle and working classes given the rise in the cost of living, energy and food."

Inflation and energy prices in Spain have fallen in recent months, but many Spaniards continue to suffer. ASSOCIATED PRESS

ART (PHOTOGRAPH BY ALLISON DINNER/GETTY IMAGES) This article appeared in print on page B2.

IN ivicu : Virtual Currencies/Cryptocurrencies | ibnk : Banking/Credit | ifinal : Financial Services | ifmsoft : Financial Technology | itech : Technology

NS e1121 : Home Sales/Housing Affordability Figures | emhpr : Housing Prices Figures | ncdig : Corporate Digests | e11 : Economic Performance/Indicators | ecat : Economic News | ereal : Real Estate Markets | ncat : Content Types

RE spain : Spain | eecz : European Union Countries | eurz : Europe | medz : Mediterranean Countries | weurz : Western Europe

IPD Business/Financial Desk

PUB The New York Times Company

AN Document NYTF000020221228eics0004m

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The New York Times

SE Business/Financial Desk; SECTB

HD In the Bahamas, Sympathy Lingers for Bankman-Fried, Who Donated Millions to Local Entities

BY By Rob Copeland

WC 1,258 words

PD 27 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 3

LA English

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LP

Residents there have a generous view of the disgraced FTX founder, who has been accused of misusing billions of dollars in customer funds.

There's a popular reggaeton phrase, "money can't done," meaning that fabulous wealth makes its own rules. In the Bahamas in recent months, it has become a gleeful reference to the once high-flying resident Sam Bankman-Fried.

TD

From Washington to Wall Street, Mr. Bankman-Fried is now persona non grata. Politicians, investors and cryptocurrency types all but compete to declare most vigorously how little they think of Mr. Bankman-Fried, the fallen founder of the cryptocurrency exchange FTX.

Not so in the Bahamas, where Mr. Bankman-Fried lived for the past year in a lavish gated community on the western shore of New Providence Island, near the nation's capital, Nassau. Few here predicted that he would spend his final week on the island farther inland to the east, in a neighborhood home to high crime and shacks, inside perhaps the Caribbean's most notorious prison.

"I think he had a good heart," said Shemeca Moss, a Nassau school administrator. Ms. Moss was shopping on a recent afternoon at a beauty supply shop a few blocks from Fox Hill prison, where Mr. Bankman-Fried was held for a week before he was extradited to the United States on Wednesday to face sweeping fraud charges.

"He's Bahamian," she added, as part of the explanation for her sympathies.

The connection between Bahamians and Mr. Bankman-Fried, who was born and spent most of his life in California, reflects a complicated set of circumstances. Much as he did in the United States, Mr. Bankman-Fried donated millions of dollars to a dizzying collection of Bahamian charities, churches and government entities -- including the local police. In March, FTX covered the cost of a ritzy resort ballroom used for a state reception to welcome Prince William and Catherine Middleton, then the Duke and Duchess of Cambridge, who were visiting the island.

Once the golden boy of the crypto world, Mr. Bankman-Fried, 30, was arrested this month on criminal charges that included wire fraud, securities fraud, money laundering and violations of campaign finance laws. He is accused of diverting billions of dollars in customer funds to a trading platform he controlled. Two of his top former deputies pleaded guilty last week and are cooperating with federal prosecutors in building the case against him. One of them, Caroline Ellison, admitted to being involved in diverting the customer funds, telling a federal judge, "I knew that it was wrong."

Yet in interviews across the island Mr. Bankman-Fried called home for just over a year, residents almost universally said that while the white-collar nature of his crimes was troublesome, they were hardly comparable to the gang violence that pervades some corners of the island. They expressed fears of economic fallout for the island if he and the other cryptocurrency brethren he attracted didn't return.

Residents may find it easier to commiserate with Mr. Bankman-Fried because it is unlikely that FTX's victims, who prosecutors say lost as much as $8 billion in the fraud, included many locals. Residents of the Bahamas must apply for special permission from the country's central bank to invest in cryptocurrency, and the government levies a percentage fee for the privilege.

Perched on a concrete block in the shade outside the Nassau prison where the onetime wunderkind was held, Patrick Ferguson, a 61-year-old painter and longtime resident, said Mr. Bankman-Fried's alleged crimes paled in comparison with those he generally associated with hard prison time. "It just doesn't make any sense," Mr. Ferguson said.

As the self-appointed standard-bearer for the crypto industry at large, Mr. Bankman-Fried was working to diversify the economy of an island that has long looked to expand beyond tourism, and that was punished by the decrease in visitors caused by the Covid-19 pandemic. He helped organize a spring crypto conference that brought in hundreds of well-heeled visitors. At Albany, the oceanfront compound where he and his associates lived, they were known as generous employers; one delivery driver said he was tipped more than $100 to take a modest Burger King order to a cryptocurrency investor there.

weIn some instances, residents' attitudes reflect simple empathy. "I feel bad for him," said Philip Butler, an elder at the Christian Life Church in Nassau.

FTX's new chief executive, John J. Ray III, in congressional testimony this month accused the Bahamian authorities of illicitly withdrawing $100 million from the cryptocurrency exchange in the hours before it collapsed. Mr. Ray called the process "irregular," and said the authorities had stonewalled his efforts to get answers. The securities regulator for the Bahamas denied that in a statement.

In the Bahamas, the overall crime rate is low, but those found guilty often receive long sentences. Fox Hill, where Mr. Bankman-Fried was held, is known locally as "Fox Hell." It bursts with 1,400 prisoners -- 40 percent more than it was built to house -- and has limited running water, which often comes out brown, according to former prisoners and their families.

A former inmate released this year, Sean Hall, said a typical breakfast was grits with sardines, scooped into a moldy cup. For lunch, unseasoned ground meat with rice is common. Dinner is often not delivered at all. Violence was common, both at the hands of guards and fellow inmates.

By Fox Hill standards, Mr. Bankman-Fried received royal treatment. He was held in the prison's medical wing with as many as five prisoners in a dormitory-style room that was under constant supervision, according to the administrator. A vegan, he was given toast and jam for breakfast; for lunches and dinners, he had stewed greens and other vegetables.

Still, the prison conditions weighed on Mr. Bankman-Fried's decision to cut a deal with U.S. prosecutors to be extradited to the United States, according to a person briefed on the discussions.

The prison's warden, Doan Cleare, said his former charge was "well cared for." Mr. Cleare would not say why Mr. Bankman-Fried was held in the medical bay but did say he received no preferential treatment.

Twenty miles away on the western shore, construction crews continue to hum around Mr. Bankman-Fried's sprawling former home. Scaffolding around new, yet-to-be-completed megamansions could be seen peeking over high, green walls that keep out onlookers. FTX had plans to construct a new boutique hotel, and a corporate headquarters that company executives compared to those of Apple or Google.

Over a Bahamian coffee (filtered brew, Nassau Royale liqueur and generous whipped cream), Jenny Pinder, a sales executive who moved to the Bahamas from St. Louis 15 years ago, said the hullabaloo around Mr. Bankman-Fried had sated her curiosity about his industry.

"I now have such a negative outlook on crypto," she said. "I'm out."

Royston Jones Jr. contributed reporting from Nassau, the Bahamas, and David Yaffe-Bellany from San Francisco.

Royston Jones Jr. contributed reporting from Nassau, the Bahamas, and David Yaffe-Bellany from San Francisco.

ART Sam Bankman-Fried, the founder of the cryptocurrency exchange FTX, spent the past year living in a gated community in the Bahamas. (PHOTOGRAPH BY EVA MARIE UZCATEGUI FOR THE NEW YORK TIMES) This article appeared in print on page B3.

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IN ivicu : Virtual Currencies/Cryptocurrencies | ibnk : Banking/Credit | ifinal : Financial Services | ifmsoft : Financial Technology | itech : Technology | i831 : Financial Investment Services | i83106 : Securities/Commodity Exchange Activities | icryxch : Cryptocurrency Exchanges | iinv : Investing/Securities

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AN Document NYTF000020221227eicr0003y

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The New York Times

CLM DealBook Newsletter
SE Business; DealBook
HD **Bankman-Fried's 'Epic' Legal Battle**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni
WC 1,859 words
PD 23 December 2022
ET 12:21 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

The disgraced crypto entrepreneur was freed on $250 million bond, but is due back in court in early January on federal fraud charges.

Free on bail, **Bankman-Fried** faces "epic" legal fight

TD

Sam Bankman-Fried, the fallen crypto mogul who told The Times last month that his personal fortune had dwindled to $100,000, won't be spending the holidays behind bars. He and his defense team on Thursday negotiated a whopping $250 million bond deal that secured his release from federal custody.

The terms are highly restrictive. Mr. Bankman-Fried, 30, had to turn over his passport and will remain under house arrest at the California home of his parents, the Stanford Law School professors Joe Bankman and Barbara Fried. He's been fitted with a bracelet that monitors his movements, must undergo a mental health evaluation, and will have to get government or court approval for any expenses above $1,000.

The bail deal was negotiated before Mr. Bankman-Fried boarded a plane on Wednesday night back to the U.S. If he misses a court date, or flees, his parents would be liable for that quarter-billion-dollar bond hit.

The legal case against him is moving swiftly. Mr. Bankman-Fried's next court appearance is scheduled for Jan. 3. in Manhattan before U.S. District Judge Ronnie Abrams.

Prosecutors allege that Mr. Bankman-Fried masterminded "fraud of epic proportions," saying he pilfered customer funds to prop up Alameda Research, the firm's trading arm. FTX lost billions in the fallout of the crypto market collapse, leaving a global list of creditors. Bankman-Fried also faces federal charges of violating campaign finance rules.

Top associates have already turned on him. His former roommates — Caroline Ellison, who ran Alameda Research, and Gary Wang, FTX's former chief technology officer — pleaded guilty this week and are cooperating with authorities. Prosecutors are urging more insiders to flip.

The S.E.C. pushed back against calls for new laws to protect crypto investors. In an interview with The Times on Thursday, S.E.C. Chair Gary Gensler said existing rules were adequate and that it was up to industry players to come into compliance. "The roadway is getting shorter," he said, warning that crypto firms needed to register with his agency or could find themselves facing enforcement actions.

In other FTX news:

* FTX's current management team challenged the crypto lender BlockFi's claim to more than $440 million worth of Bankman-Fried's shares in Robinhood, the online trading app.

* Armanino, the auditor of FTX's U.S. business, defended its work for Bankman-Fried even as it said it would abandon its digital assets practice by the end of next month.

HERE'S WHAT'S HAPPENING

Donald Trump was the "central cause" of the Capitol riots. The former presidentcarried out "a multipart plan to overturn the 2020 presidential election," the Jan. 6 House committee said in its final report. The panel also issued a number of recommendations to ensure something similar could not happen again.

Winter storm blasts the middle of the U.S. Airlines canceled flights as white-out conditions and freezing temperatures hit vast parts of the country, upending holiday travel plans, causing power outages and forcing some governors to declare states of emergency. Airline stocks fell sharply Thursday.

The U.S. urges China to share information about its Covid outbreak. Secretary of State Antony Blinken called for "transparency for the international community" in a call with his Chinese counterpart amid concerns that Beijing may be playing down the number of deaths. China's top health authority reportedly estimated that 37 million people were infected on a single day this week, which would make the outbreak the world's largest by far.

TikTok's owner admits to inappropriately obtaining data on U.S. users. The popular video app's parent, ByteDance, said that an internal investigation found that employees had gained access to the I.P. addresses and other information of users, including two journalists. The revelation comes as more than two dozen states have banned TikTok from government-issued devices.

Microsoft hits back at the F.T.C.'s bid to block its $69 billion bid for Activision Blizzard. The tech giant said the deal, the largest in video-game history, wouldn't harm competition. It pointed to concessions it had made, including keeping games accessible to rivals. British and European Union antitrust regulators are also scrutinizing the deal.

Musk to shareholders: No more selling, for now

Tesla bulls, consider this a kind of Christmas gift and New Year's resolution rolled into one: Elon Musk has vowed (again) not to sell any more Tesla shares, this time for at least two years.

Tesla shares plunged nearly 9 percent on Thursday, one of the worst performing stocks on the S&P 500. The electric carmaker's stock is on track for its worst month ever, according to Reuters, as the company faces a whirlwind of challenges — from increasing competition to production woes — that go well beyond Musk's preoccupation with Twitter.

Investors are restless with Mr. Musk. Shares have fallen 60 percent in the past year, wiping out roughly $600 billion from Tesla's market cap. Adding to their grumbles: Mr. Musk has sold nearly $40 billion worth of Tesla shares, primarily to pay for his acquisition of Twitter.

Ross Gerber, the head of Gerber Kawasaki Wealth and Investment Management, and a large Tesla shareholder, has been pleading publicly with Mr. Musk to quit Twitter and return to Tesla full time. Mr. Musk himself blames the economy and the Fed's policy of raising interest rates for Tesla's share slump. Mr. Musk also said on Thursday that his personal Twitter account is "critical" to the performance of Tesla's share price and was adamant that he wasn't neglecting his responsibilities at the car company.

Investors this morning seem to be cheering his pronouncement. At 6:30 a.m. Eastern, Tesla was nearly 1.4 percent higher in premarket trading. Musk also said the company might buy back shares once the economy stabilizes.

Elsewhere in Mr. Musk news:

* Twitter's top advertisers are reportedly still staying away from the platform, depriving the company of a vital revenue stream.

* Twitter rolled out a new feature on Thursday: View Count.

Not the most wonderful time of the year for bankers

Business at Wall Street banks is down, and looking worse for next year. Companies are pulling back from deal-making, lending, and initial public offerings amid rising interest rates and fears of a recession. Investment banking revenue in the United States is expected to have fallen by more than half, to nearly $35 billion as of mid-December. And that will take a toll on banker bonuses, The Times reports.

The bonus pool at top banks has shrunk sharply. At Goldman Sachs, JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley and Barclays, it is expected to be 30 percent to 50 percent less than

last year. “This is going to be a more difficult compensation season at Jefferies, just like it will be for every firm in our industry,” the bank’s chief executive, Richard Handler, and president, Brian Friedman, wrote in a memo to employees.

Top performers may see only a small dip in their bonuses, while a majority of employees may see cuts of 80 percent or more. Some bankers will receive no bonus. Banks expect some workers who receive the Wall Street equivalent of coal in their stocking to leave their jobs, which could reduce downsizing next year.

“Journey is not, and should not be, political.”

— A lawyer for Neal Schon, the founding guitarist of the rock band Journey, wrote in a cease-and-desist letter to the band’s keyboard player, Jonathan Kane, insisting he stop performing at events for former President Donald Trump “as Journey,” and performing Journey songs at those functions.

Scott Minerd, longtime market guru, dies at 63

Scott Minerd, the chief investment officer at Guggenheim Partners and a widely followed commentator on markets and the economy, died on Wednesday of a heart attack during his regular workout, the asset-management firm announced. He was 63.

Mr. Minerd was a towering presence at Guggenheim, both literally — he was a former competitive bodybuilder who frequented Gold’s Gym in Venice, Calif. — and intellectually, as an architect of the firm’s investing strategy. He joined what became Guggenheim in 1998 as a managing partner soon after its founding, having previously worked at Credit Suisse First Boston, Merrill Lynch and Morgan Stanley.

Mr. Minerd helped build Guggenheim into a major asset manager. Thanks in large part to his unconventional investing approach, the firm’s assets under management have grown to about $285 billion. He also became a frequent presence on CNBC and Bloomberg TV, commenting on bonds, markets, Bitcoin and more. Many of his responsibilities will be assumed on an interim basis by Anne Walsh, the chief investment officer of Guggenheim Partners Investment Management.

Mr. Minerd is survived by his husband, Eloy Mendez.

Here’s how he is being remembered on Wall Street:

* “Scott was a key innovator and thought leader who was instrumental in building Guggenheim Investments into the global business it is today,” said Mark Walter, Guggenheim’s C.E.O.

* “He was a brilliant man whom I got to know in the last five or so years. He was an old fashioned handshake businessman whose word was his bond,” tweeted Bill Ackman, the hedge fund mogul.

* “Scott was a fixed-income master — brilliant at deciphering intermediate and long-term changes in interest rates. He was a dear friend and supporter. I will miss him,” tweeted Bill Gross, a co-founder of Pimco and Wall Street’s longtime “Bond King.”

THE SPEED READ

Deals

* YouTube reached an agreement to stream the N.F.L.’s Sunday Ticket game package, in a deal that could be worth as much as $2.5 billion annually. (NYT)

* AMC’s shares plunged after the theater company said it would raise $110 million and proposed a reverse stock split. (CNBC)

* TSMC is in discussions to open its first European chip-making plant, in Dresden, Germany. (FT)

Policy

* Japan’s consumer inflation hit a 40-year high, fueling speculation that the country’s central bank could tighten its ultra-loose monetary policy. (Reuters)

* The British government joined the E.U. and others in criticizing green energy subsidies in President Biden’s Inflation Reduction Act. (FT)

Best of the rest

* Secrecy and high risk: how Volodymyr Zelensky's trip to Washington came together. (WaPo)

* Adidas's new boss will inherit a company in crisis after a year that saw the German sportswear giant embroiled in scandal over Kanye West's anti-Semitic remarks. (FT)

We'd like your feedback! Please email thoughts and suggestions to dealbook@nytimes.com.

ART FTX founder Sam Bankman-Fried is set to return to court on Jan. 3. | Yuki Iwamura/Associated Press

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AN Document NYTFEED020221223eicn002jp

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The New York Times

SE Business/Financial Desk; SECTB

HD Disgraced FTX Co-Founder Freed on $250 Million Bond

BY By Benjamin Weiser, Matthew Goldstein and David Yaffe-Bellany

WC 1,684 words

PD 23 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

The disgraced cryptocurrency executive appeared in court in Manhattan after his extradition from the Bahamas. He will live with his parents in California.

Sam **Bankman-Fried**, the disgraced former cryptocurrency executive, was granted release from federal custody in a Manhattan court on Thursday under highly restrictive bail conditions, including a $250 million bond secured by his parents' interest in their California home and a requirement that he remain in home detention with them.

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It was the latest twist in a swiftly unfolding saga that has turned one of the crypto world's most recognizable paper billionaires into its most prominent villain within weeks, drawing comparisons to Bernie Madoff, the notorious fraudster whose money management operation turned out to be the largest Ponzi scheme in history.

Mr. Bankman-Fried, 30, appeared in federal court just hours after his extradition from the Bahamas, where he was arrested at a luxury apartment complex on Dec. 12. FTX, the exchange that Mr. Bankman-Fried founded, was based in the Caribbean nation.

His release also followed an announcement by Damian Williams, the U.S. attorney for the Southern District of New York, on Wednesday night that two former executives of Mr. Bankman-Fried's businesses, Caroline Ellison and Gary Wang, had pleaded guilty to federal fraud charges and were cooperating with prosecutors. The charges against the executives are likely to further complicate Mr. Bankman-Fried's defense.

The criminal investigation into FTX and its related entities has moved with startling speed. In under two months, FTX went from a flourishing exchange to a bankrupt entity whose executives are facing criminal charges for some of the financial world's most serious violations. Prosecutors have said Mr. Bankman-Fried's crimes led to the implosion of his exchange and billions in customer losses.

Just a few months ago, cryptocurrency enthusiasts hailed Mr. Bankman-Fried as the savior and spokesman of the shambolic industry, willing to bail out other companies and vouch for crypto's legitimacy to lawmakers and regulators. Now, with his fortune gone and charges mounting, Mr. Bankman-Fried faces what is likely to be a colossal legal fight with few good outcomes.

On Thursday, the judge, Gabriel W. Gorenstein, warned Mr. Bankman-Fried that if he failed to appear in court or violated any of the other bail conditions, a warrant would be issued for his arrest and he and his parents would be responsible for paying the hefty bond.

The $250 million personal recognizance bond -- a written promise to appear in court as needed -- will be secured by the parents' Bay Area home, the judge said. Mr. Bankman-Fried was also required to surrender his passport and to receive mental health evaluation and treatment. Any expenses above $1,000 will require prior approval by the government or the court.

As part of the bail arrangement, Mr. Bankman-Fried will live with his parents, the Stanford Law School professors Joe Bankman and Barbara Fried. He will be under strict electronic monitoring, including a bracelet that was to be placed on him before he left the courthouse.

Asked whether he understood, Mr. Bankman-Fried responded, "Yes, I do," the only words he uttered in the hearing, which lasted less than an hour.

Discussions about a bail deal had begun even before Mr. Bankman-Fried was extradited. In court on Thursday, Nicolas Roos, an assistant U.S. attorney, described the proposed package that had been worked out with the defense lawyers.

Mr. Roos said that Mr. Bankman-Fried had committed crimes of "epic proportions" and that the case against him involved cooperating witnesses, encrypted text messages and tens of thousands of pages of financial records. But he noted that Mr. Bankman-Fried had family and community ties and that his wealth had "diminished significantly."

He also pointed out that Mr. Bankman-Fried had consented to extradition. Had he resisted the process, leading to a drawn-out legal fight, it was "a near certainty" the government would have opposed any pretrial release, Mr. Roos added.

Mr. Bankman-Fried was escorted into court by federal marshals. He was wearing a dark suit, his ankles were shackled, and he was seated between his lawyers, Mark Cohen and Christian Everdell. He sat hunched over, with his head tilted down slightly.

Mr. Cohen argued that Mr. Bankman-Fried was not a flight risk and had agreed to return to New York to face the charges. "He wants to address them," Mr. Cohen said.

Judge Gorenstein appeared to agree. "It would be very difficult for this defendant to hide without being recognized," he said. "So I believe that the risk of flight is appropriately mitigated."

Mr. Bankman-Fried has been charged with two counts of wire fraud and six counts of conspiracy related to securities and commodities fraud, money laundering, and violations of campaign finance laws.

Last week, Mr. Williams, the U.S. attorney, called FTX "one of the biggest financial frauds in American history." The charges against Mr. Bankman-Fried could carry what would amount to a life sentence if he was convicted.

When Mr. Madoff's Ponzi scheme unraveled after customers tried to retrieve their funds during the 2008 financial crisis, thousands of victims lost their savings, although much of the money was clawed back. Mr. Madoff was serving a 150-year sentence when he died last year in a federal prison.

The case against Mr. Bankman-Fried echoes another financial scandal from more than a decade ago -- the fall of MF Global, a commodities brokerage firm that collapsed after revelations that it had misused customer funds to prop up its business. Customers lost more than $1 billion.

Mr. Bankman-Fried is accused of funneling billions of dollars of FTX customer deposits to Alameda Research, a crypto hedge fund that he also founded and owned. Regulators and prosecutors say he used customer funds to finance lavish real estate purchases, investments in other companies, political contributions and a celebrity-driven marketing campaign.

In the Bahamas, Mr. Bankman-Fried lived in a luxurious penthouse before his arrest landed him in the island's notorious Fox Hill prison. Now, he is set to live with his parents.

Mr. Bankman-Fried's father and mother have served on the Stanford Law School faculty since the 1980s. Mr. Bankman-Fried and his younger brother, Gabe, grew up on Stanford's campus, in a house next to a student-run cooperative where undergraduates often threw raucous parties.

When Mr. Bankman-Fried started FTX, his parents were enthusiastic supporters. Mr. Bankman was an employee for 11 months, focusing on the company's charitable work. Both parents were in court on Thursday, Ms. Fried dressed in all black and Mr. Bankman with an emotionless expression.

Mr. Bankman and Ms. Fried are not actually paying $250 million to have Mr. Bankman-Fried released. But in theory, they would be liable for that amount if their son fled, and their house could be seized.

Mr. Bankman-Fried's legal jeopardy is growing by the day. The plea deals with the two former executives, Ms. Ellison and Mr. Wang, appear to significantly strengthen the case against him. Both were part of his inner circle in the Bahamas; they lived with Mr. Bankman-Fried in a luxury penthouse with seven others, and Ms. Ellison and Mr. Bankman-Fried have dated at times.

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Ms. Ellison, 28, became the chief executive of Alameda after Mr. Bankman-Fried started FTX. Mr. Wang, 29, helped Mr. Bankman-Fried found Alameda and FTX, before serving as the exchange's chief technology officer. The charges against the two were "in connection with their roles in the frauds that contributed to FTX's collapse," said Mr. Williams, the U.S. attorney.

"The cooperation deals make it significantly harder for Bankman-Fried to argue that he didn't know what was going on at FTX," said Rebecca Roiphe, a former assistant district attorney in Manhattan who is now a professor at New York Law School.

Mr. Wang and Ms. Ellison also agreed to settle civil charges from the Securities and Exchange Commission and the Commodity Futures Trading Commission. Both agencies are pursuing cases against Mr. Bankman-Fried.

The S.E.C. complaint against Ms. Ellison and Mr. Wang provides one of the most detailed accounts to date of the alleged fraud at FTX, claiming that the two cooperators were closely involved in a scheme dating back to the company's founding in 2019.

In 2019 and 2020, the complaint said, Mr. Bankman-Fried instructed Mr. Wang and other FTX engineers to write software code that effectively allowed Alameda to borrow an unlimited amount of money from FTX. That software loophole was the technological basis for Alameda to misuse billions of dollars in FTX customers funds, the complaint claims.

According to the S.E.C. complaint, Mr. Bankman-Fried also worked closely with Ms. Ellison to manipulate the price of FTT, a cryptocurrency that FTX created and that Alameda used as collateral to borrow funds. In 2019, the complaint said, Mr. Bankman-Fried grew concerned about "the psychological effect of the price of FTT dropping below a certain threshold." So he instructed Ms. Ellison to have Alameda purchase FTT to support the price -- a directive that he repeated two years later, in 2021.

In an interview on Thursday, Gary Gensler, the chair of the S.E.C., compared crypto tokens such as FTT that exchanges create to micro-cap fraud schemes, saying they resemble the thinly traded micro-cap stocks of dubious value that insiders control and manipulate.

"This leads to distorted incentives and puts the public further at risk," Mr. Gensler said.

Ephrat Livni, Lora Kelley and Liset Cruz contributed reporting. Kitty Bennett contributed research.

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ART Sam Bankman-Fried, founder of the crypto exchange FTX, leaving Federal District Court in Manhattan on Thursday. (PHOTOGRAPH BY BRITTAINY NEWMAN FOR THE NEW YORK TIMES) This article appeared in print on page B1, B3.

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The New York Times

SE U.S.; Politics

HD **Why No One in Politics Wants to Talk About the Sam Bankman-Fried Scandal**

BY By Blake Hounshell
WC 1,778 words
PD 22 December 2022
ET 00:00 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English

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LP

The fallout from the crypto controversy is widely spread — and it has hit both parties.

Back in May, months before Sam **Bankman-Fried**'s cryptocurrency exchange imploded seemingly overnight, he suggested that he might be willing to spend as much as $1 billion in political donations during the 2024 presidential election.

TD

It was an astronomical sum to throw around — Bankman-Fried later called it "a dumb quote on my part" — but at the time, the crypto kingpin was still an object of curiosity rather than ridicule.

Billboards with his frizzy-haired visage popped up in Manhattan; journalists examined his growing political empire and his "schlubby" personal style. Endless articles were written about "effective altruism," his utilitarian-tinged philanthropic philosophy. At one point, Forbes pegged his net worth as high as $26.5 billion; Fortune ran a cover, cringe-inducing in hindsight, asking, "The Next Warren Buffett?"

It's hard to quickly sum up the extent of the influence operation Bankman-Fried, 30, and his associates built during his meteoric ascent. My colleagues have described it as "a network of political action committees, nonprofits and consulting firms" that "worked to court politicians, regulators and others in the policy orbit."

Last week, Bankman-Fried was arrested in the Bahamas, and a federal grand jury indicted him on eight charges that include wire and securities fraud and money laundering, along with conspiracy to commit those offenses. He has agreed to be extradited to the United States as soon as Wednesday, a decision one of his lawyers said defied "the strongest possible legal advice." Bankman-Fried has denied wrongdoing.

The extraordinary financial scandal has also become a sticky political morass, sucking in dozens of lawmakers and groups. Prosecutors also accused Bankman-Fried last week of defrauding the Federal Election Commission by running what's known as a straw-donor scheme — making political contributions under someone else's name.

Bankman-Fried's contributions, Damian Williams, the U.S. attorney for the Southern District of New York, said last week, "were disguised to look like they were coming from wealthy co-conspirators when in fact the contributions were funded by Alameda Research," a hedge fund closely tied to Bankman-Fried's cryptocurrency exchange, FTX, "with stolen customer money."

FTX, under new management, said on Tuesday that it wanted to recoup that money, and is threatening legal action if the cash is not returned voluntarily. It's not clear how much is considered stolen, but Bankman-Fried and his associates poured at least $70 million into various campaigns over 18 months.

In 2022, Bankman-Fried donated about $40 million to various candidates and political committees, overwhelmingly to Democrats. Those donations were "mostly for pandemic prevention,"

Bankman-Fried has insisted. But a less lofty aim of his influence-peddling, clearly, was to shape federal regulations in his company's favor.

Before his arrest, Bankman-Fried told Tiffany Fong, a YouTube journalist, that he had also donated about the same amount to Republicans in ways, he suggested, that would not necessarily pop up in federal campaign finance reports.

"All my Republican donations were dark," Bankman-Fried said. He did it, he explained, because reporters are "all secretly liberal" and would "freak" if he donated to Republicans in his own name.

"You don't often have someone giving an interview and admitting that," said Donald Sherman, a lawyer who worked on the F.E.C. complaint on behalf of Citizens for Responsibility and Ethics in Washington, a nonprofit group.

A former FTX colleague, Ryan Salame, gave about $24 million in the midterm elections, mostly to Republican candidates and groups. It's not clear if that's what Bankman-Fried was referring to, but his careless comments to Fong prompted an outside group to file a complaint to the F.E.C., which started to show some bipartisan interest in cracking down on straw donors this year.

The F.E.C. can't send people to jail, but the Justice Department certainly can: Getting busted for making straw donations worth more than $25,000 can land you in federal prison for up to five years.

If FTX's cash weren't politically toxic before, it surely is now. Federal regulations require the return of illegal campaign donations, and The New York Timesreported recently that prosecutors were reaching out to the campaigns and committees that took money from Bankman-Fried and his associates to learn more about the nature of those contributions.

For the Democrats who are embarrassed by taking dirty money, perhaps the only blessing of this scandal might be that it's a bipartisan one.

That might be why, as Michael Schaffer noted in an astute column for Politico written before Bankman-Fried's indictment, the two parties aren't firing at each other in Washington. The city's "polarized political-media ecosystem can't do much with a potential scandal," he wrote, "if there's no partisan advantage to drive it."

But the FTX scandal has already become a factor in at least one Democratic primary.

In Chicago, Representative Jesús García, who is known as Chuy and is leading some polls in the city's mayoral race, is under attack by surrogates of Mayor Lori Lightfoot for the fact that one of Bankman-Fried's groups supported García's campaign with about $150,000 worth of direct mail. García is a member of the House Financial Services Committee, which oversees the crypto industry, and Lightfoot's allies have insinuated that his financial ties undercut his claim to be a reformer.

"Congressman García is and always has been a skeptic of cryptocurrencies," his spokesman responded, adding that García had already redirected a $2,900 donation from Bankman-Fried to charity. As for the direct mail, the campaign said, it was an independent expenditure that was spent on his behalf without his involvement.

That isn't likely to be where the blast radius of FTX's implosion ends, however. I chatted with Ken Vogel, an investigative reporter in the Washington bureau of The Times, about the widening scandal. Here is our conversation:

You've been covering money in politics for a long time. Have you ever seen anything like this?

This one stands out. I can't think of another example of a small group of people who so rapidly accrued such a huge amount of cash — legally or otherwise — and then almost immediately started spreading it so widely around the political system in an effort to achieve specific policy goals. Usually, ascendant companies and their executives take a few years to start working Washington in such a concerted way.

As you survey the fallout from Bank-Friedman's donations, what strikes you as the most surprising thing we've learned?

I'm not surprised that the scandal, which is fundamentally about alleged financial fraud, has come to include a significant campaign finance angle.

As questions started percolating about FTX, I began talking to people and reviewing documents outlining its Washington operation. It quickly became apparent that this sudden surge in political and

advocacy spending was not necessarily accompanied by the careful attention to byzantine campaign finance rules that you typically see with efforts involving this much money.

Having said that, the more I learn, the more surprised I am by just how blurry the lines were at FTX between corporate affairs, issue advocacy and political spending.

A lot of Democrats were no doubt surprised to learn that FTX was also donating to Republicans. Why would a crypto company want to play both sides? It wasn't just about "pandemic prevention," was it?

Even if we take Bankman-Fried and his associates at their word that they were deeply concerned about pandemic preparedness, the spending on that issue at times overlapped with spending geared toward creating a favorable regulatory climate for cryptocurrency.

The crypto push was bipartisan because lawmakers and regulators across the political spectrum have an interest in the issue. So the FTX crew worked to cultivate allies in both parties, with Bankman-Fried leading the effort to court Democrats and Ryan Salame, another former FTX executive, leading the effort to court Republicans.

Now that Bankman-Fried has been indicted, there's a scramble to return his donations. Is there any legitimate reason that groups that took his money would need to wait for legal guidance, or are they really just stalling for time?

Some campaigns and committees, or their lawyers, say they are waiting for the Justice Department to set up or endorse some kind of fund through which restitution could be paid to FTX customers who lost their shirts as a result of the company's alleged fraud.

While donating money to charity in amounts equivalent to FTX-linked contributions might provide a nice talking point for a campaign or political action committee, it doesn't necessarily help FTX's victims.

Another reason some groups might be waiting: They received big checks from FTX executives, but don't have that much in the bank to return, because they spent most of their cash in the run-up to the midterms. For instance, House Majority PAC, a group close to Speaker Nancy Pelosi, received $6 million from Bankman-Fried, but the group ended last month with less than $500,000 in the bank.

What to read

* President Volodymyr Zelensky of Ukraine is set to address a joint session of Congress soon after meeting with President Biden. "Regardless of changes in the Congress, I believe there will be bipartisan" support for Ukraine, he said during a news conference beforehand. Follow our live updates.

* In his first three years as president, Donald Trump paid $1.1 million in federal income taxes before paying no tax as his income dwindled and losses once again mounted in 2020, Mike McIntire, Russ Buettner and Susanne Craig report.

* In The New York Times Magazine, David Blightasks whether the Civil War was inevitable — and explores the lessons it holds for our own era of deep division.

Thank you for reading On Politics, and for being a subscriber to The New York Times. — Blake

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ART Representative Jesús García with Mayor Lori Lightfoot of Chicago in July. He is challenging her in next year's race for mayor. | Ashlee Rezin/Chicago Sun-Times, via Associated Press

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The New York Times

SE Business

HD Even After FTX, S.E.C. Chair Sees No Need for New Crypto Laws

BY By Ephrat Livni and Matthew Goldstein

WC 726 words

PD 22 December 2022

ET 20:03 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

The Securities and Exchange Commission chair, Gary Gensler, said existing rules were adequate but warned crypto issuers and exchanges on compliance.

The swift collapse of the cryptocurrency empire FTX is prompting urgent calls in Washington for legislation to rein in the digital asset industry.

TD

But after two top executives tied to FTX pleaded guilty to fraud charges on Wednesday, Gary Gensler, the chair of the Securities and Exchange Commission, is pushing back on calls for new laws, arguing that existing S.E.C. rules and Supreme Court decisions suffice and that crypto issuers and exchanges simply need to come into compliance.

“The roadway is getting shorter,” Mr. Gensler said in an interview on Thursday, warning other crypto issuers and exchanges that are not registered with the agency that they could soon find themselves facing enforcement actions.

On Wednesday, the S.E.C. announced that it had settled civil fraud charges with two former top executives of the FTX empire, Gary Wang, a co-founder of the exchange, and Caroline Ellison, who was the chief executive of FTX’s trading arm, Alameda Research, which used billions in FTX customer funds to back its very risky bets.

The former executives pleaded guilty to criminal fraud charges filed by federal prosecutors in Manhattan, and they are cooperating with the authorities in their investigations of FTX and its founder, Sam Bankman-Fried, who was extradited from the Bahamas on Wednesday night. On Thursday, a federal judge in Manhattan approved a restrictive bail package for Mr. Bankman-Fried.

Among other offenses, the complaint states that Ms. Ellison conspired with Alameda and Mr. Bankman-Fried to prop up the value of FTT, a cryptocurrency that the exchange issued and Alameda used as collateral for its trading activities.

Many other crypto exchanges also issue their own tokens, including the world’s largest, Binance, which issues BNB. Separately, thousands of start-ups issue digital currencies to generate capital for their ventures, and these are traded on exchanges, or “storefronts.”

But only about six in 10,000 or so of the crypto tokens in circulation at any given moment are registered with the S.E.C., Mr. Gensler estimated, which means that investors don’t get the same kinds of disclosures they would get with investments in stocks.

So the public shouldn’t take confidence in the numbers reported about the volumes traded or the tokens’ values, Mr. Gensler said.

“Financial history would tell you that most of these tokens will fail,” he said, because most entrepreneurial ventures do. And “micro-currencies,” or currencies that have very limited acceptance, have not been adopted because they are simply not useful, he added.

Many of those thousands of cryptocurrencies listed on exchanges and websites that track digital asset markets are thinly traded cryptocurrencies, Mr. Gensler said, and are subject to the same kind of manipulation as micro-cap companies, or stocks of small publicly traded companies with a market capitalization of about $50 million to $300 million.

Insiders on these projects can “sell the public on an idea while they’re potentially fraudulently pumping up the stock,” Mr. Gensler said.

“This leads to distorted incentives and puts the public further at risk of the token not being properly registered and having proper disclosures and complying with the various provisions of the securities law about anti-fraud and anti-manipulation,” he added.

Mr. Gensler said he hoped that the civil fraud charges against Mr. Bankman-Fried and charges with Ms. Ellison and Mr. Wang would show the crypto community that their operations must comply with existing securities laws.

Mr. Gensler said he would support legislation to regulate certain crypto sectors, like stablecoins — digital assets ostensibly pegged to the value of a stable asset like the dollar that often serve as a bridge between the worlds of traditional and futuristic finance. There is clearly investor interest in such assets, he said, and some of those involved in traditional finance are intrigued by the prospects. But he is wary of bills that could undermine the S.E.C.’s authority.

“I believe that securities law is quite robust and covers much of the activity,” Mr. Gensler concluded, “not only of the tokens but particularly the intermediaries in crypto securities.”

CO ftxdig : FTX Trading Ltd | seexc : US Securities and Exchange Commission

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The New York Times

SE Business/Financial Desk; SECT

HD **With Return, FTX Founder Faces Counts Of Fraud**

BY By Royston Jones Jr., David Yaffe-Bellany, Rob Copeland and Matthew Goldstein

WC 725 words

PD 22 December 2022

SN The New York Times

SC NYTF

ED The New York Times on the Web

LA English

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LP

The **FTX** founder agreed to be transferred from the Bahamas to face federal charges of fraud.

Sam **Bankman-Fried**, the disgraced cryptocurrency executive, is set to be flown back to the United States to face fraud charges in federal court after he told a judge in the Bahamas on Wednesday that he agreed to be extradited.

TD

Mr. Bankman-Fried will soon arrive in New York to face charges of wire fraud, securities fraud, money laundering and a campaign finance violation. His departure from the Bahamas was delayed by several hours as officials completed the final paperwork, but the local government eventually announced that Mr. Bankman-Fried would leave the country on Wednesday night.

Once in New York, he will be arraigned in Federal District Court in Manhattan, though the exact timing of the proceeding remains unclear. The charges stemmed from the collapse of Mr. Bankman-Fried's crypto exchange, FTX, which was based in the Bahamas until its bankruptcy last month.

Mr. Bankman-Fried, 30, has been in custody in the Bahamas since he was arrested at his luxury apartment complex on Dec. 12. In Magistrate Court on Wednesday, he confirmed that he had signed documents authorizing the extradition. His lawyer, Jerone Roberts, said Mr. Bankman-Fried was "anxious to leave" the Bahamas and hoped to travel as early as Wednesday.

In court, Mr. Bankman-Fried told the magistrate judge, Shaka Serville, that he was "doing well." Asked whether he was in good health, Mr. Bankman-Fried replied, "Yes."

Mr. Bankman-Fried wore a white shirt and a blue suit, with a plastic bag on his lap; he arrived after a breakfast of toast and jam at Fox Hill, the notorious Bahamian jail where he has been held for the last week, according to the facility's head administrator, Doan Cleare.

Once Mr. Bankman-Fried is extradited, Mark Cohen, a lawyer in New York, is expected to oversee his criminal defense.

Even before the extradition, Mr. Bankman-Fried's legal team in the United States had been negotiating a possible bail package with federal prosecutors. Under the terms that have been discussed, Mr. Bankman-Fried could be released on bail with highly restrictive conditions, including home detention and electronic monitoring.

Any bail arrangement must be approved by a federal judge.

Mr. Bankman-Fried's extradition to the United States will be the end of an unusual week of legal maneuvering in the Bahamas.

On Monday, Mr. Bankman-Fried appeared at Magistrate Court, where he was expected to consent to extradition to the United States. But the hearing devolved into chaos as Mr. Roberts cast doubt on whether his client would voluntarily proceed with the transfer.

By the end of Monday, however, Mr. Roberts had reversed himself, announcing at a hastily arranged news conference that Mr. Bankman-Fried had agreed to be extradited after all.

The back and forth over the extradition was a new twist in a legal drama that began in early November, when a run on deposits exposed an $8 billion hole in FTX's accounts. Federal prosecutors have charged Mr. Bankman-Fried with defrauding customers, investors and lenders by diverting billions in customer funds to a crypto trading firm called Alameda Research, which was closely tied to FTX.

Since FTX's founding in 2019, prosecutors and U.S. regulators say, Mr. Bankman-Fried has orchestrated a sweeping fraud, using customer money to finance lavish real estate purchases in the Bahamas, investments in other companies, political contributions and a glamorous marketing campaign.

Mr. Bankman-Fried resigned as FTX's chief executive when the company filed for bankruptcy in November. He was indicted less than a month later by a grand jury in the United States District Court for the Southern District of New York.

Damian Williams, the U.S. attorney for the Southern District of New York, has said the investigation is continuing and that additional charges are possible.

Mr. Williams was expected to hold a news conference on Wednesday afternoon to discuss Mr. Bankman-Fried's case but it did not take place. The news conference has since been canceled.

William K. Rashbaum and Benjamin Weiser contributed reporting.

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ART Bankman-Fried

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AN Document NYTF000020221222eicm0004f

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The New York Times

SE Business/Financial Desk; SECTB

HD Executives Plead Guilty In FTX Case

BY By David Yaffe-Bellany, Matthew Goldstein and Benjamin Weiser

WC 1,368 words

PD 22 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Caroline Ellison, the former chief executive of Alameda Research, and Gary Wang, a founder of FTX, are cooperating in the federal criminal case against Mr. Bankman-Fried.

Two former top executives of Sam Bankman-Fried's crypto trading empire have pleaded guilty to federal criminal fraud charges and are cooperating in the prosecution of the disgraced crypto entrepreneur, the U.S. attorney for the Southern District of New York said on Wednesday night.

TD

The two are Caroline Ellison, 28, who was the chief executive of the cryptocurrency hedge fund Alameda Research, and Gary Wang, 29, a founder of FTX, the crypto exchange. They were key lieutenants in Mr. Bankman-Fried's vast business empire, an international web of investments and enterprises that began with the founding of Alameda and FTX.

Two federal regulatory agencies, the Securities and Exchange Commission and the Commodity Futures Trading Commission, also filed civil fraud charges against Ms. Ellison and Mr. Wang on Wednesday, building on fraud complaints they brought against Mr. Bankman-Fried last week.

The guilty pleas and cooperation agreements are a major advance in the federal prosecution of Mr. Bankman-Fried, who is in U.S. custody after agreeing to be extradited from the Bahamas to face trial in the Southern District of New York.

The combination of criminal and civil charges against the former top executives puts Mr. Bankman-Fried, 30, in an even more perilous legal position. The federal government has accused him of orchestrating a sweeping, yearslong fraud that culminated in the bankruptcy of FTX last month after the crypto equivalent of a bank run. Now two of his closest advisers are cooperating with the government as it pursues that case.

Mr. Wang and Ms. Ellison were not just close colleagues of Mr. Bankman-Fried. The three lived together in a luxurious penthouse in the Bahamas, where FTX was based, and Mr. Bankman-Fried and Ms. Ellison were at times romantically involved.

In the charges against Mr. Bankman-Fried, prosecutors and regulators have accused him of diverting billions in customer money for other uses, including buying real estate in the Bahamas, trading cryptocurrencies at Alameda, making campaign donations and investing in other crypto companies. Prosecutors contend he defrauded customers of, investors in and lenders to his crypto trading firm.

The charges revealed on Wednesday show that prosecutors and regulators believe Mr. Bankman-Fried was far from alone in running his scheme and worked with a close circle of colleagues, who followed his directions and played a key role in executing the fraud. The S.E.C. said that Ms. Ellison had misused FTX customer deposits to fund Alameda's trading activity and that Mr. Wang had created software that allowed that diversion of funds to take place.

"Ellison and Wang were active participants in the scheme to deceive FTX's investors and engaged in conduct that was critical to its success," the S.E.C. said in a statement.

The collapse of FTX and the prosecution of Mr. Bankman-Fried have been a major blow to the crypto industry, which has reeled for months as the prices of digital assets such as Bitcoin and Ether have plunged and a procession of major companies have filed for bankruptcy. The sudden implosion of FTX has unsettled customers of other crypto trading platforms, which are scrambling to assure investors that their money is safe.

The guilty pleas by Ms. Ellison and Mr. Wang could push other former high-ranking executives to cooperate with the authorities in the case against Mr. Bankman-Fried, who faces charges including fraud, money laundering and campaign finance offenses.

In a videotaped statement on Wednesday night, Damian Williams, the U.S. attorney, said Mr. Wang and Ms. Ellison were charged "in connection with their roles in the frauds that contributed to FTX's collapse."

Mr. Williams also reiterated a point he made last week when his office filed the criminal charges against Mr. Bankman-Fried. "If you participated in misconduct at FTX or Alameda, now is the time to get ahead of it," he said. "We are moving quickly, and our patience is not eternal."

Mr. Williams added that Mr. Bankman-Fried was in F.B.I. custody and being brought back to the United States from the Bahamas, and would be presented before a judge as soon as possible. The crypto entrepreneur is expected to appear in Federal District Court as early as Thursday.

Lawyers for Ms. Ellison declined to comment. Ilan Graff, a lawyer for Mr. Wang, said, "Gary has accepted responsibility for his actions and takes seriously his obligations as a cooperating witness."

During a two-week media blitz before his arrest on Dec. 12, Mr. Bankman-Fried claimed he had done nothing wrong and never intended to defraud anyone. He also claimed he wasn't fully aware of what was happening at Alameda.

A spokesman for Mr. Bankman-Fried declined to comment.

While the guilty pleas by Ms. Ellison and Mr. Wang still appear to be sealed under court orders, their plea agreements were released by prosecutors on Wednesday night. Ms. Ellison pleaded guilty to seven counts: two counts of wire fraud and five conspiracy counts involving wire, securities and commodities fraud and money laundering. Mr. Wang pleaded guilty to wire fraud and three conspiracy counts, which involved wire, securities and commodities fraud.

In the agreements, which were signed on Monday, Ms. Ellison and Mr. Wang pledged to "cooperate fully" with the U.S. attorney's office, the F.B.I. and other law enforcement agencies, and to "truthfully and completely disclose all information concerning all matters" they are asked about.

In its complaint, the S.E.C. said Ms. Ellison, under direction from Mr. Bankman-Fried, had manipulated the price of a digital currency that FTX created, called FTT, by buying large quantities to prop up its price. Alameda was one of the major firms that was trading FTT and had used the crypto token as collateral for loans it got from other big crypto firms to fund its trading.

Authorities have said that investors, lenders and customers were not aware of how closely connected FTX and Alameda were and that they operated essentially as one entity.

The Commodity Futures Trading Commission charged that Ms. Ellison had helped Mr. Bankman-Fried by making deceptive and misleading statements about the supposed separation between Alameda and FTX.

Mr. Wang helped further those close ties by creating systems that gave Alameda an unfair advantage over other customers in executing trades on the FTX platform, according to the commission.

Ms. Ellison met Mr. Bankman-Fried at the quantitative trading firm Jane Street, where she worked after graduating from Stanford University. Both were involved in effective altruism -- a community focused on using data to maximize the long-term impact of charitable donations.

Mr. Bankman-Fried left Jane Street and eventually founded Alameda in 2017. Ms. Ellison joined him in 2018 and soon became a member of his inner circle. She followed him to Hong Kong, and took over as the chief executive of Alameda after Mr. Bankman-Fried founded FTX with Mr. Wang in 2019.

Mr. Wang was also part of the effective altruism community. Before he started working with Mr. Bankman-Fried, he was a software engineer at Google, where he developed price aggregation systems for Google Flights. Since FTX's founding, he has kept a low public profile, allowing Mr. Bankman-Fried to become the face of the exchange.

But behind the scenes, Mr. Wang played a key role in FTX, as one of the executives responsible for writing the platform's software code, according to the S.E.C.

As FTX collapsed, Ms. Ellison gathered a group of Alameda staff members who were working from the company's office in Hong Kong, and confessed that the firm had used customers' deposits to fill a shortfall in its accounts, The New York Times previously reported. She told them that she, Mr. Bankman-Fried, Mr. Wang and another executive, Nishad Singh, had all been aware of the scheme.

ART This article appeared in print on page B1, B4.

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CLM DealBook Newsletter
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HD **Why This Is No Madoff Moment for FTX Creditors**
BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni
WC 2,125 words
PD 20 December 2022
ET 12:31 GMT
SN NYTimes.com Feed
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LP

The bankrupt crypto exchange owes billions to creditors. Getting their money back could prove difficult, given the unique nature of cryptocurrency assets.

Why getting back money from **FTX** will be so hard

TD

The legion of creditors who lost billions in last month's collapse of the crypto exchange FTX just got a tiny piece of good news: A number of parties that received payments and political contributions from the company; its jailed founder, Sam Bankman-Fried; and his associates have expressed a willingness to return the money, FTX said in a statement Monday night.

Politicians were among the biggest benefactors. Mr. Bankman-Fried; Ryan Salame, the former co-C.E.O. of FTX; and Nishad Singh, a former head of engineering at the company, have donated a total of $84.3 million to Democrats, Republicans and political action committees since 2019, according to data collected by OpenSecrets.org and shared with DealBook. Some politicians, including Hakeem Jeffries, the incoming Democratic leader in the House, and Representative-elect Aaron Bean, a Republican from Florida, have returned donations or given the money to charity since FTX fell into scandal.

Clawing back enough to make creditors whole will be difficult. FTX went bankrupt last month owing more than $3 billion to its top 50 creditors and having racked up losses that exceeded $8 billion.

Many commentators have pointed to the case of Bernie Madoff, the poster child for Ponzi schemers, as a model for how FTX's new C.E.O., John Ray III, and a bankruptcy court might collect assets to repay depositors. In that case, judges ruled that a court-appointed trustee, Irving Picard, was allowed to claw back funds from anyone who pulled out more money than they put in.

Mr. Madoff, though, may be an imperfect model for FTX. Here's why: Mr. Madoff claimed he was investing his clients' funds, but there was no evidence of that. He appears instead to have kept their money in cash. FTX's client funds, by contrast, were almost certainly converted into some cryptocurrency that traded on exchanges. In that case, experts say clients of FTX could claim that they were entitled to gains — and if they were lucky enough to get their money out earlier, they could probably keep them.

Investors are focusing on Binance. The world's biggest crypto exchange, and an early FTX investor, has tried to reassure markets about its own financial health since FTX's bankruptcy. It's quickly gone from being viewed as the strongest player in crypto to looking vulnerable, with the value of its in-house digital currency, BNB, falling nearly $10 billion in the past week. (It has recovered somewhat, trading flat over the past 24 hours.)

The big question rattling Binance: Will creditors be able to claw back the $2.1 billion that Binance pocketed in 2019 when it sold back its stake in FTX to the company? Binance has said that money it

cashed out of FTX came from selling a number of digital tokens. Since those tokens had traded, it is likely that Binance would be allowed to keep its gains.

There's a big catch. If Binance or its executives knew that FTX or its executives were committing fraud, then a clawback would possibly be allowed. But even that would be difficult to prove.

Here's what else is happening in crypto:

* Following a chaotic day in court, Bankman-Fried on Monday agreed to be extradited to the U.S., where he faces multiple federal fraud charges. His defense lawyer in the Bahamas said he strongly advised his client against the move.

* Binance's U.S. arm bought the assets and customer deposits of Voyager Digital, the bankrupt crypto exchange, in a deal valued at $1 billion.

* The crypto conglomerate Digital Currency Group is looking to raise capital for its troubled subsidiary, Genesis, whose creditors includeTodd Boehly, the U.S. financier and co-owner of the Chelsea soccer club.

HERE'S WHAT'S HAPPENING

The House Jan. 6 panel refers Donald Trump for criminal prosecution. Lawmakers accused the former president of inciting insurrection, conspiring to defraud the nation and other charges, and recommended the Justice Department prosecute him. It's unclear whether federal prosecutors will, but the charges are the latest blow to Trump as he prepares to run again for president.

Epic Games will pay $520 million to settle an F.T.C. investigation. The maker of Fortnite was accused of illegally collecting children's personal information, matching them with strangers while enabling live communications and using "dark patterns" to trick kids into paying for in-game items. The fine easily set a record for child privacy violations.

E.U. nations agree on a price cap for natural gas. Energy ministers agreed to impose a limit if month-ahead prices remain above 180 euros, or about $191, per megawatt-hour for three consecutive trading days. But traders worry that the cap, which can be applied beginning Feb. 15 and would affect certain natural gas contracts, may distort markets rather than limit prices.

Harvey Weinstein is convicted again of sex crimes. A Los Angeles jury found the disgraced movie producer guilty of raping and sexually assaulting an actress in 2013, but acquitted him on another charge and could not agree on three others. The guilty verdict will probably keep Weinstein in prison, even as New York State's highest court reviews his conviction there.

Elon Musk stays quiet on poll about his status as Twitter C.E.O. The billionaire hasn't commented on the survey, in which a majority of respondents said he should step down; he had promised to abide by the results. But Musk has commented on Senator Elizabeth Warren prodding Tesla's board about his work at Twitter, tweeting, "The United States has definitely been harmed by having her as a senator lol."

Bank of Japan's shock move ruffles global markets

There's very little holiday cheer to be found in the markets. Stocks in Asia and Europe dropped on Tuesday morning, and U.S. futures were pinging between gains and losses. Global bond investors, meanwhile, were in a selling mood.

A surprise move by the Bank of Japan pushes many investors to sell. The dovish central bank eased its bond-yield policy — it will allow 10-year bonds yield to fluctuate by 0.5 percent rather than 0.25 percent — and investors believe the B.O.J. will join its global peers in raising interest rates (they remained at minus 0.1 percent overnight). On cue, Japanese stocks and bonds sank, and the safe-haven yen jumped.

"It's important not to underestimate the impact this could have, because tighter B.O.J. policy would remove one of the last global anchors that's helped to keep borrowing costs at low levels more broadly," Jim Reid, head of global fundamental credit strategy at Deutsche Bank, wrote in an investor note this morning.

Hopes of a "Santa rally" are fading. Most years at this point in the calendar, market commentators discuss the probability of whether investors will sink part of their year-end savings into stocks and other risky assets in the hope that they will reap bigger future gains. Not everyone is a believer in the so-called "Santa rally," which is widely defined as the seven trading days following Christmas. But

according to LPL Financial, the return on the benchmark S&P 500 is well above the median for those who invest at this time of year.

The trading equivalent of a stocking full of coal is looking more likely. Since the intraday high reached last Tuesday — the same day investors got some good news on slowing U.S. inflation — the S&P 500 has fallen nearly 7 percent, as concerns about growth and rising borrowing costs push investors into a bearish mind-set. The index is down 19.9 percent this year.

The malaise will dampen the mood in the new year. Forecasts for 2023 are looking increasingly bearish, as investors become concerned about corporate profits. Wall Street analysts now predict that the S&P 500 will close out 2023 at 4,009, implying that stocks will climb back roughly to where they were last Tuesday.

“It’s almost comical to see the house price growth forecasts. It’s either 3 percent growth or double-digit declines, with almost nothing in between.”

— Igor Popov, chief economist at Apartment List, on the great disparity in outlooks for the U.S. real estate market next year.

Bill Gates’s cautious optimism for 2023

In his latest year-end letter, Bill Gates walks readers through his philanthropic achievements for 2022, including efforts to double the Gates Foundation’s spending and its work on reducing poverty and illness.

He also has some tough assessments for how the world is doing on crucial issues like climate change — but also reasons for hope. (He also discloses a personal motivation for optimism: He’s set to become a grandfather next year.) Here are some highlights from his letter:

Climate-change work is progressing but is seeing short-term setbacks. “Unfortunately, on near-term goals, we’re falling short,” Mr. Gates warns. “Between 2021 and 2022, global emissions actually rose from 51 billion tons of carbon equivalents to 52 billion tons.”

But he adds that public funding for climate-related R.&D. has grown nearly a third since the 2015 Paris accords. Private capital has increased as well, with $70 billion spent over the past two years. And new technologies to address climate issues are continuing to emerge.

That doesn’t mean the future is assured. “Getting to zero will be the hardest thing humans have ever done,” he writes.

There are big breakthroughs in fighting AIDS. “I think there’s a good chance that a cure for HIV will be available in 10 to 15 years,” Mr. Gates writes.

One reason is advances in gene therapy that are making it easier and cheaper to treat affected people. The stakes are high, he says: “An ideal HIV cure will free all of them from taking these drugs and save the world millions of dollars a year in treatment costs. It will also mean that millions of people never have to worry about getting HIV in the future.”

The Gates Foundation is raising its spending. Mr. Gates notes that this past summer, the nonprofit said it would deploy $9 billion a year by 2026, a pledge that prompted him to transfer $20 billion to its endowment.

Also helping in that goal is a series of donations by Mr. Gates’s close friend Warren Buffett, which have totaled $45 billion since 2006. “I believe this is the largest gift ever given, and thinking about it fills me with awe and gratitude and a sense of responsibility to make sure it is spent well,” Mr. Gates writes.

THE SPEED READ

Deals

* The electric vehicle maker Lucid closed a $1.5 billion fund-raising round, led by Saudi Arabia’s sovereign wealth fund. (CNBC)

* Mondelez will sell its gum business in the U.S., Canada and Europe to an Italian rival, Perfetti, for $1.35 billion. (Bloomberg)

* Silicon Valley start-ups are turning to debt financing to raise money without taking huge cuts to their valuation. (FT)

Policy

* The U.S. government's decision to sell off some of its strategic oil reserves has netted it a cool $4 billion profit. (WSJ)

* Scores of nations have agreed to cut a total of $500 billion in environmentally harmful subsidies by 2030 as part of a pact to protect marine and land habitats. (Politico)

Best of the rest

* A Russian court ordered the seizure of a hotel owned by the oligarch Oleg Deripaska, reportedly after the Kremlin asked him to stop criticizing the war in Ukraine. (FT)

* Credit Suisse has sued a Zurich-based finance blog, seeking the removal of 52 articles critical of the Swiss bank. (FT)

* Retailers may increasingly favor offering customers buy now, pay later arrangements instead of price discounts to get them to spend more. (WSJ)

* The financially troubled electric scooter company Bird is telling customers that they still owe money even if those debts are less than a dollar and are years old. (Insider)

* The image of King Charles III will start appearing on British money in 2024. (NYT)

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ART Sam Bankman-Fried faces multiple charges of defrauding investors and customers. | Agence France-Presse via Getty Images

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IPD Standard & Poor's 500-Stock Index

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The New York Times

SE Business/Financial Desk; SECTB

HD **FTX Founder Said to Agree To Extradition**

BY By Royston Jones Jr., David Yaffe-Bellany, Matthew Goldstein and Rob Copeland

WC 1,283 words

PD 20 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

The disgraced **FTX** founder, who has been in a Bahamas prison for the past week, agreed to be sent to the United States, after a confusing day in court.

The disgraced cryptocurrency mogul Sam **Bankman-Fried** has agreed to be extradited to the United States, one of his lawyers said on Monday, after a chaotic morning of legal maneuvering in which Mr. **Bankman-Fried** was shunted back and forth between court and prison in the Bahamas.

TD

Mr. Bankman-Fried is facing fraud charges in the United States related to the collapse of his cryptocurrency exchange, FTX, which was based in the Bahamas. Jerone Roberts, a local defense lawyer for Mr. Bankman-Fried, told reporters that his client had agreed to extradition voluntarily, defying "the strongest possible legal advice."

"We as counsel will prepare the necessary documents to trigger the court," Mr. Roberts said. "Mr. Bankman-Fried wishes to put the customers right, and that is what has driven his decision."

After being arrested at his luxury apartment complex last week, Mr. Bankman-Fried initially indicated that he would challenge the extradition. But he later had a change of heart, a person briefed on the matter said over the weekend, and was prepared to return to the United States to be arraigned on a criminal indictment.

On Monday, Mr. Bankman-Fried appeared at a Magistrate Court hearing in Nassau, the capital of the Bahamas. The hearing had been scheduled specifically for Mr. Bankman-Fried to tell the authorities that he would not contest the extradition. But the courtroom soon descended into chaos: Mr. Roberts said he was "shocked" to see his client in court, and requested at least one 45-minute break to confer privately with Mr. Bankman-Fried.

Mr. Roberts said Mr. Bankman-Fried needed more information and wanted to read the indictment filed by federal prosecutors before deciding whether to go along with the extradition.

The magistrate judge overseeing the matter ordered Mr. Bankman-Fried to return to the Fox Hill prison in Nassau, where he has been held since last week.

"I certainly feel it is a wasted day," said the judge, Shaka Serville.

Not long after the hearing ended, Mr. Roberts announced that Mr. Bankman-Fried was agreeing to the extradition after all.

Mark Cohen, a lawyer in New York who was hired to handle Mr. Bankman-Fried's federal prosecution, was not in the courtroom in Nassau on Monday and did not return requests for comment. Mark Botnick, a spokesman for Mr. Bankman-Fried and Mr. Cohen, declined to comment.

It was not clear whether Mr. Roberts's claim that Mr. Bankman-Fried was defying legal advice referred just to his own counsel or to advice from Mr. Cohen as well.

The confusion in and outside the courtroom was highly unusual for such a prominent case. FTX was one of the world's largest and most popular crypto exchanges until it filed for bankruptcy on Nov. 11. Last week, U.S. prosecutors in Manhattan filed criminal charges against Mr. Bankman-Fried, accusing him of wire fraud, securities fraud, money laundering and a campaign finance violation.

Mr. Bankman-Fried, 30, has been held in custody in the Bahamas since Dec. 12, when he was arrested at his home. He has been accused of using billions of dollars in customer deposits to finance a cryptocurrency trading firm he controlled, make lavish real estate purchases, invest in other companies and donate funds to politicians. Federal prosecutors and U.S. regulators contend he orchestrated a yearslong scheme to defraud customers, investors and lenders.

Speaking to reporters after the hearing in Nassau, Mr. Roberts said his legal team was preparing documents so a "time and date could be fixed for the extradition process to continue and to be completed." Mr. Bankman-Fried could appear for a new hearing as soon as Tuesday, a person familiar with the matter said.

Once he is returned to the United States, Mr. Bankman-Fried will be arraigned in Federal District Court in Manhattan. He is likely to be detained at the Metropolitan Detention Center in Brooklyn, pending a bail hearing.

The extradition will set up months of courtroom maneuvering in the United States. And it will be the end of a peculiar legal drama that has unfolded in the Bahamas in the week since Mr. Bankman-Fried's arrest.

At an initial hearing last week, Mr. Bankman-Fried said he would not waive his right to contest the extradition. He was denied bail, and then moved from a police holding cell to the Caribbean island nation's notorious Fox Hill prison, which has been widely criticized for its poor living conditions -- so much so that locals call it "Fox Hell."

Mr. Bankman-Fried was expected to reverse his position on extradition when he appeared in Magistrate Court again on Monday morning. Wearing a navy blue suit and a white shirt unbuttoned at the cuff, he slumped in his seat, with his head down and his leg shaking.

Soon the proceedings were thrown into turmoil.

"Whatever trail got him here this morning, it did not involve me," Mr. Roberts told the judge in front of a packed courtroom. He said Mr. Bankman-Fried's court appearance had happened "prematurely" and without his involvement. The hearing was adjourned so Mr. Roberts could speak privately with Mr. Bankman-Fried.

When the hearing resumed, the confusion only intensified. Mr. Roberts said Mr. Bankman-Fried wanted to make a decision on extradition but needed "a bit more information." He also said Mr. Bankman-Fried needed time to speak with his lawyers in the United States.

A prosecutor representing the Bahamian government, Franklyn Williams, accused Mr. Roberts of wasting the court's time. Amid the uncertainty, the judge ordered Mr. Bankman-Fried to be returned to prison, where he is being held in a medical unit with four other inmates.

By the afternoon, however, Mr. Roberts had changed tack. He convened a few reporters for a meeting at Arawak Cay, an area of Nassau known for its restaurants, picking an oceanside spot with palm trees and cruise ships in the background.

Promising "a rather laconic press conference," Mr. Roberts said Mr. Bankman-Fried had agreed to a voluntary extradition. He said the next step would be for the FTX founder to appear once again in Magistrate Court.

"Throughout my involvement with Sam, he has indicated an overwhelming desire to put the customers right and make the customers whole," Mr. Roberts said.

The collapse of FTX has devastated the crypto industry, putting other companies in jeopardy and costing customers a fortune in lost cryptocurrencies. Outside the courthouse, a group of visitors to the Bahamas, including some who said they had invested in digital assets and done business with FTX, showed up to express anger with Mr. Bankman-Fried.

Erin Gambrel, who flew to Nassau from Dallas to attend the hearing, said she had shared office space with FTX this year in the Bahamas, where she met Mr. Bankman-Fried.

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Ms. Gambrel said she wanted to see him "go away for a long time." She had not invested with FTX, she said, but some of her friends had stored funds on the platform.

"He's ruined millions of lives," she said. "He's caused friends of mine to lose their life savings."

ART Jerone Roberts, center, Sam Bankman-Fried's lawyer in the Bahamas, with Crystal Stuart, left, and Kendrea Demeritte in Nassau on Monday. (PHOTOGRAPH BY EVA MARIE UZCATEGUI FOR THE NEW YORK TIMES) This article appeared in print on page B1, B3.

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The New York Times

CLM GUEST ESSAY
SE Editorial Desk; SECTA
HD **Celebrity Crypto Hawkers Should Get a Close Look**

BY By John Reed Stark
WC 1,323 words
PD 19 December 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 18
LA English
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LP

Remember when the actor Matt Damon pontificated about how "fortune favors the brave" people who invest with Crypto.com? Or when the director Spike Lee applauded the digital rebellion championed by Coin Cloud? Since the spectacular collapse of the cryptocurrency exchange **FTX**, Mr. Damon, Mr. Lee and most other crypto-touting celebrities have largely gone silent -- and for good reason.

There was little precedent for the scale and the star power that characterized the deluge of high-profile celebrity endorsements promoting cryptocurrencies. And now crypto values and crypto firms are going bust, leading investors' savings to tank, too.

TD

As the former chief of the Securities and Exchange Commission's Office of Internet Enforcement, I believe regulators have some of these celebrity endorsers squarely in their sights and, when appropriate, will pursue them aggressively. Buying a bottle of Gatorade or a Rolex watch shilled by a celebrity probably never put someone's life savings at risk. But buying into an endorsement of crypto certainly did, and these endorsers' actions warrant intense scrutiny in the least.

Given the growing crypto-related investor carnage, the S.E.C. and the Department of Justice may step up their efforts. The S.E.C. has already been quite aggressive in its crypto-related enforcement program, filing over 100 enforcement actions and winning all the ones I have reviewed. Both the S.E.C. and the Justice Department have also created special crypto units, each eager to hit the ground running.

Moreover, the timing was not good. Many celebrities touted the life-changing power of crypto investing just as the speculative mania was nearing its peak.

In its recent action against FTX's founder, Sam Bankman-Fried, the S.E.C. claimed that FTX had co-opted celebrities to promote its brand as a "trustworthy company," citing Tom Brady, Gisele Bündchen, Stephen Curry, Major League Baseball and the Miami Heat basketball team in investment materials shown to at least one investor. The language suggests that the S.E.C. considers FTX's use of celebrities to have served as a critical aspect of Mr. Bankman-Fried's alleged scheme and will most likely investigate the nature of FTX's celebrity agreements and joint efforts.

Some celebrities may seek protection from the First Amendment. But the First Amendment is not a defense to an allegation of fraud. We don't know at this point what, if anything, celebrities knew about the firms they were promoting. Whether they can be charged depends on what they knew and when, what questions they asked (if any), the extent of their involvement, the nature of their compensation, the extent that they relied on experts like their legal counsel and any other evidence of their complicity in any potential wrongdoing.

Judges do expect investors to exercise common sense and act reasonably before basing their bets on "the zeitgeist of the moment," as one judge recently said. But if a celebrity were to facilitate or enable a fraud, that would be another matter.

That's why celebrity crypto-promoters are not alike from a legal standpoint. Merely appearing in a commercial or smiling for a billboard advertisement seems unlikely to warrant federal prosecution. While both Mr. Curry, the N.B.A. superstar, and Larry David, the comedian, promoted FTX, both made it clear in their ads that they were not experts. (In a funny twist, Mr. David doubted whether investing in FTX made any sense at all.)

More vulnerable to investigation are those celebrities who may have exposed themselves to the possibility that they knew, or were reckless in not knowing, that the crypto firm they had partnered with was allegedly deceiving investors. In several ads Mr. Brady and his then-wife, Ms. Bündchen, didn't distance themselves in the same way that Mr. Curry and Mr. David did; Ms. Bündchen also served as an environmental and social initiatives adviser for FTX.

Then there are Kevin O'Leary and Mark Cuban, high-profile businessmen who both star on CNBC's "Shark Tank," where they evaluate pitches for investment opportunities. Both Mr. O'Leary and Mr. Cuban are famous because of their business savvy, so investors arguably take their endorsements more seriously than other celebrities'.

Mr. O'Leary was paid approximately $15 million to act as an FTX spokesman. In a video reportedly posted to his website shortly before FTX went bankrupt, he said, "If there's ever a place I could be that I'm not gonna get in trouble, it's gonna be at FTX."

Mr. O'Leary recently said that he suffered losses because of FTX's collapse, but that he will be OK. The same probably cannot be said for any less-fortunate fans who may have risked their life savings after hearing Mr. O'Leary's crypto-accolades.

Mr. Cuban's fans may have suffered a similar fate because of the deal between the Dallas Mavericks, the N.B.A. team he owns, and Voyager Digital, a crypto brokerage and lending firm. Unlike, say, a beer sponsorship, the Mavericks/Voyager collaboration was described by its principals as something more akin to a crypto-partnership.

Mr. Cuban said at a news conference announcing the Voyager/Mavericks relationship, "We find it to be a perfect fit for our Mavs fans and Mavs fans of all ages." He added that "working together we will be at the forefront of innovation. We're going to come up with new ways to introduce Mavs fans to cryptocurrencies."

Eight months later, Voyager declared bankruptcy, and shortly thereafter, a group of Voyager customers filed a proposed class-action suit in federal court in Florida against Mr. Cuban, Voyager's chief executive and the Dallas Mavericks.

What really stings is that the exploited victims of crypto are too often those who cannot afford to lose what they have invested. That's in part because promoters argued that crypto is a revolutionary equalizer for the unbanked. I believe crypto is actually the opposite and just another example of what scholars have called "predatory inclusion" -- in other words, disadvantaged and disaffected communities get access under the auspices of inclusion, but that access can make their situations worse.

Last year, a University of Chicago study found that 44 percent of Americans who owned and were trading crypto were people of color. To make matters worse, a J.P. Morgan Chase study released this month found that people with lower incomes very likely made their crypto purchases when prices were elevated when compared to higher earners and have therefore suffered disproportionately.

And just as payday lender storefronts are often concentrated in Black or Hispanic communities, the same seems to be happening with crypto A.T.M.s (which are also notorious for charging fees that can range from 7 percent to 20 percent per transaction).

When crypto firms like FTX go bankrupt, their customers too often find themselves designated as unsecured creditors, last in line for restitution, with little chance of any recovery. And when regulators and prosecutors conduct the archaeological dig to figure out who is responsible, fame should not provide anyone with a "get out of jail free" card.

John Reed Stark is a senior lecturing fellow at Duke University Law School. From 1998 to 2009 he was chief of the S.E.C.'s Office of Internet Enforcement.

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A senior lecturing fellow at Duke University Law School who served as chief of the SEC's Office of Internet Enforcement from 1998 to 2009.

ART This article appeared in print on page A18.

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The New York Times

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HD **Founder Is Expected to Agree to Extradition to the U.S.**

BY By David Yaffe-Bellany, Rob Copeland and Matthew Goldstein

WC 962 words

PD 18 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 22

LA English

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LP

The **FTX** founder, now in prison in the Bahamas, faces criminal charges that he engaged in widespread fraud since founding the cryptocurrency exchange in 2019.

Sam **Bankman-Fried**, the disgraced cryptocurrency executive, is expected to agree to extradition to the United States, according to a person briefed on the matter, as he faces charges that he orchestrated a yearslong fraud culminating last month in the collapse of his crypto exchange, **FTX**.

TD

In the United States, Mr. Bankman-Fried, 30, has been charged with using his customers' FTX deposits to make lavish real estate purchases, invest in other companies and donate funds to politicians. Mr. Bankman-Fried was arrested last Monday at his luxury apartment complex in the Bahamas. After being held overnight in a police cell, he was denied bail by a judge in the Bahamas on Tuesday and transferred to the island's notorious Fox Hill prison.

In court on Tuesday, Mr. Bankman-Fried said he wouldn't waive his right to challenge the extradition. But after a few days in prison, he's now inclined to go along with the extradition, though his decision could still change, according to the person briefed on the matter, who requested anonymity to discuss sensitive legal deliberations. He is expected to state his new position at a court hearing as early as Monday, the person said.

An extradition sets up what will likely become a monthslong legal drama in the United States. On Tuesday, prosecutors for the Justice Department's Southern District of New York unsealed a 13-page criminal indictment, charging Mr. Bankman-Fried with eight counts, including wire fraud against customers and lenders, as well as conspiracy to defraud the United States.

Once he is transferred to the United States, Mr. Bankman-Fried will be arraigned in federal court in Manhattan and have a new bail hearing.

After the charges were filed, Mark Cohen, a lawyer for Mr. Bankman-Fried, said his client was "reviewing the charges with his legal team and considering all of his legal options."

The news that Mr. Bankman-Fried was expected to agree to extradition was first reported by Reuters.

The collapse of FTX was an extraordinary fall for Mr. Bankman-Fried, a crypto celebrity who testified in front of Congress and was at the forefront of an effort to make the technology mainstream.

He founded FTX in Hong Kong but moved the company to the Bahamas in late 2021, capitalizing on the country's friendly regulatory posture toward crypto. He also marketed the company aggressively in the United States: His face was plastered on advertisements, and he rubbed shoulders with actors and star athletes, cultivating a reputation as a hard-working do-gooder who intended to donate his vast wealth to charity. For a while, he was widely thought to be the second richest crypto industry mogul.

Even as other crypto firms struggled this year, FTX was viewed as a responsible company in a freewheeling, loosely regulated industry. That changed in early November, when a run on deposits

revealed an $8 billion hole in the company's accounts, forcing the exchange to file for bankruptcy on Nov. 11. Its collapse has rocked the industry, sending crypto prices spiraling and forcing one other major crypto company, the lender BlockFi, to file for bankruptcy.

Mr. Bankman-Fried resigned the day of FTX's bankruptcy filing. He was replaced by John Jay Ray III, a lawyer who specializes in restructuring troubled companies. In bankruptcy filings and testimony to Congress, Mr. Ray has harshly criticized Mr. Bankman-Fried's management, calling it a "complete failure of corporate control."

In the early 2000s, Mr. Ray oversaw the unwinding of Enron, the energy trading firm that collapsed in an accounting scandal. But he said in a court filing that the mess at FTX was the worst he had ever seen.

Since he was denied bail in the Bahamas, Mr. Bankman-Fried has been held at the Fox Hill correctional center in Nassau, the country's capital, in a room with five other people.

Known among locals as "Fox Hell," the prison has been widely criticized for its harsh conditions. Running water inside the prison is sparse, beatings from guards are common and inmates sometimes defecate in buckets, according to former prisoners, family members of inmates and a U.S. State Department report.

A former Fox Hill prisoner released last year, Sean Hall, said he was briefly incarcerated in maximum security, where he was crammed into a cell no wider than his wingspan with five other inmates. They slept on metal bunk beds without mattresses, he said, and woke up covered in bug bites.

"It's no living condition for no type of living being," Mr. Hall said.

Doan Cleare, the prison's head administrator, declined to allow a New York Times reporter and photographer to enter the prison grounds. He wouldn't give many details on Mr. Bankman-Fried's condition, except to say that the FTX founder was in the medical facility for reasons that couldn't be specified. He described the medical facility as a "dorm-style apartment."

"There's no preferential treatment," Mr. Cleare said, noting that the prison is undergoing renovations to improve conditions.

Mr. Bankman-Fried's parents, the Stanford Law School professors Joe Bankman and Barbara Fried, visited the prison on Thursday, dropping off clothes and medicine, according to a person familiar with the matter.

They also deposited money in Mr. Bankman-Fried's commissary account, Mr. Cleare said, but were not permitted to see their son.

Royston Jones, Jr. and Amanda Holpuch contributed reporting.

ART This article appeared in print on page A22.

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SE National Desk; SECTA

HD **FTX Executive, A G.O.P. Donor Turned Tipster**

BY By Matthew Goldstein, Kenneth P. Vogel and David Yaffe-Bellany

WC 1,764 words

PD 17 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

The co-chief executive of an **FTX** unit who told regulators about wrongdoing at the exchange was a big Republican donor. He also bought restaurants.

In Western Massachusetts, Ryan Salame was known as a local boy turned hometown hero who struck gold as a top executive at **FTX**, the now-collapsed cryptocurrency exchange, and used some of that wealth to buy a few small restaurants in the area.

TD

In Washington, D.C., Mr. Salame was hailed as a "budding Republican megadonor," bankrolling candidates and political action committees, and establishing FTX's presence as a crypto heavyweight invested in shaping the regulation of the nascent industry.

Now, Mr. Salame has emerged as a central player in the scandal surrounding FTX after he told regulators in the Bahamas, where the exchange was based, that FTX was misappropriating billions in customer funds to prop up an allied crypto trading firm called Alameda Research.

On Monday, Sam Bankman-Fried, the founder of FTX, was arrested in the Bahamas, accused of lying to investors, lenders and customers about the close financial dealings between FTX and Alameda, and committing fraud by using both companies as a "piggy bank." Prosecutors said Mr. Bankman-Fried used customer funds to trade, buy expensive real estate, invest in other crypto firms, make political contributions and extend personal loans to executives.

So far, Mr. Bankman-Fried, who is being held without bail in a Bahamas prison, is the only FTX executive charged with wrongdoing. But Damian Williams, the U.S. attorney for the Southern District of New York in Manhattan, said the investigation is continuing and prosecutors are not done charging individuals.

Mr. Salame's activities may be scrutinized, given that he was pivotal to FTX's political influence operation along with Mr. Bankman-Fried. Mr. Salame, a former co-chief executive of FTX Digital Markets, the company's subsidiary in the Bahamas, also received a $55 million personal loan from Alameda.

Mr. Salame (pronounced Salem) did not return multiple requests for comment. His lawyer, Jason Linder at Mayer Brown, also did not return requests for comment.

Born in Sandisfield, Mass., a town of just 1,000 people in the Berkshires, Mr. Salame worked briefly at the accounting giant EY. In 2019, he graduated from Georgetown University with a master's in finance before landing a job at Alameda in Hong Kong. He later moved to FTX in the Bahamas, where he was a primary point of contact between the exchange and the local government.

Mr. Salame was not in Mr. Bankman-Fried's inner circle, but he was fiercely loyal to him, according to people familiar with the matter. Mr. Bankman-Fried and his closest advisers all shared a purported commitment to giving away most of the money they made under the banner of "effective altruism."

By contrast, Mr. Salame said at times that he was in crypto because it was a way to get rich, according to a person who knows him. He enjoyed expensive cars, flew on private jets and had a reputation for hard partying.

As FTX grew, Mr. Salame began building his profile in Washington as a big Republican donor. During the midterm elections, Mr. Salame gave $24 million, primarily to Republican candidates and committees, while Mr. Bankman-Fried gave about $40 million, primarily to Democrats. Together, they formed a bipartisan megadonor tag team, with fund-raisers on both sides of the aisle clamoring for access to a stream of donations that many expected to last decades.

The contributions were part of an effort by FTX executives to win supporters in both political parties as they sought to shape U.S. regulation around the cryptocurrency industry.

The campaign donation records reveal "a coordinated effort between S.B.F. and Ryan Salame, where they are making sure that they had all corners tucked," said Craig Holman, an official at the watchdog group Public Citizen who focuses on ethics, lobbying and campaign finance rules. "It's much more extensive than you usually see when someone is trying to launder money to officeholders and candidates."

Mr. Salame split his time between the Bahamas and Washington, where he lived with his girlfriend, Michelle Bond. The pair quickly became something of a crypto power couple in the nation's capital, where Ms. Bond runs a lobbying group called the Association for Digital Assets Markets that was supported by FTX. (Mr. Salame once told a colleague that he and Ms. Bond were drawn together partly by their shared affection for Mr. Bankman-Fried, according to a person familiar with the interaction.)

Ms. Bond, who did not respond to requests for comment, has a photograph of herself and Mr. Salame at the top of her Twitter profile. He has the same one on his. This summer, the couple paid about $4 million in cash for a five-bedroom home in Potomac, Md., according to property records.

Mr. Salame donated $11,600 to Ms. Bond's campaign when she ran unsuccessfully for Congress as a Republican this year in Suffolk County, N.Y., with backing from Donald Trump Jr. Her campaign also was supported by nearly $1.3 million in spending by a super political action committee called Crypto Innovation, which had received most of its cash from another PAC that Mr. Salame helped create and fund along with FTX.

Mr. Salame donated freely to other Republican candidates and to political action committees that supported them. His biggest donations -- totaling $15 million -- went to a PAC he started this year called American Dream Federal Action, which backed candidates supportive of cryptocurrency and pandemic preparedness, a pet cause of Mr. Bankman-Fried.

Mr. Salame once told a campaign fund-raiser who helped collect donations from the crypto industry that he was not particularly interested in politics and suggested that his donations were encouraged by others at FTX, the fund-raiser recalled.

Given the flood of donations, Mr. Salame was regarded as a rising star in Washington political circles. An invitation to a Washington cocktail party last month -- just over a week before FTX filed for bankruptcy -- hailed Mr. Salame as a "budding Republican megadonor."

Prosecutors are now looking into campaign contributions tied to FTX. The indictment of Mr. Bankman-Fried accuses the FTX founder of conspiring with others to violate campaign finance laws that prohibit corporate donations to the campaigns of political candidates and bar donations "in the names of other persons" -- commonly known as "straw" donations. Authorities said Mr. Bankman-Fried may have used straw donations to enable FTX to make political contributions in excess of federal election law limits. The indictment does not mention Mr. Salame or FTX executives other than Mr. Bankman-Fried by name.

As one of the executives in charge of FTX Digital, the exchange's Bahamian subsidiary, Mr. Salame was in frequent contact with the country's securities regulators. On Nov. 9, two days before FTX filed for bankruptcy, Bahamian regulators began investigating potential problems at FTX, according to a public court filing. During a phone call with Mr. Salame and other FTX employees, Mr. Salame told Christina Rolle, executive director of the Securities Commission of the Bahamas, that customer money at FTX Digital had been transferred to Alameda "to cover financial losses of Alameda," according to the filing.

Back in the Berkshires, Mr. Salame became a familiar name as he began his restaurant-buying spree in Lenox, Mass., a quaint New England town that is a favorite destination for visitors to the rural highlands.

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A year ago, The Berkshire Eagle, the region's local newspaper, noted that one of Mr. Salame's first jobs as a teenager was working as a dishwasher at an eatery in nearby Great Barrington, Mass. Mr. Salame told the paper that he bought his first restaurant, the Firefly Gastropub, in the summer of 2020, and that he stepped in because the owner wanted to sell the restaurant after the pandemic hurt sales.

A few months later, Mr. Salame approached John McNinch, the owner of the Olde Heritage Tavern, with an offer to buy the eatery. Founded five decades ago, the restaurant was something of a Lenox institution, with burgers, chicken wings, nachos and chicken potpie on the menu.

Mr. McNinch said he met Mr. Salame when he came to the tavern to celebrate the Firefly purchase with the restaurant's former owner and two others. Mr. McNinch, who bought the Heritage in 2000, said he wasn't thinking about selling it when Mr. Salame reached out.

"I didn't really know him at all and this deal just came about," said Mr. McNinch. "I always had a number in my head and he hit it." Mr. McNinch said he was paid more than $1.5 million and closed the deal in March 2021. The negotiations were conducted largely over email and through a broker, he said.

Other purchases soon followed. Mr. Salame rolled them under the Lenox Eats Collective but has largely left them untouched, Mr. McNinch said. The website lists five restaurants, including an ice cream shop, and another eatery on the way.

After the collapse of FTX, Mr. McNinch said, he reached out to Mr. Salame to see how he was doing but did not hear back.

On his Lenox Eats biography page, Mr. Salame said he founded the R Salame Digital Asset Fund in 2021 to provide scholarships to students of two schools he attended in the Berkshires.

His business activities extended beyond FTX and restaurants. In the summer of 2021, he formed a company in Texas called Dogemewn LLC with Ryan Vandervoort, also 29, who lives in another town in the Berkshires. The company name appears to be a reference to Dogecoin, one of many crypto coins that skyrocketed in value for a time.

The company has been involved in the purchase of several condos in Port Isabel, Texas, and South Padre Island, Texas, property records show.

Reached by phone, Mr. Vandervoort said he didn't want to comment on his relationship with Mr. Salame.

"If you are interested in any information on his businesses, you should contact him," Mr. Vandervoort said.

Emily Flitter contributed reporting. Kirsten Noyes contributed research.

Emily Flitter contributed reporting. Kirsten Noyes contributed research.

ART Ryan Salame last year in Lenox, Mass., at one of several restaurants he owns in the area. He moved to the Bahamas to work for FTX. (PHOTOGRAPH BY GILLIAN JONES/THE BERKSHIRE EAGLE) (A21) This article appeared in print on page A1, A21.

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RE usa : United States | bah : Bahamas | caribz : Caribbean Islands | namz : North America

IPD National Desk

PUB The New York Times Company

AN Document NYTF000020221217eich00051

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The New York Times

SE	Podcasts
HD	**Bankman-Fried's Arrest, 2023 Predictions and Your Questions Answered**
BY	By Kevin Roose, Casey Newton, Davis Land, Sara Sarasohn, Alyssa Moxley, Dan Powell, Elisheba Ittoop and Marion Lozano
WC	278 words
PD	16 December 2022
ET	10:28 GMT
SN	NYTimes.com Feed
SC	NYTFEED
LA	English
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LP

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TD

The year of the "mini-Musk" chief executive, the end of homework as we know it, a crackdown on TikTok and other predictions for 2023.

Also, Sam Bankman-Fried's arrest and answers to our listener questions.

On today's episode:

* David Yaffe-Bellany, a cryptocurrency and financial technology reporter for The New York Times.

Additional reading:

* Bankman-Fried, the former chief executive of FTX, was arrested and denied bail by a judge in the Bahamas. Prosecutors accused him of engaging in widespread fraud.

* John J. Ray III, the new chief executive of FTX, described an "unprecedented" lack of record keeping at the company.

* Scientists used a quantum computer to simulate a pair of black holes.

Credits

"Hard Fork" is hosted by Kevin Roose and Casey Newton and produced by Davis Land. The show is edited by Sara Sarasohn. Engineering by Alyssa Moxley and original music by Dan Powell, Elisheba Ittoop and Marion Lozano. Fact-checking by Caitlin Love.

Special thanks to Hanna Ingber, Nell Gallogly, Kate LoPresti and Jeffrey Miranda.

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AN	Document NYTFEED020221216eicg002jp

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The New York Times

SE Business/Financial Desk; SECTB

HD **A Traditional Exchange? FTX Was Anything But.**

BY By Joe Rennison

WC 1,401 words

PD 16 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

FTX called itself an exchange. But it was vastly different from stock exchanges, which are highly regulated and barred from engaging in many of the activities FTX pursued.

Cryptocurrency trading platforms like FTX have acquired a sheen of legitimacy in recent years by billing themselves as exchanges -- creating an association with staid and trusted financial institutions like the New York Stock Exchange and Nasdaq.

TD

But the implosion of FTX shows just how different crypto exchanges are from their more well known, and highly regulated, counterparts. The latter must abide by strict rules about what they can and cannot do. Crypto exchanges face few such hurdles, especially if they are outside the United States -- and most are. They don't have to disclose how customer money is handled, either to investors or to a regulatory body. Internal financial controls can be scant.

The absence of oversight contributed to what prosecutors said was a yearslong, widespread fraud at FTX, once the crypto world's second largest exchange. Founded by Sam Bankman-Fried in 2019, FTX used customer funds to finance political donations, buy real estate and invest in other companies, U.S. authorities said this week. FTX filed for bankruptcy in November after being unable to meet about $8 billion in customer withdrawal requests.

By contrast, LedgerX, a crypto derivatives exchange owned by FTX, was based in the United States and was more strictly regulated. It is still standing.

FTX did not respond to requests for comment.

"Where is the industry exposed? It's still exposed on exchange," said Nicola White, the chief executive of B2C2, a cryptocurrency trading firm. Ms. White said that B2C2 had limited the assets it held on FTX, but still had a small amount trapped on the defunct exchange.

"We need proof of where exchanges hold our money and how," she said. "It's really important."

The traditional financial industry became a highly regulated one over decades of scandal, fraud and other costly lapses that led to steep losses for customers and wider market contagion. The 2008 financial crisis alone prompted reams of new regulation designed to protect investor assets and limit risk-taking by banks and other firms.

The cryptocurrency industry grew outside of the traditional financial system. It built its market structure from scratch, creating new rules meant to make business more efficient by combining a lot of jobs that are typically separated in more regulated exchanges -- such as trading, custody of client assets and trade settlement.

Customers trading on FTX's main exchange, which was based in the Bahamas, had to send cash or cryptocurrency to the platform before they could trade. Cryptocurrency deposits were sent from a customer's personal wallet to the customer's FTX account. If a customer sent funds in cash, the money

was converted into "e-money," according to FTX's terms of service, which was then used to buy cryptocurrency.

FTX's terms of service made no mention of how, or where, client assets would be stored. Instead, there was a brief line saying that the legal title of any digital assets passed to FTX remained the property of the customer.

"None of the Digital Assets in your Account are the property of, or shall or may be loaned to, FTX Trading; FTX Trading does not represent or treat Digital Assets in User's Accounts as belonging to FTX Trading," said the terms of service. There was no similar declaration for cash assets.

FTX's alleged use of customer assets to fund its activities would be highly unlikely at U.S. stock exchanges, which don't touch any customer money. Instead, stock market investors send their money to a broker who is a member of the exchange and can act on behalf of their clients. Larger institutional investors typically hold money with a custodian bank like State Street or BNY Mellon, sending trade details via their brokers to the exchange. Custodian banks are responsible for protecting investors' assets, with strict rules on what they can do with them.

The exchange simply acts as a meeting place for buyers and sellers, collecting transaction and other fees for providing the service. Every trade conducted on an exchange contains instructions about what should happen next to ensure that money ends up in the correct accounts and that the ownership of whatever stock is being bought or sold transfers to the buyer.

Most banks are also brokers, catering mainly to professional and high net worth investors. Robinhood, Charles Schwab and other brokerages target retail investors. Exchanges are prohibited from owning brokerages, other than for sending trades to other exchanges if there is a better price for a stock elsewhere. And brokerages can own, at most, 20 percent of an exchange.

The rules are meant to prevent any conflicts of interest that can arise if a brokerage shares ownership with the exchange where the trades happen, and where the broker or its client stand to make and lose money on trades.

In contrast, Alameda Trading, one of the biggest trading firms on FTX that was at the center of its collapse, was also co-founded by Mr. Bankman-Fried. FTX has been accused of using customer money to prop up Alameda's trading activity. Given the bankruptcy, it's likely that FTX customers will never get all of their money back.

If a regulated stock exchange were to suffer the same fate as FTX, the separation of duty at different links in the trading chain means that customer money would be less likely to get caught up in the bankruptcy.

"Investor protections, such as the segregation of roles between trading venues, market makers and asset custodians, are a hallmark of regulated exchanges like the N.Y.S.E.," said Michael Blaugrund, the chief operating officer of the New York Stock Exchange.

Even tracking customer assets on FTX could prove tricky, because of the limited books and records. John J. Ray III, the chief executive of FTX, told lawmakers this week that he was dealing with a "literal paperless bankruptcy."

Trading on FTX also differed from traditional exchanges in that not all trades were publicly recorded. While crypto currency transactions are meant to be recorded on the blockchain, a public digital "ledger," any trading that happened using those crypto holdings within the FTX platform did not get publicly recorded -- only customer deposits or withdrawals hit the blockchain. On a U.S. stock exchange, every individual trade is accounted for.

In prepared remarks to U.S. lawmakers in February, Mr. Bankman-Fried said that at FTX, a "key investor-protection principle is making sure there is adequate bookkeeping (and related records) to track the customer's assets, combined with appropriate disclosure and reporting."

This was done, he said, "to ensure that whoever is in control of a customer's assets is not mis-allocating or misusing those assets, particularly in furtherance to their own purposes at the expense of the customer's best interests."

The comments, undermined by the now known facts, highlight that written statements are worth little without oversight and enforcement.

FTX's U.S. derivatives exchange, LedgerX, is subject to more stringent rules surrounding derivatives trading that were introduced after the global financial crisis. Those rules are overseen and enforced by

multiple regulators, primarily the Commodity Futures Trading Commission -- and abiding by them is arguably what kept LedgerX out of bankruptcy.

Yet FTX had plans to export elements of its trading model to LedgerX. In December 2021, it sought approval from U.S. regulators to use customer money for LedgerX's own "temporary" needs. The changes weren't approved before FTX's collapse.

Other crypto exchanges have since sought to soothe investors' concerns over how their assets are treated. But it remains a far cry from the assurance, evidence and oversight in more regulated markets.

"What's the lesson learned?" asked Chris Perkins, president of Coinfund, a crypto investment firm. "The regulated part of the business worked. The other stuff was fast and loose. But even if the regulation is perfect, fraud is fraud. The key is transparency."

ART Sam Bankman-Fried, the founder of FTX, was charged by the United States this week with a host of financial crimes. (PHOTOGRAPH BY ABC NEWS/GOOD MORNING AMERICA, VIA ASSOCIATED PRESS) (B6) This article appeared in print on page B1, B6.

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CLM DealBook Newsletter
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HD **FTX's Founder Faces Growing Legal Troubles**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni
WC 2,316 words
PD 14 December 2022
ET 13:14 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

The fallen crypto mogul Sam **Bankman-Fried** plans to fight extradition as charges pile up in what prosecutors called a record financial fraud.

Bankman-Fried plans to fight back

TD

Sam Bankman-Fried, the founder of the failed crypto exchange FTX and its trading affiliate Alameda Research, remains in a Bahamian jail this morning, facing an avalanche of charges over what U.S. prosecutors have called "one of the biggest financial frauds in American history."

But the pressure hasn't let up yet, as Mr. Bankman-Fried — or S.B.F., as he's commonly known — faces yet more charges, fights efforts to extradite him to the United States and confronts the possibility that some of his lieutenants may be working with prosecutors. (He'll also undoubtedly be pilloried at a hearing about crypto held by the Senate Banking Committee this morning, which will also include a "Shark Tank" judge and the actor Ben McKenzie of "The O.C." fame.)

Charges against S.B.F. are multiplying. In addition to those pressed by the federal prosecutor in Manhattan, who has long experience with white-collar cases, and the S.E.C., the 30-year-old faces accusations by the Commodity Futures Trading Commission that include manipulating the price of his exchange's FTT token and front-running customers.

(In a small sign of how seriously S.B.F. views his situation, he abandoned his uniform of baggy T-shirts and cargo shorts for a navy suit as he was taken in by Bahamian authorities.)

U.S. authorities will need him to be extradited, however, and a lawyer for S.B.F. suggested his client will contest that effort. His team may argue that the conduct alleged by U.S. prosecutors wasn't a crime in the Bahamas, though there are equivalent criminal offenses. A hearing is scheduled for Feb. 8.

Meanwhile, the Bahamian securities regulator objected to statements by FTX's current C.E.O., John Ray III, about the exchange's collapse, including those about S.B.F.'s apparent efforts to strike a deal with the nation's authorities.

Questions are swirling about whether any S.B.F. allies have flipped. At Tuesday's hearing before the House financial services committee, Mr. Ray affirmed that he would cooperate with prosecutors. He also listed FTX's numerous business failures, including its accounting being run … on QuickBooks.

Mr. Ray added that he was looking for evidence of wrongdoing by Bankman-Fried and top lieutenants like Ryan Salame and Caroline Ellison. Unlike S.B.F., other former FTX and Alameda officials have gone quiet in recent weeks, leading to speculation that some — including Ellison — may be cooperating with law enforcement.

Fears about wider crypto contagion are resurfacing. Binance, the world's biggest crypto exchange, faced $3 billion in customer withdrawals on Tuesday, a stampede that prompted Changpeng Zhao, the firm's co-founder, to give a trading update on Wednesday and calm investor fears during a Twitter Spaces event. He blamed a brief panic by investors spooked by FTX's troubles for the withdrawals.

"People got hurt by one exchange, lost a lot of money" and moved their crypto holdings, including from his exchange, he said. He added that the flow had reversed on Wednesday: "We're seeing money flowing back in already." But CZ, as he's known, warned employees that "we expect the next several months to be bumpy."

HERE'S WHAT'S HAPPENING

Congress makes a breakthrough on an omnibus government spending deal. House and Senate negotiators have agreed on a broad framework to fund the federal government in 2023. That puts lawmakers on track to vote on the package next week — and avert a government shutdown.

Danske Bank will pay $2 billion to settle money-laundering investigations. The payments to the Justice Department, the S.E.C. and Denmark's Special Crime Unit will end inquiries into compliance failures that led to more than $230 billion in suspicious transactions from Russia and other countries flowing through a branch in Estonia. Shares in Danske were up 1.4 percent this morning.

Apple reportedly plans to let iPhones use alternative app stores. The company plans to open up its iOS platform in Europe, letting users download software outside of Apple's app portal, according to Bloomberg. The move, meant to comply with new European rules, would also let developers avoid paying commissions on in-app payments to Apple.

Shares in Moderna jump on promising trial results of a cancer vaccine. The drugmaker's stock rose nearly 20 percent on Tuesday after the company announced data showing that its personalized melanoma vaccine, coupled with a Merck treatment, drastically reduced patients' risk of recurring disease or death. A note of caution: The results haven't been peer-reviewed.

U.S. efforts to contain TikTok's security risks hit more speed bumps. Concerns from the F.B.I. and unilateral moves by state regulators are the latest challenges to federal officials' plan to address national security concerns about the Chinese-owned video platform. Meanwhile, lawmakers introduced a bill to ban TikTok in the U.S.

All eyes on Powell

It's decision day for the Fed, and investors are holding their fire as they await news on the central bank's latest move on interest rates. At 7 a.m. Eastern, U.S. futures were trading flat and European stocks were broadly lower ahead of what is widely expected to be a decision to raise the Fed's prime lending rate by 0.5 percentage points.

Investors got good news on Tuesday, when the latest Consumer Price Index report showed inflation continues to slow after reaching a multidecade high this spring. The C.P.I. has now fallen nearly two percentage points since June; the reading from last month showed prices were up 7.1 percent on an annual basis, below forecasts. That spurred an impressive stock-buying spree at the start of Tuesday's trading session, as investors bet that inflation had peaked. But markets slid in the afternoon.

Concern about a slowing economy is a big source of market volatility. The Fed's aggressive policy of slowing inflation by raising borrowing costs has messed with investor psychology, Lawrence Gillum, a fixed income strategist at LPL Financial, told DealBook. The markets now think the Fed will slam the brakes on rate rises in the first half of 2023, and begin to cut rates in the second half of the year, he said.

That view could be mistaken. "We don't think the Fed will declare 'mission accomplished' any time soon" on its inflation fight, he said. As long as the central bank tries to keep a lid on prices, there's a risk that its approach will push the world's biggest economy into a recession, and trigger further market volatility.

The S&P 500 has risen more than 12 percent in the past two months, as data show inflation is in retreat. But if other measures show the economy is contracting, that could squash the stock rally: "There is a risk that markets could be moving higher prematurely," Gillum said. That will make this afternoon's news conference by Jay Powell, the Fed chair, even more important for investors looking for insight into the economy's health.

Elon Musk's latest battlegrounds

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No one can accuse Elon Musk of backing down from — or being unwilling to pick — a fight, with targets as varied as Dr. Anthony Fauci, current and former Twitter employees and Tim Cook of Apple.

But there are signs that the Twitter boss is preparing to wage legal war on an array of fronts, including not paying vendors' bills or severance payments due to laid-off employees, The Times reports. It's the latest indication that Mr. Musk is playing hardball to cut costs at the social media company.

Mr. Musk appears willing to test the bounds of contracts, by not honoring agreed-upon payouts and forcing renegotiations on commercial leases. He has also revamped the company's legal team, dismissing his personal lawyer, Alex Spiro, and using counsel from his other companies, like SpaceX.

Meanwhile, Twitter has slashed more costs by getting rid of catering staff and auctioning office supplies and kitchen equipment. It has also laid off more executives, including the global head of infrastructure and the vice president of information security.

None of this is likely to reassure Tesla shareholders, who are increasingly worried that Musk is too distracted by his work at Twitter. The electric carmaker's stock is down 52 percent this year. One longtime Tesla investor, Ross Gerber, tweeted on Tuesday at the Tesla board: "What is the plan? Who is running Tesla and when is Elon coming back?"

In other Twitter news:

* Jack Dorsey, the Twitter co-founder and former C.E.O., conceded that he deserves some blame for Twitter's content-moderation problems, though he implicitly faulted the activist investor Elliott Management as well.

* To generate more advertising revenue, Twitter is said to be weighing a plan to force users to agree to personalized ads unless they subscribe to Twitter Blue.

"Americans expect our government to uphold the laws of our nation when it comes to our private and personal information — whether it be tax returns or health care records."

— Ken Griffin, the billionaire financier, in a lawsuit filed against the I.R.S. over last year's leak of his tax returns to the nonprofit news outlet ProPublica. Griffin accused the I.R.S. of failing to safeguard his personal tax information; the agency has said it is investigating the matter, but hasn't provided public updates.

China's Covid U-turn sows confusion

Anyone looking for signs of optimism from the Chinese economy is probably feeling a sense of whiplash. Beijing's abrupt decision last week to reverse some of the most draconian aspects of its zero-Covid policy is now followed by reports that officials canceled, then uncanceled an important economic planning meeting this week, highlighting the opacity of policymaking as cases surge in the world's second biggest economy.

The scale of the outbreak is unknown, and the data could get murkier. Beijing is all but abandoning its policy of rigorous testing and severe lockdowns for more lax measures. Health officials now say they won't publish data on asymptomatic cases, adding to worries about the country's Covid preparedness, and raising further questions on the reliability of government information.

Some Chinese are reverting to lockdown-like behavior. Cities, including Beijing, are eerily quiet as residents stay at home for fear of getting the virus or to avoid infecting others, putting a damper on business activity. Restaurants are empty, pharmacies are running out of flu medication and disinfectant supplies, and the usually ubiquitous delivery drivers have almost vanished.

Investors are still hopeful for 2023. Business groups say moving beyond zero-Covid is vital for restoring economic growth. Chinese trade data for November showed the costs of Beijing's highly restrictive policy: the government recorded the largest monthly decline in imports and exports since the start of the pandemic.

But underlying economic challenges remain unresolved. Chinese companies are still struggling to access crucial technologies, and the Biden administration is set to place more of the country's businesses on its trade blacklist, according to the Financial Times. Meanwhile, Japan and the Netherlands are in talks with the U.S. to restrict tech exports, such as high-tech chips, to China. Beijing complained to the World Trade Organization this week, showing that the East-West trade war shows little sign of fading.

THE SPEED READ

Deals

* Carlyle has reportedly requested more time to raise money for its latest private equity fund, as investors worry about overcommitting to the buyout industry and the firm's succession chaos. (FT)

* Deutsche Bahn of Germany is reportedly near a decision to sell its Schenker logistics division, which could fetch about $21 billion. (Bloomberg)

* Serta Simmons, the privately held mattress maker, is said to be planning to file for bankruptcy as soon as next month. (Bloomberg)

* In sports deals: The former CNN chief Jeff Zucker will lead a new sports and media investment firm, while the financier Bill Foley and the actor Michael B. Jordan are the latest Americans to buy an English Premier League soccer club. (WSJ, FT)

Policy

* The European Unionplans to raise 20 billion euros ($21 billion) via an auction of carbon credits to finance its move away from Russian natural gas. (Bloomberg)

* The Bank of England warned Prime Minister Rishi Sunak of Britain against over-easing financial regulations as part of its economic plans. (FT)

* The federal government is wooing tech workers laid off from the likes of Google, Meta and Twitter. (CNBC)

* Qatar reportedly offered European lawmakers lavish gifts like World Cup tickets and all-expenses-paid trips to the emirate as part of an influence campaign now under investigation. (FT)

Best of the rest

* WeWork is burning through its cash reserves amid a drop in demand for co-working spaces, raising the specter of a default on its debt. (WSJ)

* Airbnb conceded that Black travelers face discrimination in booking on the site, and announced steps to combat such bias. (NYT)

* Traders are worried that the price of nickel on the London Metal Exchange is increasingly disconnected from its price on other global markets. (FT)

* How to tell whether your hybrid workplace isn't working. (WSJ)

* A close look at Vivek Ramaswamy, the financier seeking to become the face of the "anti-woke" capitalism movement. (New Yorker)

We'd like your feedback! Please email thoughts and suggestions to dealbook@nytimes.com.

ART All dressed up. | Mario Duncanson/Agence France-Presse — Getty Images

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The New York Times

SE National Desk; SECTA

HD **Fraud at FTX Started Early, Charges Claim**

BY By David Yaffe-Bellany, Matthew Goldstein and Emily Flitter

WC 1,908 words

PD 14 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

A criminal indictment unsealed on Tuesday and a complaint by the S.E.C. describe years of wrongdoing in Sam **Bankman-Fried**'s crypto empire.

Sam **Bankman-Fried**'s lies, prosecutors say, stretched back to the very beginning.

TD

From the founding of his cryptocurrency exchange FTX in 2019, Mr. Bankman-Fried engaged in widespread fraud, the federal authorities charged on Tuesday, and used his customers' deposits to finance his political activities, buy lavish real estate and invest in other companies.

A series of civil and criminal charges filed against Mr. Bankman-Fried in the Southern District of New York say he repeatedly lied to customers, investors and lenders about the structure of his business empire and how he handled the billions of dollars in funds that crypto users deposited in his exchange.

In a 13-page criminal indictment, Mr. Bankman-Fried was charged with eight counts, including wire fraud against customers and lenders, as well as conspiracy to defraud the United States and violate campaign finance laws. A civil complaint filed by the Securities and Exchange Commission laid out a detailed narrative of FTX's collapse, claiming that for three years Mr. Bankman-Fried had misappropriated billions in customer deposits to fund his business and political activities.

The charges against Mr. Bankman-Fried came on one of the most dramatic days in the rapidly unfolding collapse of FTX, which has rocked the crypto industry. In Washington, the company's new chief executive, who took over when the firm filed for bankruptcy, testified in Congress, laying out the myriad management failures that contributed to the exchange's implosion. In Nassau, the capital of the Bahamas, Mr. Bankman-Fried appeared in court for the first time, having spent the night in a police cell after being arrested at his home on Monday evening. He was denied bail and will remain in custody.

The arrest surprised the FTX founder and his parents, who were visiting him, according to a person with knowledge of the matter. Mr. Bankman-Fried was taken away in handcuffs.

Mr. Bankman-Fried appeared in Magistrate Court, dressed in a blue suit and white shirt, eschewing his usual disheveled outfit of shorts and a T-shirt. He was escorted inside by the police, while his parents, the Stanford Law School professors Joe Bankman and Barbara Fried, sat in the rear of the gallery.

The lead prosecutor for the Bahamian authorities, Franklyn Williams, argued that Mr. Bankman-Fried was a flight risk, with sufficient financial resources to escape the country. A lawyer for Mr. Bankman-Fried said that his decision to remain in the Bahamas after FTX collapsed showed he had no intention to flee, adding that Mr. Bankman-Fried required medication for depression and attention deficit disorder.

The court's chief magistrate, Joyann Ferguson-Pratt, ruled that Mr. Bankman-Fried should remain in custody. He was allowed a few minutes with his parents, who embraced him in a long hug as the courtroom was cleared.

Mr. Bankman-Fried's arrest was a stunning fall from grace for an executive who was once described as a modern-day John Pierpont Morgan, and became a darling of big investors in Silicon Valley and a prolific Democratic Party donor. These days, Mr. Bankman-Fried, 30, is more often likened to Bernie Madoff, the fraudster who orchestrated a notorious Ponzi scheme.

As FTX collapsed, the S.E.C. said in its complaint, investors were kept in the dark about what was going on. Federal prosecutors said Mr. Bankman-Fried's lenders were also kept in the dark. And hundreds of thousands of FTX customers around the world were kept in the dark, too -- only to find out that their money was gone.

"Bankman-Fried was orchestrating a massive, yearslong fraud, diverting billions of dollars of the trading platform's customer funds for his own personal benefit and to help grow his crypto empire," the S.E.C. said.

According to court filings, Mr. Bankman-Fried was indicted by a grand jury on Dec. 9. The arrest took place three days later, when Bahamian authorities took Mr. Bankman-Fried into custody at Albany, the luxury apartment complex where he has lived since he moved FTX to the island from Hong Kong last year.

At a news conference on Tuesday, Damian Williams, the U.S. attorney for the Southern District of New York, said the investigation into FTX was "very much ongoing" and "moving very quickly."

He called the company's collapse "one of the biggest financial frauds in American history."

Federal prosecutors will need to extradite Mr. Bankman-Fried so he can face trial in federal court in the United States. But while the Bahamas has an extradition treaty with the United States, that process could stretch for weeks or months if Mr. Bankman-Fried contests it.

Mark Cohen, a lawyer for Mr. Bankman-Fried, said his client "is reviewing the charges with his legal team and considering all of his legal options."

Just over a month ago, Mr. Bankman-Fried was widely viewed as one of the few reliable figures in a freewheeling, loosely regulated industry. He contributed $5.6 million to President Biden's 2020 election effort, and FTX spent lavishly on TV commercials with an array of celebrity endorsers like the basketball star Stephen Curry and the N.F.L. quarterback Tom Brady. He was at the forefront of an industrywide effort to bring crypto into the mainstream of American commerce.

But strip away all the references to crypto in the S.E.C.'s civil complaint, and a picture emerges of garden-variety lies to investors -- falsehoods that date back to 2019.

Regulators say Mr. Bankman-Fried lied to dozens of big venture capital firms and wealthy family offices, as he raised nearly $2 billion to finance his company.

The S.E.C. claims that Mr. Bankman-Fried misled those investors in reports about the financial health of FTX and its sister company, Alameda Research, a crypto trading platform that he had helped start. He also misled investors about the close ties between the two companies, the S.E.C. said, and concealed how he had allowed his trading firm to routinely borrow money from FTX customers -- borrowing that occurred despite claims that all customer money was safe.

The mixing of money allowed Alameda to make bigger trades, invest in other crypto companies, buy Bahamas real estate and make personal loans to FTX executives. The fraud was enabled in two key ways, the S.E.C. said: FTX customers were directed to deposit fiat currency, like U.S. dollars, into bank accounts controlled by Alameda, and the trading firm could draw down from a "virtually limitless" line of credit funded by FTX customer assets.

Then in the spring, when the crypto market began to crater, other crypto firms that were lenders to Alameda began to call in their loans, demanding repayment, according to the authorities. That forced Mr. Bankman-Fried and others at FTX to double down and take even more money from FTX customers to make Alameda whole.

The strategy of taking money from FTX to keep Alameda afloat imploded when customers of the crypto exchange started demanding their money this fall. The financial hole was $8 billion, so big that the whole enterprise collapsed.

In the indictment and accompanying court papers, federal prosecutors echoed many of the allegations in the S.E.C.'s complaint. They also claimed Mr. Bankman-Fried had broken campaign finance laws by making political contributions to both parties "in the names of co-conspirators, when in fact those contributions were funded by Alameda Research with misappropriated customer funds."

The scheme was "in the service of the defendant's desire to influence the direction of policy and legislation on the cryptocurrency industry," prosecutors wrote in court papers.

The Commodity Futures Trading Commission also filed civil charges, claiming that Mr. Bankman-Fried, FTX and Alameda had defrauded customers and other cryptocurrency investors by manipulating the prices of certain digital assets, front-running other traders on the FTX platform, and lying about the location and use of customer funds.

The C.F.T.C. described a scheme to artificially boost the value of a digital token called FTT, which was created by FTX and issued to some investors while Alameda used it as collateral for loans from other cryptocurrency firms. According to the complaint, FTX used a third of its revenues to buy FTT and remove it from the marketplace, artificially inflating its value.

For weeks, Mr. Bankman-Fried claimed in numerous media interviews that he never intended to defraud anyone and that he had no idea what was going on at Alameda. But Rebecca Roiphe, a former prosecutor and a professor at New York Law School, said those arguments were unlikely to succeed in a courtroom.

"One of the classic defenses in a white collar case is to plead ignorance," she said. "But it just doesn't ring true when you head the company and have so much control over the organization."

Before his arrest, Mr. Bankman-Fried was scheduled to testify at a hearing on Tuesday in front of the House Financial Services Committee, which is investigating the collapse of FTX. The hearing went ahead without him, featuring testimony from John Jay Ray III, a veteran of corporate restructuring who has taken over as chief executive of FTX.

In his opening statement, Mr. Ray blamed the collapse of FTX on the "absolute concentration of control in the hands of a small group of grossly inexperienced and unsophisticated individuals."

In the early 2000s, Mr. Ray oversaw the unwinding of Enron, the energy trading firm that collapsed in an accounting scandal. At the hearing, he called the perpetrators of Enron's crimes "highly sophisticated," whereas FTX executives appeared to have engaged in "really just old-fashioned embezzlement," he said.

"Even with most failed companies, we have a fair road map of what happened," Mr. Ray said in his testimony. "We're dealing with a literal paperless bankruptcy. It makes it difficult to track."

The S.E.C., in its complaint, amplified those concerns and warnings. The complaint said that from the beginning, "FTX had poor controls and fundamentally deficient risk management procedures." The S.E.C. said the company treated assets and liabilities as "interchangeable" in its accounting ledgers and bookkeeping.

For now, however, no one other than Mr. Bankman-Fried has been charged.

On a number of occasions, though, the indictment references other people who assisted Mr. Bankman-Fried in carrying out the allegedly fraudulent scheme, without naming any of them.

Legal experts, including some lawyers familiar with the investigation, have said it is likely that some of Mr. Bankman-Fried's former associates are cooperating with the authorities, especially given the speed with which the charges were filed.

"Somebody had to describe to them what happened and what was done with specifics," said Erik Gordon, a law and business professor at the University of Michigan. "Someone gave them a short cut."

Royston Jones, Jr., David McCabe, Ephrat Livni, William K. Rashbaum, Rebecca Davis O'Brien and Benjamin Weiser contributed reporting.

ART Prosecutors allege that Sam Bankman-Fried, the founder of FTX, misled dozens of investors. (PHOTOGRAPH BY ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES) (A18) This article appeared in print on page A1, A18.

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The New York Times

CLM CRITIC'S NOTEBOOK
SE Business/Financial Desk; SECTB
HD **Tech Fashion May Be Due For a Tuck-In**

BY By Vanessa Friedman
WC 1,444 words
PD 14 December 2022
SN The New York Times
SC NYTF
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LP

Sam **Bankman-Fried**'s choices may signal an end to the schlubby mystique.

The mythic figure that is the billionaire tech genius in the nowhere man tee may finally be about to meet its long overdue end. The arrest of Sam **Bankman-Fried**, the founder of the **FTX** cryptocurrency trading platform, on Monday in the Bahamas on charges of fraud, may signal not just the next stage in his downfall, but also a change in the global image-making of Silicon Valley.

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After all, no one took the idea that a life of the boundless mind was reflected in a life freed from petty concerns like clothing further than Mr. Bankman-Fried (or SBF, as he is often called). Not for him the physical cage of a suit and tie. Instead, the T-shirt, cargo shorts and sneakers, often worn with white running socks scrunched down at the ankle.

And not just any T-shirt and cargo shorts, but what could seem like the baggiest, most stretched out, most slept in, most consciously unflattering T-shirts and shorts; the most unkempt bed-head. While the look may have evolved naturally, it became a signature as he rose to prominence, a look he realized was as effective at pushing the Pavlovian buttons of the watching public (and the investing community) as the Savile Row suits and Charvet ties of Wall Street.

"It's as conscious as incorporating in the Bahamas where there is no to little regulatory oversight," said Scott Galloway, an investor, podcasting host and professor of marketing, referring to the fact that FTX's headquarters were in the Caribbean rather than California. "It's the ultimate billionaire white boy tech flex: I'm so above convention. I'm so special I am not subject to the same rules and propriety as everyone else."

It's an image that has its roots not so much in Mr. Bankman-Fried's youth in a family that embraced utilitarianism as in Albert Einstein's unbrushed halo of hair, which became as much a symbol of the physicist's genius as E = mc2. In Steve Jobs's jeans and black turtleneck, and in Steve Wozniak's kitschy shirts, long, stringy hair and beard (which took three hours to recreate for the "Jobs" biopic). In, of course, Mark Zuckerberg's Adidas flip-flops, hoodies and gray T-shirts, which gave rise to the current tech uniform of choice.

It's a uniform that telegraphs to the watching world somebody who doesn't have the time to worry about what they are wearing because they are thinking such big, world-changing thoughts. Thoughts that no one else can possibly understand because they are so out there and potentially revolutionary. It plays on our general insecurity around science and the tech world; the whole idea of a language, made in code, impenetrable, that magically shrinks down all sorts of possibilities and puts them in the palm of your hand.

"On a macro level, it's human to worship things," Mr. Galloway said. "Tech with its mysteries is easy to worship. It's the idolatry of innovators."

Innovators who with their very being don't just step over long established lines, but ignore them entirely. How do we recognize them if we don't even understand what they are proselytizing about? To paraphrase the former Supreme Court justice Potter Stewart on obscenity, we know them when we see them. Of course they are not like us. Of course they don't dress like us.

We have, said Joseph Rosenfeld, an image consultant and stylist in Silicon Valley, swallowed the costume theory hook, line and sinker. "When 'tech bros' like SBF are mid-meteoric rise in notoriety and wealth-building, the public is willing to give them a pass because the look is de rigueur," Mr. Rosenfeld said. That costume has been reinforced by Hollywood, and the sheer fact that every time "a V.C. forks over a massive investment to a schlubbily dressed person (almost 100 percent of the time male-presenting), that's a passive form of approval."

And a self-perpetuating one, at least if, as Mr. Galloway also said, you are white, male and young. "If a person of color or a woman or a 50-year-old showed up like that, security probably would not let them in the building," he noted. In many ways, the dress code is yet another example of the double standard rife in Silicon Valley (or those companies we associate with Silicon Valley, even if, like FTX, they had headquarters elsewhere) -- the one that saw Sheryl Sandberg in her Facebook days wearing sleeveless power sheaths in a room of hoodies.

Or at least it was. Suddenly, however, Mr. Bankman-Fried has cast the whole look in a different light. His sloppy dress seems less a reflection of a higher calling or of a decision to devote his own finances to "effective altruism," than a red flag about a sloppy approach to other people's money. A clue that someone who doesn't care about showering or style is maybe someone who doesn't care about audits and the co-mingling of funds.

That, in fact, in Mr. Bankman-Fried's overwhelming embrace of the dress-down mystique -- one colleague, Andy Croghan, told The New York Times, "Sam and I would intentionally not wear pants to meetings" -- he actually missed the point, which was that it is the details and what you don't see that matters. Mr. Jobs's black turtlenecks were by the Japanese designer Issey Miyake, for example; Mr. Zuckerberg's gray T-shirts come from the Italian designer Brunello Cucinelli. They only seemed unstudied.

Mr. Bankman-Fried missed the fact that, as Mr. Rosenfeld said, "some of the best dressed individuals in tech prefer a very low profile and don't prefer to bring attention to themselves," meaning they actually look more business casual than just casual. (When asked who those individuals might be, Mr. Rosenfeld name-checked Kevin Systrom, formerly of Instagram, and Evan Spiegel of Snapchat.)

And he missed that someone who may go to jail is not someone whose look anyone else might really want to emulate.

As it happens, Mr. Bankman-Fried was scheduled to testify before Congress the day after his arrest. Whether he would have donned a suit for the occasion (he did when he testified in December 2021, though famously he wore his brown lace-ups tied in such a bizarre knot that they became a meme unto themselves) we will never know. But given that when he appeared in Bahamian court to be indicted, he did switch things up in a navy suit and white shirt, if no tie, he seems to understand the role image can play in influencing judgments. Presumably, when his case makes it to court in New York, he will do the same, maybe even with a tie, though whether it will make any difference at that point is doubtful.

His track record of schlubbiness -- still on view during his mea culpa self-exoneration media tour before his arrest -- is there now to help paint a picture, as Mr. Galloway said, of a "guy who has no respect for other people's money, just as he had no respect for decorum."

And if it is, indeed, so used, it's pretty likely that the sartorial schtick will go out of vogue. At least for a while. In its place, perhaps, the trappings of the man who has stepped into Mr. Bankman-Fried's shoes as FTX chief executive to oversee its bankruptcy, John J. Ray III, who sat before the House Financial Services Committee on Tuesday in a pinstriped navy suit, light blue shirt and dusty rose tie with a discreet print.

And yet, Mr. Galloway said, "the waving of the middle finger, the 'I'm special, I'm unconventional, I'm above all that boring rule-playing'" -- that ethos Mr. Bankman-Fried once symbolized?

"That will always be in style," he said. Even if it does get a new look.

ART Sam Bankman-Fried, left at the DealBook Summit in New York last month, wore stretched-out, slept-in T-shirts and scrunched white socks, even when sharing a stage with Gisele Bündchen, above right, at a crypto conference. That style may now be seen as a red flag for a sloppy approach to business. (PHOTOGRAPHS BY HIROKO MASUIKE/THE NEW YORK TIMES; ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES) (B5) This article appeared in print on page B1, B5.

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The New York Times

CLM CRITIC'S NOTEBOOK
SE The Arts/Cultural Desk; SECTC
HD **Effective Altruism, On the Defensive**

BY By Jennifer Szalai
WC 1,981 words
PD 14 December 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 1
LA English
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LP

The movement's leading intellectuals told us to fear killer robots. They didn't think to mention the crypto billionaire next door.

The disgraced crypto entrepreneur Sam **Bankman-Fried** wanted people to know that the enormous risks he took were in the service of humanity -- that, at least, was the impression he tried to give on Nov. 30 in an interview at The New York Times's DealBook Summit. The famously jittery **Bankman-Fried**, who was arrested on Monday night on fraud charges, looked relatively subdued as he Zoomed in for the interview from a dimly lit room in the Bahamas, a tax haven whose regulatory environment was particularly suited to his crypto ambitions.

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"Look, there are a lot of things that I think have really a massive impact on the world," Bankman-Fried said. "And ultimately that's what I care about the most. And, I mean, I think frankly that the blockchain industry could have a substantial positive impact. I was thinking a lot about, you know, bed nets and malaria, about, you know, saving people from diseases no one should die from."

This is the language of effective altruism -- or E.A. -- a philanthropic movement premised on the use of reason and data to do good. Bankman-Fried had long flaunted his E.A. bona fides to distinguish himself from other crypto billionaires. Earn a lot to give a lot. Direct your bounty to where it will matter the most. Now his crypto exchange, FTX, has collapsed, wiping out small investors and wreaking havoc in the industry. To hear Bankman-Fried tell it, the idea was to make billions through his crypto-trading firm, Alameda Research, and FTX, the exchange he created for it -- funneling the proceeds into the humble cause of "bed nets and malaria," thereby saving poor people's lives.

But last summer Bankman-Fried was telling The New Yorker's Gideon Lewis-Kraus something quite different. "He told me that he never had a bed-nets phase, and considered neartermist causes -- global health and poverty -- to be more emotionally driven," Lewis-Kraus wrote in August. Effective altruists talk about both "neartermism" and "longtermism." Bankman-Fried said he wanted his money to address longtermist threats like the dangers posed by artificial intelligence spiraling out of control. As he put it, funding for the eradication of tropical diseases should come from other people who actually cared about tropical diseases: "Like, not me or something." (It looks increasingly unlikely that the nonprofits he started will be able to honor their financial commitments to his favored causes.)

To the uninitiated, the fact that Bankman-Fried saw a special urgency in preventing killer robots from taking over the world might sound too outlandish to seem particularly effective or altruistic. But it turns out that some of the most influential E.A. literature happens to be preoccupied with killer robots too.

The movement itself is still a big tent; there are effective altruists who remain dedicated to targeted interventions with proven results, including vaccination campaigns (and, of course, antimalarial bed nets). Holden Karnofsky, a former hedge funder and a founder of GiveWell, an organization that assesses the cost-effectiveness of charities, has spoken about the need for "worldview diversification" --

recognizing that there might be multiple ways of doing measurable good in a world filled with suffering and uncertainty.

The books, however, are another matter. Considerations of immediate need pale next to speculations about existential risk -- not just earthly concerns about climate change and pandemics but also (and perhaps most appealingly for some tech entrepreneurs) more extravagant theorizing about space colonization and A.I. Sometimes the books put me in mind of a bunch of smart, well-intentioned people trying to impress and outdo one another by anticipating the next weird thing. Instead of "worldview diversification" there's a remarkable intellectual homogeneity; the dominant voices belong to white male philosophers at Oxford.

Nick Bostrom's "Superintelligence" (2014) warns about the dangers posed by machines that might learn how to think better than we do; Toby Ord's "The Precipice" (2020) enumerates the cataclysms that could annihilate us. William MacAskill has translated such doomsday portents into the friendlier language of can-do and how-to. In his recent best seller, "What We Owe the Future" (2022), MacAskill says that the case for effective altruism giving priority to the longtermist view can be distilled into three simple sentences: "Future people count. There could be a lot of them. We can make their lives go better."

At first glance, all of this looks straightforward enough. MacAskill repeatedly calls longtermism "common sense" and "intuitive." But each of those terse sentences glosses over a host of additional questions, and it takes MacAskill an entire book to address them. Take the notion that "future people count." Leaving aside the possibility that the very contemplation of a hypothetical person may not, for some real people, be "intuitive" at all, another question remains: Do future people count for more or less than existing people count for right now?

This question is like an inflection point between neartermism and longtermism. MacAskill cites the philosopher Derek Parfit, whose ideas about population ethics in his 1984 book "Reasons and Persons" have been influential in E.A. Parfit argued that an extinction-level event that destroyed 100 percent of the population should worry us much more than a near-extinction event that spared a minuscule population (which would presumably go on to procreate), because the number of potential lives dwarfs the number of existing ones. There are eight billion people in the world now; in "The Precipice," Ord names Parfit as his mentor and encourages us to think about the "trillions of human lives" to come.

If you're a utilitarian committed to "the greatest good for the greatest number," the arithmetic looks irrefutable. The Times's Ezra Klein has written about his support for effective altruism while also thoughtfully critiquing longtermism's more fanatical expressions of "mathematical blackmail." But to judge by much of the literature, it's precisely the more categorical assertions of rationality that have endowed the movement with its intellectual cachet.

In 2015, MacAskill published "Doing Good Better," which is also about the virtues of effective altruism. His concerns in that book (blindness, deworming) seem downright quaint when compared with the astral-plane conjectures (A.I., building an "interstellar civilization") that he would go on to pursue in "What We Owe the Future." Yet the upbeat prose style has stayed consistent. In both books he emphasizes the desirability of seeking out "neglectedness" -- problems that haven't attracted enough attention so that you, as an effective altruist, can be more "impactful." So climate change, MacAskill says, isn't really where it's at anymore; readers would do better to focus on "the issues around A.I. development," which are "radically more neglected."

The thinking is presented as precise and neat. Like Bostrom and Ord (and Parfit, for that matter), MacAskill is an Oxford philosopher. He is also one of the founders of effective altruism -- as well as the person who, in 2012, recruited an M.I.T. undergraduate named Sam Bankman-Fried to the effective altruism cause.

At the time, the logic of MacAskill's recruiting strategy must have seemed impeccable. Among his E.A. innovations has been the career research organization known as 80,000 Hours, which promotes "earning to give" -- the idea that altruistic people should pursue careers that will earn them oodles of money, which they can then donate to E.A. causes.

"The conventional advice is that if you want to make a difference you should work in the nonprofit or public sector or work in corporate social responsibility," MacAskill writes in "Doing Good Better." But conventional is boring, and if the math tells you that your energies would be more effectively spent courting promising tech savants with sky-high earning potential, conventional probably won't get you a lot of new recruits.

"Earning to give" has its roots in the work of the radical utilitarian philosopher Peter Singer, whose 1972 essay "Famine, Affluence and Morality" has been a foundational E.A. text. It contains his parable of the

drowning child: If you're walking past a shallow pond and see a child drowning, you should wade in and save the child, even if it means muddying your clothes. Extrapolating from that principle suggests that if you can save a life by donating an amount of money that won't pose any significant problems for you, a decision not to donate that money would be not only uncharitable or ungenerous but morally wrong.

Singer has also written his own book about effective altruism, "The Most Good You Can Do" (2015), in which he argues that going into finance would be an excellent career choice for the aspiring effective altruist. He acknowledges the risks for harm, but he deems them worth it. Chances are, if you don't become a charity worker, someone else will ably do the job; whereas if you don't become a financier who gives his money away, who's to say that the person who does become a financier won't hoard all his riches for himself?

Still, some people need to become philosopher-influencers in order to spread the word. "Will isn't in finance," Singer writes, referring specifically to MacAskill. "That's because he believes that if he can influence two other people with earning capacities similar to his own to earn to give, he will have done more good than if he had gone into finance himself."

Or maybe not. On Nov. 11, when FTX filed for bankruptcy amid allegations of financial impropriety, MacAskill wrote a long Twitter thread expressing his shock and his anguish, as he wrestled in real time with what Bankman-Fried had wrought.

"If those involved deceived others and engaged in fraud (whether illegal or not) that may cost many thousands of people their savings, they entirely abandoned the principles of the effective altruism community," MacAskill wrote in a Tweet, followed by screenshots from "What We Owe the Future" and Ord's "The Precipice" that emphasized the importance of honesty and integrity.

I'm guessing that Bankman-Fried may not have read the pertinent parts of those books -- if, that is, he read any parts of those books at all. "I would never read a book," Bankman-Fried said earlier this year. "I'm very skeptical of books. I don't want to say no book is ever worth reading, but I actually do believe something pretty close to that."

Avoiding books is an efficient method for absorbing the crudest version of effective altruism while gliding past the caveats. In the paperback edition of "Superintelligence," which laid out a framework for thinking about a robot apocalypse, Bostrom delivers the equivalent of a warning label to "those whose lives have become so busy that they have ceased to actually read the books they buy, except perhaps for a glance at the table of contents and the stuff at the front and toward the back."

But the books themselves may have incentivized blind spots of their own. For all of MacAskill's galaxy-brain disquisitions on "A.I. takeover" and the "moral case for space settlement," perhaps the E.A. fixation on "neglectedness" and existential risks made him less attentive to more familiar risks -- human, banal and closer to home.

ART Sam Bankman-Fried, a prominent follower of effective altruism and founder of the now bankrupt cryptocurrency exchange FTX. (PHOTOGRAPH BY WINNIE AU FOR THE NEW YORK TIMES) (C1); Above, books that deal with effective altruism: from left, "What We Owe the Future" by William MacAskill; "The Precipice" by Toby Ord; and "Superintelligence" by Nick Bostrom. (C4) This article appeared in print on page C1, C4.

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AN Document NYTF000020221214eice00030

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The New York Times

SE World; Asia Pacific

HD □

BY By Emily Chan and Sammi Zheng

WC 1,647 words

PD 14 December 2022

ET 01:50 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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核聚变技术取得重大突破；FTX创始人班克曼-弗里德被捕；阿根廷完胜克罗地亚挺进世界杯决赛；BTS最年长成员入伍……这里是今日要闻。

TD

*

不是封城，胜似封城：现在北京"没人敢出门"
。餐馆大多关门、外卖员数量骤降、感冒药被抢购一空、快递系统也陷入瘫痪。随着本轮疫情席卷北京，居民们囤积食品和药物，躲在家中。从商业大亨到普通人，
北京居民纷纷在社交媒体上分享自己感染的经历。有网友说，"我有50%到60%的亲戚和朋友都阳了。"
目前北京疫情的严重程度难以判断，但发热门诊就诊人数和急救电话呼入量表明，
北京的感染人数正在激增。

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经济低迷、失业率接近新高：中国年轻一代陷入沮丧与失望。中国不再"清零"，
但就业形势仍然严峻。私营部门前景堪忧，年轻人被迫寻找替代方案，
考公和考研竞争激烈。他们在相对繁荣中长大，现实却令其充满挫败。中国多地此前爆发的"白纸革命"
凸显了中共长期以来的担忧，即年轻人缺乏就业机会和经济机会将威胁到社会稳定。（阅读本文中文版）

*

观点：恐惧和羡慕：中美眼中的彼此。数十年来，美中两国都将对方的意识形态视为某种感染。然后，
真正的病毒出现了。新冠疫情以来的不同应对愈发凸显出两国令彼此羡慕的品质和恐惧的陷阱。两国都深受创伤，经历了严重的经济破坏和政治动荡。因此，它们也更有理由利用民族主义抹黑对方，
分散民众的注意力。（阅读本文中文版）

*

中印士兵在喜马拉雅有争议边界再次发生冲突。在周五的小规模冲突中，
中国宣称其士兵是在边界一侧进行例行巡逻，而印度则说中国军队"侵占并试图改变"有争议的边界的现状，
双方各有几名士兵受伤。据信中印地方指挥官已于周日会面，讨论相关事宜。这一事件表明，
在两年多前的致命对峙后，该地区的紧张局势并未消失。

*

从孟晚舟案到美俄换囚，人质外交真的有效吗？
中国在孟晚舟被捕后逮捕并指控两名加拿大人的做法被外界普遍视为人质外交行
为。近日美国女篮运动员因换囚从俄罗斯获释，也令外界对人质外交的有效性产生疑问。对于劫持方来说，潜在好处通常很少且固定，坏处则是无法预测，代价也可能很大。（阅读本文中文版）

*

核聚变技术取得重大突破，
首次实现净能量增益。这是首次实验室中的核聚变反应产生的能量超过了启动反应所需的能量。192
束巨大的激光携带2.05兆焦耳的能量轰击了一个约铅笔橡皮头大小的冰冻氢块，使其蒸发，产出携带了大约3兆焦耳的能量的中子粒子。白宫科学顾问表示，这一科学里程碑将为实现清洁能源带来更多可能性。

*

聚焦乌克兰局势：乌克兰正在增加对梅利托波尔及其周边地区的攻击，
梅利托波尔是乌克兰南部一个被俄罗斯占领的城市，被称为"克里米亚的门户"

。在俄罗斯持续轰炸乌克兰基建网络、导致数百万人断电后，美国准备向乌克兰送出其最重要的防空武器——爱国者导弹。马克龙邀请全球50多国领导人在巴黎召开峰会，多国承诺为乌克兰提供约10亿欧元的直接援助。欧盟也绕过匈牙利，批准向乌克兰提供180亿欧元的贷款。

*

在卡塔尔世界杯半决赛首场对决中，阿根廷3-0完胜克罗地亚，率先挺进决赛。梅西罚中一粒点球，阿尔瓦雷斯攻入两球。这可能是梅西的最后一届世界大赛，他也迎来了赢得世界杯冠军的最后一次机会。阿根廷的决赛对手将在法国和摩洛哥之间产生。

*

FTX创始人班克曼-弗里德在巴哈马被捕，面临刑事及民事指控，并被指控从公司成立之初就对投资者撒谎。班克曼-弗里德是比特币行业的明星，FTX是全球大型加密货币交易所之一，于上月申请破产，震惊业界和全美。

*

欧盟达成初步协议，将对进口商品执行碳关税。如果得到批准，该法案将对那些没有采取严格措施遏制温室气体排放的国家征收关税，包括中国、英国和美国等在内的欧盟贸易伙伴均将受到影响。此外，欧洲还计划出台新的法律，逐步淘汰煤炭等化石燃料。

*

韩流男团BTS最年长成员入伍服兵役。30岁的金硕珍(Jin)的入伍结束了关于韩国强制征兵的辩论。此前韩国议会于2020年修订了法律，允许文化和艺术偶像将入伍时间从28岁推迟两年至30岁。BTS于今年6月宣布无限期休团。

感谢阅读今天的简报，新读者请点击此处订阅。点击这里查看往日更新。欢迎在Twitter(@nytchinese)、Instagram和Facebook上关注我们，了解更多中文资讯。也欢迎访问中文网首页阅读更多新闻。如有任何建议和想法，请来信与我们分享：cn.newsletter@nytimes.com。

ART 北京一处空荡荡的商业区。 | Yuxuan Zhang/Agence France-Presse — Getty Images | 在致命的对峙发生两年后，中印边境地区的紧张局势仍未消失。 | Money Sharma/Agence France-Presse — Getty Images | 阿根廷队在上半场攻入两球。图为梅西与队友庆祝。 | Richard Heathcote/Getty Images

RE usa : United States | namz : North America

IPD News

PUB The New York Times Company

AN Document NYTFEED020221214eice000p1

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The New York Times

SE National Desk; SECTA

HD FTX Founder Held in Bahamas As U.S. Files Criminal Charges

BY By David Yaffe-Bellany, William K. Rashbaum and Matthew Goldstein

WC 1,181 words

PD 13 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

A statement by the government of the Bahamas said Mr. Bankman-Fried was arrested after prosecutors in the United States filed criminal charges.

Sam Bankman-Fried , the disgraced founder of the collapsed cryptocurrency exchange FTX, was arrested in the Bahamas on Monday after U.S. prosecutors filed criminal charges.

TD

"S.B.F.'s arrest followed receipt of formal notification from the United States that it has filed criminal charges against S.B.F. and is likely to request his extradition," the government of the Bahamas said in a statement.

The arrest was the latest stunning development in one of the most dramatic falls from grace in recent corporate history. Mr. Bankman-Fried, 30, was scheduled to testify in Congress on Tuesday about the collapse of FTX, which was one of the most powerful firms in the emerging crypto industry until it imploded virtually overnight last month after a run on deposits exposed an $8 billion hole in its accounts.

Prosecutors for the Southern District of New York confirmed that Mr. Bankman-Fried had been charged and said an indictment would be unsealed on Tuesday. Separately, the Securities and Exchange Commission said in a statement that it had authorized charges "relating to Mr. Bankman-Fried's violations of our securities laws."

The criminal charges against Mr. Bankman-Fried included wire fraud, wire fraud conspiracy, securities fraud, securities fraud conspiracy and money laundering, said a person with knowledge of the matter.

Mr. Bankman-Fried, who was the only person charged in the indictment, was taken into custody by the Bahamian authorities, the person said. He was arrested shortly after 6 p.m. at his apartment complex in the Albany resort in the Bahamas, according to a statement from the Bahamian police. The timing of when Mr. Bankman-Fried might be moved to the United States was unclear. While the Bahamas has an extradition treaty with the United States, the process can take weeks, and sometimes far longer if a criminal defendant contests it.

Mr. Bankman-Fried was cooperative during the arrest, according to a person familiar with the matter, and will be held overnight in a cell at a police station. He is scheduled to appear on Tuesday in Magistrate Court in Nassau, the capital of the Bahamas.

A spokesman for Mr. Bankman-Fried declined to comment. Nicholas Biase, a spokesman for the U.S. attorney's office, also declined to comment.

"Earlier this evening, Bahamian authorities arrested Samuel Bankman-Fried at the request of the U.S. government , based on a sealed indictment," Damian Williams , the U.S. attorney for the Southern District of New York, said in a statement. "We expect to move to unseal the indictment in the morning and will have more to say at that time."

Once a golden boy of the crypto industry and a major donor to the Democratic Party, Mr. Bankman-Fried has seen his vast business and political empire collapse with stunning speed. His exchange filed for bankruptcy last month, and his personal fortune has dwindled to virtually nothing. While he used to be hailed as a modern-day John Pierpont Morgan, he's now more often likened to Bernie Madoff , who orchestrated the largest Ponzi scheme in history.

Lawyers involved in the case expressed surprise at the suddenness of the arrest. Mr. Bankman-Fried had been widely expected to face a criminal indictment. But complex white-collar fraud cases can take months to build. Until the arrest, Mr. Bankman-Fried was slated to testify remotely about the FTX collapse in a hearing in front of the House Financial Services Committee on Tuesday. The hearing is still set to go ahead, just without Mr. Bankman-Fried's testimony.

"The American public deserves to hear directly from Mr. Bankman-Fried about the actions that've harmed over one million people," Representative Maxine Waters , who chairs the committee, said in a statement. "The public has been waiting eagerly to get these answers under oath before Congress, and the timing of this arrest denies the public this opportunity."

Several people familiar with the investigation said the speed with which the authorities moved in filing criminal and civil charges was an indication that prosecutors and regulators had received information from cooperating witnesses.

Mr. Bankman-Fried has been facing scrutiny from dozens of regulators across the world, including the Justice Department, the S.E.C. and the Commodity Futures Trading Commission . Prosecutors in Manhattan have been examining whether FTX broke the law by transferring billions in customer funds to Alameda Research , a crypto hedge fund that Mr. Bankman-Fried also founded and owned.

They have also focused on whether Mr. Bankman-Fried and his hedge fund engaged in market manipulation that may have helped cause the failure of two prominent cryptocurrencies last spring.

Ever since FTX collapsed, the S.E.C. and federal prosecutors have moved quickly with requests for documents from various parties, including some of the big financial firms that invested up to $2 billion in the crypto exchange beginning last year, said two people briefed on the matter.

It is unclear whether the federal authorities are looking at charging anyone else in connection with the collapse of FTX. It is not uncommon for an S.E.C. civil complaint to reveal more information about the events that led to the filing of charges than an indictment.

FTX's collapse began early last month, when a run on deposits revealed an $8 billion hole in the company's finances. Mr. Bankman-Fried sought a lifeline from a rival company, the giant crypto exchange Binance , but the deal fell through after Binance examined FTX's books.

Mr. Bankman-Fried quickly became a villain in the crypto industry. Hundreds of thousands of customers have funds trapped on FTX, with little prospect of getting them back anytime soon.

Surprisingly for an executive facing criminal investigations, Mr. Bankman-Fried had given numerous media interviews in the wake of FTX's collapse. At the recent DealBook Summit, a New York Times event, he blamed "huge management failures" and sloppy accounting for his company's implosion, insisting that he "did not ever try to commit fraud" or knowingly dip into the funds of FTX customers to finance other investments.

When FTX filed for bankruptcy, Mr. Bankman-Fried stepped down as chief executive. He was replaced by John Ray, a seasoned corporate turnaround expert who oversaw the unwinding of the energy trading company Enron after an accounting scandal in 2001.

In a bankruptcy filing last month, Mr. Ray said that the management of FTX reflected a "complete failure of corporate control."

Mr. Ray was also scheduled to testify to the House on Tuesday. In a prepared statement, he said FTX had been a mess.

The collapse stemmed "from the absolute concentration of control in the hands of a very small group of grossly inexperienced and unsophisticated individuals," he wrote.

ART Sam Bankman-Fried This article appeared in print on page A1, A18.

CO ftxdig : FTX Trading Ltd

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IN i831 : Financial Investment Services | i83106 : Securities/Commodity Exchange Activities | ibnk : Banking/Credit | icryxch : Cryptocurrency Exchanges | ifinal : Financial Services | ifmsoft : Financial Technology | iinv : Investing/Securities | itech : Technology | ivicu : Virtual Currencies/Cryptocurrencies

NS c12 : Corporate Crime/Legal Action | ccat : Corporate/Industrial News | gcat : Political/General News | gcrim : Crime/Legal Action | gfinc : Financial Crime | gfraud : Fraud | gsfra : Securities Fraud | ncat : Content Types | nfact : Factiva Filters | nfcpex : C&E Executive News Filter | nfcpin : C&E Industry News Filter | npag : Page One Stories

RE bah : Bahamas | caribz : Caribbean Islands | namz : North America | usa : United States

IPD National Desk

PUB The New York Times Company

AN Document NYTF000020221213eicd0004q

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The New York Times

SE Business

HD Prosecutor in Bankman-Fried Case Made a Career of White-Collar Cases

BY By Benjamin Weiser
WC 487 words
PD 13 December 2022
ET 22:02 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

“I think it’s fair to say,” the federal prosecutor, Damian Williams, said of the Samuel Bankman-Fried case, “that by anyone’s lights, this is one of the biggest financial frauds in American history.”

Damian Williams, the federal prosecutor overseeing the case of Samuel Bankman-Fried, has been in office only 14 months but he has already handled a series of white-collar prosecutions. When a reporter asked at a news conference on Tuesday where the new case ranked in a district that had prosecuted people like Bernard Madoff, the infamous Ponzi schemer, Mr. Williams said it was hard to compare.

TD

“But I think it’s fair to say,” he added, “that by anyone’s lights, this is one of the biggest financial frauds in American history.”

The case is a natural for the U.S. attorney’s office for the Southern District of New York, which Mr. Williams heads and whose jurisdiction includes Wall Street. Before Mr. Williams was appointed by President Biden last year, he was a prosecutor in the district for nearly a decade, most recently helping to run a special unit that investigates fraud in the financial markets.

Mr. Williams, the first Black prosecutor to lead the storied office in its more than 230-year history, was born in Brooklyn to parents who immigrated to the United States from Jamaica. He is a graduate of Harvard University and Yale Law School. In 2007-8, he was a law clerk to Merrick B. Garland, who was a U.S. appeals judge in Washington at the time and is now the attorney general. Mr. Williams then clerked for Justice John Paul Stevens of the U.S. Supreme Court, and later practiced as an associate at the law firm Paul Weiss in New York.

As an assistant U.S. attorney, Mr. Williams helped to win the conviction of Sheldon Silver, the former Democratic speaker of the New York State Assembly, on corruption charges. Mr. Williams also helped to prosecute Chris Collins, a former Republican congressman from western New York, who pleaded guilty in an insider trading case. (He was later pardoned by President Donald J. Trump.)

On Tuesday, Mr. Williams acknowledged that the charges against Mr. Bankman-Fried had come rapidly, just a month after the collapse of FTX, the cryptocurrency exchange he had founded, which destroyed billions of dollars in customer value overnight.

He said his office, along with the F.B.I., the Securities and Exchange Commission and the Commodity Futures Trading Commission, had been “working around the clock to figure out what happened and to begin the process of seeking justice.”

Mr. Williams noted that the investigation was moving very quickly. “But I also want to be clear about something else,” he said. “While this is our first public announcement, it will not be our last.”

NS gcrim : Crime/Legal Action | gponz : Ponzi/Pyramid Scheme | gfinc : Financial Crime | gfraud : Fraud | c12 : Corporate Crime/Legal Action | ccat : Corporate/Industrial News | gcat : Political/General News | gsfra : Securities Fraud | ncat : Content Types | nfact : Factiva Filters | nfcpex : C&E Executive News Filter | nfcpin : C&E Industry News Filter

RE usa : United States | usny : New York State | namz : North America | use : Northeast U.S.

IPD Securities and Commodities Violations

PUB The New York Times Company

AN Document NYTFEED020221213eicd00911

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The New York Times

SE Business

HD The Bahamas Securities Commission pushes back on statements made by FTX's new C.E.O.

BY By Ephrat Livni
WC 352 words
PD 13 December 2022
ET 22:07 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Bahamian regulators are objecting to some assertions about communications with the company's former chief executive, Sam **Bankman-Fried**.

Financial regulators in the Bahamas took issue on Tuesday with some of the comments John J. Ray III, **FTX**'s new chief executive, made earlier in the day in testimony before Congress and in court filings in recent weeks.

TD

In a statement, the Securities Commission of the Bahamas accused Mr. Ray of making "key misstatements" before the lawmakers that it said "appear intended only to make headlines and advance questionable agendas."

The commission's complaint largely stemmed from Mr. Ray's comments about messages between former FTX executives. In its bankruptcy filing, FTX has said there was reason to believe, based on those messages, that Bahamian regulators had ordered unauthorized asset transfers that raised questions about their qualifications to serve as bankruptcy liquidators.

On Tuesday, lawmakers questioned Mr. Ray about those communications and relations between the founder of FTX, Sam Bankman-Fried, and the Bahamian authorities.

Mr. Ray responded that it "appears" Mr. Bankman-Fried was attempting to undermine U.S. bankruptcy proceedings by negotiating some arrangement with officials in the Bahamas. He said there had been "pushback" from authorities in the Bahamas about that claim.

In its statement, the Securities Commission of the Bahamas said that Mr. Ray mischaracterized an email exchange in November between Bahamian authorities and Sam Bankman-Fried, FTX's former chief executive. The commission said that gave the "false impression of communications" between its organization and Mr. Bankman-Fried.

The commission also objected to Mr. Ray's general references to Bahamian authorities, saying that he should have been specific about which government officials he was referring to, because it left the impression that he meant the Securities Commission.

The Bahamas Securities Commission statement concluded by saying that it had informed the new FTX C.E.O. of its willingness to meet and cooperate. "Mr. Ray has not reached out to discuss any of his concerns before airing them publicly," the statement noted.

CO sutcbh : Securities Commission of the Bahamas | ftxdig : FTX Trading Ltd

IN i831 : Financial Investment Services | i83106 : Securities/Commodity Exchange Activities | ibnk : Banking/Credit | icryxch : Cryptocurrency Exchanges | ifinal : Financial Services | ifmsoft : Financial Technology | iinv : Investing/Securities | itech : Technology | ivicu : Virtual Currencies/Cryptocurrencies

NS	cslmc : Senior Level Management | c13 : Regulation/Government Policy | c41 : Management | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter
RE	bah : Bahamas | caribz : Caribbean Islands
IPD	Live Blog Post
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AN	Document NYTFEED020221213eicd0093t

The New York Times

SE New York

HD **The judge in the Bankman-Fried case is part of a local legal clan.**

BY By Benjamin Weiser

WC 318 words

PD 13 December 2022

ET 16:41 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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Judge Ronnie Abrams's husband is an accomplished former Brooklyn federal prosecutor, and her father represented The New York Times in the Pentagon Papers case.

The Manhattan judge who will oversee Sam Bankman-Fried's case is Ronnie Abrams, who comes from a family of legal renown.

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Appointed to the federal bench in 2012 by President Barack Obama, she previously worked in private practice at the law firm Davis Polk & Wardwell, where she oversaw its pro bono program. From 1998 to 2008, she was a prosecutor in the U.S. attorney's office for the Southern District of New York, including as deputy chief of the office's criminal division.

She is married to Greg D. Andres, an accomplished former Brooklyn federal prosecutor who later served as deputy assistant attorney general in the Justice Department, and was on the team led by the special counsel, Robert S. Mueller III, that investigated Russian meddling in the 2016 election.

Judge Abrams's father is Floyd Abrams, the First Amendment lawyer who represented The New York Times in the litigation in the Pentagon Papers case.

Judge Abrams, who was born in New York City, obtained her B.A. at Cornell University and is a 1993 graduate of Yale Law School.

During her Senate confirmation hearing, she was asked what assurances she could give that litigants in her courtroom would be treated fairly, regardless of their political beliefs, their status as a plaintiff or a defendant — or whether they were rich or poor.

"All parties are entitled to equal justice under the law," she wrote, "regardless of their economic status, political beliefs or social status." She said she believed her legal career, in which she had represented both the federal government and defendants in criminal cases, "demonstrates my firm commitment to that principle."

CO davpw : Davis Polk & Wardwell

IN i835 : Legal Services | ibcs : Business/Consumer Services

NS gcrim : Crime/Legal Action | ccat : Corporate/Industrial News | npeo : People Profiles | gcat : Political/General News | ncat : Content Types | nfact : Factiva Filters | nfcpex : C&E Executive News Filter

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IPD Pentagon Papers

PUB The New York Times Company

AN Document NYTFEED020221213eicd0050l

The New York Times

CLM DealBook Newsletter
SE Business
HD **Sam Bankman-Fried's 'House of Cards' Teeters**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni
WC 2,217 words
PD 13 December 2022
ET 13:21 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Now under arrest, the fallen crypto mogul faces a barrage of charges, including defrauding investors out of billions.

S.B.F. in custody

TD

The spectacular rise and fall of Sam Bankman-Fried, the founder of the failed crypto exchange FTX, came full circle on Monday, with his arrest in the Bahamas at the request of U.S. authorities, followed by the S.E.C. filing its own charges on Tuesday.

The Times reports that federal prosecutors in Manhattan, who are seeking his extradition, will charge Mr. Bankman-Fried with wire fraud, wire fraud conspiracy, securities fraud, securities fraud conspiracy and money laundering. A trial could start late next year.

"Sam Bankman-Fried built a house of cards on a foundation of deception while telling investors that it was one of the safest buildings in crypto," Gary Gensler, the S.E.C.'s chair, said in a statement. His agency has charged S.B.F., as the entrepreneur is known, with defrauding investors in FTX out of $1.8 billion, including $1.1 billion from U.S. entities. A big part of the fraud, it alleges, was keeping backers in the dark about "the undisclosed diversion of FTX customers' funds" to the exchange's trading affiliate, Alameda Research.

The S.E.C. now asserts that S.B.F. was more involved in Alameda's operations than he let on. In a major revelation, the agency says he directed $8 billion worth of customer deposits from an Alameda-controlled bank into a separate account, labeled "fiat @ftx.com," in part to avoid getting charged interest, a move that could suggest intent. From the complaint:

"In 2022, FTX began trying to separate Alameda's portion of the liability in the "fiat @ftx.com" account from the portion that was attributable to FTX (i.e., to separate out customer deposits sent to Alameda-controlled bank accounts from deposits sent to FTX-controlled bank accounts). Alameda's portion — which amounted to more than $8 billion in FTX customer assets that had been deposited into Alameda-controlled bank accounts — was initially moved to a different account in the FTX database. However, because this change caused FTX's internal systems to automatically charge Alameda interest on the more than $8 billion liability, Bankman-Fried directed that the Alameda liability be moved to an account that would not be charged interest."

The arrest took many by surprise. S.B.F. had been scheduled to testify on Tuesday before the House Financial Services Committee. The committee's Democratic chair, Representative Maxine Waters of California, didn't see this coming: "The public has been waiting eagerly to get these answers under oath before Congress, and the timing of this arrest denies the public this opportunity," she said. (S.B.F. himself also said he did not expect to be arrested.)

"I have never seen a case approaching this scope proceed this quickly," Renato Mariotti, a partner at Bryan Cave Leighton Paisner and a former federal prosecutor, told DealBook. Given FTX's scale —

with more than 100 companies based around the world — and the lengthy list of creditors, lawyers and extradition experts said the government had moved faster than expected.

S.B.F.'s media tour may have played a role: While most executives under criminal investigation clam up, the crypto entrepreneur has spoken out over and over again. That may have pushed prosecutors to act fast, according to Mariotti, to avoid S.B.F. "muddying the waters" of a potential case through repeated assertions that he was misguided and had made mistakes.

But has S.B.F. also admitted wrongdoing? On the Unusual Whales podcast on Monday, he initially denied knowing that customer funds had moved from FTX to Alameda without permission, but then professed less certainty: "Like I, like, kind of vaguely knew, kind of, sort of maybe, um, on a qualitative level what was going on."

What could have been: News outlets including Forbes have obtained S.B.F.'s written testimony for Tuesday. It sets the ground for his claim to have simply made mistakes by professing he messed up with a profanity — which he stresses he is using "formally, under oath" — in the first sentence.

In case you missed it: Just under two weeks ago, in his first interview after the collapse of FTX, Mr. Bankman-Fried spoke to The New York Times' Andrew Ross Sorkin at the DealBook Summit. The one-time crypto mogul admitted he "screwed up" but claimed he never tried "to commit fraud on anyone." This might form the basis of his defense.

[Video: Watch on YouTube.]

HERE'S WHAT'S HAPPENING

The E.U. plans to tax imports based on carbon emissions. The bloc has reached an agreement meant both to protect European products made using fewer greenhouse-gas emissions and to effectively set an international price for carbon. It would also probably irritate trading partners.

China begins a W.T.O. dispute over American chip export controls. Beijing accused the United States of trade protectionism by effectively blocking tech companies from selling advanced chips to China, hampering the Chinese tech industry. At the same time, Japan and the Netherlands are in talks to join the U.S. in tightening export controls on chipmaking machinery.

Congress scrambles to avert a government shutdown. Senator Chuck Schumer of New York, the Senate majority leader, proposed a one-week spending bill to give negotiators more time for a broader government spending deal. Without that, the federal government will begin partially shutting down this weekend.

The former C.E.O. of Wirecard moves to suspend his criminal fraud trial. A lawyer for Markus Braun told a Munich court that prosecutors had ignored crucial evidence and relied on an untrustworthy witness. The move is aimed at forestalling one of Germany's biggest-ever fraud trials; the court is expected to rule on the motion in the coming weeks.

U.S. researchers are set to unveil a breakthrough in nuclear fusion. Scientists at the Lawrence Livermore National Laboratory in California are expected to announce on Tuesday that they have successfully used lasers to achieve nuclear fusion whose output exceeded the input from the lasers. It's a significant step toward making fusion a plausible energy source — someday.

What FTX's new C.E.O. will say about the exchange's "utter failure"

Even with Sam Bankman-Fried in custody, the House Financial Services Committee hearing into the collapse of FTX will go on as scheduled this morning, and its star witness will now be the exchange's new C.E.O., John Ray III.

Though Mr. Ray's written testimony never calls FTX an outright fraud, the corporate restructuring expert will reiterate that he's never seen "such an utter failure of corporate controls at every level of an organization."

Mr. Ray will detail eight "unacceptable management practices" that he believes led to the downfall of Bankman-Fried's crypto empire. They include:

* Evidence that "customer assets from FTX.com were commingled with assets from the Alameda trading platform."

* Alameda, FTX's trading arm, being able to borrow funds held at the non-U.S. business unit, FTX.com, for its trading and investing "without any effective limits."

* Shoddy recordkeeping and lax fiscal controls, including no audits and no documentation for “nearly 500 investments made with FTX Group funds and assets.”

* Evidence that loans and payments in excess of $1 billion were made to company insiders, and that the company went on a roughly $5 billion spending spree beginning in late 2021.

Wall Street will be closely watching today’s inflation number

U.S. futures have been edging higher on Tuesday and global stock markets are up ahead of a consequential Consumer Price Index report due out at 8:30 a.m. Eastern.

An elevated C.P.I. would probably put the chill back into stock markets. If the inflation measure shows an annual rise above economists’ consensus estimate of a 7.3 percent, that could signal that the Fed’s interest-rate rises aren’t doing enough to slow the pace of inflation — and that more jumbo increases are needed. (Reminder: The Fed’s rate-decision day comes tomorrow.)

A tepid C.P.I. could do the opposite. JPMorgan Chase traders have gamed out a few scenarios. They believe a reading of 6.9 percent would lead to a healthy rally in the S&P 500, with the benchmark index jumping 8 to 10 percent. They put the odds of such a low number at about one in 20.

Central bankers and Wall Street pros have consistently forecast inflation wrong over the past year. In late 2021, many thought high inflation was a temporary phenomenon. It persisted. But then last month’s reading, which showed prices moderating, surprised many and triggered a rally in risky assets. “The inflation report is arguably the most uncertain of this week’s big macro event risks,” Alvin Tan, a foreign-exchange strategist at Royal Bank of Canada, said in an investor note on Tuesday.

“The bet was that free money would last indefinitely, and there doesn’t seem to have been a risk-management game plan.”

— Jon Burckett-St. Laurent, a senior portfolio manager at Exencial Wealth Advisors, on the financier Cathie Wood, who shot to prominence by investing heavily in money-losing tech companies. Wood’s flagship fund is trading at a five-year low as investors appear to have lost faith in her strategy.

Twitter dissolves its trust and safety council

Elon Musk has said that maintaining safety on Twitter is one of his highest priorities, and yet the social network just made a puzzling decision toward that end: On Monday night it disbanded an outside panel of experts that had advised it on matters of hate speech and safety.

“Thank you,” began an email sent to members of the council — made up of civil rights groups, academics and others, formed in 2016 — an hour before they were to meet on Monday. The message said the group wasn’t “the best structure” to advise on product and policy any longer; it was signed “Twitter.”

The dissolution of the board may have been inevitable, as three members had already quit last week over changes to Twitter’s content moderation. But it suggests Musk may ultimately centralize content policy in the interest of, as the email put it, “moving faster and more aggressively than ever before.”

The move adds to critics’ worries that Twitter is becoming less safe. The advisers who quit last week cited the company relying more on automated content moderation: “It is clear from research evidence that, contrary to claims by Elon Musk, the safety and wellbeing of Twitter’s users are on the decline,” they wrote in their resignation statement.

Meanwhile, Twitter’s former head of trust and safety, Yoel Roth, and his family reportedly went into hiding after Mr. Musk misrepresented his academic thesis about gay social networks online to falsely imply that it supported sexualizing children. (Professors who reviewed Mr. Roth’s thesis also received online abuse.)

In other Elon Musk news:

* The Twitter account that shows the movements of Mr. Musk’s private jet has been “shadowbanned,” according to its owner.

* The $5.7 billion worth of Tesla shares that Mr. Musk donated to charity last year went to his personal charitable foundation.

* Mr. Musk has lost his crown as the world’s richest person, at least by one measure, to Bernard Arnault of LVMH.

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THE SPEED READ

Deals

* The private equity firm Thoma Bravo agreed to buy Coupa Software, which makes software to manage corporate expenses, for $8 billion, as it seeks to capitalize on declining valuations of tech companies. (FT)

* Speaking of which, Checkout.com, one of Europe's biggest privately held tech companies, recently slashed its internal valuation by 72 percent, to $11 billion. (FT)

* Goldman Sachs reportedly plans to cut hundreds of retail banking jobs. (Bloomberg)

* Investors' rush to withdraw from a big Blackstone real-estate fund may have broader fallout. (WSJ)

Policy

* The Supreme Court rejected a bid by British American Tobacco to halt California's ban on flavored tobacco products. (Bloomberg)

* Chinese authorities arrested 63 people whom they accused of laundering $1.7 billion with the crypto token Tether. (Insider)

* Hong Kong has lifted more of its bar and restaurant Covid restrictions, as China continues easing pandemic rules. (FT)

Best of the rest

* The Wall Street Journal named Emma Tucker, the editor of London's Sunday Times, to lead its newsroom, the first woman to hold that role. (NYT)

* "How Sexism Influenced Corporate Governance" (NYT)

* Amazon has delayed hiring college graduates to help cut costs. (FT)

* The back story on Taylor Swift choosing Searchlight, the art-house movie studio, over major streaming services for her debut as a feature-film director. (Puck)

* The hedge-fund mogul Ray Dalio and the director James Cameron are teaming up to make submarines for the ultrawealthy. (FT)

We'd like your feedback! Please email thoughts and suggestions to dealbook@nytimes.com.

ART Sam Bankman-Fried faces multiple charges, including defrauding investors. | Saul Loeb/Agence France-Presse — Getty Images

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IPD Securities and Commodities Violations

PUB The New York Times Company

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The New York Times

SE Business/Financial Desk; SECTB

HD Binance Shifts Image As New Face Of Crypto

BY By Emily Flitter and David Yaffe-Bellany

WC 1,928 words

PD 13 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Sam **Bankman-Fried** and Changpeng Zhao were archrivals. With **FTX** gone, Binance, the world's biggest crypto exchange, is trying to step into the void.

In early November, just days before the cryptocurrency exchange **FTX** filed for bankruptcy, its founder, Sam **Bankman-Fried**, reached out to his archrival, Changpeng Zhao, to ask for help.

TD

"I don't know how things got so bad between us," Mr. Bankman-Fried texted Mr. Zhao, according to a person with knowledge of the exchange. "I need your help for the sake of the industry and users."

Mr. Zhao, the founder of Binance, the world's largest cryptocurrency exchange, initially agreed to provide a loan and buy FTX to save it. But after examining FTX's books -- and seeing the extent of its financial troubles -- Mr. Zhao changed his mind, and Mr. Bankman-Fried had no choice but to put his company into bankruptcy. On Monday, Mr. Bankman-Fried was arrested in the Bahamas after American prosecutors filed criminal charges against him.

Mr. Zhao's actions were the culmination of a complicated relationship between the founders of the two biggest cryptocurrency exchanges, one that has sometimes involved the two men sparring publicly and taunting each other on Twitter. As the rapid growth of their companies turned both into paper billionaires, their competing visions of the cryptocurrency industry -- and whether and how it should be regulated -- held enormous sway, especially with governments around the world poised to crack down.

But while Mr. Bankman-Fried ran a highly visible campaign to court lawmakers and shape cryptocurrency regulation in the United States, while spending furiously on advertising to promote the FTX brand, Mr. Zhao and Binance kept a low profile.

Mr. Zhao, who once described regulation as a "risk" for his company, largely avoided engaging with lawmakers except in countries friendly to crypto. Still, recognizing that regulation was inevitable, Binance began taking steps in the past year to scrub its reputation as a shadowy giant with no headquarters that doesn't always follow the rules.

Now, the collapse of FTX has provided Binance with an opening to establish its credibility with investors and regulators more publicly. Mr. Zhao, known in the crypto community as CZ, recently sent reassuring messages to his eight million followers on Twitter, pitching himself as a savior of the cryptocurrency industry.

"#bitcoin is not dead. We are still here," he wrote on Nov. 20.

Mr. Zhao also couldn't resist taking a dig at his rival.

"You don't have to be a genius to know something don't smell right at FTX," he posted on Twitter this month. "They were â…'th our size, yet outspent us 100/1 on marketing & "partnerships", fancy parties in the Bahamas, trips across the globe, and mansions for all of their senior staff (and his parents)."

To dispel the view that Binance has skirted regulations, the company recently announced it had acquired a Japanese cryptocurrency exchange, allowing it to enter the Japanese market "as a regulated entity."

In the United States, Binance has tried to boost its legitimacy by hiring a slate of American executives for Binance.US, its subsidiary based in Palo Alto, Calif. Mr. Zhao also appears to be laying the groundwork for a bigger lobbying presence: Just 10 days after FTX collapsed, Binance.US started a political action committee. And it has ramped up its marketing: A recent advertisement featured the Portuguese soccer star Cristiano Ronaldo posing in a Binance jersey.

But casting Binance as the new, responsible face of crypto will be an uphill task. Since its founding in 2017, the exchange has been dogged by allegations of wrongdoing.

Binance has been sued by customers for mishandling sensitive personal data and violating securities laws. It is also under investigation by the Department of Justice and U.S. regulators as part of a wider probe into the crypto industry's adherence to global anti-money laundering laws, according to news reports and a person familiar with the matter. (FTX, too, is being investigated for money laundering.)

In a November 2021 interview, Mr. Zhao told The New York Times that "regulators were very happy" once Binance implemented a global "know-your-customer" policy. "No regulators asked us to do it, we did it proactively to show that we're committed to the full regulatory compliance attitude," he said.

Igor Pejic, a cryptocurrency analyst based in Vienna, said that "in terms of regulation around the world, they have been cutting corners."

Mr. Zhao founded Binance after a brief career in finance, including a stint at Bloomberg, where he built trading software. He created the exchange when he was living in Shanghai.

But soon after, the Chinese government banned cryptocurrency exchanges like Binance from operating in the country, and many of the company's employees fled. Mr. Zhao maintains an active presence on Twitter but isn't always easy to track down, having moved between Japan, Singapore, Lithuania, Malta and Dubai.

Binance's lack of a fixed headquarters is in keeping with the trend of remote work, said Jessica Jung, a company spokeswoman. In an emailed statement, Ms. Jung said the exchange had established a local presence in nearly a dozen jurisdictions, including in Kazakhstan and France.

Ms. Jung said Binance had also announced that it was undergoing a corporate restructuring, "the aim of which is to provide regulators with further clarity about our organization." But promises made a year ago to name a headquarters and assemble a board of directors to diversify oversight of the company remain unfulfilled.

Binance is a behemoth compared with its peers. Before FTX's collapse, the trading volume of cryptocurrencies on Binance alone was greater than the combined totals of its seven closest competitors, according to an industry data tracker.

In a group chat that included Mr. Bankman-Fried on Nov. 10, the day before FTX filed for bankruptcy, Mr. Zhao portrayed himself as the elder statesman of crypto. He accused the FTX founder of making trades that would undermine the broader crypto market, according to screenshots obtained by The Times. "Stop now, don't cause more damage," he said. "The more damage you do now, the more jail time."

The group chat included several other prominent crypto executives, and Mr. Zhao seemed eager to devise a common strategy. "I think we should coordinate a bit to see how we best work together to help stabilize and restore confidence for the market," he said.

But the fallout from FTX is forcing Mr. Zhao to try to convince customers that Binance is stable and well capitalized. Binance announced in late November that it would publish proof that the exchange had the assets it claimed to have. But the proof Binance offered included no information about how these sums matched up with Binance's various debts and other liabilities.

The information didn't convince rivals.

"I'm sorry but no," Jesse Powell, the chief executive of the rival exchange Kraken said in a Nov. 25 post on Twitter. "The statement of assets is pointless without liabilities."

Binance then hired the accounting firm Mazars to do an independent audit of its proof of reserves, including liabilities. On Dec. 7, Mazars released a five-page report claiming that Binance was fully

collateralized -- if examined under conditions stipulated by Binance, including counting its holdings only of certain coins such as Bitcoin and Ethereum.

"We make no representation regarding the appropriateness of the agreed-upon procedures," the report said.

Patrick Hillmann, the chief strategy officer for Binance, said the exchange picked Mazars because of its experience working the crypto industry. Mr. Hillmann added that Binance had contacted Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers, but that "they remain hesitant to conduct an audit or a 'proof of custody' report for any privately held crypto exchange." He also said Mazars agreed to run an analysis that was "similar to what Kraken publishes."

A PricewaterhouseCoopers spokeswoman declined to comment, and Deloitte, Ernst & Young and KPMG did not immediately respond to requests for comment.

In the United States, Binance.US has made efforts to build legitimacy.

It hired two former top Uber executives to run its U.S. operations: Brian Shroder as its chief executive and Krishna Juvvadi as the head of its legal department. Binance.US completed a successful fund-raising round this year, a task that eluded the company in 2021 despite the efforts of Brian Brooks, who was chief executive of the unit.

The $200 million round, completed in March, included contributions from a Thai infrastructure investment company, a Brazilian venture capital firm, a private investment syndicate and a few small Silicon Valley venture capital firms.

Mr. Shroder and Mr. Juvvadi filled vacancies left by employees whose tenures often lasted less than a year, some of whom appeared to want to scrub all mentions of having worked for Binance.US from their public profiles.

Still, the U.S. unit has not been successful in persuading regulators to serve customers in all 50 states, and is dealing with two lawsuits in federal court. In one, customers in Illinois are accusing the company of gathering and storing their biometric data without their knowledge or consent. Lawyers for Binance Capital Management, a holding company based in the Cayman Islands, argued in court filings in March that Binance should not be subject to Illinois law.

In another lawsuit, filed in California, users are claiming that Binance.US improperly sold a now-defunct digital coin without being properly licensed as a securities dealer.

Following FTX's collapse, Binance.US also indicated it would take a more active stance in managing its presence. On Nov. 21, Mr. Juvvadi and Sidney A. Majalya -- who was hired a year ago as chief risk officer, and has an Uber stint on his rÃ©sumÃ© -- registered a political action committee called Binance.USBinance.US Innovation PAC.

With an account at Signature Bank in New York, Mr. Juvvadi will serve as the PAC's treasurer. Mr. Majalya was listed in a government filing as the PAC's registered agent.

Neither responded to multiple calls and emails seeking information about the goals of the PAC.

But to stay on the right side of U.S. law, Mr. Zhao, who holds Canadian citizenship and is still seen as the ultimate decision maker over all things Binance, would have to keep away from its activities.

"Like all federal PACs, this one will have to be run entirely by U.S. citizens without any input from foreign nationals," said Brett Kappel, a lawyer in Washington specializing in federal election law.

Mr. Zhao's recent hires to Binance also seem like overtures to global regulators. Last year, he chose as Binance's global head of intelligence and investigations Tigran Gambaryan, a former federal investigator for the U.S. Department of the Treasury's Internal Revenue Service. Binance also brought on former officials with the Federal Bureau of Investigation and the Treasury; two former officials from the Financial Conduct Authority, a U.K. regulator; and a former chief executive of the financial regulator for the United Arab Emirates.

"We hired a large number of senior ex-regulators," Mr. Zhao said in the 2021 interview with The Times.

ART Binance.US, the American unit of the global exchange founded by Changpeng Zhao, left, has hired a slate of executives and started a political action committee. (PHOTOGRAPHS BY MARCO BELLO/REUTERS; ORE HUIYING FOR THE NEW YORK TIMES) (B3) This article appeared in print on page B1, B3.

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AN Document NYTF000020221213eicd0003v

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The New York Times

SE Briefing

HD **Your Tuesday Briefing**

BY By Natasha Frost
WC 1,638 words
PD 13 December 2022
ET 05:02 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Sam **Bankman-Fried**, the founder of **FTX**, has been arrested and will face criminal charges.

FTX's Sam **Bankman-Fried** arrested in the Bahamas

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Sam Bankman-Fried, the disgraced founder of the collapsed cryptocurrency exchange FTX, was arrested in the Bahamas yesterday after U.S. prosecutors filed criminal charges. The U.S. "is likely to request his extradition," the government of the Bahamas said in a statement. An indictment will be unsealed today, U.S. prosecutors said.

The arrest was the latest stunning development in one of the most dramatic falls from grace in recent corporate history. Bankman-Fried was scheduled to testify in Congress today about the collapse of FTX, a powerful cryptocurrency firm that imploded virtually overnight last month after a run on deposits exposed an $8 billion hole in its accounts.

The Securities and Exchange Commission said in a statement that it had authorized charges "relating to Mr. Bankman-Fried's violations of our securities laws." The charges included wire fraud, wire fraud conspiracy, securities fraud, securities fraud conspiracy and money laundering, said a person with knowledge of the matter.

Details: Bankman-Fried, who was the only person charged in the indictment, was arrested shortly after 6 p.m. at his apartment complex in the Albany resort in the Bahamas, according to a statement from the Bahamian police. Lawyers involved in the case expressed surprise at the suddenness of the arrest.

For more: Bankman-Fried appeared at The Times's DealBook summit last month. Here's what he said.

Putin skips an annual news conference

After a series of military setbacks in his war in Ukraine, with Russia's casualties mounting and its economy faltering under sanctions, Vladimir Putin, the Russian president, skipped an annual news conference in which he typically makes a somewhat choreographed show of openness to questioning on an array of topics. His spokesman did not give a reason.

Putin first held the year-end news conference, which has often stretched to four hours or more, in 2001, two years into his presidency. The last time he opted out of the event as president was in 2005. It is among the few occasions in the year when reporters outside the Kremlin pool, including foreign correspondents, may question Putin — if they are called on.

Few journalists in Russia are not subservient to the Kremlin, and this year the government criminalized criticism of the war or the military. But it would still have been possible, and deeply undesirable for Putin, for a reporter to ask the Russian leader, live on national television, embarrassing questions about some of the setbacks in Ukraine.

Analysis: Mikhail Vinogradov, a political scientist who heads the St. Petersburg Politics Foundation, said the move would contribute to a general sense of stagnation in the country. Even though a lot is happening, he said, calling off the event captures the feeling that "the situation" is "on pause."

Related: Months into the war in Ukraine, European nations like Norway have grown wary that a desperate Kremlin is deepening its attempts at spying, sabotage and infiltration. But not all of the incidents can be traced with certainty to Russia, and real concern has at times become hard to separate from widening paranoia.

A major breakthrough in fusion energy

Scientists at a federal nuclear weapons facility in California have made a potentially significant advance in fusion research that could lead to a source of bountiful energy in the future, according to a government official. The advance is expected to be announced today by the Department of Energy.

The government official, who spoke anonymously, said that the fusion experiment at the National Ignition Facility had achieved what is known as ignition, where the fusion energy generated equals the laser energy that started the reaction. Ignition is also called energy gain of one.

Such a development would improve the ability of the U.S. to maintain its nuclear weapons without nuclear testing and could set the stage for future progress that could one day lead to the use of laser fusion as a source of carbon-free energy.

What is fusion? Fusion is the thermonuclear reaction that powers the sun and other stars — the fusing of hydrogen atoms into helium. The mass of helium is slightly less than the original hydrogen atoms; thus, that difference in mass is converted into a burst of energy. Fusion that could be produced in a controlled fashion could mean an energy source that does not produce greenhouse gases or radioactive waste.

THE LATEST NEWS

Around the World

* Iran publicly hanged a 23-year-old protester, the second such execution since the country began cracking down on antigovernment demonstrations.

* Hundreds of migrants, mainly from Nicaragua, crossed en masse into the U.S. at El Paso, among the largest single crossings along the West Texas border in recent years.

* A shooting at a condominium meeting in Rome, in which three women died, has shocked Italy.

* Snow and ice in Britain upended travel and put increased pressure on the country's energy supplies, already under strain from a prolonged cold snap.

Other Big Stories

* As the government in China drops its stringent Covid restrictions, it needs to convince people that the virus is nothing to fear — and that inoculations are essential.

* Bipartisan legislation to create an independent panel to investigate the pandemic response in the U.S. appears stalled.

* The nominees for the 2023 Golden Globes were announced yesterday. "The Fabelmans," "Elvis" and "The Banshees of Inisherin" are among those in contention for the top film prizes.

What Else Is Happening

* Economists are projecting, as they did last year, that the threat of inflation will swiftly fade in 2023 as higher interest rates take hold and supply chain issues wane. Should we believe them now?

* The Wall Street Journal named Emma Tucker, a former editor of The Sunday Times in London, its new top editor. She is the first woman to hold the position.

* A fast-growing network of conservative groups is fueling a surge in book bans in the U.S., aided by local Republican candidates and politically aligned school boards.

A Morning Read

A mostly poor farming community in California is divided over one of its public buildings: the library. It is a vital resource for some families, providing a safe place for children while their parents work harvesting grapes and almonds. For the police, who point to rising crime, their own tiny office and a tight tax base, it is a poor use of space.

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The starkness of the choice facing McFarland — library or police station — reflects a growing debate over how much to spend on law enforcement in a post-George Floyd America, versus what to devote to other public needs, especially those serving disadvantaged groups.

SPORTS NEWS FROM THE ATHLETIC

England's players deserve patience, not vilification: Dreams crushed, but back to the day job. England's players won't get over this World Cup for a long time. Would you?

Where does Brazil go from here? It's been 20 years since Brazil won the World Cup.The nation'slatest exit was not as embarrassing as the one in 2014 — but it does mean introspection is inevitable.

From The Times: Hundreds of thousands of migrant laborers helped to prepare Qatar for the World Cup, often under exploitative and dangerous conditions. Nepalis stuck in poverty and debt see few other options.

ARTS AND IDEAS

A fracas over Rembrandt

"Rembrandt in a Red Beret," a centuries-old image of the 17th-century master, has a tortuous back story, involving a Dutch prince, a plumber from Dayton, Ohio, and a possible scam involving some German sailors.

The painting is now on public view for the first time in 50 years, at Escher in Het Paleis, a former royal palace in the Netherlands. But scholars disagree about whether the painting is a self-portrait, a portrait by one of Rembrandt's star pupils or a 19th-century imitation.

At least one art historian is convinced that it is an original by Rembrandt himself. So, too, is the painting's current owner. (Its market value would increase substantially if the work were regarded as having been made solely by the artist's hand.) But other experts are not so sure, dismissing it on grounds of style or refusing to comment altogether.

PLAY, WATCH, EAT

What to Cook

This sticky coconut chicken and rice is among our most popular recipes of the year.

What to Read

These are the best true crime books of the year.

What to Watch

Finish the second season of "The White Lotus" and then read this discussion of the finale by Jennifer Coolidge and Mike White, the director.

Now Time to Play

Here's today's Mini Crossword, and a clue: Tabletop seasoning (four letters).

And here are today's Wordle and the Spelling Bee.

You can find all our puzzles here.

That's it for today's briefing. Thanks for joining me. — Natasha

P.S. The Times wants to hear about the creative or surprising ways your household uses digital assistants. Find Alexa creepy? Tell us about that, too.

"The Daily" is on the U.S. job market and layoffs.

You can reach Natasha and the team at briefing@nytimes.com.

ART Sam Bankman-Fried was arrested after U.S. prosecutors filed criminal charges. | Erika P. Rodriguez for The New York Times | President Vladimir Putin of Russia after his year-end news conference last year. | Natalia Kolesnikova/Agence France-Presse — Getty Images | The preamplifier support structure of the National Ignition Facility. | Lawrence Livermore National Laboratory | Sean Gallup/Getty Images |

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NS gvexe : Executive Branch (Discontinued from 10th January 2023) | gcrim : Crime/Legal Action | gfraud : Fraud | gsfra : Securities Fraud | c12 : Corporate Crime/Legal Action | ccat : Corporate/Industrial News | gcat : Political/General News | gfinc : Financial Crime | gpir : Politics/International Relations | gpol : Domestic Politics | gvbod : Government Bodies (Discontinued from 10th January 2023) | ncat : Content Types | nfact : Factiva Filters | nfcpex : C&E Executive News Filter | nfcpin : C&E Industry News Filter

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IPD briefing

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The New York Times

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HD **FTX Founder Will Testify Before House Committee**

BY By Matthew Goldstein

WC 583 words

PD 10 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 3

LA English

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The **FTX** founder said on Twitter that he will appear before a House committee next week, but was quiet about a similar request from a Senate committee.

The answer as to whether the embattled **FTX** founder Sam **Bankman-Fried** will appear before two congressional committees next week is being played out on Twitter.

TD

In an early-morning post on Twitter on Friday, Mr. Bankman-Fried said he will appear on Tuesday before the House Committee on Financial Services after days of being evasive on the matter. The hearing will focus on the sudden collapse last month of FTX, the cryptocurrency exchange that Mr. Bankman-Fried founded, amid allegations of the misappropriation of billions in customer money.

Mr. Bankman-Fried, 30, said in a post on Twitter that "there is a limit to what I will be able to say, and I won't be as helpful as I'd like."

Ever since FTX and companies associated with it filed for bankruptcy last month, Mr. Bankman-Fried has been holed up in his residential complex in the Bahamas, where FTX was based. He has granted numerous media interviews either in person in the Bahamas or via Zoom to talk about the collapse of the once popular cryptocurrency trading platform.

It is unclear if he will appear in person before the House committee.

Mr. Bankman-Fried did not address a separate request from the Senate Committee on Banking, Housing and Urban Affairs to appear before senators the next day.

In a letter sent Wednesday, the Senate committee gave Mr. Bankman-Fried until 5 p.m. Thursday to respond to a request that he testify next Wednesday. Committee leaders issued a statement Thursday evening that said Mr. Bankman-Fried's lawyer had failed to comply with that deadline.

Senator Sherrod Brown, Democrat of Ohio and chairman of the committee, said in the letter to Mr. Bankman-Fried that if the cryptocurrency trader was unwilling to speak to the committee, he was prepared to issue a subpoena to compel his testimony.

A spokesman for Mr. Bankman-Fried and his lawyer Mark Cohen declined to comment beyond the Twitter post. Representatives for the Senate committee did not immediately respond to requests for comment.

Over the past two weeks, Mr. Bankman-Fried has been on something of a media tour, giving interviews to various news outlets and posting messages on Twitter. He has repeatedly said he never intended to defraud anyone -- including FTX's estimated one million customers.

Mr. Bankman-Fried has said he was not directly involved in trading decisions at Alameda Research, a hedge fund he co-founded and largely owned. Just before FTX's bankruptcy filing, it was revealed that billions in customer money at the exchange was apparently transferred to Alameda.

With federal prosecutors and securities regulators investigating the collapse of FTX, the risks are far greater for Mr. Bankman-Fried in testifying before a congressional committee than in talking to the media. Statements that he makes to a reporter do not carry the same legal weight as testimony made before Congress.

Mr. Bankman-Fried was active in politics, having donated about $40 million to federal campaigns and committees that primarily supported Democrats, according to Federal Election Commission records.

ART Sam Bankman-Fried is expected to appear before the House Committee on Financial Services on Tuesday. (PHOTOGRAPH BY HIROKO MASUIKE/THE NEW YORK TIMES) This article appeared in print on page B3.

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The New York Times

CLM DealBook Newsletter
SE Business; DealBook

HD The Legal Heat Grows for Bankman-Fried

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced and Lauren Hirsch
WC 1,862 words
PD 8 December 2022
ET 13:18 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

A federal investigation into whether the FTX founder's trading firm illicitly manipulated the markets for two crypto tokens compounds his troubles.

The scope of investigations into S.B.F. widens

TD

Since the collapse of the crypto exchange FTX last month, its founder, Sam Bankman-Fried, has faced an array of investigations worldwide into how his empire imploded — and how billions of dollars' worth of customer money disappeared.

Now the onetime crypto mogul, widely known as S.B.F., faces a broader inquiry into potential market manipulation, The Times reports: U.S. federal prosecutors are examining whether he illicitly influenced trading in two cryptocurrencies whose collapse contributed to the demise of FTX.

Manhattan prosecutors are looking at TerraUSD and Luna, which are linked. (In a nutshell, when TerraUSD fell in value, the supply of Luna would go up, as part of a mechanism that was supposed to keep the price of TerraUSD stable.) In May, a flood of sell orders for TerraUSD overwhelmed the market for the digital currency and depressed the price of Luna. The markets for the two coins eventually collapsed.

The bulk of the TerraUSD sell orders appeared to come from one place, according to The Times: S.B.F.'s trading firm, Alameda, which had also bet against Luna. If things had gone as expected, Alameda would have reaped a huge profit.

But the trade may have been S.B.F.'s undoing. The two coins' meltdown unleashed wider chaos within crypto, including at Alameda. The firm, facing billions' worth of loans being called in, used customer money at FTX to cover the payments. When FTX customers, worried about the exchange's health, began rushing to withdraw their money, the company was unable to meet their demands and collapsed.

The investigation remains at an early stage and may not lead to charges against S.B.F. But it's another sign of just how many legal issues he and his associates now face.

In other crypto news:

* FTX held talks with Taylor Swift over a $100 million sponsorship deal, in part because S.B.F. was a fan, according to The Financial Times. Other FTX executives opposed the idea, and it never came to anything.

* Just 8 percent of Americans view crypto positively, a poll for CNBC found.

HERE'S WHAT'S HAPPENING

Covid cases soar in China. Infections are rising rapidly after Beijing eased its “zero Covid” policy, putting pressure on the country’s health care system. That surge has raised new worries about the economy.

Republican states raise pressure on TikTok. Indiana’s attorney general sued the video platform, accusing it of deceiving users about the potential for China to access their data and children to find inappropriate content. Texas banned the app from government-issued devices, following the lead of several other Republican-led states.

Theranos’s former president is sentenced to nearly 13 years in prison. Sunny Balwani was convicted of defrauding investors and patients, receiving a longer sentence than the health care start-up’s boss, Elizabeth Holmes.

The United States suggests taxing metal from dirtier foundries. The White House sent the E.U. a proposal yesterday intertwining trade and climate policy. It suggests an international consortium promoting trade in steel and aluminum made with less carbon emissions — and imposing levies on metals, largely from China, that fail certain sustainability standards.

Twitter reportedly considers charging some Apple users more for subscriptions. The plan to price Twitter Blue higher via the iPhone app appears tied to the 30 percent commission Apple charges for in-app purchases, according to The Information.

A fraud trial for Germany’s record books begins

Today is the start of a criminal trial over Wirecard, the payments processor that, at the apex of its success in 2018, sat near the top of Germany’s blue-chip Dax stock index, with a market cap bigger than Deutsche Bank’s.

Two years later, it collapsed over an accounting imbroglio that the German newspaper Handelsblatt has called the “biggest economic scandal in German history.” Its downfall has served as inspiration for the “King of Stonks” series on Netflix, as well as the basis for the documentary “Skandal!”

Wirecard’s former C.E.O., Markus Braun, and two associates will stand trial in Munich,in a courtroom inside a massive prison complex. Prosecutors have accused Mr. Braun and his colleagues of concocting a gargantuan fraud that deceived auditors, customers and investors by funneling billions through a maze of sham accounts. The case is expected to run for more than a year.

“From a capital markets perspective, this is probably the biggest case ever in Germany, definitely the biggest in the last ten years,” Marc Schiefer, a securities lawyer at the German law firm TILP Rechtsanwaltsgesellschaft, told DealBook. “So much trust in the capital markets has been lost.”

Wirecard’s implosion sent shock waves through German investors, and catalyzed a sweeping overhaul of the country’s financial watchdog, BaFin. When activist investors and financial journalists, most notably at The Financial Times, first began reporting on allegations of wrongdoing at the company, BaFinthreatened the whistle-blowers. The scandal has inspired calls across the E.U. for broader changes to securities law, and generated a mountain of investor lawsuits in Germany.

TILP is representing more than 15,000 Wirecard retail investors and 16 institutional investors in a separate civil lawsuit against Braun and EY, Wirecard’s auditor. EY says the investor lawsuit is without merit. “The collusive acts of fraud at Wirecard were implemented through a highly complex criminal network designed to deceive everyone,” a spokesman for the firm said in a statement to DealBook.

If the criminal trial returns a guilty verdict, Mr. Schiefer said, that could bolster investors’ civil case. But he’s not confident the trial will lead to greater investor protections: “It’s like the German national soccer team. We’ve lost again and again, and no lessons are learned.”

Exclusive: Serena Williams bets on more accessible health care

Serena Ventures, the venture capital firm founded by Serena Williams, is leading a $12 million funding round for Juno, a healthcare company focused on underserved communities.

The investment, which will help Juno expand from New York into Atlanta, Los Angeles and Tulsa, arose in part from the tennis star’s own well-documented health challenges after giving birth to her daughter five years ago.

Juno aims its services at families, including primary care, women’s health and pediatrics, and promises transparent and affordable prices while accepting a range of insurance plans, including

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Medicare and Medicaid. For additional membership fees that start at $20 a month, users can access extra benefits like weekend appointments.

The company was founded in Harlem two years ago by Dr. Akili Hinson, a physician and former consultant at McKinsey & Company, with the goal of focusing on communities that struggle to access adequate health care provision because of socioeconomic and racial disparities.

Ms. Williams's own health care problems informed her investment. She has spoken of her frustration after the birth of her daughter five years ago, after she was forced to push medical professionals for help to deal with life-threatening medical complications. Black women are three times more likely than white women to die in childbirth or soon afterward, according to the Population Research Bureau.

"There is a serious need to address equity issues in health care, mental health and wellness services that many communities face," Ms. Williams said in a statement.

Hinson added in an interview: "The fact we provide culturally responsive care — and train all of our physicians in providing culturally responsive care — is also central to what she believes and learned from her own experience."

The trade-offs of leadership

Last week at the DealBook Summit, Andrew interviewed some of the world's most influential leaders, including U.S. Treasury Secretary Janet Yellen, President Volodymyr Zelensky of Ukraine, Mark Zuckerberg of Meta and Reed Hastings of Netflix.

One theme came up in just about all those conversations: Every decision is a trade-off — sometimes moral, sometimes economic and sometimes both. Here's how some of the speakers said they handle those choices, as part of today's special section on themes raised at the summit.

Benjamin Netanyahu: Asked why he has been reluctant to commit to providing air defense systems to Ukraine, Israel's recently re-elected prime minister said that his relationship with Russia helped preserve Israel's access to Syrian airspace, which he considers existentially important to Israel. "Foreign policy and democracy is a combination of moral principles and expediency," Mr. Netanyahu told Andrew. "What assumes primacy? Interests or values? The answer is neither. You balance the two."

Janet Yellen: Some of the Biden administration's biggest concerns revolve around China's policies and their effects on global supply chains, Taiwan and human rights. And yet the Treasury secretary appeared to acknowledge that U.S. policy toward Beijing was built on a trade-off framework: While she is worried about over-dependence on China for critical supplies, "I expect and hope that there will be strong ties between China and the United States when it comes to mutually beneficial trade and investment."

Laurence D. Fink: BlackRock's C.E.O. sees climate change as the biggest existential crisis around, and his firm's investment approach has pushed corporate America to curb emissions. But when asked about Republican criticism of his focus on climate-minded investing, he admitted: "I actually believe we're going to need hydrocarbons for 70 years."

Read more about some of the big questions raised at the Summit, from the future of the news industry to sustainability in fashion and how leaders balance the views of workers with business imperatives.

THE SPEED READ

Deals

* SoftBank's C.E.O., Masayoshi Son, has quietly increased his stake in the Japanese tech investor above 33 percent, giving him more control over the company. (Bloomberg)

* Blackstone's C.E.O., Stephen A. Schwarzman, downplayed concerns about the firm's giant real-estate fund, which has faced a spate of investor withdrawals. (FT)

* The embattled used-car marketplace Carvana has held talks with restructuring advisers, as some of its major creditors agreed to team up in negotiations. (Bloomberg)

Policy

* The Pentagon gave split its cloud-computing contracts four ways — among Amazon, Google, Microsoft and Oracle — after years of legal disputes. (NYT)

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* Ticketmaster's mishandling of Taylor Swift concert sales has "converted more Gen Z'ers into antimonopolists" than anything the F.T.C. could have done, according to the agency's chair, Lina Khan. (Insider)

Best of the rest

* Stock purchases by retail investors have hit a low for the year as traders worry about the Fed's next move. (Insider)

* Meet the last Boeing 747. (CNN)

* "How to Actually Enjoy the Holidays" (NYT)

We'd like your feedback! Please email thoughts and suggestions to dealbook@nytimes.com.

ART Sam Bankman-Fried faces broader inquiries than previously known. | Hiroko Masuike/The New York Times | xx

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IPD Securities and Commodities Violations

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The New York Times

SE Business/Financial Desk; SECTB

HD **FTX Founder Faces Inquiry Over Trades**

BY By Emily Flitter, David Yaffe-Bellany and Matthew Goldstein

WC 889 words

PD 8 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Federal prosecutors are investigating whether Sam **Bankman-Fried** and his hedge fund orchestrated trades in a way that led to the collapse of two cryptocurrencies in May.

Federal prosecutors are investigating whether **FTX**'s founder, Sam **Bankman-Fried**, manipulated the market for two cryptocurrencies this past spring, leading to their collapse and creating a domino effect that eventually caused the implosion of his own cryptocurrency exchange last month, according to two people with knowledge of the matter.

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U.S. prosecutors in Manhattan are examining the possibility that Mr. Bankman-Fried steered the prices of two interlinked currencies, TerraUSD and Luna, to benefit the entities he controlled, including FTX and Alameda Research, a hedge fund he co-founded and owned, the people said.

The investigation is in its early stages, and it is not clear whether prosecutors have determined any wrongdoing by Mr. Bankman-Fried, or when they began looking at the TerraUSD and Luna trades. The matter is part of a broadening inquiry into the collapse of Mr. Bankman-Fried's Bahamas-based cryptocurrency empire, and the potential misappropriation of billions of dollars in customer funds.

Federal prosecutors and the Securities and Exchange Commission have been examining whether FTX broke the law by transferring its customer funds to Alameda. Last month, a run on deposits exposed an $8 billion hole in the exchange's accounts, causing the company to collapse. Mr. Bankman-Fried stepped down as FTX's chief executive when the company filed for bankruptcy on Nov. 11.

FTX is also under investigation for violating U.S. money-laundering laws that require money transfer businesses to know who their customers are and flag any potentially illegal activity to law enforcement authorities, three people familiar with the investigation said. That investigation, first reported by Bloomberg News, began several months before the bankruptcy of FTX. Investigators are also looking into the activities of other offshore cryptocurrency trading platforms.

In a statement, Mr. Bankman Fried said he was "not aware of any market manipulation and certainly never intended to engage in market manipulation."

"To the best of my knowledge, all transactions were for investment or for hedging," he added.

Representatives of the U.S. attorney for the Southern District of New York declined to comment. Representatives of FTX did not immediately respond to requests for comment.

The focus on possible market manipulation adds to the legal storm brewing around Mr. Bankman-Fried. It is illegal for an individual to knowingly stage market activity designed to move the price of an asset up or down.

TerraUSD was a so-called stablecoin, but unlike other stablecoins, its value wasn't backed directly by the U.S. dollar. Rather, it maintained its value from a second coin called Luna through a complex set of algorithms. Traders within the digital ecosystem could mint these coins, the prices of which would

fluctuate based on how many were in circulation. Anytime the price of TerraUSD fell, the supply of Luna would increase, as traders created more Luna to try to capitalize on the difference.

In May, major cryptocurrency market makers -- exchanges or individuals who arrange for buyers and sellers to be matched -- noticed a flood of "sell" orders coming in for TerraUSD, said one person with knowledge of the market activity. The orders were in small denominations, but they were placed very quickly, the person said.

The sudden jump in sell orders for TerraUSD overwhelmed the system, making it hard to find matching "buy" orders for them. Under normal conditions, any sell orders that remained unfulfilled for too long would be matched with buy orders at a lower price. The longer the orders lingered without being matched, the more they forced down the price of TerraUSD and caused a corresponding drop in Luna prices because of the way the two coins were linked.

The exact causes of the collapse of the two cryptocurrencies remain unclear. However, the bulk of the sell orders for TerraUSD appeared to be coming from one place: Sam Bankman-Fried's cryptocurrency trading firm, which also placed a big bet on the price of Luna falling, according to the person with knowledge of the market activity.

Had the trade gone as expected, the price declines in Luna could have yielded a fat profit. Instead, the bottom fell out of the entire TerraUSD-Luna ecosystem. The collapse caused more trouble in the cryptocurrency industry, sending several prominent companies into bankruptcy and erasing about $1 trillion in value from the crypto market.

The ripple effects from the Luna crash ultimately contributed to the collapse of Mr. Bankman-Fried's business empire. In November, Caroline Ellison, the chief executive of Alameda, told staff that loans to Alameda were recalled as a result of the market chaos unleashed by the crash, according to a person familiar with the matter. But the funds that Alameda had borrowed were no longer easily available, Ms. Ellison told the staff, so the company used FTX customer funds to make the payments.

An attorney for Ms. Ellison did not return requests for comment.

ART The legal storm around Sam Bankman-Fried just keeps growing. (PHOTOGRAPH BY LAM YIK FEI FOR THE NEW YORK TIMES) (B4) This article appeared in print on page B1, B4.

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AN Document NYTF000020221208eic80003v

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The New York Times

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HD **'It Just Angers Me.' Crypto Crisis Drains Small Investors' Savings.**

BY By Matthew Goldstein

WC 1,781 words

PD 6 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Many small investors who piled into cryptocurrencies on **FTX**, BlockFi and other platforms are recognizing the perils of investing in an unregulated industry.

In early November, Adrian Butkus, a 43-year-old father of two, put $600,000 -- much of his life savings -- into an account at BlockFi, a cryptocurrency trading firm. BlockFi had marketed the account as risk free, yielding 6.5 percent interest, more than Mr. Butkus could get anywhere else.

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Just days later, as the collapse of the cryptocurrency exchange FTX shook the entire crypto industry, Mr. Butkus asked BlockFi for his money back. But the firm had suspended customer withdrawals, citing its close financial ties to FTX. By late November, BlockFi, too, had filed for bankruptcy.

Mr. Butkus doesn't know when -- or if -- he will see his money again. He is one of millions of individual investors around the world who poured money into digital assets, believing the cryptocurrency industry was a stable financial system. They were cleareyed about the volatility and big price swings of Bitcoin and other cryptocurrencies. But what has come as a big surprise to many is that the firms where they deposited their money lacked the basic protections offered by a brokerage or a bank.

As companies like FTX took on the marketing tactics and girth of mainstream financial firms, their customers came to believe they were safe places to deposit cash in exchange for cryptocurrency. The fact that big-name venture capital and other funds backed some of these companies only added to their allure.

"It just angers me," Mr. Butkus said. "Now I'm in a fight to get back some of my money."

Cryptocurrency firms, led by FTX, exploded into the mainstream in the past couple of years, pitching their products in extensive advertising campaigns as stable and safe investments. Unlike traditional banks and brokerages, which are limited in what they can say, the crypto firms aren't subject to the same rules.

"These companies are all giving the impression of banklike security," said Joshua Fairfield, a professor at Washington & Lee Law School who specializes in technology issues. "These companies want to have customer trust but with none of the responsibility that comes with a regulated financial entity. And that just doesn't work."

Moreover, when a bank or brokerage fails, there are government-guaranteed funds to ensure that investors generally get their money back. The cryptocurrency industry, for the most part, has no such guardrails. And with the companies in bankruptcy and the value of some crypto assets uncertain, ordinary customers stand at the end of a long line when it comes to getting their money back, behind the large trading firms and lenders.

Mr. Butkus said he had invested with BlockFi even though he knew the accounts weren't insured. Under BlockFi's offering, he lent it his $600,000 for six months, in return for a 6.5 percent yield. BlockFi converted that money into a digital asset that it used to conduct its cryptocurrency trading business.

When BlockFi's marketing materials and sales agents said his investment was safe and redeemable at any time, he took them at their word.

"They sold it to me, that there was no risk," Mr. Butkus said, adding that he was unaware that BlockFi, which had borrowed money from FTX, was so closely tied to the exchange.

Much of the money that Mr. Butkus, a self-employed businessman, invested came from the recent sale of his home in Plainfield, Ill. He was hoping to increase his savings with the interest on his BlockFi loan and then use the money to build a new home for his family. Now he wonders where his family, who are temporarily staying with his in-laws, will ultimately live.

Lawyers for FTX and BlockFi did not respond to requests for comment.

FTX, founded by Sam Bankman-Fried and once a behemoth of the crypto industry, imploded last month after some big trading firms withdrew their money amid allegations that the exchange had used billions of dollars in customer deposits to bail out Alameda Research, the crypto trading firm that he co-founded. The exchange's fall was all the more stunning because FTX had acquired an air of legitimacy through a splashy advertising campaign showing off its product as safe, fun and easy to use.

The federal authorities in New York are now trying to determine whether criminal charges should be filed against Mr. Bankman-Fried and others over the company's collapse and the potentially inappropriate use of customer deposits. Mr. Bankman-Fried, during a media blitz this past week, has insisted he never intended to defraud anyone and was not fully aware of how much customer money had been transferred to Alameda.

Frank Friemel, 39, is among the FTX customers wondering whether they will get back any of their money from the now-bankrupt exchange. When he opened an account with FTX in March, Mr. Friemel said he knew it was unregulated but wasn't too concerned.

He figured that, as the second-biggest cryptocurrency trading platform in the world, with the financial backing of well-known professional investment firms like Sequoia and SoftBank, FTX was on solid footing.

"I'm a seasoned investor and I knew who was investing with them," said Mr. Friemel, a technology professional who lives in Jena, Germany. "If big investors are putting money with them, then they must know that the company is good."

After seeing reports that FTX could collapse, Mr. Friemel tried to get his money out on Nov. 8, but it was too late. He said he got a notification that the withdrawal was being reviewed but never heard from FTX again. Mr. Friemel did not want to disclose his losses but said the collapse of FTX had led to an "erosion of trust" in crypto.

Because FTX is based offshore in the Bahamas, most of its customers come from Europe, Asia and well-known tax havens like the Cayman Islands and British Virgin Islands. Only 2 percent of its customers are in the United States, where they trade through FTX US, a subsidiary, according to its bankruptcy filings.

In the days leading up to FTX's bankruptcy filing, the U.S. unit told customers they were free to withdraw their money. It's unclear how many did; FTX US has since also filed for bankruptcy.

Mashood Alam, an actor from Pakistan who lives in North Hollywood, Calif., and was an FTX US customer, said he wasn't fully aware of the problems at the company until the bankruptcy filing. Mr. Alam, 32, said he hoped to get back $20,000, but the experience has soured him on crypto. He had been planning to use that money to help pay a lawyer to work on his naturalization and citizenship application. Now Mr. Alam said he will have to find another way to come up with the money.

Scott Jerutis, 58, a real estate broker in Queens, has about $33,000 of the digital currency Ethereum in a frozen BlockFi account, he said. He called himself an experienced investor who had made profitable crypto trades in the past, and said he understood that losses were part of the game.

But, he added, "I never thought if you had a debacle like this, they wouldn't let you withdraw your funds." Mr. Jerutis said he now believed that regulation was needed to safeguard customer money.

Angry investors are only now finding out that they have little recourse. Andrew Stoltmann, a securities litigation lawyer, said that his firm had been getting about 10 calls a day even before the FTX collapse -- "ever since the crypto winter began," he said, referring to the early wobbles in the market last spring as investors turned away from risky assets.

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Many customers want to know if they can sue to recover lost or stolen money, Mr. Stoltmann said. Since traditional Wall Street firms have stayed away from providing financing to crypto firms, he said, there are few other stable financial institutions to tap.

So far, about two dozen individuals have filed claims in bankruptcy court seeking to reclaim money they lost on FTX. Most are from Taiwan, and have losses ranging from just a few thousand dollars to tens of thousands.

One of those customers, Chen Mei-Sha, filed a claim for $5,600. After FTX stopped allowing withdrawals, she said in an email, she began to suspect that most of Mr. Bankman-Fried's "Twitter posts and speeches were lies." Ms. Chen described herself as a housewife who has invested in cryptocurrencies on three other trading platforms and believed FTX "misappropriated" customer money.

FTX was particularly effective at cultivating its brand. Beginning last year, it signed multiyear naming-rights deals worth more than $100 million with a professional basketball arena in Miami and for a football stadium at the University of California, Berkeley. The company also struck marketing deals with Major League Baseball and the Golden State Warriors basketball team.

FTX signed up a number of well-known athletes and celebrities, including Stephen Curry, Tom Brady, Gisele Bündchen and Larry David as "brand ambassadors," who made humorous TV commercials or other ads for the company. In one of the company's best-known commercials, Mr. Brady and Ms. Bündchen, who were married at the time, are seen calling lots of friends -- and even some frenemies -- with a simple question: "Are you in?"

The ad's tagline was: "Crypto. FTX. You in?"

Since September 2021, FTX spent $60 million on TV advertising with its last commercial featuring Mr. Brady airing from Sept. 11 to Nov. 4, according to EDO, a data and analytics company.

Nathaniel Whittemore, who was FTX's director of marketing, said the U.S. marketing and ad campaign was focused primarily on "brand building" and raising the "profile of FTX and crypto overall."

Eric Goldman, a professor at Santa Clara University School of Law and a director of its High Tech Law Institute, said big marketing and sports stadium branding campaigns are a popular way for tech start-ups to convey that their businesses are there for the long haul.

"It sends a signal to consumers that the advertiser has enough money and is staking enough of its fortune on advertising to say that it will be around," Mr. Goldman said.

ART Adrian Butkus put $600,000 into an account at BlockFi, a cryptocurrency trading firm that has since filed for bankruptcy. (PHOTOGRAPH BY EVAN JENKINS FOR THE NEW YORK TIMES) (A12) his article appeared in print on page A1, A12.

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The New York Times

SE Technology

HD **The Crypto Industry Struggles for a Way Forward**

BY By David Yaffe-Bellany

WC 1,613 words

PD 5 December 2022

ET 10:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

The implosion of the exchange **FTX** shows how an industry built in the wake of the 2008 financial crisis has drifted far from its original ideals.

Not long after several Wall Street banks collapsed in 2008, a nine-page document circulated on an obscure mailing list, proposing a new kind of financial system that wouldn't rely on any "trusted third party."

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The paper was the basis for what became the cryptocurrency industry. Using sweeping, idealistic language, its adherents vowed to conduct business in a transparent and egalitarian way, rejecting the high-risk practices of a small number of powerful financial firms that caused the Great Recession.

But last month, the actions of a single crypto firm — the $32 billion exchange FTX — plunged the emerging industry into its own version of a 2008-style crisis. Once considered a safe marketplace for people to trade virtual currencies, FTX filed for bankruptcy after the crypto equivalent of a bank run, forcing industry executives, investors and enthusiasts to grapple with how a technology meant to correct the shortcomings of traditional finance ended up replicating them.

Executives who just a year ago were reveling amid crypto's seemingly unstoppable growth are now scrambling to prove that they can learn from the mistakes and recapture the industry's early ideals. Binance, the world's largest exchange, announced last month that it would release more information about its finances and recruit independent auditors to review those disclosures. Coinbase, the biggest U.S. crypto exchange, proclaimed that it was committed to a "decentralized system where you don't have to trust us."

Many crypto advocates are pushing for more drastic reforms, urging investors not to store their digital holdings with big companies and instead turn to more experimental platforms run solely by code.

But for all the promises of change, FTX's collapse shows how far crypto remains from fulfilling its original aims and gaining widespread acceptance. Consumer distrust has mounted this year amid major financial losses, criminal investigations and an increasingly skeptical regulatory climate in Washington. At a conference last month, Changpeng Zhao, Binance's chief executive, said that FTX's implosion would set the industry back by years.

The exchange's downfall compounded months of losses in the virtual currency market set off by a devastating crash in the spring that unfolded amid a broader pullback from risky assets. The upheaval sent some prominent crypto firms into bankruptcy. Bitcoin, the original and most popular cryptocurrency, has been trading at less than $17,000, down about 75 percent from its high of nearly $70,000 almost exactly a year ago.

"You start to go through these problems, and they stack up one after the other after the other," said John Reed Stark, a former Securities and Exchange Commission official who has become an outspoken crypto critic. "More and more people are seeing this for the scam that it is."

The crypto industry has bounced back after previous crashes, attracting big-name investors who poured even more money into experimental companies. But FTX's collapse has been widely described as the worst moment in the industry's short history.

The origins of crypto date to 2008, when a mysterious figure known as Satoshi Nakamoto published a white paper on Bitcoin, laying out a detailed vision for what became cryptocurrencies. The paper outlined Bitcoin's technological foundation, which was a publicly viewable ledger called a blockchain where transactions would be recorded for all to see.

Early enthusiasts thought Bitcoin could become the foundation of a more transparent, egalitarian financial system. Many of the paper's supporters were libertarians who had grown disillusioned with traditional finance, especially the concentration of power among a small number of companies.

At first, crypto's primary use was criminal. Thieves and drug dealers used Bitcoin to transfer large amounts of money without relying on a bank or another intermediary to process transactions.

But over the years, law enforcement got better at tracking crypto crime, and the technology evolved to allow more sophisticated financial applications, like borrowing and lending. People who started their careers on Wall Street — including FTX's founder, Sam Bankman-Fried, who worked at the trading firm Jane Street — got involved in the nascent industry, looking to profit from the technology.

As the industry grew, it started assuming some of the same characteristics as the Wall Street institutions that it was designed to replace. Crypto trading became increasingly centralized, with a large portion of transactions taking place on a handful of big exchanges, including Binance, FTX and Coinbase. In the months leading up to FTX's collapse, the trading volume of cryptocurrencies on Binance alone was greater than the combined totals of its seven closest competitors, according to an industry data tracker.

The original vision of crypto "was an attempt to rewrite the rules of finance on a global basis," said Charley Cooper, managing director at the blockchain company R3. "And here we are again — we're in an even more centralized industry than we'd see in banking."

Cryptocurrencies soared in value last year and into 2022 — until May. That was when a popular cryptocurrency called Luna crashed, sending the crypto economy into free-fall. Two major lending companies, Celsius Network and Voyager Digital, filed for bankruptcy. Enthusiasts lamented the onset of a "crypto winter" of depressed prices and fading enthusiasm.

Amid the crisis, FTX was considered a relatively trustworthy force. Based in the Bahamas, the company served as a marketplace for people to buy and sell cryptocurrencies, offering high-risk but popular trading options that are illegal in the United States. Mr. Bankman-Fried, 30, who had built FTX into a $32 billion company, bailed out struggling firms and built a reputation as a benevolent figure willing to extend a lifeline to colleagues.

Then last month, a run on deposits exposed an $8 billion hole in FTX's accounts. The company filed for bankruptcy within a week. The Securities and Exchange Commission and the Justice Department opened investigations, focused on whether FTX illegally lent its users' funds to Alameda Research, a crypto hedge fund that Mr. Bankman-Fried also founded and owned.

The implosion has been described as a "Lehman moment" for crypto, a reference to the investment bank whose implosion helped set off the 2008 financial crisis. Other companies with ties to FTX started to teeter. Last Monday, the crypto lender BlockFi, one of the companies that FTX had bailed out in the spring, filed for bankruptcy, citing its entanglements with Mr. Bankman-Fried.

Some prominent figures in crypto have tried spinning FTX's downfall as a positive development, arguing that it will redirect energy toward finding practical uses for the technology.

"For us, this is actually a great moment," said Jeremy Allaire, the chief executive of the crypto payments company Circle. "We're delivering real value, and the people who focused on building giant speculative trading casinos are not so happy."

Binance operates essentially the same type of business as FTX, but Mr. Zhao, the chief executive, has recently been careful to differentiate himself from Mr. Bankman-Fried, calling his one-time rival a liar and criticizing FTX's most dangerous practices. On Nov. 25, Binance announced a new "proof of reserves system," promising to keep users informed about the amount of cryptocurrency in its accounts and to dispel fears that it might be vulnerable to the type of run on deposits that destroyed FTX. (But Binance's plans were heavily criticized for lacking key information.)

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Coinbase has also tried to alleviate fears of a collapse, publishing a blog post that said it always holds the same amount of money that customers deposited. “There can’t be a ‘run on the bank’ at Coinbase,” the post said.

Still, the mere existence of large companies like Binance, Coinbase and FTX is antithetical to the ideals of crypto, some industry experts argue. Since FTX’s collapse, some crypto enthusiasts have flocked to smaller firms in the experimental field of decentralized finance, which allows traders to borrow, lend and conduct transactions without banks or brokers, relying instead on a publicly viewable system governed by code.

But DeFi has its own problems, including vulnerability to hackers, who have drained billions of dollars this year from the experimental projects.

“They’ve based it on clunky technology that is very inefficient,” said Hilary Allen, a finance expert at American University. “They’re operationally very fragile.”

Scrutiny in Washington has also intensified. Gary Gensler, the chair of the S.E.C., has vowed to pursue crypto companies for violations of securities law. The House Financial Services Committee is scheduled to hold a hearing on Dec. 13 examining FTX’s collapse.

Mr. Bankman-Fried has been asked to testify. In interviews with The New York Times, he has at times seemed agonized over FTX’s bankruptcy — and at times been strikingly flippant.

“You know,” he said in one interview, “the crypto winter has been officially extended.”

Wasn’t that a bit of an understatement? “Yep,” he replied. “Alas.”

Audio produced by Parin Behrooz.

Audio produced by Parin Behrooz.

ART FTX, which was founded and led by the entrepreneur Sam Bankman-Fried, filed for bankruptcy in November. Its collapse has set off a 2008-style crisis for the crypto industry. | Hiroko Masuike/The New York Times | Changpeng Zhao, the chief executive of Binance, has said that FTX’s collapse would set the industry back by years. | Costas Baltas/Reuters | Gary Gensler, the chair of the Securities and Exchange Commission, has vowed to pursue crypto companies for violations of securities law. | Shuran Huang for The New York Times

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NS c16 : Bankruptcy | ccat : Corporate/Industrial News | cactio : Corporate Actions | ccfd : Corporate Financial Difficulty | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE usa : United States | namz : North America

IPD Virtual Currency

PUB The New York Times Company

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The New York Times

SE Business/Financial Desk; SECTB

HD **News and Highlights From Last Week's DealBook Summit**

BY By Dealbook

WC 645 words

PD 5 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 3

LA English

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LP

Several hundred business and policy leaders from around the country gathered in person at the DealBook Summit last week. It was a newsmaking event, with more than 4,500 articles written about the conversations. For our readers who weren't able to attend in person, here's what happened:

Sam **Bankman-Fried** spoke about the collapse of **FTX**. In his first live interview since **FTX** filed for bankruptcy, the former C.E.O. of the cryptocurrency exchange repeatedly said he had not known the extent of its financial troubles and had not knowingly committed fraud or commingled funds. Mr. **Bankman-Fried** blamed the collapse on a "massive failure of oversight and said he was "deeply sorry for what happened."

TD

Janet Yellen called the FTX collapse a "Lehman moment." The treasury secretary said that even before the debacle, it was clear that the cryptocurrency industry did not have adequate regulation.

Larry Fink said most crypto start-ups would fail. The BlackRock chief executive, who has long been a skeptic of crypto, placed part of the blame for the FTX failure on the venture capitalists who funded it with little due diligence, a model he said should change.

President Volodymyr Zelensky of Ukraine rebuked Elon Musk's peace proposal. He invited the billionaire to visit Ukraine before making pronouncements about how to end the war there. Mr. Zelensky also said that he didn't think there was an immediate threat that Russia would use nuclear weapons.

Mark Zuckerberg discussed the Metaverse and the Apple app store. The chief executive of Meta responded to criticism over his large investment in the Metaverse, saying that it would pan out in the long term and that augmented reality and virtual reality technology accounted for about 20 percent of Meta's investment. Mr. Zuckerberg also said that the marketplace dominance of the Apple app store was "not good."

Benjamin Netanyahu said Donald Trump should not have had dinner with Kanye West. "It was wrong," he said of Mr. Trump's meeting with Mr. West and Nick Fuentes, an antisemitic extremist.

Shou Chew said TikTok could resolve national security concerns over its Chinese ownership. He discussed the company's plans to move the data of U.S. users to cloud infrastructure owned by the American company Oracle. Mr. Chew, TikTok's C.E.O., also said it was still too early to make a big investment in the Metaverse.

Andy Jassy addressed labor and layoffs. The Amazon chief executive said uncertainty in the economy had led to the decision to lay off what could end up being more than 10,000 corporate and technology workers. He also indicated that Amazon would challenge the March election in Staten Island in which employees voted to form the first union at an Amazon warehouse in the United States.

Reed Hastings expressed love for Elon Musk and Wordle. Mr. Hastings, a co-C.E.O. of Netflix, called Mr. Musk "the most brave and creative person on the planet" and said he regretted not acquiring Wordle. Mr. Hastings also said Netflix was late in offering an ad-supported subscription tier.

Ben Affleck made the case for a creator-led studio. The actor's new movie studio aims to give Hollywood stars, directors, editors and other creative people a share of the profits -- and more control in the work.

Priscilla Sims Brown explained how finance could help combat gun violence. She is the president and chief executive of Amalgamated Bank, which played a key role in creating a new merchant category code for gun sales that makes it easier to identify illegal activity.

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ART Treasury Secretary Janet L. Yellen said that the cryptocurrency industry lacked adequate regulation. (PHOTOGRAPH BY HIROKO MASUIKE/THE NEW YORK TIMES) This article appeared in print on page B3.

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The New York Times

CLM PAUL KRUGMAN
SE Editorial Desk; SECTA
HD **Blockchains: What Are They Good For?**

BY By Paul Krugman
WC 971 words
PD 2 December 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 23
LA English
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LP

A year ago Bitcoin and other cryptocurrencies were selling at record prices, with a combined market value of around $3 trillion; glossy ads featuring celebrities -- most infamously Matt Damon's "Fortune Favors the Brave" -- filled the airwaves. Politicians, including, alas, the mayor of New York, raced to align themselves with what seemed to be the coming thing. Skeptics like yours truly were told that we just didn't get it.

Since then the prices of crypto assets have plunged, while a growing number of crypto institutions have collapsed amid allegations of scandal. The implosion of **FTX**, which appears to have used depositors' money in an attempt to prop up a related trading firm, has made the most headlines, but it's only one entry on a growing list.

TD

We are, many people say, going through a "crypto winter." But that may understate the case. This is looking more and more like Fimbulwinter, the endless winter that, in Norse mythology, precedes the end of the world -- in this case the crypto world, not just cryptocurrencies but the whole idea of organizing economic life around the famous "blockchain."

And the real question, it seems to me, is why so many people -- not just naïve small investors, but also major financial and business players -- bought into the belief that this bad idea was the wave of the future.

A blockchain is a digital ledger associated with an asset, recording the history of transactions in that asset -- who bought it from whom and so on. The asset could be a digital token like a Bitcoin, but it could also be a stock or even a physical thing like a shipping container. Ledgers, of course, are nothing new. What's distinctive about blockchains is that the ledgers are supposed to be decentralized: They aren't sitting on the computers of a single bank or other company; they're in the public domain, sustained by protocols that induce many people to maintain records on many servers.

These protocols are, everyone tells me, extremely clever. I'll take their word for it. The question I've never heard or seen satisfactorily answered, however, is, "What's the point?" Why go to the trouble and expense of maintaining a ledger in many places, and basically carrying that ledger around every time a transaction takes place?

The original rationale for Bitcoin was that it would do away with the need for trust -- you wouldn't have to worry about banks making off with your money, or governments inflating away its value. In reality, however, banks rarely steal their customers' assets, while crypto institutions more easily succumb to the temptation, and extreme inflation that destroys money's value generally happens only amid political chaos.

Still, there was an alternative, more modest justification for using blockchain technology, if not necessarily for cryptocurrencies: It was supposed to offer a lower-cost, more secure way to keep track of transactions and stuff in general.

But that dream appears to be dying, too.

Amid all the sound and fury over FTX, I'm not sure how many people have noticed that the few institutions that seriously tried to make use of blockchains seem to be giving up.

Five years ago, it was supposed to be a big deal -- a sign of mainstream acceptance -- when Australia's stock exchange announced that it was planning to use a blockchain platform to clear and settle trades. Two weeks ago, it quietly canceled the plan, writing off $168 million in losses.

Maersk, the shipping giant, has also announced that it is winding down its efforts to use a blockchain to manage supply chains.

A recent blog by Tim Bray, who used to work for Amazon Web Services, tells us why Amazon chose not to implement a blockchain of its own: It couldn't get a straight answer to the question, "What useful thing does it do?"

So how did this enterprise, which never stood up to scrutiny, become such a big deal?

It was probably a combination of factors. Political ideology played a role: Not all crypto enthusiasts were right wingers, but distrust of banks -- we all know who runs them -- and government-managed money provided a hard core of support.

The romance of high tech also played a role, with the very incomprehensibility of crypto discourse acting, for a while, as a selling point. And then, as prices soared, fear of missing out -- plus large outlays on marketing and political influence-buying -- brought many others into the bubble.

It's an amazing story, and also a tragedy. It's not just the small investors who have lost much if not all of their life savings. The crypto bubble has had huge costs to society as a whole. Bitcoin mining alone uses as much energy as many countries; I've been trying to estimate the value of the resources consumed in producing fundamentally worthless tokens, and it's probably in the tens of billions of dollars, not counting the environmental damage.

Add in the costs associated with other tokens and the resources burned up in abortive efforts to apply a blockchain approach to everything, and we're probably talking about waste on an epic scale.

No doubt I'll hear from many people still insisting that I don't get it. But it really looks as if there never was an it to get.

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ART This article appeared in print on page A23.

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NS gcele : Celebrities | ncolu : Columns | nedc : Commentaries/Opinions | nedi : Editorials | reqrbc : Suggested Reading Banking/Credit | gcat : Political/General News | glife : Living/Lifestyle | ncat : Content Types | nfact : Factiva Filters | nfcpex : C&E Executive News Filter | redit : Selection of Top Stories/Trends/Analysis | reqr : Suggested Reading Industry News

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The New York Times

SE Business/Financial Desk; SECTB

HD Crypto Empire's Collapse Disrupts Push to Rein In Artificial Intelligence

BY By Cade Metz

WC 1,484 words

PD 2 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Mr. **Bankman-Fried** and his colleagues spent more than $530 million to battle what they saw as the dangers of artificial intelligence. Now those efforts are reeling.

SAN FRANCISCO -- In April, a San Francisco artificial intelligence lab called Anthropic raised $580 million for research involving "A.I. safety."

TD

Few in Silicon Valley had heard of the one-year-old lab, which is building A.I. systems that generate language. But the amount of money promised to the tiny company dwarfed what venture capitalists were investing in other A.I. start-ups, including those stocked with some of the most experienced researchers in the field.

The funding round was led by Sam Bankman-Fried, the founder and chief executive of FTX, the cryptocurrency exchange that filed for bankruptcy last month. After FTX's sudden collapse, a leaked balance sheet showed that Mr. Bankman-Fried and his colleagues had fed at least $500 million into Anthropic.

Their investment was part of a quiet and quixotic effort to explore and mitigate the dangers of artificial intelligence, which many in Mr. Bankman-Fried's circle believed could eventually destroy the world and damage humanity. Over the past two years, the 30-year-old entrepreneur and his FTX colleagues funneled more than $530 million -- through either grants or investments -- into more than 70 A.I.-related companies, academic labs, think tanks, independent projects and individual researchers to address concerns over the technology, according to a tally by The New York Times.

Now some of these organizations and individuals are unsure whether they can continue to spend that money, said four people close to the A.I. efforts who were not authorized to speak publicly. They said they were worried that Mr. Bankman-Fried's fall could cast doubt over their research and undermine their reputations. And some of the A.I. start-ups and organizations may eventually find themselves embroiled in FTX's bankruptcy proceedings, with their grants potentially clawed back in court, they said.

The concerns in the A.I. world are an unexpected fallout from FTX's disintegration, showing how far the ripple effects of the crypto exchange's collapse and Mr. Bankman-Fried's vaporizing fortune have traveled.

"Some might be surprised by the connection between these two emerging fields of technology," Andrew Burt, a lawyer and visiting fellow at Yale Law School who specializes in the risks of artificial intelligence, said of A.I. and crypto. "But under the surface, there are direct links between the two."

Mr. Bankman-Fried, who faces investigations into FTX's collapse and who spoke at The Times's DealBook conference on Wednesday, declined to comment. Anthropic declined to comment on his investment in the company.

Mr. Bankman-Fried's attempts to influence A.I. stem from his involvement in "effective altruism," a philanthropic movement in which donors seek to maximize the impact of their giving for the long term. Effective altruists are often concerned with what they call catastrophic risks, such as pandemics, bioweapons and nuclear war.

Their interest in artificial intelligence is particularly acute. Many effective altruists believe that increasingly powerful A.I. can do good for the world, but worry that it can cause serious harm if it is not built in a safe way. While A.I. experts agree that any doomsday scenario is a long way off -- if it happens at all -- effective altruists have long argued that such a future is not beyond the realm of possibility and that researchers, companies and governments should prepare for it.

Over the last decade, many effective altruists have worked inside top A.I. research labs, including DeepMind, which is owned by Google's parent company, and OpenAI, which was founded by Elon Musk and others. They helped create a research field called A.I. safety, which aims to explore how A.I. systems might be used to do harm or might unexpectedly malfunction on their own.

Effective altruists have helped drive similar research at Washington think tanks that shape policy. Georgetown University's Center for Security and Emerging Technology, which studies the impact of A.I. and other emerging technologies on national security, was largely funded by Open Philanthropy, an effective altruist giving organization backed by a Facebook co-founder, Dustin Moskovitz. Effective altruists also work as researchers inside these think tanks.

Mr. Bankman-Fried has been a part of the effective altruist movement since 2014. Embracing an approach called earning to give, he told The Times in April that he had deliberately chosen a lucrative career so he could give away much larger amounts of money.

In February, he and several of his FTX colleagues announced the Future Fund, which would support "ambitious projects in order to improve humanity's long-term prospects." The fund was led partly by Will MacAskill, a founder of the Center for Effective Altruism, as well as other key figures in the movement.

The Future Fund promised $160 million in grants to a wide range of projects by the beginning of September, including in research involving pandemic preparedness and economic growth. About $30 million was earmarked for donations to an array of organizations and individuals exploring ideas related to A.I.

Among the Future Fund's A.I.-related grants was $2 million to a little-known company, Lightcone Infrastructure. Lightcone runs the online discussion site LessWrong, which in the mid-2000s began exploring the possibility that A.I. would one day destroy humanity.

Mr. Bankman-Fried and his colleagues also funded several other efforts that were working to mitigate the long-term risks of A.I., including $1.25 million to the Alignment Research Center, an organization that aims to align future A.I. systems with human interests so that the technology does not go rogue. They also gave $1.5 million for similar research at Cornell University.

The Future Fund also donated nearly $6 million to three projects involving "large language models," an increasingly powerful breed of A.I. that can write tweets, emails and blog posts and even generate computer programs. The grants were intended to help mitigate how the technology might be used to spread disinformation and to reduce unexpected and unwanted behavior from these systems.

After FTX filed for bankruptcy, Mr. MacAskill and others who ran the Future Fund resigned from the project, citing "fundamental questions about the legitimacy and integrity of the business operations" behind it. Mr. MacAskill did not respond to a request for comment.

Beyond the Future Fund's grants, Mr. Bankman-Fried and his colleagues directly invested in start-ups with the $500 million financing of Anthropic. The company was founded in 2021 by a group that included a contingent of effective altruists who had left OpenAI. It is working to make A.I. safer by developing its own language models, which can cost tens of millions of dollars to build.

Some organizations and individuals have already received their funds from Mr. Bankman-Fried and his colleagues. Others got only a portion of what was promised to them. Some are unsure whether the grants will have to be returned to FTX's creditors, said the four people with knowledge of the organizations.

Charities are vulnerable to clawbacks when donors go bankrupt, said Jason Lilien, a partner at the law firm Loeb & Loeb who specializes in charities. Companies that receive venture investments from bankrupt companies may be in a somewhat stronger position than charities, but they are also vulnerable to clawback claims, he said.

Dewey Murdick, the director of the Center for Security and Emerging Technology, the Georgetown think tank that is backed by Open Philanthropy, said effective altruists had contributed to important research involving A.I.

"Because they have increased funding, it has increased attention on these issues," he said, citing how there is more discussion over how A.I. systems can be designed with safety in mind.

But Oren Etzioni of the Allen Institute for Artificial Intelligence, a Seattle A.I. lab, said that the views of the effective altruist community were sometimes extreme and that they often made today's technologies seem more powerful or more dangerous than they really were.

He said the Future Fund had offered him money this year for research that would help predict the arrival and risks of "artificial general intelligence," a machine that can do anything the human brain can do. But that idea is not something that can be reliably predicted, Mr. Etzioni said, because scientists do not yet know how to build it.

"These are smart, sincere people committing dollars into a highly speculative enterprise," he said.

ART Sam Bankman-Fried, founder of the failed crypto exchange FTX, spoke at The Times's DealBook Summit this week. (PHOTOGRAPH BY HIROKO MASUIKE/THE NEW YORK TIMES) (B4) This article appeared in print on page B1, B4.

IN i3302022 : Artificial Intelligence Technologies | itech : Technology

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The New York Times

CLM DealBook Newsletter
SE Business; DealBook
HD **What We Learned From Sam Bankman-Fried, Mark Zuckerberg, Reed Hastings and More**
BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Stephen Gandel, Sarah Kessler, Lauren Hirsch and Ephrat Livni
WC 1,642 words
PD 1 December 2022
ET 16:47 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Crypto, the economy, China, streaming wars, Elon Musk and other big topics dominated this year's DealBook Summit.

What we learned at the DealBook Summit

TD

DealBook held its annual conference in New York yesterday, a packed day of high-level discussions with leaders from the world of politics, business and culture. Speakers included:

* Sam Bankman-Fried, founder of FTX

* Andy Jassy, C.E.O., Amazon

* Volodymyr Zelensky, president of Ukraine

* Larry Fink, C.E.O., BlackRock

* Janet Yellen, U.S. Treasury secretary

* Reed Hastings, co-C.E.O., Netflix

* Mark Zuckerberg, C.E.O., Meta

* Mike Pence, former vice president of the United States

* Ben Affleck, actor, director and C.E.O., Artists Equity

* Shou Chew, C.E.O., TikTok

* Benjamin Netanyahu, Israeli prime minister-designate

Catch up with the whole day here. But first, here are some highlights.

Sam Bankman-Fried: "I've had a bad month."

Would Sam Bankman-Fried speak or not? That was the big question on the minds of DealBook Summit attendees on Wednesday. In the end, the fallen crypto mogul made good on his promise in his first public appearance since the collapse of FTX, his trading exchange. The Times's Andrew Ross Sorkin interrogated him for over an hour in an interview that generated headlines and tweets around the world.

S.B.F., as he's known, addressed many questions (and dodged a bunch, too) about how his business went bust last month, a multibillion-dollar meltdown that could take years to sort through in bankruptcy courts. The ordeal has also wiped out much of his personal wealth. As he spoke, it became increasingly clear that the lost fortunes won't be recovered. Ultimately, he said, he "screwed up."

* He said he “didn’t knowingly commingle” FTX customer funds with those of Alameda Research, the exchange’s trading arm, which served as a market maker on FTX, facilitating customer transactions and making its own very risky leveraged bets.

* He denied he had knowingly committed fraud. “I did not ever try to commit fraud on anyone,” he said.

* He said that he did not realize what a dangerous position the firms were in until it was too late.

* He admitted that big mistakes were made, including poor if not nonexistent risk management and no oversight to protect customer accounts.

* He said he was telling the truth — or that he was not aware of bending it. “I don’t know of times when I lied,” he told Andrew, and said he “was as truthful as I’m knowledgeable to be.”

* He said the political donations he had made, which filings showed amounted to $40 million, were not meant as an attempt to buy access to lawmakers.

Watch the full interview here and read the full transcript here.

HERE’S WHAT’S HAPPENING

Salesforce’s co-C.E.O. Bret Taylor is stepping down. The unexpected departure, which is set to go into effect in January, means that the co-founder Marc Benioff will again be the lone chief executive as the business software giant faces a downturn in corporate I.T. spending. Taylor, the architect of Salesforce’s more than $27 billion acquisition of Slack, will be leaving to found a new company.

There’s no risk that Twitter will be pulled from the Apple App Store, Elon Musk says. The billionaire Twitter owner said on Wednesday that he had met with Apple’s C.E.O., Tim Cook, and received reassurances that Apple had “never considered” removing the social media platform from its apps marketplace. Such a move would have cut Twitter off from the billions of people who use Apple products.

Jay Powell, the Fed chair, signals an end to jumbo interest rate increases. Stocks rallied on Wednesday on the news that the central bank could be set to slow the pace of how fast it raises borrowing costs at its meeting this month. The Fed has lifted interest rates to a range of 3.75 to 4 percent last month from near zero as recently as March.

Reed Hastings: “I didn’t believe in the ad-supported tactic for us. And I was wrong about that.”

Reed Hastings, the C.E.O. of Netflix, said he regretted not launching an advertising-supported tier for the streaming service sooner, saying he had failed to appreciate the pent-up demand from brands looking to appeal to the 18- to 49-year-old demographic. “And I wish we had flipped a few years earlier on it,” he said.

Mr. Hastings also defended Musk’s contentious acquisition of Twitter, saying he was “excited” to see what the Tesla C.E.O. does with the social media platform. “Elon Musk is the bravest, most creative person on the planet,” he said, adding, “I’m 100 percent convinced that he is trying to help the world in all of his endeavors.”

Mark Zuckerberg: “The fact that companies have to deliver their apps exclusively from platforms controlled by competitors — there is a conflict of interest there.”

Mark Zuckerberg, the Meta chief executive, said that Apple had too much power as a gatekeeper for apps in its marketplace. Compared with other platforms like Google Play or Windows, he said, Apple “is the only one where one company can control what apps get on the device,” and that is not “sustainable or good.”

Meta’s stock price is down more than 60 percent this year as revenues fall amid a broad digital advertising slump. Another factor hitting the firm: Privacy features introduced by Apple last year have made it more difficult for social media apps like Facebook to target their users with ads.

Janet Yellen: “It’s a Lehman moment within crypto.”

Treasury Secretary Janet Yellencalled for more regulation of the cryptocurrency sector, labeling the collapse of Mr. Bankman-Fried’s FTX a “Lehman moment” for the industry and reiterating her skepticism about the industry.

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“I think everything we’ve lived through over the last couple of weeks, but earlier as well, says this is an industry that really needs to have adequate regulation, and it doesn’t,” she said, adding that it was fortunate that the problems had not spilled over to the mainstream financial sector.

“And crypto is big enough that we’ve had substantial harm of investors and particularly people who aren’t very well-informed about the risks that they’re undertaking, and that’s a very bad thing,” she said.

Larry Fink: FTX will force a rethink in the V.C. world

Larry Fink, the C.E.O. of BlackRock, did not hold back when asked about the failure of FTX. He said the executives there may be guilty of a kind of “misbehavior of major consequence.” But he also said venture capitalists, who helped fund the exchange, bore at least part of the blame. He said BlackRock had invested $24 million in FTX.

Fink also predicted the downfall of FTX would cause venture capital firms to rethink where they put their money. “It’s not going to go to all this stuff that provided us good utility to get food quicker, or find a taxi sooner,” Mr. Fink said. “I think it will be much more hard science, and require a lot more technical understanding.”

Volodymyr Zelensky: “If you want to understand what Russia has done here, come to Ukraine and you will see this with your own eyes.”

President Volodymyr Zelensky of Ukraine hit out at Musk’s peace proposal to resolve the war there, inviting the Tesla C.E.O. to visit his country to see the damage for himself before making any pronouncements about it.

“I don’t know if somebody’s making influence on him or he is making those choices himself,” he said when asked about the entrepreneur, who in October outlined a plan that would involve Ukraine ceding territory to Russia. “If you want to understand what Russia has done here, come to Ukraine and you will see this with your own eyes,” he said, adding, “and after that, you will tell us how to end this war, who started and when we can end it.”

Mr. Zelensky added that he didn’t believe Russia would use nuclear weapons in the war, saying the West’s biggest concern should be President Vladimir Putin’s military expansionist ambitions, warning that if he succeeded in Ukraine, neighboring democracies could be next.

Andy Jassy: “I think when you have unions, you end up with this ‘us versus them’ mentality.”

The Amazon C.E.O. Andy Jassysaid the company’s fight with staff members over unionizing was “far from over,” claiming that a vote on Staten Island to form the first U.S. labor union at the tech giant was plagued by “irregularities.”

“That has a real chance to end up in federal courts,” he said.

Mr. Jassy added that the company didn’t like that unions were “bureaucratic,” echoing comments he had made in another interview with Andrew that the National Labor Relations Boardsaid violated labor law.

That sentiment “I thought was fairly noncontroversial and straightforward,” he said, “but I guess you’re not allowed to say that, or some people think you’re not allowed to say that.”

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The New York Times

SE Business

HD **Everything We Learned From the Sam Bankman-Fried Interview**

WC 875 words

PD 1 December 2022

ET 14:32 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

The 30-year-old crypto entrepreneur made his first public appearance since the collapse of his firm, FTX, last month.

[Video: Watch on YouTube.]

TD

The New York Times's DealBook newsletter held its annual conference in New York on Wednesday, capped by a dramatic interview with Sam Bankman-Fried, the fallen crypto mogul.

It was Mr. Bankman-Fried's first public appearance since the collapse of his cryptocurrency empire, which included FTX, the crypto exchange, and its trading arm, Alamada Research. The Times's Andrew Ross Sorkin interviewed him for over an hour in a discussion that generated headlines and tweets around the world.

S.B.F., as he's known, addressed many questions (and dodged a bunch, too) about how his business went bust last month, a multibillion-dollar meltdown that could take years to sort through in bankruptcy courts. The ordeal has also wiped out much of his personal wealth. As he spoke, it became increasingly clear that the lost fortunes won't be recovered. Ultimately, he said, he "screwed up."

* He said he "didn't knowingly commingle" FTX customer funds with those of Alameda Research, the exchange's trading arm, which served as a market maker on FTX, facilitating customer transactions and making its own very risky leveraged bets.

* He denied he had knowingly committed fraud. "I did not ever try to commit fraud on anyone," he said.

* He said that he did not realize what a dangerous position the firms were in until it was too late.

* He admitted that big mistakes were made, including poor if not nonexistent risk management and no oversight to protect customer accounts.

* He said that he was telling the truth — or that he was not aware of bending it. "I don't know of times when I lied," he told The Times, and said he "was as truthful as I'm knowledgeable to be."

* He said the political donations he had made, which filings showed amounted to $40 million, were not meant as an attempt to buy access to lawmakers.

* He appears to have ignored legal advice to stay quiet as several countries continue to investigate the implosion of his firms.

Read the full transcript here.

A Phone Call to the Parents: 'There Might Be a Liquidity Issue'

Mr. Bankman-Fried said on Wednesday that his parents "bore no responsibility" for the downfall of FTX and the trading arm, Alameda Research, which he founded.

“Anyone close to me, including my parents and employees and co-workers who fought with the company to push forward, they were hurt by this,” he said. “They bore no responsibility for that. I feel really bad about that. I feel really grateful for the support my parents are still giving me throughout all of this.”

Mr. Bankman-Fried’s parents are Stanford Law School professors, who he has said were influential in shaping his ethical framework. Their vocations also helped lend Mr. Bankman-Fried, 30, a further veneer of credibility with investors and others as he built his cryptocurrency empire.

Mr. Sorkin asked Mr. Bankman-Fried what he told his parents when his firm began to collapse last month. FTX was forced to file for bankruptcy after an avalanche of customer withdrawals created an $8 billion hole on the firm’s balance sheet. Mr. Bankman-Fried likened the customer exodus to a run on the bank.

“I think I called them up and said, ‘Hey guys, I think there might be a problem, like, it looks like Alameda’s position might be imploding here — there might be a liquidity issue,’” he said.

When asked about the $300 million worth of real estate that FTX and Mr. Bankman-Fried’s parents reportedly bought in the Bahamas, he said he did not “know the details but that it was not intended to be their long-term property.”

“They may have stayed there while working with the company sometime over the last year,” he said.

As for other immediate personal fallout from the implosion of FTX, Mr. Bankman-Fried said he thought he had one working credit card and $100,000 left in the bank.

“I don’t have any hidden funds here,” he said.

Mr. Bankman-Fried also said FTX had a tame work culture, brushing aside a question from Mr. Sorkin about FTX staff members’ alleged drug use. “There were no wild parties,” he said. “At our parties, we play board games. Twenty percent of people would have a quarter of a beer each, and the rest of us would not drink anything.”

Mr. Bankman-Fried said he had been prescribed “various things” to help with concentration.

“I think they help me focus a little bit,” he said. “I had been a lot more focused over the last year.”

And to the question of whether he lied to customers, investors and regulators: “I was as truthful as I’m knowledgeable to be,” he said.

More S.B.F. coverage

* Ignoring Legal Advice, Sam Bankman-Fried Speaks on FTX

* Sam Bankman-Fried’s Phone Call to His Parents: ‘There Might Be a Liquidity Issue’

* Before FTX fell apart, Sam Bankman-Fried was a crypto nomad

* Sam Bankman-Fried Blames ‘Huge Management Failures’ for FTX Collapse

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The New York Times

SE Business; DealBook

HD **Transcript of Sam Bankman-Fried's Interview at the DealBook Summit**

BY By The New York Times

WC 10,844 words

PD 1 December 2022

ET 06:30 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

In a discussion with Andrew Ross Sorkin of The New York Times, Sam **Bankman-Fried** blamed "huge management failures" and sloppy accounting for the collapse of the **FTX** cryptocurrency exchange.

[Video: Watch on YouTube.]

TD

ANDREW ROSS SORKIN: In the span of about one week, Sam Bankman-Fried went from a billionaire — the white knight of the crypto world, and running one of the largest exchanges — to what some people think has become a wanted man. FTX was once valued at $32 billion. It's now effectively worthless in bankruptcy. We're going to talk about that and whether investors will ever get money back.

There are multiple billions owed to creditors and big questions in the wake of the collapse. Bitcoin fell to its lowest price in two years, and on Monday, BlockFi, which had been bailed out by FTX, filed for bankruptcy. The rapid fall of this empire has left so many questions about crypto, about the future of it, and whether it can be trusted again.

Sam Bankman-Fried joins us right now live from the Bahamas.

Sam, I want to thank you for joining us this afternoon. I appreciate your willingness to have this conversation. As I said at the outset of today, there are a lot of questions that need to be asked and also need to be answered. As you know, a lot of people have been hurt, genuinely hurt. And my hope is that over the time we have together that we can have a candid conversation about what happened — how it happened. There are people who are angry, and they are seeking answers.

I just want everyone in the audience to know that I received thousands of letters and emails, even in the past couple days, from a lot of these people who feel like they're victims. And some of them have questioned whether we should have this conversation, whether we should have this interview. There are people don't believe that this conversation should happen. I just want to say that I think our job as journalists is to have those conversations — is to ask those questions and seek those answers on behalf of the public. And that is especially true right now.

Sam, here's where I want to start the conversation, if we could.

I think at this point, there are two ways to view what has happened at FTX. I know we will get into all of the details in a moment, but I'm just going to go very basic.

There is a generous view. And the generous view is that you are a young man who made a series of terrible, terrible, very, very bad decisions.

The less generous view is that you have committed a massive fraud. That this is a Ponzi scheme, a manipulation of the system.

And I want to start there, because I think there are so many people who have that question, which is, What is this? And what did happen?

SAM BANKMAN-FRIED: Thanks for having me. At the end of the day, I was C.E.O. of FTX, and that means whatever happened, why ever it happened — I had a duty. I had a duty to all of our stakeholders, to our customers, our creditors. I had a duty to our employees, to our investors and to the regulators of the world to do right by them and make sure the right things happened at the company. And clearly, I did not do a good job with that.

Clearly I made a lot of mistakes. There are things I would give anything to be able to do over again. I did not ever try to commit fraud on anyone. I was excited about the prospects of FTX a month ago. I saw it as a thriving, growing business. I was shocked by what happened this month. And reconstructing it, were there things I wish I had done differently.

SORKIN: Let's talk about some of the things you would want to have done differently.

But I don't want this to be an abstraction for folks. It's a lot of big numbers and often doesn't feel human.

One of the letters I got, I want to read to you, Sam. Because it's from a gentleman who said he lost his life savings. And the subject line is "Sam Bankman-Fried stole $2 million from me."

He says: "Andrew, can you please ask S.B.F. why he decided to steal my life savings and the $10 billion more from customers to give to his hedge fund, Alameda? Can you ask him why his hedge fund was leveraging long all of these S coins?" I'm going to keep it polite for the kids. "Please ask him if he thinks what happened was fraud."

These are the kinds of letters that I've been getting repeatedly over the past several days.

What do you tell this — this man?

BANKMAN-FRIED: I am deeply sorry about what happened. The long and short of what happened — I will start by saying, just to make a distinction here — you look at the U.S. platform, you look at the international platform. The U.S. platform is a U.S.-regulated platform with American users. To my knowledge, that's fully solvent; that's fully funded. I believe that withdrawals could be opened up today, and everyone could be made whole from that and none of these problems plague the U.S. platform. Then you look at the international platform for their non-U. S. users.

As the letter says, Alameda Research did have a long position. And the international platform — it's a margin trade platform, it's a derivatives platform. It's a platform where all the clients were going on — placing something as collateral and using that to put on a position, whether that's a futures position, a spot position, a borrow. And you know what the exchange was storing was the collateral from all of those positions. Alameda Research was one of those that put on positions there. And as I tried to reconstruct this over the last month — I have limited access to data, but my view of it, from what I have been able to see, is roughly that basically, look, a year ago, Alameda had, I think, something like 10 percent leverage, had something like 10 times the assets of the position that it had on. Over the course of the last year, there were a number of market crashes that drove the value of those assets down and the leverage up. I think it was, to my knowledge, still under 2X leverage as of a month ago. You look at what happened this month, and in a few days, all-out P.R. assault, which led to a total market collapse in a pretty short period of time, no bid-side liquidity. I think more than $10 billion wiped off in a matter of days. And realistically speaking, no ability for FTX to be able to liquidate that position and generate everything that was owed.

SORKIN: But I think the bigger question is where Alameda got the loan from, which is to say there is a view that this is about commingling of funds. And in that letter that I just read you, this gentleman actually copied and pasted the terms of service for FTX into the email. I want to read you this.

It says, "None of the digital assets in your account are the property of, or shall or may be loaned to, FTX Trading. FTX Trading does not represent or treat digital assets in users' accounts as belonging to FTX Trading." So, how is it possible that Alameda had this loan of such a large size?

BANKMAN-FRIED: So, there is that piece from the terms of service. But there were a number of other parts of the terms of service and a number of other parts of the platform on top of that. There is the borrow/lending facility, where users were lending billions of dollars of assets to each other, collateralized by assets on the exchange. And you had, obviously, futures contracts where there were leveraged positions on. Of course, all of this — it's meant to be the case that these are positions where FTX could, if it needed to, margin-call those positions and close them down in time, such that it would cover all those shorts, all those liabilities. Obviously that wasn't the case here, and that's a massive failure of oversight of risk management and of diffusion of responsibility from myself running FTX.

SORKIN: Make this very straight: Was there commingling of funds? That's what it appears like. It appears like there's been a genuine commingling of funds that are of FTX customers that were not supposed to be commingled with your separate firm.

BANKMAN-FRIED: I didn't knowingly commingle funds. And again, one piece of this, you have the margin trading. You have, you know, customers borrowing from each other. Alameda is one of those.I was frankly surprised by how big Alameda's position was, which points to another failure of oversight on my part and failure to appoint someone to be chiefly in charge of that. But I wasn't trying to commingle funds.

SORKIN: Let me ask you this. The Wall Street Journal reported that Carolyn Ellison told Alameda staffers that Alameda used FTX client funds to cover loans that were being recalled because of the Luna-triggered credit crunch. Carolyn says that she, Sam, Gary were aware of this. How do you square that with what you originally said over Twitter — that this was an $8 billion accounting mistake?

BANKMAN-FRIED: So, I will point to two things.

First of all, I obviously don't know what anyone else is thinking here. I can only talk about it from what I know and from what I knew. A lot of this is reconstructing it over the last month. I have limited access to data. But what it seems like happened is in the middle of the year, a lot of — most of the borrow/lending desks in the space blew out or closed down. And it seems like Alameda had margin positions opened with them, and that it likely moved a bunch of that over to FTX this year when they shut down. And that means — I think it was overcollateralized positions, but positions that involved substantial size and substantial U.S. dollar size on the borrower side. In terms of the accounting mistake, again, looking through what happened, I think that there is a substantial discrepancy between what the financials were, what the auditing financials were, the true financials, what the exchange understood — all of that was consistent — versus what the dashboards that we had displayed for Alameda's account there, which substantially underdisplayed the size of that position. That's one of the reasons that I was surprised when we dug into everything — at how big that position had become.

SORKIN: You would agree that there is a much more closely connected version of FTX international and Alameda than previously understood. Fair to say?

BANKMAN-FRIED: Yeah. Given the size of the position, it was, if not an intention, it was in effect tied together substantially more than I would have ever wanted it to be.

SORKIN: You did an interview earlier this summer with Bloomberg, and you were asked about the connection with Alameda and FTX, and you said that obviously it came from the same place, because it started that way and the same original people. But most of the remaining nexuses, you said, have dropped off. "I know the people from Alameda decently well — almost as if you don't know what's happening there — "and there isn't like a large amount, you know, of ways that we are actively working together. Anything like that, Alameda is a wholly separate entity. They are different offices, like different principal offices, we don't have any shared personnel. We are also not the same company. We not all are under the same corporate umbrella or anything like that." And yet, it seems like Alameda people were living in the same penthouse where you may very well be right now, all together.

BANKMAN-FRIED: Most of Alameda was not there. I don't live there now. I have not lived there for most of the time. I did live with — with one or two members of Alameda for a little while. And I'll also say that as I was — earlier this summer, looking at the relationship, and this is a pretty big mistake and oversight of mine, I was viewing it as primarily from the trading volume perspective, because that is what drives our revenue. And so when I was looking at how intertwined are FTX and Alameda, I was looking at what fraction of trading volume, what fraction of liquidity on the platform does Alameda represent? That had fallen off from something like 45 percent in 2019 to something like 2 percent this year. But in terms of positions and balances, it was a much larger fraction. I hadn't been looking at that. That's a pretty big oversight.

SORKIN: I think the question is whether you supposed to have access to these accounts to begin with. If I worked at a bank and was a bank teller and I decided to leave the bank at the end of the evening and take the cash that I ostensibly had access to, even if I intended to bring it back to the bank later or with even more money to give them back — I still stole that money.

BANKMAN-FRIED: Look, I wasn't running Alameda. I didn't know exactly what was going on. I didn't know the size of their position. A lot of these are things I've learned over the last month, that I learned as I was sort of frantically sort of digging into this on Nov. 6, Nov. 7, Nov. 8. Obviously, that's a pretty big mistake and oversight, that I wasn't more aware. I think I was scared of — I was nervous because of the conflict of interest about being too involved. Obviously that shouldn't have meant that I didn't have real oversight. Or that — and it really shouldn't have meant that I failed to appoint anyone to be in charge of that oversight, that relationship. But I haven't been running Alameda. I haven't been thinking about its finances. I haven't been making those decisions. But as C.E.O. of FTX, it was still my duty to make sure someone was doing diligence.

SORKIN: But you owned it.

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SAM BANKMAN-FRIED: I was a large owner of it. That is true. I had a lot of exposure on that side. But I wasn't running it.

SORKIN: So why wouldn't you have been focused on it if that's actually where the profits were?

BANKMAN-FRIED: Well, I don't know — I think Alameda made trading profits over the last few years, but FTX had made profits as well. FTX had been a profitable, growing business.

That was more than a full-time job. I didn't have the bandwidth to run two companies at once. I didn't have the attention for it. And again, I was nervous about a conflict of interest between those two and so was pretty intentional about not being very involved in what was happening at Alameda.

SORKIN: When did the commingling of assets begin?

BANKMAN-FRIED: Lots of traders had open margin positions on FTX where they would have borrows of assets or they would be short some asset against, you know, against other assets as collateral. That being said, again, looking through this now, I think that that position size for Alameda got substantially larger over the course of 2022 and that it was, I think, substantially larger by October of 2022, probably by July of 2022, than it had been in April.

SORKIN: It sounds like it's fair to say that there was always a connection between Alameda and FTX. And that almost, well not almost, but from very, very beginning, and it never really stopped.

BANKMAN-FRIED: I think it had been, in some ways, reducing. When you scroll back to 2019, Alameda and FTX were very connected in a number of ways. One of these was that Alameda was the primary liquidity provider on FTX, it was 40-something percent of volume. It was the backstop liquidity provider. You scroll forward to 2022, it was down to 2 percent of volume. We had a lot of backstop liquidity providers. But it still had a big margin position on it. I was failing to pay nearly enough attention to positions and positional risk on the exchange, and to Alameda's in particular. And I also, frankly, made a mistake that I feel pretty embarrassed to have made. A lot of these are. I substantially underestimated what the scale of market crash could look like and what the speed of it could look like and how correlated it would be.

SORKIN: Does that just suggest that you were just hoping — perhaps hoping against hope — that this would all work out and that nobody, therefore, would realize what this commingling was all about?

BANKMAN-FRIED: It's not how I viewed it. In particular, again, most of the firms had margin positions. Most of the firms had borrows on FTX. The problem here, this one, was this was too big. I was surprised by the size of what it was.

SORKIN: Not just too big, but its assets — look, it sounds like there were assets that may have been allowable to be loaned, but then there were assets that weren't allowable to be loaned, no?

BANKMAN-FRIED: I'm still looking into the details of some pieces of this. I do think that in addition to what I had seen is sort of a lot of the standard borrows here — that when you scroll back to 2018 — or 2019, I guess — FTX did not have bank accounts. It didn't have any bank accounts globally. We were trying to get them. It took us a while — it took us a few years.

There were customers who wanted to wire money to FTX. And so I think in the meantime, some of them were wiring money to Alameda Research to get credited on FTX. And I think that was a substantial sum. And I think that the FTX's internal accounting did correctly, effectively try to debit Alameda for those funds. But it didn't happen in the primary account. And so it didn't happen — it created a discrepancy between the display of the account and what was really going on there. I'm still looking into exactly how that worked mechanically, but that did make that position size substantially larger than I thought and, I think, than what you would've gotten from both the normal avenues.

SORKIN: What do you make of the argument that Alameda was used to effectively wash money into FTX? That American investors — who, by the way, were not technically allowed to even invest on FTX — were doing so, and FTX was doing it knowingly, because the know-your-customer rules were being flouted by using this separate vehicle?

BANKMAN-FRIED: How would that allow customers to flout the know-your-customer rules? Are you talking about people who are trading on FTX U.S., or are you talking about customers of FTX international?

SORKIN: International. You just said there was money sent to Alameda and that Alameda was then providing credits onto FTX.

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BANKMAN-FRIED: Right. But those users still had to go through the know-your-customer policy on FTX in order to do that. In order to use that ramp, customers still had to go through FTX's normal K.Y.C. onboarding.

SORKIN: When do you think you knew there was a problem?

BANKMAN-FRIED: The time that I really knew there was a problem was Nov. 6. Nov. 6 was — that was the date that the tweet about FTT came out. By late on Nov. 6, we were putting together all of the data and putting together the information that obviously I should have put together way earlier. That obviously should have been a part of the dashboards I was always looking at. When we looked at that, there was a potential serious problem there. Alameda's position was big on FTX. It had just taken a huge hit. It had taken hits over the course of the year, but that was a particularly large one and very abrupt. We're seeing a run on the bank start, and that was leading to $4 billion a day of client withdrawals. At that point, we started calling prospective sources of financing, because I was nervous about what was going to happen there. If you rewind even a few days, I was a little bit nervous, but not on nearly the same scale, and I was thinking about risks that were substantially less.

SORKIN: When you say you were nervous — you were nervous the company was going to go under? You were nervous you were going to get caught? What were you nervous about?

BANKMAN-FRIED: Like on Nov. 6, or before then?

SORKIN: Either.

BANKMAN-FRIED: I think before then, what I was nervous about was that basically, and this started, I would say, Nov. 2 or so, when there was the Alameda balance sheet through CoinDesk — and when I started to think a bit more about this, I was nervous that that would lead to substantial losses for Alameda and that it would be a bit messy. I didn't think it was existential for FTX. I didn't think it was going to lead to a massive loss for FTX's customers.

I was thinking of this as more like, Alameda is going to be really tight on funds. And that maybe it would end up having some small impact on FTX, but not a significant one, not one that hurt customers at all.

When you're talking about Nov. 6, late Nov. 6 — then, and especially as we bleed into Nov. 7 and 8, I start to become nervous that FTX is not going to be able to fill customer withdrawals. And by late Nov. 6, I am very nervous about that, and I'm starting to think about emergency scenarios. And I'm starting to think about, things might — things might end quite badly here.

The core metric that I'm thinking of there is, will we be able to make sure all customers are whole? And on Nov. 5, I was feeling quite good about that. On Nov. 7, I was feeling quite uneasy about that.

SORKIN: I want to go back in time for a moment. This summer you were described often times as the J.P. Morgan of crypto, referencing the 1907 panic that he helped prevent.

You had purchased BlockFi, were making investments in Voyager and all sorts of other things. When you were doing that at that time, how much of that was an effort to prop up the value of things like FTT, which was the token of FTX, knowing that if a company like BlockFi, which owned a ton of it — that if it collapsed, FTT would collapse, and in large part, the quote-unquote collateral that you had for Alameda would collapse.

BANKMAN-FRIED: I don't think any of the borrow/lending desks, to my knowledge, owned a lot of FTT. I think a lot of them may have been using it as, or taking it for, collateral. I don't think they owned it, though, or were going to sell it. And I think that most of them ended up closing down, effectively, all of their lines with Alameda, one way or another.

At that point, that was close to a sunk cost. I wasn't viewing it as having any impact on FTT in particular. I did view it as important for the industry's health. I did view it as a thing where I wanted to try to keep the industry stable. But I don't think it had any really large FTT-specific impact.

SORKIN: You didn't think it had — it would have had no impact on Alameda or FTX if, for example, BlockFi were to have failed?

BANKMAN-FRIED: I don't think it would have had large direct impact, and the reason I say that is that I believe Alameda ended up returning the vast majority of its open borrows of its margin positions with the borrow/lending desks in the middle of this year anyway. At that point, there wasn't that much left to save from that. At that point, I think, the bigger thing was just not wanting the industry to implode.

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SORKIN: Let's talk about collateral. Because I think this entire experience has been a revelation for a lot of people about what might be collateral. Clearly you were using FTT, and Solana and other tokens, as collateral, and part of that required you to mark them in a specific way — a value to them. Do you think that you were marking them properly?

BANKMAN-FRIED: In Alameda's case, I don't think I was marking them the way I wish I had, from a risk perspective.

I want to differentiate here expected value or worth, or something like that, from security. I think that I don't have strong statements to make about what value they are assigned from an upside perspective or even a median-case perspective. But clearly, I was not nearly cautious enough from a downside perspective — from the extreme downside perspective. I can tell you: In my head, I was looking at a 30 percent down move over a few-day period as a sort of extreme tail case event that we had seen once before.

And then what happened here was a 95 percent down move over the course of a year and a 60 percent down move over a few-day period, with very little liquidity and all happening at once in all of these coins in a correlated fashion in which hedges didn't mean as much, also, because this was a specific crash on assets associated with Alameda Research rather than all assets. Even correlated hedges had limited use there. And a run on the bank at the same time. And all of that are things, in retrospect, I should've expected might happen in an extreme scenario because that is how markets work. We've seen other examples of that in history, where when things get really bad, they get really bad for all of the relevant things at once in a very direct and correlated and quick way.

SORKIN: I want to go back to the BlockFi acquisition for a moment. How much money do you think Alameda — I'd say that they had a lot of FTT, but that Alameda had borrowed from BlockFi at the time of the bailout?

BANKMAN-FRIED: I honestly don't know. But I would have guessed 100 million, maybe. A couple hundred million. I honestly don't know the answer. I wasn't paying detailed attention. That's my guess.

SORKIN: And were you using FTT and the Serum and other things to collateralize the loans at BlockFi, do you think? This goes to the whole idea of both the value of these things and also whether you were trying to buy BlockFi, in fact, to continue to support, effectively, Alameda or FTX?

BANKMAN-FRIED: It might be. I would guess it was. But to your point, my guess is that the amount the amount paid for BlockFi was probably bigger than the amount that Alameda had open with it. I don't know that for sure. But I wasn't even looking at what that number was, really. But I think that's about right.

SORKIN: I want to go back to the Alameda piece of it for just another moment, if you'd stick with me here. You had told investors and regulators that you were not involved in Alameda decision-making. And yet, in the case — Alameda invested $1.15 billion in Genesis Digital Assets without your consultation or approval? That's the question. And my understanding is you also served on the board of Genesis Digital Assets. And so I'm trying to understand how you wouldn't have been involved with Alameda.

BANKMAN-FRIED: I was somewhat involved with venture investing, and that was done out of a separate entity than any of Alameda's proprietary trading, than its activity on FTX or other crypto exchanges. But I was consulted on some of its V.C. investments, including with G.D.A.

SORKIN: What are your lawyers telling you right now? Are they suggesting this is a good idea for you to be speaking?

BANKMAN-FRIED: No. They are very much not.

The classic advice, right: Don't say anything. Recede into a hole.

And that's not who I am. It's not who I want to be. I don't have — I think I have a duty to talk to people. I have a duty to explain what happened. And I think I have a duty to do everything I can to try and do what's right. If there is anything I can do to try and help customers out here. And I don't see what good is accomplished by me just sitting locked in a room pretending the outside world doesn't exist.

SORKIN: You're in the Bahamas right now. Are you in the Bahamas because you think you can't leave?

BANKMAN-FRIED: I'm in the Bahamas — I have been in the Bahamas for the last year, and I've been running FTX from the Bahamas. I've been running FTX Digital Market, our primary operating entity, down here with Bahamian regulators and others in contact. Right now, I am looking to be helpful anywhere I can with any of the global entities that would want my help.

SORKIN: Do you think you could come to the United States or go elsewhere?

BANKMAN-FRIED: To my knowledge, I could.

SORKIN: Have you thought about doing that?

BANKMAN-FRIED: I have thought about it, and I have seen a lot of the hearings that have been happening. I would not be surprised if some time I am up there talking about what happened to our representatives or wherever else is most appropriate.

SORKIN: How concerned are you about criminal liability at this point?

BANKMAN-FRIED: I don't think that — obviously, I don't personally think that I have — I think the real answer is it's not — it sounds weird to say it, but I think the real answer is it's not what I'm focusing on. It's — there's going to be a time and a place for me to think about myself and my own future. But I don't think this is it.

Right now, look, I've had a bad month. This has not been a fun month for me. But that's not what matters here. What matters here is the millions of customers. What matters here is all the stakeholders in FTX who got hurt and trying to do everything to help them out. As long as that's the case, I don't think that what happens to me is the important part of that, and I don't think that's what it makes sense for me to be focusing on.

SORKIN: Sam, help me with this. On Nov. 7, you tweeted, and then deleted a tweet, that said: "FTX has enough to cover all client holdings, we don't invest client assets, even treasuries. We have been processing all withdrawals and will continue to be." You then deleted that tweet and literally just moments ago, you told me that it was on Nov. 7 that things took a turn.

BANKMAN-FRIED: Yep.

SORKIN: Were you telling the truth?

BANKMAN-FRIED: Things were changing fast.

When you look at Nov. 6, I was feeling nervous, but I felt like things were probably going to end up OK. We still had — I mean, assets way larger than liabilities. And yeah, there was increasing withdrawal demand, but we were meeting all of it. We were processing all of it. Although it was a weekend, so we were a day delayed on a lot of wire transfers and stablecoin creations, and Bitcoin node was overloaded, but our assets were continuing to process. By Nov. 8, I did not think the odds were that high that we were going to be able to meet all client demand, and I was worried that there was going to be a substantial liquidity shortfall.

Nov. 7 — that was sort of the transition day. Even just the start versus the end of Nov. 7, I felt — I felt fairly different. I can't remember exactly what I was thinking or when I sent that. But I remember trying to think about — feeling conflicted about what to say and trying to think about what I could say that I believed. By not that long later, I no longer believed that. I no longer — that no longer felt like it had much — like that was a at all reasonable representation of where my mind was at. And I don't remember exactly when I deleted it, but I remember at some point I was like, "Ah, it shouldn't be there."

SORKIN: Let me ask a different question, because this is all around the same time. The New York Times reported that $515 million was "suspiciously," in quotes, transferred from FTX wallets after — after — the bankruptcy filing. And there been accusations that this is the assistance, effectively, of theft. Where did that money go?

BANKMAN-FRIED: I will caveat this by saying, at that point, I was being cut off from systems.

I will give you the answer to the extent that I know it. Which is that I believe that a few different things happened within a short period there.

I think that the U.S. team took actions to seize some of the assets and put it in custody from the exchange. I believe that it has been announced that the Bahamian regulators took some of the assets into safekeeping as well around that same time. And I think there may — in addition to both of those also been some actually improper access of assets on the exchange. I don't know the details of that. I don't have the resources to trace through exactly what happened there. And I don't know who is behind that third part.

SORKIN: I want to go back to one thing about the Bahamas. The Bahamian authorities there have now admitted, effectively, that they ordered the transfer, it sounds like, of certain FTX assets to wallets under

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their control after the U.S. bankruptcy was filed. Did you help them with that? Did you discuss that with them?

BANKMAN-FRIED: I can't discuss specifics, but I will note that prior to Chapter 11 having been filed, the Bahamian authorities had placed FTX Digital Markets — the Bahamian entity, which is the primary operating entity of FTX international — under supervision of a J.P.L. system in the Bahamas with oversight from the Securities Commission of the Bahamas and were, to my knowledge, taking actions to protect F.D.M.'s clients and customers there.

SORKIN: Can we go back for just one second, and I apologize for belaboring this point, but we were talking about FTX and the derivative piece of it earlier. I had made a note earlier about this because you had told the Senate — you were sitting in the Senate at the time, on Feb. 9, 2022, during a hearing you said, quote, "On FTX U.S. derivatives, all of these contracts are fully collateralized." Was that true?

BANKMAN-FRIED: Yes. And again, FTX U.S., to my knowledge — totally solvent. FTX U.S. derivatives — totally solvent. And in fact, I believe FTX U.S. derivatives — Ledger X — may even be up and running right now. I'm confused why FTX U.S. is not processing customer withdrawals right now.

I would think it should be, because I believe, to my knowledge, that it could be and could make all Americans 100 percent whole from this. FTX U.S. derivatives, as I said, doesn't even allow leverage of any sort. It was close to a spot-trading platform. And so, to my knowledge, all American customers and all American-regulated businesses and exchanges here are, I think, at least in terms of client assets, are OK. Obviously, I don't know what's happened — you can make your own judgment about the enterprise value of those businesses, but —

SORKIN: Over the summer, you paid a $2.5 billion loan to Barry Silbert's Genesis — this was in August — and I was just trying to think through the dynamics of what might have been happening at your firm and was wondering, where did the money come from?

BANKMAN-FRIED: So when you say, "You did that," I presume that that's Alameda Research that did that? Is that right?

SORKIN: Yes. Yes, that's the case.

BANKMAN-FRIED: I don't have all of the details there. My understanding is that, and I don't know what's happening on Genesis's side, and I don't know now. But my understanding, and I believe that Genesis tried to call in a large number of loans from Alameda. I believe that that happened and that closed down a lot of positions that Alameda opened with Genesis and other trading desks. That is what I was thinking at the time. And I think that's what happened there. I also think that may have led to an increase of position size at Alameda on FTX in retrospect.

SORKIN: You did an interview, I think perhaps maybe inadvertently, over Twitter DMs with a reporter at Vox and had spoken about E.S.G. and also about what you described as the shibboleths of what it meant to look good in corporate America today, and that a lot of the things that you were doing were not necessarily things you actually believed or believed in. Can you speak to that?

BANKMAN-FRIED: Yeah, absolutely. It was frustrating because that was not meant to be a public interview. It was a longtime friend of mine who I stupidly forgot was also a reporter.

I thought I was speaking in a personal capacity. I am not sure what they thought their capacity was at the time, but it certainly ended up being reported on.

And, you know, I think what I'd say is, look, there are a lot of things that I think have really a massive impact on the world. And ultimately, that's what I care about the most. And I mean, I think that I think, frankly, that, you know, watching history could, you know, could have substantial positive impact. But, you know, I was thinking a lot about, you know, bed nets and malaria, about saving people from diseases. No one should die from that, and animal welfare and pandemic prevention. And, you know, what could be done on a large scale to help mitigate those.

Those things, I think, matter. And they're, you know, among the most important things to me. Separately from that, there is a bunch of bullshit that regulated companies do to try and look good. And these are things that everyone who does them basically knows they're kind of dumb, that these are not things that are making a large impact on the world. These are not looking at saving thousands of lives. You know, these are the kind of like, you know, if like three different quarterbacks throw a touchdown in the same game for the sameteam, we will donate two used cars to charity-type campaigns. Where it's not going to happen. It's never happened. There's no expectation of a car getting donated. It's just a P.R. campaign sort of masquerading as a as do-gooderism. And, you know, things like greenwashing are things which I think end up in a similar area.

SORKIN: Fair to say he participated in this?

BANKMAN-FRIED: Yeah, we all did. And FTX did as well. There are things I felt like we needed to do for the business. There are things that I felt like were crucial for us being able — I wish the world did not work this way. I wish that these were not relevant to your ability to get regulated, to your ability to get bank accounts, but they were.

We had promotional campaigns. We had marketing slogans. We thought about ourselves as legitimately trying to do good, but we also thought about what we could do to make sure that our image reflected that. There is a lot of unimpactful things that ultimately, I think, in some circles got more attention than actually impactful things.

On the more tasteful end of the spectrum, you can see things like small-scale but real charitable initiatives. On the less tasteful end of the spectrum and, frankly speaking, things like making sure that all materials have perfect English grammar is a thing where — that was important.

SORKIN: Sam, let me ask you about this because the other piece of it is using your money and influence — and I think there is a question about whose money you were using — to donate, for example, to the Democratic Party, in large part to influence regulation. And I think as people have looked through now, some of the regulation you are pushing for at CFIUS, for example, some of that regulation would've allowed you, frankly, to "sort of self-certify" a lot of what was going on at FTX. And there are people who look at that and say it was all part of the scheme.

BANKMAN-FRIED: So, unpacking a piece of that when you look at the C.F.T.C. regulation there, ultimately there may have been an ability to self-certify contracts, but prior to that we went through a congressional hearing, a public comment period, a public roundtable, a year of inquiries and tens of thousands of hours, thousands of pages of submitted documents, and we still did not get to the point of having a license to offer emerging futures in the United States. It was an extraordinarily long process that we were going with the C.F.T.C. And it was by far the most intensive regulatory process that I had ever seen.

SORKIN: Can you speak to the lobbying piece of it and the donations piece of it, though? Because that's become part of the story. Whether you were effectively influencing lawmakers to do your bidding and, given the state of your current company, questions about whether that should be the case.

BANKMAN-FRIED: Lawmakers were not ruling on FTX. FTX did not have an application before Congress for anything. My donations were mostly for pandemic prevention. They were looking at primary elections where there were candidates who are outspoken in favor of doing things now to prevent the next pandemic. That was a primary thing that I was supporting with those contributions. It was on both sides of the aisle, primarily operating in both primaries because I wasn't viewing it as a partisan exercise. It was not, you know, this was not looking at donating to one party to beat the other one in the general elections here. You know, not only was it on both sides, but even within each side, it was between two candidates in the same party. And it was looking at pandemic policy.

SORKIN: Where did the money come from for those donations?

BANKMAN-FRIED: Basically, profits. It was substantially smaller than the amount of trading profits that Alameda had made over the prior few years.

SORKIN: Related to this. You had a meeting with Gary Gensler, and you met with folks at CFIUS. Did you think you needed to buy your way into those meetings?

BANKMAN-FRIED: I don't think I need to buy my way into them. But I do think it was harder than I thought it would be to get to the point of being even able to have meetings with some regulators. I spent hundreds of hours, probably thousands of hours, in D.C. trying to get to the point where I could even have meetings with some of the relevant regulators. That was not a money thing. Gary doesn't even have a campaign to donate to. That was elbow grease. That was just asking again and again to have meetings with relevant regulators and submitting hundreds of thousands of pages of documents.

SORKIN: You made big investments in a number of media companies. I think that has raised a lot of questions about whether you were you trying to buy influence. Can you speak to that?

BANKMAN-FRIED: Media matters a lot, and I wanted to support good media ventures. That was the whole thesis there. I don't have governance over any of these. I was not looking for governance over them. I was looking to support journalists doing great work because I think what they do is really important. I think there needs to be a critical eye on stories. I'm certainly seeing — being on the, getting the brunt of a lot of that right now. Frankly, I think it is healthy for the world that there is real investigative journalism.

SORKIN: Your parents are law professors. What did you tell them when all this happens?

BANKMAN-FRIED: I don't remember exactly when I reached out to them. I think I called them up and said, "Hey guys, I think there might be a problem. Like, it looks like Alameda's position might be imploding here. There might be liquidity issues. I will tell you more when I know more."

That is my guess about roughly what I said. Honestly, that week, so much happened that it's a little bit of a blur.

SORKIN: What are they telling you now?

BANKMAN-FRIED: It's been a hard period for anyone who was close to me. None of them deserved that. Look, the largest number of people who are hurt here were customers. I feel incredibly bad about that. Anyone who was close to me, including my parents and employees and co-workers, who fought with the company to push forward, were hurt by this. They bore no responsibility for that. I feel really bad about that. I feel really grateful for the support my parents are still giving me throughout all of this.

SORKIN: Can you explain the real estate piece to this for us. There are number of headlines about FTX, the company buying a lot of real estate in the Bahamas. It's where you lived at the time — it was owned by the company. There also reports that your parents signed and were effectively provided with what seemed like a vacation home.

BANKMAN-FRIED: I don't know the details of the house for my parents. I know it was not intended to be their long-term property. It was intended to be the company's property. I don't know how that was papered in, and I think that's where it was and will end up.

They may have stayed there while working with the company sometime over the last year.

When you look at the rest of it, there were a lot of property purchases in the Bahamas. The reason for that is that we had a hundred — basically 100 Silicon Valley employees come down here to work for FTX. You know, we were trying to incentivize that and to, you know, make sure that they had an easy way to find a comfortable life that they'd be willing to move and help build out the product. And so I, you know, those 100 people put together here did end up buying a substantial amount of property. And I feel kind of I feel bad about how some of those investments may have turned out for them.

SORKIN: Can you speak to the idea of this company that at least from the public perspective seemed like a regulated company or something that was very focused on compliance. You could go to Washington and talk about compliance. You talk about trust. Crypto ultimately is about trust. It's about not having to trust others. It's about a trust-free system. That's why you're supposed to trust it so much.

BANKMAN-FRIED: Yes.

SORKIN: But it seems when you read the stories, it sounds like a bunch of kids who were on Adderall having a sleepover party.

BANKMAN-FRIED: Look, I screwed up. I was C.E.O. I was the C.E.O. of FTX. And I say this again and again that it means I had a responsibility, and I was responsible ultimately for us doing the right things and didn't. We messed up big.

SORKIN: But there were people who were telling you that you needed more compliance, no?

BANKMAN-FRIED: There were, but I think compliance — we were spending an enormous amount of our energy on compliance. We were spending an enormous amount of energy on regulation, on licensure. We were getting licensed in dozens of jurisdictions. I, I think, frankly, we're spending probably too much of our energy getting licensed in retrospect.

You know, there were some places where I think that the reporting and transparency obligations from that licensure actually did help. I think when you look at I mean, FTX U.S. derivatives. When you look at FTX Japan, which I think is fully solvent, which I think could make all customers whole tomorrow if the teams were to allow it to. I am confused why it hasn't. But you know, I think that a lot of what we ended up doing and focusing on was a distraction to some extent from one unbelievably important area that we completely failed on. And that was risk. That was risk management. That was customer position risk. And frankly, conflict-of-interest risk. And you know, there, there was no person who was chiefly in charge of positional risk of customers on FTX. And that feels pretty embarrassing in retrospect because that was, you go back to 2019, even 2018, ask me, why am I starting to build out FTX? What's the point of it?

And what I would have said was, look, existing crypto derivatives exchanges have large risk-management failures, that every day there are millions of dollars that are being lost by customers because of

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risk-management failures, that these contracts are paying out 75 cents on the dollar week after week after week because of risk-management blowouts and that, that needs to be overhauled. And that was what I was focused on for the beginning of FTX. I was not focused on that for the last year or two. I got less grounded from that, and I started focusing on the bigger picture on, on known future business avenues, on, on licensure, on a lot of things. And I mean we, we lost track of a really important part of the business and of the product. And so there absolutely were management failures, huge management failures. I bear responsibility for that. There were oversight failures, transparency failures, reporting like so many things we should have had in place. I think that a lot of it was on the risk-management side.

SORKIN: Let me ask you about that. We had Larry Fink here today, and he had a stake in FTX. And Sequoia, Paradigm, very big venture capital firms had given you money. I'm curious if they ever asked you questions about this risk management. Whether they bear any responsibility?

BANKMAN-FRIED: I don't think they bear responsibility. Put yourself in the eyes of an investor, a venture capital firm, what you're thinking about primarily is upside. What you're thinking about primarily is investing in a private company and thinking, "Might this 3X, might this 5X, might this even 10X in the upside cases?" And yeah, there's some chance that it might go down, some chance it will go down to zero, but it's counterbalanced by the upside propositions here. Most of what they were focused on was, I think, what might FTX become, what's the pathway to get from here to there. What would it take? What are the missing pieces? At the point where you are dwelling on all of the various precise downside scenarios and risks for a prospective venture investment, that means you are not investing. If that is where your head is at, and you think the odds are that is where you'll end up, why would you do that investment?

SORKIN: Can I ask you about the drugs? You have tweeted about it, Caroline has tweeted about it. Others have tweeted about uppers and downers and all sorts of things. There have been pictures taken of something called Emsam, which apparently increases levels of dopamine to the brain. It's actually for Parkinson's. Were you taking that? It's a patch.

BANKMAN-FRIED: It's funny hearing this. I had my first sip of alcohol after my 21st birthday. I think I maybe have half a glass of alcohol a year, roughly speaking. There were no wild parties here. When we had parties were we played board games. Twenty percent of people would have a quarter of a beer each or something like that, and the rest of us would not drink anything. I didn't see any illegal drug use at the office or at these parties. And when I say parties, I mean having people over for dinner, that's what that meant.

I can't talk about anyone else. What they are prescribed is between them and their doctors or psychiatrist. I can say for me, I have been prescribed various things at various times to help with focus and concentration, and I think they have done that. I haven't felt any of the sort of impact that people have been theorizing from it. And it's not a huge impact in the first place anyway. I think these have totally been on-label use of medication that I think on the margin help me focus a little bit. I wish I had been a lot more focused over the last year.

SORKIN: I may have been unfocused in this last moment because I actually wanted to follow-up on the question when we are talking about venture capitalist. Sequoia and Paradigm invested in you, but there are now questions about you investing in them. And whether these were what some people call in the business round-trip deals? Can you speak to that?

BANKMAN-FRIED: Well after they had invested in FTX, and I don't know the details, there may have been a small investment into some of their funds. I think it's something we may have done because we believed in what they're doing or seemed like a good opportunity. I didn't think too much about it.

SORKIN: I'm curious on a personal level, as we get close to ending this conversation, to the degree that there has been a lesson in this and what you see is your future at this point. I know you're taking it day to day at this point, obviously. And I know you are an optimist as well; we have talked about that. What do you think realistically is your future?

BANKMAN-FRIED: What is my future? I don't know what my far future is. When you fast-forward, I don't know what I'll be doing a long time from now. When I look at the near- and medium-term, what am I thinking? And again, I don't know what's going to happen. A lot is not in my hands at this point. I want to be helpful wherever I can to regulators, administrators, internationally, who are working to help FTX's customers, and I want to be helpful wherever I can on anything that could help bring a lot more value to those customers. I don't know where that will lead.

I can say that prior to filing, there have been a lot of interest in financing, a lot of fairly strong interest. Billions of dollars worth. I can't make any promises about anything. I would have thought there would be a chance for a pathway forward here that would bring more value to customers then what would happen if

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you just sold everything off for scraps. I don't have confidence. I can't promise anyone anything, and it's not really in my hands to a large extent, but I would think it would make sense to be exploring that. I think there is a chance that customers could end up being made a lot more whole or maybe even fully whole if there was a really strong concerted effort.

SORKIN: How would that happen?

BANKMAN-FRIED: There've been examples of this before in crypto history where this happened. Obviously, you can look at what happened with Bitfinex back a number of years ago where it got hacked and then ended up making over a few years' period customers whole. There are a lot of assets that are on hand here, although many of them are not liquid. They were worth quite a bit more than the liabilities a month ago, even, let alone a year ago. There is at least a month ago there were or I guess, you know, three weeks ago, billions of dollars of potential funding opportunities. You know, I don't know that it would have been great for my stake as a shareholder of FTX, but that's not what matters here. And I think it would have brought more financing to customers. You saw obviously, you know, the Tron facility, which is open for a little while on FTX, which allowed some customers to get liquidity. And I, you know, you put some of these together. I, you know, there's obviously equity in the business. Where does that lead? I don't know exactly. And, and again, it's not going to be my decision to make at the end of the day. But I, but I think there's a shot for a real value.

SORKIN: We will have to wrap up. A few quick other questions. One, given what you know about compliance or the lack of it in this business, in this industry, I think there are a lot of people holding crypto today perhaps on exchanges like finance and other places, what should they think given what you do know and to the extent that you can tell us the truth about what you know?

BANKMAN-FRIED:What should they think? And I presume you're asking what should they think about the safety of their assets going forward. Correct?

SORKIN: Yeah.

BANKMAN-FRIED:So look, I don't, I obviously don't know exactly what's going on at other exchanges. I can tell you what I would think as a customer. You know, if I, if I were a customer here, which is look for the things that I wish FTX had been able to supply. Things like, you know, proof of reserves is helpful. Look for as rigorous of that as you can look for regulatory reporting. Right. You look at what the JFSA had in place in Japan, you look at what the FTX U.S. derivatives had with, you know, I saw frequent reporting to regulators of exactly what customer assets balances, liabilities, distributions are on.

SORKIN: What about the governance piece? The governance piece — one thing we have not talked about — you had no board. You had no C.F.O. That should have been a red flag frankly for all of us.

BANKMAN-FRIED: Interestingly, in some ways we had too many boards.

SORKIN: Oh goodness. Hopefully we can get him back in just a moment — thank you for indulging us. We are almost finished with this interview. Will we get him back? Hang tight for one second. Can we try to bring Sam back just to complete this interview? Thanks everybody for sticking with us. We will be back with Sam Bankman-Fried, I believe in just literally a moment as they connect the feed. Sam, thank you for coming back. We were in the middle of the conversation about no seat, no board, no C.F.O, and I think you said something that raised some eyebrows over here that you had too many boards.

BANKMAN-FRIED: There was a board of FTX Japan, there was a board of FTX U.S. derivatives, FTX Australia, FTX Singapore, FTX Europe. We had more than a dozen boards when you look at all of the entities put together. Many of these boards had regulatory functions. The problem to some extent was OK, sure, you have all these boards, but at the end of the day, when push comes to shove, who was the person in charge of the global or the border or the function that is in charge of customer risk management. There is a diffusion of responsibility to some extent. There needed to be, I think, a single or small set of entities, whether of boards, of people, of responsible parties that were sitting there saying, "I feel responsible for what happens on FTX." We had audited financials from the FTX finances perspective. We had infrastructure, but from the customer risk and finances perspective, much less.

SORKIN: Sam, how much money do you have left at this point?

BANKMAN-FRIED: I mean, to my, like, knowledge, close to nothing. Everything was in the company.

SORKIN: What does that mean? You didn't put away some money somewhere?

BANKMAN-FRIED: No. I don't have any hidden funds here. Everything I have I am disclosing and I am down to — I think I have one working credit card left. I think it might be $100,000 or something like that in

that bank account. Everything I had, even all the loans I had — those were all things I was reinvesting in the businesses that I put everything I had into FTX.

SORKIN: Two final questions. Were you truthful with us today?

BANKMAN-FRIED: I was as truthful as I am knowledgeable to be. There are some things I wish I knew more about. But, yes, I was.

SORKIN: Do you agree that over time you also lied?

BANKMAN-FRIED: Do I agree that I lied? I don't know of times when I lied. Look, there are times when I, certainly times when I was acting as a representative, as a marketer for FTX and when I was looking for how can I — in a way which is truthful — paint FTX in as a compelling way as possible. And as an exciting and optimistic way as possible. I wasn't thinking about, and I wasn't talking about what are the risks involved with FTX. I obviously wish that I had spent more time dwelling on the downsides and less time thinking about the upsides.

SORKIN: Sam Bankman-Fried, I want to thank you for this interview, and I hope that some of the answers have been helpful as we tried to understand and untangle a still tangled story. Sam, I know this is been a difficult and tough conversation. On behalf of everyone here and the public, thank you for engaging in a time of truth, when I know you have not been advised not to. Thank you very much.

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RE bah : Bahamas | usa : United States | usny : New York State | caribz : Caribbean Islands | namz : North America | use : Northeast U.S.

IPD News and News Media

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The New York Times

SE Business/Financial Desk; SECTB

HD **Speaking From Bahamas, FTX Founder Denies Fraud**

BY By David Yaffe-Bellany

WC 967 words

PD 1 December 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Mr. **Bankman-Fried** spoke at The New York Times's DealBook conference, in his first public appearance since his crypto exchange imploded.

Sam **Bankman-Fried**, the founder of the **FTX** cryptocurrency exchange, made his first public appearance on Wednesday since his business empire imploded this month, insisting that he "did not ever try to commit fraud" and repeatedly saying he didn't know the extent of what was going on within his crypto businesses.

TD

In a live interview at The New York Times's DealBook conference in Manhattan, Mr. Bankman-Fried blamed "huge management failures" and sloppy accounting for the collapse of his $32 billion company, which has sparked civil and criminal investigations.

Those investigations are focused on whether FTX broke the law by lending its customers' funds to a trading firm, Alameda Research, which Mr. Bankman-Fried also owned. Speaking via a video feed from the Bahamas, where FTX was based, the 30-year-old said he didn't "knowingly commingle funds." At another point, he said, "I didn't know exactly what was going on."

Mr. Bankman-Fried also took responsibility for the collapse. "Look, I screwed up," he said. "I was C.E.O."

FTX disintegrated practically overnight after it was unable to meet a run on deposits that left the company with an $8 billion hole in its accounts. Within a week, the crypto exchange filed for bankruptcy.

Traders have lost billions of dollars that they stored on the platform, which served as a marketplace for crypto enthusiasts to buy and sell tokens. Companies with ties to FTX have also found themselves on shaky financial footing. On Monday, the crypto lending firm BlockFi filed for bankruptcy, blaming its links to FTX.

Mr. Bankman-Fried, who became a billionaire as FTX soared and was viewed as a wunderkind, faces significant legal trouble. The Justice Department and the Securities and Exchange Commission are investigating FTX's transfer of funds to Alameda. The chief executive of Alameda, Caroline Ellison, told staff this month that the trading firm had dipped into FTX customer funds to finance its own trading activity, The Times and others have reported.

Mr. Bankman-Fried has since come under heavy criticism. In court filings, FTX's new chief executive, who is managing the company's bankruptcy, said he had never seen "such a complete failure of corporate control" and listed a series of "unacceptable management practices."

On Wednesday, Treasury Secretary Janet L. Yellen called FTX's collapse a "Lehman moment" for the cryptocurrency industry, referring to the bankruptcy of the Wall Street bank Lehman Brothers at the start of the 2008 financial crisis. She indicated that she viewed cryptocurrencies with skepticism,

calling them "very risky assets" and adding that she was thankful that their recent volatility had not spilled over into the mainstream banking sector.

For someone facing possible criminal charges, Mr. Bankman-Fried has been surprisingly willing to speak publicly. As the crisis unfolded in early November, he posted a series of apologetic tweets -- statements his lawyers later chastised him for making, he has said. Two days after FTX's bankruptcy filing this month, he spoke with The Times for more than an hour about how he had managed his business empire while dodging questions about his company's use of customer money.

On the video stream at the DealBook conference, Mr. Bankman-Fried, wearing a black T-shirt, fidgeted at times, as he often does during interviews. He said he was speaking publicly against the advice of his lawyers, who have instructed him to keep quiet and "recede into a hole." He said he had decided to disregard their advice.

"That's not who I am," he said. "I have a duty to talk."

The relationship between FTX and Alameda had long been a source of criticism. Alameda traded heavily on the FTX platform, meaning it sometimes benefited when FTX's other customers lost money, raising a conflict of interest. Mr. Bankman-Fried lived with Ms. Ellison in a penthouse in the Bahamas, and at times the two were romantically involved.

Mr. Bankman-Fried claimed he was "nervous about a conflict of interest" with Alameda, and distanced himself from its operations partly for that reason.

In addressing the impact of the company's collapse on his own future, he was understated. "I've had a bad month," he said at one point, to laughter from the audience.

Mr. Bankman-Fried also said the crisis had reduced his net worth to about $100,000. "I don't have any hidden funds," he said. "I put everything I had into FTX."

FTX has also come under scrutiny for how it spent money, including a $300 million outlay on real estate in the Bahamas. At the conference, Mr. Bankman-Fried defended the spending, saying he was trying to recruit top-level talent to the Bahamas.

But he declined to speak in detail about his possible criminal liability. "There's a time and a place for me to think about myself and my own future," he said. "I don't think this is it."

The broad impact of FTX's collapse was on display outside the conference venue, where a small group of protesters gathered; one carried a sign that said Mr. Bankman-Fried "robbed us all."

But as Mr. Bankman-Fried spoke, an advertisement flashed at the top of a building visible behind the venue. "Buy stuff," it said. "Get crypto rewards."

Ryan Mac contributed reporting.

Ryan Mac contributed reporting.

ART Sam Bankman-Fried, at the DealBook conference, blamed "huge failures" and sloppy accounting for the collapse of his $32 billion company. (PHOTOGRAPH BY HIROKO MASUIKE/THE NEW YORK TIMES) (B4) This article appeared in print on page B1, B4.

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IPD Business/Financial Desk

PUB The New York Times Company

AN Document NYTF000020221201eic1000al

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The New York Times

SE Business; DealBook

HD **Watch a Live Interview With Sam Bankman-Fried**

BY By The New York Times

WC 263 words

PD 30 November 2022

ET 13:29 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

Andrew Ross Sorkin of The New York Times will do a live interview today with Mr. **Bankman-Fried**, the former chief executive of the failed crypto exchange **FTX**.

FTX, the cryptocurrency exchange that Sam **Bankman-Fried** co-founded, was valued at $32 billion last month.

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Since then, it has all collapsed. Mr. Bankman-Fried has taken a spectacular fall that has rippled across the worlds of business, finance and politics. He was forced to resign as chief executive, he is under investigation by the Securities and Exchange Commission and the Department of Justice, and his company may owe money to more than a million people and organizations.

At a bankruptcy hearing last week, FTX lawyers said that a “substantial amount” of the company’s assets were missing or stolen and that the exchange had been run like Mr. Bankman-Fried’s “personal fiefdom.”

FTX’s new chief executive, the restructuring expert John Jay Ray III, said in a filing that he had never seen “such a complete failure of corporate control.” Mr. Ray previously helped manage the aftermath of Enron’s implosion.

Andrew Ross Sorkin, the founder of DealBook, will interview Mr. Bankman-Fried on Nov. 30 at 5 p.m. Eastern at the DealBook Summit live event. The interview is available for anyone to watch online live. No questions will be off limits, and topics may include the collapse of the company, allegations of fraud and mismanagement and how Mr. Bankman-Fried intends to pay back customers, investors and creditors.

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RE usa : United States | namz : North America

IPD Virtual Currency

PUB The New York Times Company

AN Document NYTFEED020221130eibu002jp

The New York Times

SE Business; DealBook

HD **FTX's Sister Firm, Alameda Research, Was Central to Collapse**

BY By Matthew Goldstein, Alexandra Stevenson, Maureen Farrell and David Yaffe-Bellany

WC 428 words

PD 30 November 2022

ET 22:08 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

The relationship between Alameda and **FTX** — and how the two propped each other up — is coming under scrutiny as prosecutors and regulators investigate the exchange's collapse.

Alameda Research, a small trading firm that Sam **Bankman-Fried** founded in 2017 at the age of 25, was the start of his crypto empire — and its undoing.

TD

Alameda's need for funds to run its trading business was a big reason Mr. Bankman-Fried created FTX in 2019. But the way the two entities were set up meant that trouble in one unit shook up the other as cryptocurrency prices began to drop this past spring.

The main way Alameda made money was straightforward: It bought Bitcoin and other cryptocurrencies in one part of the world and sold them in another, pocketing the difference. It used "leverage" — or borrowed money — to fuel its trades and make bigger returns.

Eventually, as more sophisticated investors like hedge funds piled in, such trades became much less lucrative for Alameda.Still, with the price of Bitcoin and other cryptocurrencies soaring — and expected to keep going up — Alameda had no trouble paying back its loans in either dollars or crypto.

But Mr. Bankman-Fried hit upon an idea: Why not build a cryptocurrency exchange that could bring in revenue to help fund Alameda's activities?

FTX was born. It moved from Hong Kong to the Bahamas, where Mr. Bankman-Fried built his base of operations, and the exchange took off. In financial presentations to investors, the company claimed in 2021 that it was raking in $1 billion in annual revenue by charging fees to customers who wanted to trade cryptocurrencies on its platform.

The relationship between FTX and Alameda centered on a token created by FTX — called FTT — that the exchange's customers could use to trade their crypto assets. Alameda served as the token's main market maker, buying and selling a majority of FTT. FTT was popular with the exchange's investors, who were enticed by the trading discounts it offered, and Alameda began using its holdings as collateral for more loans to facilitate its trading activities.

The problems cascaded this spring when the crypto market began to teeter. Falling crypto prices reduced the value of FTT, and Alameda struggled to pay its lenders.

Now the relationship between Alameda and FTX — and how the two propped each other up — is coming under scrutiny as prosecutors and regulators investigate the exchange's collapse.

CO ftxdig : FTX Trading Ltd

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NS mcryp : Cryptocurrency Markets | m13 : Money/Currency Markets | m132 : Foreign Exchange Markets | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : C&E Exclusion Filter

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IPD Virtual Currency

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The New York Times

SE Business; DealBook

HD **Before FTX fell apart, Sam Bankman-Fried was a crypto nomad.**

BY By Eric Lipton and Ephrat Livni

WC 168 words
PD 30 November 2022
ET 23:24 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English

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LP

One night last year, Sam **Bankman-Fried** watched from Hong Kong as a global cryptocurrency crash played out on the six monitors arrayed before him.

His trading platform, **FTX**, specialized in the kind of futures trades that were accelerating the crash, with falling prices crushing the highly leveraged bets of bullish traders on **FTX** and other exchanges and setting off wave after wave of account liquidations.

TD

It's precisely the type of situation that United States regulators tried to avoid by prohibiting cryptocurrency exchanges like FTX from selling high-risk futures to nonprofessional investors in the United States.

And it is why Mr. Bankman-Fried moved to Hong Kong.

Mr. Bankman-Fried was a crypto nomad: one of a group of industry leaders who once lived in the United States or Canada but set up companies with bases of operation where they are to some degree beyond the reach of American regulators.

CO ftxdig : FTX Trading Ltd

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NS m15 : Derivative Securities | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : C&E Exclusion Filter

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IPD Live Blog Post

PUB The New York Times Company

AN Document NYTFEED020221130eibu00a9h

The New York Times

SE	Business; DealBook
HD	**Watch live as Sam Bankman-Fried speaks with DealBook.**
WC	164 words
PD	30 November 2022
ET	21:51 GMT
SN	NYTimes.com Feed
SC	NYTFEED
LA	English
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LP

Sam **Bankman-Fried**, the founder of the collapsed cryptocurrency exchange **FTX**, is set to speak to Andrew Ross Sorkin at 5 p.m. Eastern time at the DealBook Summit. You can watch it here and follow along with live analysis by our reporters.

No questions will be off limits, and topics may include the collapse of the company, allegations of fraud and mismanagement and how Mr. **Bankman-Fried** intends to pay back customers, investors and creditors.

TD

FTX was valued at $32 billion last month, but it all came apart since then. Mr. Bankman-Fried was forced to resign as chief executive and his company has filed for bankruptcy. It may owe money to more than a million people and organizations.

At a bankruptcy hearing last week, FTX lawyers said that a “substantial amount” of the company’s assets were missing or stolen and that the exchange had been run like Mr. Bankman-Fried’s “personal fiefdom.”

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AN	Document NYTFEED020221130eibu0099d

The New York Times

SE Business; DealBook

HD **Sam Bankman-Fried wanted Washington to follow his lead.**

BY By David Yaffe-Bellany

WC 248 words

PD 30 November 2022

ET 22:21 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

In an industry long dominated by political ideologues, shameless grifters and rich guys with yachts, Sam **Bankman-Fried** had hoped to put a new face on the still-chaotic world of digital assets — usually in shorts and a T-shirt.

In public, Mr. **Bankman-Fried** can sometimes seem uncomfortable, tapping his foot or twirling a fidget spinner. But over countless tweets, interviews and TV appearances, he positioned himself as a mad-scientist-cum-diplomat — a straight-talking brainiac willing to embrace regulation of his nascent industry and criticize its worst excesses.

TD

He lived modestly for a billionaire and had pledged to give away virtually his entire fortune. He was also a growing force in political fund-raising, with a super PAC that gave more than $10 million to a Democratic congressional candidate who supports some of his philanthropic priorities.

Mr. Bankman-Fried sought to leverage his fame to set policy in Washington, making regular trips to the Capitol from his base in the Bahamas, meeting with regulators and testifying in Congress.

In May, even as the crypto market was plunging, he was in Washington for a hearing in front of the House Agriculture Committee, where he was making the case for allowing leveraged bets on cryptocurrencies in the United States.

“It would serve a lot of interests at once,” he said. “That’s what we would love to be a part of doing.”

NS c13 : Regulation/Government Policy | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE usa : United States | namz : North America

IPD Live Blog Post

PUB The New York Times Company

AN Document NYTFEED020221130eibu009n9

The New York Times

SE Business; DealBook

HD **Larry Fink says FTX collapse may have involved 'misbehavior of major consequence.'**

BY By Stephen Gandel

WC 372 words

PD 30 November 2022

ET 17:08 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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Larry Fink, the chief executive of BlackRock, said it appeared that the spectacular collapse of the FTX crypto exchange this month was the result of not just mismanagement, but bad behavior — and he warned that most crypto start-ups will fail.

"We have to see how all this plays out," Mr. Fink said speaking at the DealBook Summit on Wednesday. "Right now we can make all the judgment calls that it looks like there was some misbehavior of major consequence."

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Mr. Fink said that BlackRock had invested $24 million in FTX, and he hinted that his own firm and others may have been given faulty information. Mr. Fink said the investment was made on behalf of BlackRock's clients through a fund of fund.

"Could we have been misled?" Mr. Fink asked. "Until we have more facts, I will not speculate."

Fraud or no fraud, Mr. Fink said a lot of the blame for the FTX debacle lies with the venture capitalists who funded it, on a much bigger scale than his own firm did. He said the model from the Silicon Valley financiers that green lights investments with little due diligence needed to change, as did where venture capitalists were placing their money.

"That worked. It probably won't work in the future," Mr. Fink said of venture capital. "I don't believe we need another food delivery company."

The good news: Mr. Fink predicted that FTX's spectacular failure would lead venture capitalists back to investments that are based on science, and not hype.

"I think more venture capital money will be going into decarbonization," Mr. Fink said. "It's not going to go to all this stuff that provided us good utility to get food quicker, or find a taxi sooner. I think it will be much more hard science, and require a lot more technical understanding."

Mr. Fink also repeated his doubts about the future of the crypto start-up sector, which has been rocked by a dramatic collapse in asset prices over the past year.

"I believed most of the companies will not be around," Mr. Fink said. "I still believe that."

CO blaman : BlackRock Inc. | ftxdig : FTX Trading Ltd

IN i8150203 : Private Equity | icryxch : Cryptocurrency Exchanges | i81502 : Trusts/Funds/Financial Vehicles | i831 : Financial Investment Services | i83106 : Securities/Commodity Exchange Activities | ialtinv : Alternative Investments | ibnk : Banking/Credit | ifinal : Financial Services | ifmsoft : Financial Technology | iinv : Investing/Securities | itech : Technology | ivicu : Virtual Currencies/Cryptocurrencies | i83107 : Portfolio/Fund/Asset Management

RE usa : United States | namz : North America

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PUB The New York Times Company

AN Document NYTFEED020221130eibu0053d

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The New York Times

SE Editorial Desk; SECTA

HD **Idle Crypto Is the Devil's Workshop**

BY By Connel Fullenkamp

WC 1,285 words

PD 28 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 17

LA English

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LP

The newest monetary system in the world may be undone by the oldest problem there is.

A few weeks ago, Sam **Bankman-Fried**'s **FTX** cryptocurrency exchange collapsed in a classic run. Investors were spooked by evidence that the exchange had mismanaged their money and couldn't pay them back, so they panicked. And they were right. They couldn't get their money back.

TD

The blockchain technology behind cryptocurrency was supposed to make events like this a thing of the past. But FTX's business was to serve as a gateway into (and out of) cryptocurrency. That business still depends on humans to serve as honest gatekeepers. And we've seen over and over that humans can't resist the main temptation that comes with this role: to use their customers' money for their own purposes.

The FTX collapse could be the start of a wave of cryptocurrency exchange failures. Because these exchanges are largely unregulated, they don't face the same rules placed on other exchanges to keep their customers' money safe. And there's nobody looking over the shoulders of the exchange managers to keep them honest. Given that -- and given my experience in studying financial market development and regulation -- I think it's pretty likely that other firms are doing what FTX did with its customers' money, and that some of them will blow up in the same way, especially now that crypto investors are nervous and looking for signs of trouble.

A similar wave of crashes played out recently in China in the financial technology peer-to-peer lending business. P2P lending, which matches people seeking loans with people who have money to invest, took off in China in 2014 like nowhere else in the world, thanks to pent-up demand for consumer loans and China's "wait and see" approach to regulation. But the P2P platform operators couldn't resist using their customers' deposits for their own purposes. The problem was so rampant that when Chinese regulators did step in, they chose to shut down the entire industry in the country. The last P2P lender closed in 2020.

Problems with mismanagement of customer funds occur even in advanced economies that enact rules prohibiting it. The American commodities brokerage firm MF Global failed in 2011 after diverting customer funds to cover losses made by the chief executive's bond trades. The chief executive was Jon Corzine -- a former head of Goldman Sachs, who would have been well aware of the rules. (Mr. Corzine said he was unaware that customer money was used.)

Those examples show that idle cash, whether in the form of yuan, dollars or lines of code, is the devil's workshop. We say that money burns a hole in your pocket, because most of us can't resist the urge to spend the cash sitting in our wallets. Similarly, idle cash sitting around in any business or financial organization naturally attracts people who want to invest it to make more money (or save their hides). In the case of FTX, there is increasing evidence that Mr. Bankman-Fried diverted customer funds to his crypto hedge fund, Alameda Research, and made loans to himself and to other employees of the company.

Corporations have perennial problems with managers who want to spend their company's extra cash on their pet projects. For the operators of financial institutions, it's incredibly hard to resist the temptation to help themselves to customers' cash balances. If they could simply use the money for a short time, they reason, they could make a nice profit and then return the rest to its rightful owners. No one needs to be the wiser.

In this light, Mr. Bankman-Fried's downfall is spectacular and interesting -- especially the revelations about his extreme disorganization -- but really nothing new. He is yet another person in a long line of people who couldn't stand to see all that money idly sitting by.

FTX was supposed to be the best of the crypto exchanges. Mr. Bankman-Fried said he intended to give his fortune to effective altruist causes and was known as one of the few exchange C.E.O.s actively calling for better regulation of crypto. If he couldn't resist the temptation to treat customers' funds like his personal piggy bank, it seems likely that other crypto exchanges might be doing the same thing.

Many crypto exchanges, such as Binance, are already on regulators' radar screens for possibly selling unregistered securities or potentially dangerous investment products. On top of the hacking attacks that steal millions of dollars from crypto investors and the rug-pulls and other outright fraud taking place in the creation of new cryptocurrencies, crypto investors now realize their money can be lost the old-fashioned way, too.

Values of cryptocurrencies, and their exchanges, are reflecting investors' jitters. The price of Binance Coin, a proxy for the value of the Binance exchange, has declined by nearly 25 percent since the FTX debacle. Trading volumes on nearly all major cryptocurrency exchanges are down, as are other cryptocurrency prices.

The danger that managers will gamble with their customers' money explains why most countries require brokerages, exchanges and similar financial institutions that accept deposits from customers to separate their customers' money from the company's money, and prohibit them from using their customers' money for any purpose other than to make purchases expressly ordered by their customers. In the United States, only banks and mutual funds can invest their customers' deposits, and they're highly regulated.

The best hope for crypto is that exchanges agree to be regulated by the same basic rules that apply to other brokerages and exchanges regarding segregation and usage of customer funds. Some crypto advocates believe that they can use "smart contracts" that execute themselves automatically without human intervention and other decentralized, automated protocols to ensure that customers' funds aren't misappropriated. These innovations would be a welcome improvement. But the first step is to adopt the rules and regulations that these protocols would then carry out. Crypto exchanges also need to be transparent about their dealings, their holdings and their transactions so that regulators can easily monitor their activities and enforce these rules.

For many, the lessons from the collapse of FTX are clear: There's something deeply wrong with cryptocurrency that makes it too dangerous to be included in the mainstream of finance. And the people operating cryptocurrency systems and the exchanges where cryptocurrencies are bought and sold are crooks, not visionaries.

Neither of these conclusions is correct. FTX's collapse had very little to do with either the characteristics of cryptocurrency in general, or the specific features of the coins that FTX minted and distributed. FTX failed because the people who ran the company didn't follow some basic rules of finance that can be difficult to enforce even in well-regulated markets.

And Sam Bankman-Fried is neither a visionary nor a criminal mastermind. He is a human who made the same poor choice that generations of money managers have made before him.

Connel Fullenkamp is Professor of the Practice of Economics at Duke University. He writes about financial market development and regulation.

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A professor of the practice of economics at Duke University.

ART This article appeared in print on page A17.

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IPD Editorial Desk

PUB The New York Times Company

AN Document NYTF000020221128eibs0003g

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The New York Times

SE Magazine Desk; SECTMM

HD **What Stage of Capitalism Is Sam Bankman-Fried?**

BY By David Wallace-Wells

WC 1,480 words

PD 27 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 12

LA English

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LP

How do you make a multibillion-dollar company disappear in a week? For Sam **Bankman-Fried** and his crypto exchange **FTX**, the simple answer is that a leaked balance sheet leads your biggest rival, himself under federal scrutiny, to instigate a sort of "bank run" you cannot possibly cover, exposing billions of dollars in shortfalls you apparently created by riskily investing money that wasn't yours. And revealing yourself, in the process, to be a very new kind of financial villain -- one who pitches not just the prospect of profit but also deliverance from the corrupt speculative system in which you "made" your "billions."

But if S.B.F. was just a meme stock -- his cultural capital inflated by our collective desire to see his profile grow -- what exactly was the meme?

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Cryptocurrency is little more than a decade old, and yet it has passed through several reputational phases: first, as the lawless province of black marketeers and hard-core libertarians obsessed with escaping government oversight; then as a speculative market in which many of those people made an astonishing and enviable amount of money; then as an investment sector for adventurous normies who might previously have turned to simple day-trading; then as an "asset class" eyed by big-money investors and establishment banks. It was only at the start of last year's N.F.L. season that Matt Damon, unknowingly standing on the precipice of a coming "crypto winter" in which the value of Bitcoin fell by two-thirds, endorsed Crypto.com and reminded millions of Americans that "fortune favors the brave."

The gold-rush phase for cryptocurrency is over now -- with the FTX collapse punctuating that crypto winter, a Christmas of malfeasance. The death of FTX has been called crypto's "Lehman moment," but it was not the first such collapse -- it follows the implosions of Celsius, Three Arrows Capital, Terra and Luna, among many others. But it's fitting that Bankman-Fried will now always be remembered as this crypto crash's central figure, because he postured as someone who could rewrite not just the rules of the financial system but its morality as well. To investors and legislators, he looked like the potential face of a new era for crypto, poised to legitimize through transparency and regulation what had always been an enormously shady, if often quite lucrative, sector. To progressives, he looked like our kind of oligarch, a sort of boy wonder who seemed capable of conjuring up world-changing billions guiltlessly, effectively out of thin air.

And he had promised to give that magic internet money away just as quickly: to Democrats, for whom he was the second-largest donor in the midterm cycle and to whom he had casually promised as much as $1 billion by 2024; to pandemic-prevention policy work; to journalistic start-ups and a whole host of causes affiliated with "effective altruism," a movement devoted to doing maximal good in the world. In just three years after its founding, FTX grew from zero to a $32 billion valuation and along the way seemed to provide every progressive millennial a potential sugar daddy.

This was a fantasy, as anyone looking closely at the time could have told you. But it was very tempting to believe, and nobody was trying to look all that closely, it turns out -- not the editors who put him on the covers of Forbes and Fortune; not the traders who trusted him with billions in daily trading volume; not the recipients of his philanthropic pledges, many of which will now go unfulfilled; and most

conspicuously, not the investors who handed him millions without seeming to even bother checking the books.

As recently as July 2021, FTX raised $900 million from, among others, Sequoia Capital, Daniel Loeb's Third Point and SoftBank Vision Fund, which had previously written down billions of dollars in investments in Uber and WeWork. In January, a Series C round raised an additional $400 million. How superficially did they all review their investments, many of which ran into the hundreds of millions of dollars? In a now-legendary profile published on the Sequoia website just weeks before the collapse, almost every paragraph contained what should have been a red flag but was presented instead as a mark of Bankman-Fried's special genius -- and Sequoia's, for endorsing it. When, in a pitch meeting, Bankman-Fried describes his vision for FTX as a market for everything up to and including bananas, while participating in a League of Legends video game "gank" (short for gang killing) in another window, the assembled investors go nuts: "I LOVE THIS FOUNDER," one types in the Zoom chat. "10 OUT OF 10!" another taps. What stage of capitalism is this?

Six months ago, Bankman-Fried looked to the outside world like some mix of George Soros and Bill Gates, Laurene Powell Jobs and Leonard Leo. Now the comparisons are less flattering: to Bernie Madoff, of course, and to Elizabeth Holmes of Theranos, even though Bankman-Fried has not been charged with any crimes; also to Adam Neumann of WeWork, Travis Kalanick of Uber and the other iconic start-up hucksters of this strange venture-capital era. But those founders were, for all their delusions and sociopathy, pitch-deck visionaries -- persuasive proselytizers for not just new products but whole new worlds that could be simply invested into being.

In his self-presentation, Bankman-Fried seemed to be pitching something else: an outward indifference approaching disdain. His serious-seeming commitment to effective altruism underlined the impression: If he was earning his billions only to donate them, he represented a very different case study in the morality or moral potential of unregulated markets. When, in an interview on the Bloomberg podcast "Odd Lots" this spring, he flatly described the crypto markets as pointless speculation bordering on fraud -- one of the interviewers paraphrased Bankman-Fried's summary as "I'm in the Ponzi business, and it's pretty good" -- it wasn't a misstep. It was part of his DGAF brand, like the unkempt hair and cargo shorts he wore onstage alongside Bill Clinton and Tony Blair. You might remember someone like him from your college dorm, but in the world of big money he was a genuinely new archetype: a smugly superior Gen X slacker and an entitled, world-changing millennial at once. In his first interview since stepping aside at FTX, he told The Times's David Yaffe-Bellany, casually, "It could be worse."

For many months, this seeming indifference served to distinguish Bankman-Fried as crypto's good guy. But in the weeks since the FTX collapse, it has also been the source of a lot of reflection and debate, about whether it had been at all reasonable to treat what made him distinct as a basis for lionization. He said in the Sequoia profile, for instance, that no book was ever really worth reading, and he told the economist Tyler Cowen in a podcast interview that faced with a coin-flip game in which half the time he'd double the value of the world and half the time he'd destroy it, he'd choose to play again and again. The venture capitalist Marc Andreessen offered a philosophical rejoinder on Twitter: "Utilitarianism is bad," he wrote. "It encourages mortal men to play God at levels of complexity that they can't possibly comprehend. It should be banned for the greater good."

Andreessen's venture-capital firm, meanwhile, is among the biggest players in the Web3 world, its signature crypto fund down 40 percent earlier this year. The contagion probably can't be quarantined to the figure of Bankman-Fried or his worldview -- because what he revealed himself to be wasn't a singular bad actor but a representative one. Blockchain technology may well offer meaningful uses for the wider world in the future, but as of now, it is most significant as the basis for a realm of pure and unregulated speculation.

The volatility was not some deep secret only now revealed. It's an almost inescapable aspect of a financial subculture erected outside the oversight and control of the law on the principle that they weren't necessary. And while the broader impact of Sam Bankman-Fried's undoing isn't yet entirely clear, the early shakeout has been surprisingly limited: The world's second-largest crypto exchange has gone belly-up, but the crypto market as a whole is down by only about 20 percent. For many speculators, it seems, collapses like these were already priced in.

David Wallace-Wells (@dwallacewells), a writer for Opinion and a columnist for The New York Times Magazine, is the author of "The Uninhabitable Earth."

ART This article appeared in print on page MM12, MM14.

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The New York Times

SE Business/Financial Desk; SECTB

HD **'Substantial' FTX Assets Said to Be Stolen or Missing**

BY By David Yaffe-Bellany
WC 953 words
PD 23 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 3
LA English
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LP

A substantial amount of the company's assets has disappeared, an **FTX** lawyer told a bankruptcy judge on Tuesday.

Lawyers for the collapsed cryptocurrency exchange **FTX** on Tuesday painted a grim picture of the firm's finances and the fate of the billions of dollars in assets that customers lost.

TD

"A substantial amount of assets have either been stolen or are missing," said James Bromley, a partner at the law firm Sullivan & Cromwell who is representing FTX, at a bankruptcy hearing in federal court in Delaware.

FTX filed for bankruptcy this month after a run on deposits left the company owing $8 billion. The firm's failure has sparked investigations by the Securities and Exchange Commission and the Justice Department, focused on whether FTX misappropriated customer funds when it lent billions of dollars to Alameda Research, a crypto hedge fund. Both firms were owned by Sam Bankman-Fried, a onetime crypto billionaire who gave up control of the companies at the time of the bankruptcy filing.

The stunning collapse has left amateur investors and major firms scrambling to recover billions of dollars in cryptocurrencies that they deposited on the FTX platform. In the coming months, the bankruptcy process will determine how much of that money can be retrieved.

But more than a week into the legal process, Mr. Bankman-Fried's poor management of FTX has left lawyers with limited information about the firm's finances, Mr. Bromley said at the hearing.

He said that the company had faced "cyberattacks" and that assets were still missing. He appeared to be referring to an apparent hack on the day the company filed for bankruptcy, which came to light when crypto researchers noticed the unauthorized movement of hundreds of millions of dollars in FTX assets.

At the hearing, Mr. Bromley presented a detailed account of FTX's corporate history and its abrupt collapse this month. Mr. Bankman-Fried had established a corporate empire that was run as his "personal fiefdom," Mr. Bromley said.

But in the end, he said, "the emperor had no clothes."

Over the last two weeks, FTX has faced intense scrutiny over how it spent its money before the collapse. One business entity involved in the bankruptcy, Mr. Bromley said, bought almost $300 million worth of real estate in the Bahamas, where FTX was based, including homes and vacation properties used by senior FTX executives.

Mr. Bromley also offered new details about the final hours before Mr. Bankman-Fried gave up control of the firm on Nov. 11. Mr. Bankman-Fried didn't make the decision until early that morning, Mr. Bromley said, after consulting with his lawyers at the law firm Paul Weiss and with his father, Joe Bankman, a professor at Stanford Law School.

In his account of the chaos at FTX, Mr. Bromley echoed criticisms of Mr. Bankman-Fried's management that were articulated last week in a stunning court filing by John Jay Ray III, who took over from Mr. Bankman-Fried as FTX's chief executive.

A veteran of managing corporate collapses, Mr. Ray previously oversaw the unwinding of the energy trading firm Enron. But in the filing last week, he wrote that the mess at FTX was the worst he had seen in his career.

In a letter to employees on Tuesday, Mr. Bankman-Fried apologized for the company's collapse. He said that he regretted filing for bankruptcy, and that he had reluctantly given in to pressure to do so.

"Potential interest in billions of dollars of funding came in roughly eight minutes after I signed the Chapter 11 docs," he said in the letter, which was obtained by The New York Times. "Between those funds, the billions of dollars of collateral the company still held, and the interest we'd received from other parties, I think that we probably could have returned large value to customers and saved the business."

In court filings, FTX's new management has sought to distance itself from Mr. Bankman-Fried, emphasizing that he does not speak for the company. Much of the hearing on Tuesday focused on a series of legal issues that have come up in the early stages of the bankruptcy.

Over the weekend, FTX disclosed a redacted list of its top 50 creditors, revealing that those entities or individuals were owed a total of about $3.1 billion. But the company kept the names of the creditors confidential.

A key issue at the hearing was whether FTX would have to publicly disclose more detailed information about its creditors, a group that likely includes hundreds of thousands of ordinary people who deposited money in the exchange. Lawyers for FTX and some of the creditors argued that revealing that information would endanger users' privacy.

Judge John Dorsey of the U.S. Bankruptcy Court ruled that the information could stay private, at least for now. "Everyone in this room knows the internet is wrought with potential dangers," he said. "It's important that we protect those individuals who want to participate in this case."

The hearing attracted an unusual level of attention for a bankruptcy proceeding, with more than 500 people logging into a Zoom broadcast. During a recess, one person on the call started blasting the Justin Bieber song "Sorry."

"I heard we had some entertainment while we were on break," Judge Dorsey said as he returned to the courtroom.

ART Sam Bankman-Fried's poor management of FTX has left lawyers with limited information about its finances, a lawyer representing the firm said. (PHOTOGRAPH BY SAUL LOEB/AGENCE FRANCE-PRESSE -- GETTY IMAGES) This article appeared in print on page B3.

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AN Document NYTF000020221123eibn0003t

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The New York Times

SE National Desk; SECTA

HD **'It Was Relentless': Inside a Crypto Exchange's Bid for Influence**

BY By Kenneth P. Vogel, Emily Flitter and David Yaffe-Bellany

WC 2,528 words

PD 23 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

In just three years, the **FTX** co-founder built a massive operation to woo politicians, regulators and nonprofits to support his crypto goals.

In May, the founder of a Chicago nonprofit that works with recently incarcerated people got an email from the father of Sam **Bankman-Fried**, offering to make a donation on behalf of his son's cryptocurrency exchange.

TD

Soon after FTX pledged to give the nonprofit $600,000, a consulting firm hired by the exchange blasted the news to members of prominent think tanks, urging them to praise the program publicly on Twitter. At least two email recipients did so.

The money never made its way to the nonprofit, called Equity and Transformation. But the pledge -- and its attendant publicity -- provides a glimpse into the inner workings of the sprawling influence campaign that Mr. Bankman-Fried shaped before it all came to a halt this month when his company was forced to file for bankruptcy, prompting a criminal investigation.

In the three years since Mr. Bankman-Fried launched FTX, the company, its executives and its philanthropic arm spent or pledged hundreds of millions of dollars in political and charitable contributions, consulting fees, investments in media outlets and even real estate.

A network of political action committees, nonprofits and consulting firms funded by FTX or its executives worked to court politicians, regulators and others in the policy orbit, with the goal of making Mr. Bankman-Fried the authoritative voice of crypto, while also shaping regulation for the industry and other causes, according to interviews, email exchanges and an encrypted group chat viewed by The New York Times.

Politicians, advocacy groups and fund-raisers are now distancing themselves. Some lawmakers are offloading campaign contributions from Mr. Bankman-Fried and his allies by making donations to charity in the same amounts they received. Lawmakers are calling for hearings.

In some ways, FTX followed the playbook of larger and more established corporations that spend years carefully spreading money through the political system to cultivate relationships and build clout. But FTX's influence operation launched faster and was more frenzied.

It blurred the lines between corporate affairs and political activity, and prompted concerns among some involved about whether the money was being spent effectively and in compliance with strict campaign finance laws, while leaving some potential beneficiaries feeling like there was a quid pro quo.

"It was relentless and all-encompassing," said Dennis Kelleher, the president of Better Markets, a nonprofit that fights for more regulation of financial firms.

When FTX was seeking regulatory approval for some of its activities from the Commodity Futures Trading Commission, a company official asked around about whether a donation would help secure

the support of Better Markets, according to Mr. Kelleher and a second person with knowledge of the inquiry who did not want to be identified. FTX did not donate to Mr. Kelleher's group.

In an interview on Sunday night, Mr. Bankman-Fried said he strongly believed in the charitable causes he funded. But he acknowledged that some of his political work around the world was a public-relations exercise.

"All people running especially regulated businesses had to spend time thinking of what ribbons we had to place around the business to cloak it in a sense of we-wish-they-could do-gooderism," Mr. Bankman-Fried said. "We all end up playing that same game."

Mr. Bankman-Fried and Ryan Salame, another FTX executive, burst onto the big-money political scene during the 2022 election campaign. As their net worths soared, they established themselves and FTX as influential cross-partisan givers.

To determine where to spend their money, representatives for a newly formed super PAC operation that received money from FTX executives sent questionnaires to dozens of candidates to assess their stances on cryptocurrency.

In early March, representatives for one super PAC, Web3 Forward, were pleased when the campaign of John Fetterman, the Pennsylvania Senate candidate, returned a completed questionnaire expressing support for the cryptocurrency industry, according to people familiar with the situation.

"Need nothing further from Team Fetterman. Thrilled he is pro crypto," a consultant for Web3 Forward emailed an ally of Mr. Fetterman.

About two months after the email, Web3 Forward began airing an ad casting Mr. Fetterman as a working class champion who was not "gonna get schmoozed by lobbyists." The super PAC spent nearly $4.7 million boosting Democratic candidates in the midterm elections, mostly in their primary campaigns, including more than $212,000 supporting Mr. Fetterman, who won his race and is set to begin his term Jan. 3.

Joe Calvello, a spokesman for Mr. Fetterman, sought to distance the newly elected senator from the disgraced crypto entrepreneur. "Sam Bankman-Fried must be held fully accountable," Mr. Calvello wrote in an email.

In a statement, Adam Goldberg, a spokesman for Web3 Forward, said that neither Mr. Bankman-Fried, Mr. Salame "nor anyone else at FTX or representing its interests had any role in deciding the candidates we supported."

But campaign filings show that Web3 Forward received almost all of the roughly $5.9 million it raised in 2021 from GMI PAC, a super PAC for which Mr. Salame was a founding board member. GMI, in turn, received about 32 percent of its nearly $11.6 million from Mr. Salame, Mr. Bankman-Fried and an FTX affiliate.

Mr. Goldberg said that although Mr. Salame was involved in GMI, not everyone who donated to the super PAC or sat on its board supported FTX's specific agenda, and in fact some opposed elements of it. Mr. Salame resigned from the board of GMI PAC on the day this month that FTX filed for bankruptcy, according to a person familiar with the super PAC.

Mr. Salame did not respond to requests for comment.

In the months leading up to the 2022 elections, Mr. Bankman-Fried donated about $40 million to federal campaigns and committees that primarily supported Democrats, according to Federal Election Commission records -- including $27 million to a super PAC called Protect Our Future that said it focused on helping candidates who support pandemic preparedness.

That made him the party's second biggest single donor behind George Soros, the billionaire financier who has been among the leading funders on the left for decades. Mr. Soros is 92, and some Democratic fund-raisers had high hopes that Mr. Bankman-Fried, 30, could play a similar role financing the left well into the future.

In a podcast interview earlier this year, Mr. Bankman-Fried said he expected to spend "north of $100 million" in the 2024 presidential election.

Republicans also had high hopes for Mr. Salame, who donated nearly $24 million in the 2022 campaign, mostly to Republicans and groups that support them, including $15 million to a super PAC

he launched called American Dream Federal Action. It spent nearly $517,000 supporting the successful Senate campaign of Representative Ted Budd of North Carolina.

Mr. Budd was also the beneficiary of more than $400,000 in spending by a super PAC called Crypto Innovation devoted to helping Republican congressional candidates. Crypto Innovation in turn received $2.8 million from GMI, the PAC connected to Mr. Salame.

Mr. Budd did not respond to a request for comment.

A week before Election Day, a group funded by Mr. Bankman-Fried and formerly run by his brother, Gabe Bankman-Fried, Guarding Against Pandemics, hosted separate cocktail receptions for Democrats and Republicans at a townhouse near the Capitol. The group, which focused on pandemic preparedness, paid nearly $3.3 million in April for the house, where it hosted events. An invitation to the Republican reception hailed Mr. Salame as a "budding Republican megadonor."

Some people in Mr. Bankman-Fried's orbit were worried that FTX and its executives were being sloppy in their political spending, diminishing its effectiveness and potentially courting violations. Those concerns are reflected in messages to an encrypted group chat called "Political FTX comms alignment," which also reveals a blurry line between FTX and some of the political and advocacy efforts funded by its executives.

An official at Guarding Against Pandemics texted the chat in late October, concerned that a $500,000 donation to a Democratic Party PAC in Oregon from Nishad Singh, an FTX executive, had been misattributed to a cryptocurrency payment processing firm.

"I don't want FTX to get less than fully value from the contribution," the official wrote, asking company executives to confirm "1) whether this is an FTX advocacy contribution, and 2) if so, who it is supposed to be from."

The official appeared to reference a similar occurrence earlier in the year, when a $14 million contribution had been listed on F.E.C. filings as having come from the same payment processing firm. It was subsequently re-attributed mostly to Mr. Bankman-Fried and partly to Mr. Singh. The donation to the Oregon PAC was also reclassified to reflect that it was from Mr. Singh, according to state campaign finance records.

Mr. Singh did not respond to requests for comment.

The shifting filings underscored concerns about crypto money financing political donations, which are tightly regulated by laws that carry stiff penalties for masking the source of funds.

The Oregon Elections Division is investigating the donation as a possible campaign finance violation at the request of Shemia Fagan, Oregon's secretary of state, according to Ben Morris, a spokesman. He said that if the agency found sufficient evidence of a criminal violation, it would refer the matter to law enforcement.

To burnish his intellectual profile in public, Mr. Bankman-Fried often participated in events to demystify the cryptocurrency industry. On Oct. 12, he sat down for a "fireside chat" with Jason Grumet, the president of the think tank the Bipartisan Policy Center -- at Mr. Grumet's invitation -- to discuss "recent movements in the crypto market, the role of regulation, and the long-term future of the industry."

Mr. Bankman-Fried could be charming in private meetings, disarming his audience with his directness and excitement about crypto, said one person who interacted with him. As he tried to secure a meeting with Gary Gensler, the chair of the Securities and Exchange Commission, he asked J. Christopher Giancarlo, a former chairman of the C.F.T.C., for an introduction.

Mr. Giancarlo, whose friendly posture toward crypto earned him the nickname "Crypto Dad," agreed to help. He attended a meeting with Mr. Gensler and Mr. Bankman-Fried in October 2021.

"He presented FTX with a degree of confidence and expressed integrity," Mr. Giancarlo said. "We now know that was not true, but that's how he presented it."

Behind the scenes, Mr. Bankman-Fried also held discussions with other regulators, in particular the C.F.T.C., which regulates derivatives trading. FTX officials had numerous meetings with staff of the commission, mostly to talk about FTX's application for a C.F.T.C. license. Larger issues, including how cryptocurrencies should be regulated, also came up, three people briefed on the discussions said.

Rostin Behnam, the chairman of the C.F.T.C., and Mr. Bankman-Fried agreed that the C.F.T.C., rather than the S.E.C., should have primary oversight of much of the crypto markets, the people said. That

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was the broad thrust of a cryptocurrency bill being drafted by Senator Debbie Stabenow, Democrat of Michigan, who was Mr. Behnam's former employer.

Staff of the C.F.T.C. provided "technical" advice to Ms. Stabenow's staff working on the bill, called the Digital Commodities Consumer Protection Act, said Steven Adamske, a commission spokesman.

FTX representatives, including Mark Wetjen, its head of government affairs and a former C.F.T.C. commissioner, also gave their input.

Mr. Adamske said that the technical assistance and legal analysis his organization provided to Congress "came solely from the C.F.T.C."

Matt Williams, a spokesman for Ms. Stabenow, said no single stakeholder, including FTX, had "significant input" into the bill. "In fact, none of the substantial changes FTX requested were included in the legislation."

Mr. Bankman-Fried gave $20,800 to the Stabenow Victory Fund.

In late July, when the bill was unveiled, Mr. Behnam's chief of staff wrote to the offices of the four other commissioners -- two Republicans and two Democrats -- asking them to release a joint statement praising the legislation. When they did not all agree to do so, Mr. Behnam, a Democrat, released a statement on his own.

Christy Goldsmith-Romero, one of the Democratic commissioners, said she did not issue a statement because she wanted to study the legislation and "decide what I thought."

Even as Mr. Bankman-Fried focused on politicians and regulators, his father, Joseph Bankman, appeared to be more involved in promoting his son's ideas for charity and social change.

In addition to connecting with Equity and Transformation, the Chicago nonprofit, Mr. Bankman identified programs designed to increase financial inclusion and close the racial wealth gap that he thought Mr. Bankman-Fried should donate to.

Mr. Bankman, a professor at Stanford Law School, also sought to connect his son with his friends in academia whose research focused on racial equality and financial inclusion. Mr. Bankman hoped his colleagues would support his beliefs that cryptocurrencies could help equalize access to the financial system.

"I did reach out to others who share my interest in financial inclusion to explore the role that crypto might play," Mr. Bankman said in a phone interview on Monday.

On Nov. 11, the day FTX filed for bankruptcy, Mr. Bankman wrote to Richard Wallace, the executive director of the Chicago nonprofit, to express his sadness that the $600,000 donation wouldn't come through. The staff of the FTX Foundation, the exchange's philanthropic arm, had resigned and its funds had evaporated.

The donation, which had been promised in June and would have paid for a guaranteed income program for recently incarcerated people and their families, was set to begin Thursday.

"I'm heartbroken, as you can imagine, about what's happening and heartbroken about the loss of our project," Mr. Bankman wrote to Mr. Wallace. He said he would have funded half the project out of his own pocket had the FTX Foundation been able to put in the other half. Funding the entire $600,000 by himself was out of the question, Mr. Bankman added.

"I'll be spending substantially all of my resources on Sam's defense."

Joe Rennison and David McCabe contributed reporting. Kitty Bennett and Alain Delaquérière contributed research.

ART Sam Bankman-Fried, the co-founder of FTX. The company sought to shape industry regulation. (PHOTOGRAPH BY TAMIR KALIFA FOR THE NEW YORK TIMES); The campaign of John Fetterman, left, was backed by a super PAC funded by FTX executives. FTX pledged $600,000 to a Chicago nonprofit run by Richard Wallace, right, but it fell through. (PHOTOGRAPHS BY KRISTON JAE BETHEL FOR THE NEW YORK TIMES; IVANA JARMON FOR THE NEW YORK TIMES) (A17)
This article appeared in print on page A1, A17.

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HD **Tres claves para entender la caída de FTX y sus posibles consecuencias**

BY By Ephrat Livni

WC 1,703 words

PD 22 November 2022

ET 11:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

El dramático colapso de la bolsa de criptomonedas sigue repercutiendo en todo el sector.

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FTX, el imperio de criptomonedas de Sam Bankman-Fried, fue un desastre monumental y es probable que su agonía dure más que el imperio mismo.

Las empresas de criptomonedas, los inversionistas y las autoridades gubernamentales que escucharon discursos sobre políticas públicas y se embolsaron donaciones políticas del fundador de FTX, conocido como SBF, están sorprendidos. El Plan de Pensiones de los Maestros de Ontario declaró el jueves que amortizará su inversión de 95 millones de dólares en FTX. Coinbase, la única criptomoneda que cotiza en la bolsa en Estados Unidos, ha visto cómo se han devaluado los precios de sus acciones y sus bonos a medida que la industria de los activos digitales se hunde en una crisis. Y los valores de las criptomonedas, que sufrieron una caída drástica durante el verano, bajaron aún más.

[El gráfico inferior muestra el cambio en los precios de criptodivisa este año]

FTX no es la típica empresa que fracasa. John Ray, quien gestionó la quiebra de Enron y fue nombrado director ejecutivo de FTX cuando se acogió al Capítulo 11, dijo que había encontrado muy poca documentación de sus finanzas y que no se podía confiar en la documentación existente. Declaró ante el Tribunal de Quiebra de Estados Unidos que nunca había visto una situación tan caótica como la que estaba encontrando en FTX.

Más de 100 empresas afiliadas se están declarando en quiebra junto con FTX. Y es probable que se les unan un millón o más de acreedores. La situación es tan grave que FTX ha dicho que no sabe quiénes son sus principales acreedores ni dónde pueden encontrarse muchos activos.

En esta etapa, hay muchas más preguntas que respuestas sobre cómo serán las repercusiones del colapso de FTX. A continuación, respondemos tres dudas importantes.

¿Quién sigue?

Las empresas de criptomonedas están muy entrelazadas —invierten unas en otras, se compran tókenes entre ellas y se prestan tókenes y capital unas a otras—, lo cual significa que el colapso de FTX podría afectar a más empresas.

“Muchas empresas corredoras bursátiles desaparecerán y cerrarán”, afirmó la firma de capital de riesgo para criptomonedas Multicoin Capital la semana pasada a sus inversionistas en una carta , en la que explicaba que había invertido demasiado dinero y confianza en FTX.

El prestamista en criptomonedas BlockFi, que firmó un acuerdo para ser rescatado por FTX cuando los precios de las criptomonedas se desplomaron en el verano, detuvo los retiros la semana pasada y se

está preparando para una posible quiebra. BlockFi declaró que tenía una " exposición importante " a la empresa fallida FTX y su fondo de inversión, Alameda Research.

Los expertos de la industria creen que habrá más empresas en problemas.

Dos asesores de restructuración le dijeron a DealBook que estaban muy atentos a lo que sucediera con Oxygen, una plataforma de préstamos financieros descentralizados respaldada por Alameda . El token de Oxygen es OXY; su capitalización total de mercado, de aproximadamente 395 millones de dólares en enero, ha disminuido a unos 2,6 millones de dólares .

Genesis Global Capital, uno de los prestamistas más importantes en el criptoespacio, suspendió los retiros y los préstamos nuevos el miércoles. Genesis, que puede haber perdido hasta 175 millones de dólares con el colapso de FTX, está teniendo dificultades para pagarles a los acreedores que han solicitado sus fondos. Un vocero de Genesis dijo que sus negocios no crediticios estaban funcionando sin problemas y que estaba "acumulando la liquidez necesaria" para operar.

Genesis está vinculada con muchas otras firmas. Su matriz, Digital Currency Group, es propietaria de la publicación CoinDesk y la firma de inversiones Grayscale, un importante tenedor de criptomonedas, entre otras entidades.

¿SBF irá a la cárcel?

"Esa es la pregunta del millón. Todo está en juego", dijo Joe Rotunda, director de la división de procuración de justicia de la Junta Estatal de Valores de Texas, que empezó a investigar a FTX antes de su colapso.

La complejidad del imperio internacional de FTX, el desorden en los registros, las declaraciones poco confiables y la naturaleza anónima de las transacciones en la cadena de bloques complican las cosas para los investigadores y los fiscales que preparan los casos. Necesitan hacer auditorías forenses y resolver temas jurisdiccionales.

"Las malas inversiones no necesariamente te llevan a la cárcel. Lo peor es el fraude. Eso es lo determinante", dijo Rotunda. "Ocultar información o mentir. Las palabras y los actos. Existe el deber de divulgar información confiable", agregó.

Bankman-Fried también enfrenta un litigio civil de sus grandes patrocinadores y capitalistas de riesgo, que comenzaron a desarrollar una estrategia con sus abogados antes de la quiebra (y saben que también tendrán que enfrentar demandas de sus socios comanditarios), así como de los pequeños inversionistas.

Rotunda explicó que los fiscales tendrán que establecer un vínculo físico entre la empresa y el perjuicio en Estados Unidos para cada cargo, así como el grado de la defraudación para los inversionistas en Estados Unidos, lo que establecería la jurisdicción. En Texas, los fraudes más graves de la ley de valores se castigan con cadena perpetua, y su agencia trabaja con fiscales para perseguir esos cargos, en tanto que el Departamento de Justicia y la Comisión de Valores y Bolsa están procesando e investigando de manera conjunta a Bankman-Fried en este momento.

"Las demandas civiles sucederán antes que las penales", afirmó Paul Foley, experto en derecho de valores del bufete de abogados Akerman. "Cualquiera que haya invertido en FTX tendría una demanda. Pero es mucho más difícil establecer un caso penal que uno civil".

¿El colapso de FTX originará más regulación?

Las comisiones del Congreso y las agencias ejecutivas en Washington ya estaban investigando a FTX o están haciendo averiguaciones actualmente. El viernes, la Subcomisión de Política Económica y del Consumidor de la Cámara de Representantes les envió una carta a los directores ejecutivos de FTX, al pasado y al actual, para solicitar información sobre "el alcance total del daño infligido a sus inversionistas". Esta carta es la continuación de una solicitud de agosto en la que se preguntaba por la transparencia y el fraude en las bolsas de criptomonedas.

La Comisión de Servicios Financieros de la Cámara de Representantes y la Comisión de Banca del Senado anunciaron que celebrarán audiencias sobre la debacle de FTX, que también es probable que aborden nuevas reglas y proyectos de ley pendientes. Las criptomonedas estables —criptodivisas que aparentemente están vinculadas al valor del dólar— son el objeto de una legislación que languidece en la Comisión de Servicios Financieros. Ese proyecto de ley, que garantizaría que los emisores de criptomonedas estables sean más vigilados, como sucede con los bancos, obtendría un impulso renovado.

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La Comisión del Senado sobre Agricultura ha estado trabajando en la ley bipartidista de Protección del Consumidor de Productos Básicos Digitales , que le daría a la Comisión de Comercio de Futuros de Productos Básicos jurisdicción sobre las criptomonedas que se consideran productos básicos, en contraposición a los valores, y requeriría que las bolsas de criptomonedas se registraran en la agencia.

Una de las complicaciones es que, hasta hace poco, Bankman-Fried cabildeó bastante en Washington y fue un defensor de la legislación que testificó ante la comisión, ejerció influencia tras bambalinas con los legisladores y publicó una declaración política relacionada en Twitter.

“Cualquier tipo de política que haya estado impulsando se revaluará”, comentó Lee Reiners, experto en tecnología financiera de la Facultad de Derecho de la Universidad Duke que antes trabajó en el Banco de la Reserva Federal de Nueva York.

Otra es que SBF fue un gran donante político, que aportó unos 37 millones de dólares a los candidatos demócratas en el último ciclo electoral. Su codirector ejecutivo, Ryan Salame, fue un importante donante republicano, con más de 20 millones de dólares . En total, los ejecutivos de FTX contribuyeron con casi 72 millones de dólares a ambos partidos, y la empresa fue estratégicamente bipartidista en sus contrataciones de cabildeo y asuntos gubernamentales.

Los políticos de ambos partidos están relocalizando los fondos . La senadora Kirsten Gillibrand por Nueva York, una demócrata que copatrocinó un proyecto de ley sobre criptografía que apoyó SBF y el representante Kevin Hern, republicano por Oklahoma, están entre los que dijeron que donarían los fondos a las organizaciones caritativas.

Pero los republicanos han aprovechado el colapso de FTX para cuestionar las políticas del gobierno de Joe Biden. El senador Josh Hawley, republicano por Missouri, dijo la semana pasada que estaba investigando las conexiones entre el gasto político y la política. Envió cartas al fiscal general Merrick Garland; a Gary Gensler, el presidente de la Comisión de Bolsa y Valores; y a Rostin Behnam, que dirige la Comisión de Comercio de Futuros de Materias Primas, preguntando por la correspondencia sobre FTX y por el momento de las investigaciones sobre la empresa caída.

“El hecho de que este esquema se haya revelado inmediatamente después de las elecciones de medio término plantea serias dudas sobre si los reguladores federales y las fuerzas del orden se enfrentaron a conflictos de interés a la hora de identificar, investigar y frustrar el esquema fraudulento”, escribió Hawley .

Dejando de lado la política, es probable que el colapso de FTX lleve a la acción. Y algunas empresas de criptomonedas que consideran que la regulación es clave para la legitimidad lo agradecerían.

“Las preocupaciones que los reguladores tienen sobre conflictos de interés y segregación de actividades en el sector de las criptodivisas son reales”, afirmó Jeremy Allaire, director ejecutivo de Circle, una emisora de criptomonedas estables.

Lauren Hirsch, Stephen Gandel y Joe Rennison colaboraron en este reportaje.

Ephrat Livni reportea desde Washington la intersección de negocios y políticas para DealBook. Anteriormente, fue reportera principal en Quartz donde cubría derecho y política, y ha ejercido la abogacía en los sectores público y privado. @el72champs

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AN Document NYTFEED020221122eibm002s1

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The New York Times

CLM DEALBOOK NEWSLETTER
SE Business/Financial Desk; SECTB
HD **3 Questions Rise to Top In FTX Crash**
BY By Ephrat Livni
WC 1,433 words
PD 21 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 1
LA English
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The dramatic collapse of the crypto exchange continues to reverberate throughout the industry.

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Sam Bankman-Fried's crypto empire, FTX, was an epic mess, and the unwinding is likely to last longer than the empire itself.

Crypto companies, investors and government officials who heard policy pitches and pocketed political donations from the FTX founder, known as S.B.F., are reeling. The Ontario Teachers' Pension Plan said on Thursday that it was writing down a $95 million investment in FTX. Coinbase, the only publicly listed crypto exchange in the United States, has seen stock and bond prices descend as the digital asset industry struggles. And crypto values, which fell dramatically over the summer, dropped further.

FTX is not your average failed company. John Ray, who handled Enron's bankruptcy and was named chief executive of FTX when it filed for Chapter 11 protection, said that he had found very little documentation of finances and that what did exist couldn't be trusted. He told the Bankruptcy Court that he had never seen a situation as chaotic as what he was running into at FTX.

More than 100 affiliated companies are filing for bankruptcy with FTX. A million or more creditors could line up. The situation is so dire that FTX has already said it doesn't know who its top creditors are or where many assets can be found.

At this stage, there are many more questions than there are answers about what the reverberations of FTX's collapse will look like. Here are three of the biggest.

Who is next?

Crypto companies are deeply intertwined -- they invest in one another, buy one another's tokens and lend tokens and capital to one another -- which means the collapse of FTX could continue to topple others.

"Many trading firms will be wiped out and shut down," the crypto venture firm Multicoin Capital told investors in a letter on Thursday, explaining that it had put too much money and trust in FTX.

The crypto lender BlockFi, which signed a deal to be rescued by FTX when crypto prices nose-dived over the summer, paused withdrawals last week and is preparing for a possible bankruptcy. BlockFi said it had "significant exposure" to the failed exchange and FTX's trading arm, Alameda Research.

Industry insiders expect more firms to follow.

Two restructuring advisers told DealBook that Oxygen, a decentralized finance lending and borrowing platform backed by Alameda, was on their watch lists. Oxygen's token is OXY; its total market capitalization, which was about $395 million in January, has fallen to about $2.6 million.

Genesis Global Capital, one of the largest lenders in the crypto space, suspended withdrawals and new loans on Wednesday. Genesis, which may have lost as much as $175 million in the FTX collapse, is struggling to pay back creditors who have asked for their money back. A spokesperson for Genesis said that its nonlending businesses were operating without problems, and that it was "shoring up the necessary liquidity" it needed to operate.

Genesis is connected to many other firms. Its parent, Digital Currency Group, owns the publication CoinDesk and the investment firm Grayscale, a substantial crypto holder, among other entities.

Is S.B.F. going to prison?

"That's the million-dollar question. Everything is on the table," said Joe Rotunda, director of the enforcement division of the Texas State Securities Board, which began investigating FTX before its collapse.

The complexity of the international FTX empire, messy record keeping, unreliable statements and the anonymous nature of transactions on the blockchain complicate matters for investigators and prosecutors building cases. They need to do forensic audits and resolve jurisdictional issues.

"Bad investments don't necessarily mean prison. The big one is fraud. That's the big hammer." Mr. Rotunda said. "Concealing or lying. Words and conduct. There's a duty to truthfully disclose."

Mr. Bankman-Fried also faces civil litigation from big backers and venture capitalists, who began developing strategy with lawyers before the bankruptcy (and expect to face claims themselves from their limited partners), as well as small investors.

Prosecutors will have to establish a physical tie between the company and harm in the United States for each charge -- to the extent investors in the United States were defrauded, that would establish jurisdiction, Mr. Rotunda said. In Texas, the most severe securities law frauds are subject to a life term in prison, and his agency works with prosecutors to pursue those charges, just as the Department of Justice and Securities and Exchange Commission jointly prosecute and are investigating Bankman-Fried now.

"The civil suits will come before the criminal suits," said Paul Foley, a securities law expert at the law firm Akerman. "Anyone who invested in FTX would have a lawsuit. But it's a lot more difficult to make a criminal case than a civil case."

Will the FTX collapse prompt more regulation?

Congressional committees and executive agencies across Washington were already investigating FTX or are calling for inquiries now. On Friday, the House Subcommittee on Economic and Consumer Policy sent a letter to FTX's current and former chief executives requesting information on "the full scope of harm inflicted upon its investors." It followed an August demand inquiring into transparency and fraud on crypto exchanges.

The House Financial Services Committee and the Senate Banking Committee have announced hearings on the FTX debacle, which are also likely to address new rules and pending bills. Stablecoins -- cryptocurrencies ostensibly pegged to the value of a dollar -- are the subject of legislation languishing in the Financial Services Committee. The bill, which would ensure that stablecoin issuers were overseen more as banks are, could get a renewed push.

The Senate Committee on Agriculture has been working on the bipartisan Digital Commodities Consumer Protection Act, which would give the Commodity Futures Trading Commission jurisdiction over cryptocurrencies deemed commodities (as opposed to securities) and require exchanges to register with the agency.

One complication is that, until recently, Mr. Bankman-Fried did a lot of lobbying in Washington and was a champion of the legislation, testifying before the committee, wielding influence behind the scenes with congressional staff and publishing a related policy statement on Twitter.

"Anything he has been pushing policywise will be reassessed," said Lee Reiners, a financial technology expert at Duke University Law School who was formerly at the Federal Reserve Bank of New York.

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Another is that S.B.F. was a major political donor, contributing around $37 million to Democratic candidates in the last election cycle. His co-chief executive, Ryan Salame, was a major Republican donor, giving more than $20 million. In all, FTX executives contributed nearly $72 million to both parties, and the company was strategically bipartisan in its lobbying and government affairs hiring.

Politicians on both sides of the aisle are regifting the funds. Senator Kirsten Gillibrand of New York, a Democrat who co-sponsored a crypto bill that S.B.F. supported, and Representative Kevin Hern, Republican of Oklahoma, are among those who said they would donate the funds to charity.

But Republicans have seized on the collapse of FTX to call the Biden administration's policies into question. Senator Josh Hawley, Republican of Missouri said Friday that he was looking into connections between political spending and policy. He sent letters to Attorney General Merrick Garland; Gary Gensler, the chair of the S.E.C.; and Rostin Behnam, who heads the Commodity Futures Trading Commission, inquiring into correspondence about FTX and the timing of any investigations into the fallen company.

"The fact that this scheme was revealed immediately after the midterm elections raises serious questions about whether federal regulators and law enforcement faced conflicts of interest in identifying, investigating and thwarting the fraudulent scheme," Mr. Hawley wrote.

Regardless of the politics, the collapse of FTX is likely to spur action. And some crypto companies that see regulation as key to legitimacy would welcome it.

"Concerns regulators have around conflicts of interest and segregation of activity in crypto are real," said Jeremy Allaire, chief executive of the stablecoin issuer Circle.

Lauren Hirsch, Stephen Gandel and Joe Rennison contributed reporting.

What do you think? Let us know: dealbook@nytimes.com.

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ART This article appeared in print on page B1, B4.

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AN Document NYTF000020221121eibl00030

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The New York Times

CLM with interest
SE Business
HD **The Week in Business: FTX's Collapse**
BY By Marie Solis
WC 1,021 words
PD 20 November 2022
ET 12:00 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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What's Up? (Nov. 13-19)

Crypto Chaos

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In the course of days, the collapse of one of the largest cryptocurrency exchanges, FTX, has led to a series of revelations — about the corporate dysfunction inside FTX, the entangled personal lives of the people who ran it and what the exchange's new leader said appeared to be efforts to " conceal the misuse of customer funds ." The company has filed for bankruptcy, and federal prosecutors are now investigating what happened to the lost funds of possibly more than one million creditors . The downfall of Sam Bankman-Fried, the founder and former chief executive of FTX, has called into question the future of the crypto industry as well as that of a closely affiliated movement in which he heavily invested. That movement was centered on a moral philosophy known as effective altruism , and it financed itself in large part with donations from FTX's philanthropic arm.

11 Years for Elizabeth Holmes

Elizabeth Holmes was sentenced to more than 11 years in prison on Friday, after being convicted on four counts of defrauding investors about the technology and business practices of Theranos, her failed blood-testing start-up. It was a lighter sentence than the maximum 20 years in prison she faced but still far tougher than the 18 months of house arrest her lawyers had sought. The decision was delivered by the same judge who oversaw Ms. Holmes's trial last year, and in making it, he considered a cache of letters and documents filed by lawyers and prosecutors for the case. Included among them were family photos of Ms. Holmes, her partner, Billy Evans, and their son, as well as comments from figures like Senator Cory Booker, who praised Ms. Holmes's "determination to make a difference." Her critics viewed the case as an opportunity to send a message to other tech founders who may distort the truth in their quest for success in an industry where few executives are ever found guilty of fraud.

Twitter Turmoil, Continued

Given the ultimatum to leave Elon Musk's Twitter or to stay at the company and "build a breakthrough Twitter 2.0," some 1,200 employees appeared to choose to go on Thursday. They tendered their resignations hours before the 5 p.m. Eastern deadline that Mr. Musk set the day before in an email with the subject line, "A Fork in the Road." The remaining staff, Mr. Musk wrote, would have to be "extremely hard core" and work long hours at a high intensity. Because the departures came on the heels of mass layoffs of about half of the company's employees, there are growing questions about how the site will hold up. Vast swaths of Twitter's work force have been eliminated, like the communications department, which no longer exists, and the platform's infrastructure teams, which are virtually nonexistent. On Friday, Mr. Musk asked "anyone who actually writes software" to report to the 10th floor of Twitter's headquarters.

What's Next? (Nov. 20-26)

Let the Shopping Begin

There is much to suggest that despite the crushing inflation consumers experienced this year, many intend to shop enthusiastically this holiday season. Retail sales rose 1.3 percent last month, beating expectations, as retailers like Amazon, Target and Kohl's offered earlier-than-usual holiday deals. The rise in sales coincided with the first signs of moderating inflation: In October, prices climbed 7.7 percent from a year earlier, still a quick pace but down from 8.2 percent in September. But shoppers' zeal for holiday sales indicated that they were looking for discounts, adding to the pressure on retailers — who not that long ago wielded more power to price products as they pleased — to lower prices. At Target, for example, demand tapered off when those sales ended. What has changed from last season? Consumers had more money saved in 2021, and were spending on clothes and electronics as they emerged from pandemic lockdowns. This year, customers have been much more worried about rising prices and have cut down on discretionary spending.

A Look at the Fed's Thinking

The Federal Reserve will release the minutes from its November meeting this week, providing potential clues about whether policymakers intend to slow the pace of interest rate increases. Earlier this month, the Fed raised rates by three-quarters of a percentage point , the fourth consecutive increase of that size, and sent some mixed messages about the path ahead as it explained the decision. While the central bank said in a policy statement that officials would soon slow down the rate increases, Jerome H. Powell, the Fed chair, later said at a news conference it was "very premature" to consider a pause, keeping the Fed's options open for its next move.

Rail Unions Vote

Two large rail unions are expected to vote this week on the tentative agreement that was struck in September to avert a strike that would have thrown already mangled supply chains into chaos , worsened inflation and disrupted travel. The possibility of that strike still looms: Rail workers and their employers have been at odds over unrelenting and unpredictable schedules , and strict attendance policies that make it difficult to attend to personal matters, like doctor appointments, or risk penalties. And some workers don't see many gains on those fronts in the proposed agreement, which added only a single day of paid personal leave . A few unions have already rejected it. The votes this week will not decide whether a strike is likely in December, but they will offer a sense of whether opposition to the contract is beginning to crystallize.

What Else?

Amazon plans to lay off about 10,000 people in corporate and technology jobs, adding to the string of layoffs in the tech industry. Inflation in Britain reached 11.1 percent in October from a year earlier. Workers at dozens of Starbucks locations went on a one-day strike on Thursday, protesting what they said are anti-union tactics from the company.

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AN Document NYTFEED020221120eibk0018h

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The New York Times

SE Business/Financial Desk; SECTB

HD **Wall Street Brokers Look to Buy the Rights to Assets That Are Trapped on FTX**

BY By Joe Rennison and David Yaffe-Bellany

WC 573 words

PD 19 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 4

LA English

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Customers could be offered pennies on the dollar for what they lost when the crypto exchange filed for bankruptcy last week.

Wall Street brokers are circling the ruins of **FTX**, offering to pay the crypto exchange's customers pennies on the dollar for the bankruptcy rights to their trapped cash and cryptocurrency on the platform, before looking to sell those rights to specialist hedge funds.

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The investment bank Jefferies and the brokers Seaport Global and BTIG are among a number of Wall Street firms trying to assess the potential value of the trapped assets, according to people -- two for each firm -- with direct knowledge of their plans.

Given the complex nature of the bankruptcy process, it could be years before any of FTX's customers recover their funds, and they're likely to receive only a small fraction of what they deposited. So the financial firms are competing to buy customers' claims to those assets now at a discount and then profit when some portion of the funds are eventually turned over.

The practice is common in bankruptcy, allowing investors to get some of their money back sooner by passing on the rights to specialist firms willing to fight a legal battle in pursuit of profit.

Still, given the uncertainty of the bankruptcy process and even whether any of the FTX funds are obtainable, the going price for the claims is just a few cents on the dollar.

Seaport declined to comment. Representatives for Jefferies and BTIG did not immediately respond to requests for comment.

In the wake of FTX's collapse, some trading has taken place on Claims Market, an online marketplace for bankruptcy claims run by Vladimir Jelisavcic at Cherokee Acquisition, a financial firm focused on bankruptcy. "We are buying claims," Mr. Jelisavcic wrote on Twitter on Friday, offering to buy claims at 6 cents on the dollar and sell them at 10 cents.

Some specialist investors who had been offered the chance to buy claims said they were still working through the analysis required to understand if the trade was likely to be profitable.

One issue, they said, is whether assets that customers withdrew from the exchange in the days and weeks leading up to FTX's bankruptcy filing could be recouped in the legal proceedings so that those customers would not have an advantage.

FTX filed for bankruptcy last Friday, after a run on deposits left the company with an $8 billion hole in its accounts. That has put FTX's customers in a precarious position, with billions of dollars' worth of assets trapped on the platform.

Before its sudden collapse, FTX was considered one of the most reliable companies in the freewheeling, loosely regulated crypto industry. It ran extensive marketing campaigns encouraging amateur investors to start buying cryptocurrency.

Now its implosion has effectively erased those people's savings. The bankruptcy is the biggest of several financial collapses in a chastening year for the crypto industry. After a market crash this spring, two crypto lending firms, Celsius Network and Voyager Digital, filed for bankruptcy, setting off months of legal maneuvering over how their assets should be divided.

Not long before it filed for bankruptcy itself, FTX won an auction to buy Voyager's remaining assets.

ART This article appeared in print on page B4.

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IPD Business/Financial Desk

PUB The New York Times Company

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The New York Times

SE National Desk; SECTA

HD **Chief Tapped to Clean Up FTX Calls Mess Worst He's Ever Seen**

BY By David Yaffe-Bellany

WC 1,190 words

PD 18 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

"This situation is unprecedented," said John J. Ray III, who helped manage Enron after its collapse in an accounting fraud scandal in 2001.

John Jay Ray III helped manage the aftermath of some of the largest corporate failures in history, including the implosion of the energy trading firm Enron after an accounting fraud scandal in 2001.

TD

But the corporate dysfunction at FTX, the collapsed cryptocurrency exchange that he took over last week, is the worst he has ever seen.

In a blistering court filing on Thursday, Mr. Ray described an astonishing level of disarray and said he had never seen "such a complete failure of corporate control." He listed a series of "unacceptable management practices," including the use of an unsecured group email for access to sensitive data, and said the financial information maintained by FTX was deeply untrustworthy.

"From compromised systems integrity and faulty regulatory oversight abroad, to the concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals, this situation is unprecedented," he wrote in the filing in the U.S. Bankruptcy Court for the District of Delaware.

FTX collapsed last week after a run on deposits exposed a deep financial hole in the business. Last Friday, the company filed for bankruptcy, and its chief executive, Sam Bankman -Fried, resigned. The collapse has kicked off investigations by the Justice Department and the Securities and Exchange Commission focused on whether FTX improperly used customer funds to prop up Alameda Research, a trading firm that Mr. Bankman-Fried also founded.

The collapse has jeopardized the savings of hundreds of thousands of customers who deposited their crypto holdings on the FTX platform. FTX had a wide reach across cryptocurrency companies, and its collapse has sent shock waves through the industry. Last week, the crypto lender BlockFi -- a firm that was closely linked to Mr. Bankman-Fried's crypto empire -- said that it was suspending operations. On Wednesday, the crypto firm Genesis announced that its own lending arm was halting withdrawals.

Mr. Bankman-Fried did not respond to a request for comment.

The bankruptcy filing on Thursday offered the first detailed look at FTX's business. And it describes a level of dysfunction that goes beyond even some of the most pessimistic assessments offered over the last week and a half.

In rich detail, Mr. Ray walked through the company's many corporate missteps and suspicious management, including the use of software to "conceal the misuse of customer funds." He said there was "an absence of independent governance" between FTX and Alameda, which was owned almost entirely by Mr. Bankman-Fried.

He also said he could not trust that financial statements assembled under Mr. Bankman-Fried's leadership were accurate. "The FTX Group did not keep appropriate books and records, or security controls, with respect to its digital assets," he wrote.

Alameda's quarterly financial statements were never audited, he said. But according to financial information in the filing, Alameda made loans totaling about $3.3 billion to Mr. Bankman-Fried and an entity he controls, and about $600 million to two other FTX executives, Nishad Singh and Ryan Salame.

Since he took over last week, Mr. Ray said, his team has secured about $740 million worth of cryptocurrency belonging to various parts of FTX's business. But he called that sum "only a fraction" of what he hopes to recover, saying the company has hired forensic analysts and blockchain experts to assist in locating any remaining funds. The run on FTX left the company owing an estimated $8 billion, according to people familiar with the matter.

In Mr. Ray's telling, the mismanagement permeated the entire company.

Mr. Ray said FTX's human resources department was so disorganized that his team had been unable to prepare a complete list of who worked at FTX. And he said corporate funds had been used to buy homes and other personal items for employees and advisers, without proper documentation. Employees would make payment requests through a chat portal, where supervisors approved disbursements using "personalized emojis," the filing said.

According to the filing, FTX lacked lasting records of corporate decisions, partly because Mr. Bankman-Fried relied on communications platforms that were set to automatically delete messages after a short time and encouraged employees to use the same applications.

Mr. Ray, 63, took over FTX last Friday. A veteran of several famous corporate implosions, he has a reputation as something of a turnaround artist -- an executive who specializes in making the most of distressed situations. He's best known for serving as Enron 's chief executive during its bankruptcy and has been involved in a number of other prominent corporate restructurings, earning praise for his dogged efforts to recover funds for creditors.

The collapse of FTX was a shocking fall for Mr. Bankman-Fried, who was widely considered one of the most reliable figures in the freewheeling, loosely regulated crypto industry.

Once worth as much as $24 billion, Mr. Bankman-Fried became a frequent presence in the halls of Congress, where he testified about the future of the crypto industry and tried to shape legislation governing the industry. He rubbed shoulders with famous actors and athletes, once appearing onstage at a conference in the Bahamas with former President Bill Clinton and Tony Blair, the former British prime minister. He was also a prolific and much-sought-after political donor, contributing more than $5 million to President Biden's 2020 election effort.

But after the collapse, a series of damaging revelations about his leadership of FTX have come to light. He relied on a close circle of fellow executives, and sometimes did not share information with key figures at the company. At times, he was in a romantic relationship with Caroline Ellison, the chief executive of Alameda. And he is firmly in the cross hairs of law enforcement and government regulators, raising the prospect of criminal charges and possible prison time.

Since resigning, Mr. Bankman-Fried has started to speak more publicly about the collapse of his company. In an interview with The New York Times on Sunday, he claimed that he had been unaware of how much money Alameda had borrowed from FTX. He expressed deep regrets over his management of the firm. But at other moments, he seemed almost flippant, describing the video game he had been playing during the crisis and outlining a bizarre plan to post a series of cryptic tweets.

Later, in a series of Twitter messages to a reporter at Vox, he said he regretted allowing the company to file for bankruptcy, and added that regulators "make everything worse."

The filing on Thursday went to great lengths to distance Mr. Ray and the rest of FTX's current leadership from the former chief executive, who is in the Bahamas. "Mr. Bankman-Fried is not employed by the debtors and does not speak for them," the filing said, calling his public statements "erratic and misleading."

ART This article appeared in print on page A1, A20.

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The New York Times

SE Business

HD **How FTX's Sister Firm Brought the Crypto Exchange Down**

BY By Matthew Goldstein, Alexandra Stevenson, Maureen Farrell and David Yaffe-Bellany

WC 1,757 words

PD 18 November 2022

ET 10:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

Alameda Research was Sam **Bankman -Fried**'s first company. He built **FTX** partly to help Alameda's trading business. Then things got out of control.

In late 2017, Sam **Bankman -Fried**, then 25 years old, co-founded Alameda Research, a small trading firm that marked the beginning of his cryptocurrency empire.

TD

Now the relationship between Alameda and his cryptocurrency exchange, FTX — and how the two propped each other up — is coming under scrutiny as prosecutors and regulators investigate the collapse of one of the best-known trading platforms in the crypto universe.

Alameda's need for funds to run its trading business was a big reason Mr. Bankman-Fried created FTX in 2019. But the way the two entities were set up meant that trouble in one unit shook up the other as crypto prices began to drop in the spring. In the end, it brought down both Alameda and FTX, leading to billions of dollars in losses for customers and traders.

And although the collapse echoed past calamities on Wall Street, the lack of regulatory oversight — coupled with an ambitious start-up founder flush with venture capital money and few internal controls — meant that there were few parallels.

John Jay Ray, III, a prominent restructuring lawyer handling the cleanup of FTX, called the situation "unprecedented" in a U.S. bankruptcy court filing on Thursday. He blasted the company for the "concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals."

Mr. Bankman-Fried co-founded Alameda in Berkeley, Calif. His scrappy team of traders in their 20s worked around the clock, showering in the locker room of the gym of the four-story building where Alameda had its headquarters. He soon moved the firm to Hong Kong, which had been wooing crypto traders and imposed little oversight on the nascent industry.

The main way that Alameda made money was straightforward: It bought Bitcoin and other cryptocurrencies in one part of the world and sold them in another, pocketing the difference.

Alameda's methods borrowed many aspects from traditional high finance. It was a quantitative trading firm, similar to Wall Street hedge funds that use mathematical models and data to inform decisions. It used "leverage" — or borrowed money — to fuel its trades and make bigger returns. And its Bitcoin trade was a so-called arbitrage trade, also popular on Wall Street.

But while Wall Street firms operate within guardrails that limit risk-taking and require regular financial disclosures, Alameda had no regulatory oversight.

The firm initially managed around $55 million — a pittance in the financial world. Its capital came from a mix of the group's own funds and high-interest cryptocurrency loans from wealthy investors, according to a 2018 firm presentation viewed by The New York Times and people briefed on the firm's

operations. In recent years, Alameda struck bigger financing agreements with other crypto trading firms, the people said.

In a video posted on YouTube three years ago, Mr. Bankman-Fried discussed the hectic nature of Alameda's trading. Seated in front of trading screens, he talked about often having to make split-second decisions on trades.

[Video: Watch on YouTube.]

Eventually, as more sophisticated investors like hedge funds piled into the crypto arbitrage trade, it became much less lucrative for Alameda.Still, with the price of Bitcoin and other cryptocurrencies soaring — and expected to keep going up — Alameda had no trouble paying back its loans in either dollars or crypto.

That's why, in the presentation to investors, Alameda was able to say it could offer lenders "high returns with no risk" and "no downside." However, finding a ready supply of dependable lenders was time-consuming for Alameda, especially since banks and traditional Wall Street firms largely shunned crypto because of the lack of regulation and oversight.

In 2019, Mr. Bankman-Fried hit upon an idea: Why not build a cryptocurrency exchange that could bring in revenue to help fund Alameda's activities?

FTX was born. It moved from Hong Kong to the Bahamas, where Mr. Bankman-Fried built his base of operations, and the exchange took off. In financial presentations to investors, the company claimed in 2021 that it was raking in $1 billion in annual revenue by charging fees to customers who wanted to trade cryptocurrencies on its platform. It marketed itself aggressively to ordinary investors eager to trade the hot new thing.

With crypto exchanges proliferating, their owners, including Mr. Bankman-Fried, sought more ways to make profit. One way was for an exchange to invent a token for use on its platform. Customers can trade cryptocurrencies directly or by using these tokens; if they use the tokens, typically the exchange offers a trading discount.

As long as customers used them to trade cryptocurrencies, the tokens could be quite valuable.

FTX called its token FTT and sought "seed" money from investors to get trading going. To maintain the value of FTT and keep its price stable, Alameda, still based in Hong Kong, served as the token's main market maker. That meant it bought and sold the majority of FTT on the exchange and, as a major trader, had the ability to set prices for the token.

As investors, enticed by the trading discounts, embraced FTT to trade on FTX, the newly minted token became one of the biggest sources of trading revenue for the exchange.

Both FTX and Alameda benefited from the token's rising value. The exchange began using FTT to make dozens of investments worth billions of dollars in other crypto companies. A 2019 investor presentation for the new exchange said, "FTT will be the backbone of the growing FTX ecosystem," and promised investors and customers "guaranteed liquidity," or the ability to always get back their money.

In the presentation, a cartoon avatar of mop-topped Mr. Bankman-Fried gave a thumbs up and simply said: "So easy!"

At the same time, Alameda, which held a large stake in the token, began using its FTT holdings as collateral for more loans to facilitate its trading activities. As of Sept. 30, Alameda had roughly $13 billion in assets, according to Thursday's bankruptcy filings, although Mr. Ray, the restructuring lawyer and newly appointed chief executive, said he had no confidence in the numbers.

The intertwined business model, with FTT propping up the two entities, turned Mr. Bankman-Fried into a crypto hero. Even if many backers and supporters of the exchange didn't quite understand how it all worked, they were taken in by his compelling pitch. He styled himself as an idiosyncratic genius willing to engage with regulators and call out the scams plaguing the crypto industry. He also expressed a commitment to give away much of his wealth to charity.

In 2021 and early this year, FTX raised nearly $2 billion in equity from more than two dozen high-profile investors, including Sequoia Capital, SoftBank, Tiger Global and BlackRock . Some of those investors have since said they were blindsided by FTX's implosion, partly because they didn't fully appreciate the symbiotic relationship between FTX and Alameda, or the potential conflicts of interest that it could pose.

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For instance, one of the co-chief executives of Alameda, Caroline Ellison, was at times in a romantic relationship with Mr. Bankman-Fried. The two met while working at Jane Street Capital, a New York trading firm, before Alameda opened for business.

Critics pointed to other potential conflicts. Alameda traded heavily on FTX and sometimes profited when other customers lost money. Mr. Bankman-Fried had a hand in Alameda's big trading decisions as well as its venture investments, two people familiar with the companies said.

In the bankruptcy filing on Thursday, Mr. Ray said there had been an "absence of independent governance." He also said he was not aware that any of Alameda's financial statements had been audited.

The lack of transparency and regulation of Mr. Bankman-Fried's businesses should have been a bright red flag early on, said Tyler Gellasch, president of the Healthy Markets Association, an advocate for greater transparency in financial markets.

"This catastrophe with FTX was enabled by two things: It was crypto, and it wasn't public in any fashion," Mr. Gellasch said. "It wasn't a public company, so there were no robust disclosures. They were able to raise billions without public disclosure and without serious accountability."

With the influx of investor money, Mr. Bankman-Fried started a giant publicity campaign for FTX, signing branding deals with sports leagues , advertising on television and hiring celebrities to endorse its platform and woo retail investors. At the same time, Alameda and FTX stepped up their ambitions, providing billions in early-stage funding to 246 crypto companies, according to PitchBook, a data company.

It's hard to pinpoint the exact moment when Mr. Bankman-Fried's empire began to spiral out of control, or whether a particular event precipitated it. Early this year, some lenders to Alameda wanted their funds back because they were concerned about the more than $2 billion that Alameda had invested in crypto start-ups.

Blockchain.com, a leading seller of Bitcoin and other cryptocurrencies, closed out a loan it had made to Alameda, concerned about "too many illiquid-related assets" on its balance sheet, a person with knowledge of the matter said.

But the problems cascaded this spring when the crypto market began to teeter, with a number of high-profile failures of companies that FTX had close ties to.

With crypto prices falling, more lenders wanted their money back. The falling prices also reduced the value of FTT, which Alameda had used as collateral for some loans. As the firm struggled to pay lenders back, FTX resorted to using funds that customers had deposited with the exchange for ease of trading to pay Alameda's lenders back.

In an interview with The Times early this week, Mr. Bankman-Fried dodged questions about customer funds. But the amount of customer dollars lent to Alameda could exceed $10 billion.

ART Sam Bankman-Fried, the FTX founder, was a compelling pitchman for the cryptocurrency exchange. | Erika P. Rodriguez for The New York Times | SoftBank Group was one of the investors in FTX. | Charly Triballeau/Agence France-Presse — Getty Images | Tyler Gellasch, president of the Healthy Markets Association, called FTX's collapse a "catastrophe." | Justin T. Gellerson for The New York Times

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The New York Times

SE Podcasts

HD **A Hard Fork in the Road: FTX's Unraveling and Elon's Loyalty Oath**

BY By Kevin Roose, Casey Newton, Davis Land, Paula Szuchman, Sophia Lanman, Dan Powell, Marion Lozano and Elisheba Ittoop

WC 323 words

PD 18 November 2022

ET 10:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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TD

The balance sheet contains an apology, the in-house coach is concerned that company executives are "undersexed" and billions in customer funds remain in jeopardy. The wreckage at FTX goes from bad to worse.

Plus: Elon's "extremely hardcore" plan for Twitter 2.0.

Additional Resources:

* George K. Lerner, FTX's in-house performance coach , said he was shocked by the collapse of FTX.

* In an interview with Matt Levine, a Bloomberg columnist, Sam Bankman -Fried described his strategy to restore faith in the crypto ecosystem .

* Bankman-Fried reflected on his actions as chief executive of FTX in a series of Twitter messages with Kelsey Piper, a Vox reporter.

* Elon Musk told Twitter employees in an email that the company would become an " extremely hardcore " operation. Employees were asked to click yes to be part of the new Twitter or take severance.

* Musk's social calendar includes courting comedians and hopping on yachts.

Credits

"Hard Fork" is hosted by Kevin Roose and Casey Newton and produced by Davis Land. The show is edited by Paula Szuchman. Engineering by Sofia Lanman and original music by Dan Powell, Marion Lozano and Elisheba Ittoop. Fact-checking by Caitlin Love.

Special thanks to Hanna Ingber, Nell Gallogly, Kate LoPresti, Shannon Busta, Mahima Chablani and Jeffrey Miranda.

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ART Photo Illustration: The New York Times; Image: Dado Ruvic/Reuters

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The New York Times

SE Business

HD New Chief Calls FTX's Corporate Control a 'Complete Failure'

BY By David Yaffe-Bellany
WC 1,176 words
PD 17 November 2022
ET 13:38 GMT
SN NYTimes.com Feed
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The New York Times

SE Business/Financial Desk; SECTB

HD FTX May Owe Million People In Bankruptcy

BY By David Yaffe-Bellany

WC 500 words
PD 16 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 4
LA English

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LP

In a court filing on Monday, the cryptocurrency exchange said it was in touch with "dozens" of regulators across the world.

The collapsed crypto exchange FTX and its related businesses could owe money to more than one million people and organizations, according to documents filed in bankruptcy court on Monday, illustrating the scope of a corporate meltdown that has drained traders' accounts and plunged the cryptocurrency industry into crisis.

TD

In FTX's first substantive court filing since it filed for bankruptcy on Friday, the company's lawyers offered few details about the state of the business. But they said FTX was in touch with "dozens" of federal, state and international regulators and law enforcement officials, including the Securities and Exchange Commission , the Justice Department and the Commodity Futures Trading Commission .

Those investigations began last week after a run on deposits left FTX with an $8 billion shortfall. In a stunning corporate drama, a company once regarded as among the safest and most reliable corners of the freewheeling crypto industry collapsed practically overnight.

The firm's founder and chief executive, Sam Bankman -Fried, announced his resignation when the bankruptcy papers were filed on Friday in federal bankruptcy court in Delaware. Mr. Bankman-Fried had agreed to step aside around 4:30 a.m. that day, the new filing said, after consulting with his own legal team.

He handed control to John J. Ray III, a veteran of corporate crises. Since then, Mr. Ray and other FTX officials have worked "around the clock" to get the company in order, according to the bankruptcy filing. The firm halted trading and responded to a "cyberattack" reported late on Friday, the filing said.

Until last week, Mr. Bankman-Fried was considered a leader of the crypto industry. He was a frequent presence in the halls of Congress, where he tried to shape legislation governing the new and largely unregulated technology. He was also a prominent donor, contributing more than $5 million to President Biden's election effort.

But his downfall was swift. A run on deposits last week left FTX unable to meet customer demand. Mr. Bankman-Fried struck a deal to sell his firm to its largest rival, Binance , a humbling capitulation after a lengthy online skirmish between Mr. Bankman-Fried and Binance 's chief executive, Changpeng Zhao . But a review of FTX's finances turned up numerous problems, and Binance pulled out of the deal.

Mr. Bankman-Fried scrambled to line up new finance but, unable to find a solution, filed for bankruptcy. Now the S.E.C. and the Justice Department are investigating his management of FTX. They are focused on whether FTX improperly transferred customer funds to Alameda Research, a trading firm that Mr. Bankman-Fried also founded.

Alameda is among more than 100 related corporate entities that joined FTX in the bankruptcy filing on Friday.

ART Bankman-Fried This article appeared in print on page B4.

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IPD Business/Financial Desk

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The New York Times

CLM GUEST ESSAY
SE Editorial Desk; SECTA

HD The Folly of Counting on the Tech Whiz Kid

BY By Margaret O'Mara
WC 1,315 words
PD 16 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 23
LA English
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LP

Disheveled, young and exceedingly brainy, Sam **Bankman -Fried** perfectly fit the role of a Silicon Valley mogul in the making. Mr. **Bankman-Fried**, the 30-year-old founder of the cryptocurrency exchange **FTX**, leaned into the Silicon Valley stereotype and then some, playing video games while pitching investors and wearing a T-shirt and shorts onstage with Bill Clinton and Tony Blair. Blue-chip investors fell for his persona, and Mr. **Bankman-Fried** profited greatly, with his estimated net worth reaching over $26 billion at one point.

That net worth is now close to zero. In last week's sudden collapse of **FTX** -- which nine months ago was the star of a Larry David Super Bowl ad -- billions evaporated as revelations emerged of questionable transfers between **FTX** and Alameda Research, Mr. **Bankman-Fried**'s trading company. Law enforcement is now investigating, which could lead to criminal charges.

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We've seen this movie before: A casually attired whiz kid emerging from seemingly nowhere is proclaimed both savant and savior, and takes the world by storm. Growing concern about Big Tech's power and intense criticism of onetime wunderkinds like Mark Zuckerberg and Jeff Bezos set the stage perfectly for a figure like Mr. Bankman-Fried. Amid power-hungry moguls and crypto hustlers, here was a white-knight superhero in the perfect costume, championing philanthropy and pledging to make the world a better place -- for real, this time.

But even Mr. Bankman-Fried's collapse probably won't kill the whiz kid archetype. This all-American notion has fueled some spectacular meltdowns but also scored big wins. The willingness of U.S. investors and customers to take bets on the young, untested and brainy has delivered world-transforming innovations and companies -- a computer on every desk, a smartphone in every hand.

But the whiz kid fixation also reflects a less healthy societal tendency to overstate the importance of individual "genius" and gloss over other things critical to any whiz kid's success -- especially connections, timing and luck. It also devalues experience and maturity. We invest so much in the ideal that it excludes those who don't fit the part and places too much faith in those who do.

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ART (PHOTOGRAPH BY ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES) This article appeared in print on page A23.

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The New York Times

CLM THE SHIFT
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BY By Kevin Roose
WC 1,590 words
PD 16 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
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He has also been Mr. Bankman-Fried's therapist, according to a glowing profile published in September by Sequoia Capital, a big investor in FTX. (The profile, which has since been taken down, said Dr. Lerner seemed like an "excellent shrink.") I wrote him an email, not expecting one back; he called, and we talked for roughly half an hour.

One of the most tantalizing subplots of the FTX drama is how Mr. Bankman-Fried, once hailed as a model of do-gooder altruism, managed to fool so many people who believed they knew him. Some of his friends have cut ties since the collapse, including the members of the FTX Future Fund, a philanthropic group he started, who resigned en masse last week. William MacAskill, a longtime mentor of Mr. Bankman-Fried's, said in a Twitter thread that he felt "sadness and self-hatred for falling for this deception."

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Dr. Lerner -- who is not bound by doctor-patient confidentiality in his capacity as a coach at FTX, as he is in his role as psychiatrist -- said he was shocked by the suggestion that Mr. Bankman-Fried was a criminal mastermind.

"I just can't see him doing that, honestly," Dr. Lerner said. "I mean, I guess maybe I would have to sit down with him and understand why. But I have difficulties making that jump."

Dr. Lerner, who still had a working FTX email address as of Tuesday, said he was unsure if he still had a job following the firm's bankruptcy.

Over the past week, Dr. Lerner has had a front-row seat to the implosion of Mr. Bankman-Fried's empire. First, the dramatic collapse of FTX, which followed what was the equivalent of a bank run set off by a rival crypto exchange. Then, the revelations about a multibillion-dollar shortfall on FTX's balance sheet, which reportedly stemmed from money it funneled to Alameda Research, a crypto hedge fund that was closely tied to FTX, and a mysterious hack that left more than $500 million missing from FTX's coffers. And now, the many, many furious FTX customers, regulators and law enforcement officials who are demanding to know what happened, and where all the money went.

Dr. Lerner declined to say whether he had talked to Mr. Bankman-Fried since the bankruptcy. He has been focused on helping FTX's employees come to grips with what happened, he said.

"I've been kind of hand-holding, making sure that people get safely back home," he said.

In recent days, much has been made of FTX's unusual corporate culture. The company, which had about 300 employees, was run mainly by 20-somethings, some of whom shared Mr. Bankman-Fried's interest in effective altruism. Some FTX employees lived together in a palatial group house. Several are, or used to be, in romantic relationships with one another, including Mr. Bankman-Fried, who had dated Alameda Research's chief executive, Caroline Ellison.

Details about the romantic pairings reported by CoinDesk last week led some gossips on Twitter to dub FTX a "polycule," a term for a web of non-monogamous relationships.

But Dr. Lerner rejected that idea, saying the company's culture was far from orgiastic.

"It's a pretty tame place," Dr. Lerner said. "The higher-ups, they mostly played chess and board games. There was no partying. They were undersexed, if anything."

Dr. Lerner, 46, described FTX as a company filled with hard-working and cerebral young people who believed deeply in the company's mission. Many had moved to the Bahamas from big cities in the United States and Asia, he said. Few employees went out at night or made local friends; mostly, he said, they spent long days and nights at the office.

"They were working way too much," he said. "It would have been healthier if they did have more healthy dating relationships."

Over the spring and summer, as the crypto market melted down and FTX stepped in to rescue several troubled crypto firms, Dr. Lerner said, the atmosphere at FTX's headquarters grew more tense. He attributed the increased stress to the fact that many employees had their own crypto investments that were losing value, and that they were concerned about the firm's financial health.

Around the same time, FTX began using customer funds to repay loans taken out by Alameda Research, according to a meeting between Ms. Ellison and Alameda employees that was reported by The New York Times and other news organizations. It's still unclear exactly how big these loans were, or who inside FTX knew about them at the time.

Dr. Lerner said he saw no indication that anything was going wrong at the firm, or that Mr. Bankman-Fried was more harried than usual.

"The kind of stuff we talked about was mostly like: Are the employees happy? How do we keep them happy? What is the most effective, efficient way for the organization to be organized?" he said. "I never dealt with the product, and he never talked to me about the product."

In his time at FTX, Dr. Lerner got to know many of the firm's employees. They struck him as impressively frugal, he said -- even Mr. Bankman-Fried, who preferred buying groceries and cooking his own meals to eating expensive dinners out.

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"You've seen how he dresses," Dr. Lerner said, referring to Mr. Bankman-Fried's shambolic wardrobe. "They really didn't spend much money."

Since FTX's collapse, rumors have spread on Twitter that many FTX employees took prescription stimulants, including Adderall, to enhance their productivity and work longer hours.

But Dr. Lerner disputed that characterization. He said that some FTX employees may have been given prescription medications to treat A.D.H.D., but that the "rate of A.D.H.D. in the company was in line with most tech companies." He said that he wrote some prescriptions to FTX employees, but only those he treated as part of his personal practice.

He did say that Mr. Bankman-Fried, who has talked publicly about experimenting with focus-enhancing drugs, had some nervous habits, including rapidly tapping his feet, and that he often played video games as a form of stress relief. Dr. Lerner even bought Mr. Bankman-Fried some fidget toys, he said, including the fidget spinner that became his trademark.

These days, of course, there aren't enough fidget spinners in the world for Mr. Bankman-Fried. His empire is in ruins, and he may be charged with serious financial crimes.

But while the rest of the world rages at Mr. Bankman-Fried, and wonders how much the people around him knew, Dr. Lerner said he felt for the FTX employees who were going down with the ship.

"You know, those people really felt like it was a family," he said. "I think that's why it's so devastating for all of us for this to be over."

ART FTX is based in the Bahamas. Several employees lived together in an extravagant group house there. (PHOTOGRAPH BY ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES) (B4) This article appeared in print on page B1, B4.

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The New York Times

CLM Guest Essay
SE Opinion
HD **Why Did We Put So Much Faith in the Crypto Whiz Kid?**

BY By Margaret O'Mara
WC 1,300 words
PD 15 November 2022
ET 10:00 GMT
SN NYTimes.com Feed
SC NYTFEED
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The New York Times

CLM The Shift
SE Technology
HD **FTX's In-House Performance Coach Is Just as Surprised as You Are**
BY By Kevin Roose
WC 1,573 words
PD 15 November 2022
ET 22:18 GMT
SN NYTimes.com Feed
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“I just can’t see him doing that, honestly,” Dr. Lerner said. “I mean, I guess maybe I would have to sit down with him and understand why. But I have difficulties making that jump.”

Dr. Lerner, who still had a working FTX email address as of Tuesday, said he was unsure if he still had a job following the firm’s bankruptcy.

Over the past week, Dr. Lerner has had a front-row seat to the implosion of Mr. Bankman-Fried’s empire. First, the dramatic collapse of FTX, which followed what was the equivalent of a bank run set off by a rival crypto exchange. Then, the revelations about a multibillion-dollar shortfall on FTX’s balance sheet, which reportedly stemmed from money it funneled to Alameda Research, a crypto hedge fund that was closely tied to FTX, and a mysterious hack that left more than $500 million missing from FTX’s coffers. And now, the many, many furious FTX customers, regulators and law enforcement officials who are demanding to know what happened, and where all the money went.

Dr. Lerner declined to say whether he had talked to Mr. Bankman-Fried since the bankruptcy. He has been focused on helping FTX’s employees come to grips with what happened, he said.

“I’ve been kind of hand-holding, making sure that people get safely back home,” he said.

In recent days, much has been made of FTX’s unusual corporate culture. The company, which had about 300 employees, was run mainly by 20-somethings, some of whom shared Mr. Bankman-Fried’s interest in effective altruism. Some FTX employees lived together in a palatial group house. Several are, or used to be, in romantic relationships with one another, including Mr. Bankman-Fried, who had dated Alameda Research’s chief executive, Caroline Ellison.

Details about the romantic pairings reported by CoinDesk last week led some gossips on Twitter to dub FTX a “polycule,” a term for a web of non-monogamous relationships.

But Dr. Lerner rejected that idea, saying the company’s culture was far from orgiastic.

“It’s a pretty tame place,” Dr. Lerner said. “The higher-ups, they mostly played chess and board games. There was no partying. They were undersexed, if anything.”

Dr. Lerner, 46, described FTX as a company filled with hard-working and cerebral young people who believed deeply in the company’s mission. Many had moved to the Bahamas from big cities in the United States and Asia, he said. Few employees went out at night or made local friends; mostly, he said, they spent long days and nights at the office.

“They were working way too much,” he said. “It would have been healthier if they did have more healthy dating relationships.”

Over the spring and summer, as the crypto market melted down and FTX stepped in to rescue several troubled crypto firms, Dr. Lerner said, the atmosphere at FTX’s headquarters grew more tense. He attributed the increased stress to the fact that many employees had their own crypto investments that were losing value, and that they were concerned about the firm’s financial health.

Around the same time, FTX began using customer funds to repay loans taken out by Alameda Research, according to a meeting between Ms. Ellison and Alameda employees that was reported by The New York Times and other news organizations. It’s still unclear exactly how big these loans were, or who inside FTX knew about them at the time.

Dr. Lerner said he saw no indication that anything was going wrong at the firm, or that Mr. Bankman-Fried was more harried than usual.

“The kind of stuff we talked about was mostly like: Are the employees happy? How do we keep them happy? What is the most effective, efficient way for the organization to be organized?” he said. “I never dealt with the product, and he never talked to me about the product.”

In his time at FTX, Dr. Lerner got to know many of the firm’s employees. They struck him as impressively frugal, he said — even Mr. Bankman-Fried, who preferred buying groceries and cooking his own meals to eating expensive dinners out.

“You’ve seen how he dresses,” Dr. Lerner said, referring to Mr. Bankman-Fried’s shambolic wardrobe. “They really didn’t spend much money.”

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Since FTX's collapse, rumors have spread on Twitter that many FTX employees took prescription stimulants, including Adderall, to enhance their productivity and work longer hours.

But Dr. Lerner disputed that characterization. He said that some FTX employees may have been given prescription medications to treat A.D.H.D., but that the "rate of A.D.H.D. in the company was in line with most tech companies." He said that he wrote some prescriptions to FTX employees, but only those he treated as part of his personal practice.

He did say that Mr. Bankman-Fried, who has talked publicly about experimenting with focus-enhancing drugs, had some nervous habits, including rapidly tapping his feet, and that he often played video games as a form of stress relief. Dr. Lerner even bought Mr. Bankman-Fried some fidget toys, he said, including the fidget spinner that became his trademark.

These days, of course, there aren't enough fidget spinners in the world for Mr. Bankman-Fried. His empire is in ruins, and he may be charged with serious financial crimes.

But while the rest of the world rages at Mr. Bankman-Fried, and wonders how much the people around him knew, Dr. Lerner said he felt for the FTX employees who were going down with the ship.

"You know, those people really felt like it was a family," he said. "I think that's why it's so devastating for all of us for this to be over."

ART Sam Bankman-Fried, the founder and chief executive of FTX. | Erika P. Rodriguez for The New York Times

CO ftxdig : FTX Trading Ltd

IN i257 : Pharmaceuticals | icryxch : Cryptocurrency Exchanges | i831 : Financial Investment Services | i83106 : Securities/Commodity Exchange Activities | i951 : Healthcare/Life Sciences | ibnk : Banking/Credit | ifinal : Financial Services | ifmsoft : Financial Technology | iinv : Investing/Securities | itech : Technology | ivicu : Virtual Currencies/Cryptocurrencies

NS c16 : Bankruptcy | ccat : Corporate/Industrial News | genv : Natural Environment | ghnwi : High Net Worth Individuals | gstres : Stress-related Conditions | ncolu : Columns | cactio : Corporate Actions | ccfd : Corporate Financial Difficulty | gcat : Political/General News | ghea : Health | gmed : Medical Conditions | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE bah : Bahamas | caribz : Caribbean Islands

IPD Labor and Jobs

PUB The New York Times Company

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The New York Times

SE Technology

HD **Collapsed Crypto Exchange FTX Could Owe More Than 1 Million Creditors**

BY By David Yaffe-Bellany

WC 491 words

PD 15 November 2022

ET 15:13 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

In a court filing on Monday, the cryptocurrency exchange said it was in touch with “dozens” of regulators across the world.

The collapsed crypto exchange **FTX** and its related businesses could owe money to more than one million people and organizations, according to documents filed in bankruptcy court on Monday, illustrating the scope of a corporate meltdown that has drained traders’ accounts and plunged the cryptocurrency industry into crisis.

TD

In FTX’s first substantive court filing since it filed for bankruptcy on Friday , the company’s lawyers offered few details about the state of the business. But they said FTX was in touch with “dozens” of federal, state and international regulators and law enforcement officials, including the Securities and Exchange Commission , the Justice Department and the Commodity Futures Trading Commission .

Those investigations began last week after a run on deposits left FTX with an $8 billion shortfall. In a stunning corporate drama, a company once regarded as among the safest and most reliable corners of the freewheeling crypto industry collapsed practically overnight.

The firm’s founder and chief executive, Sam Bankman-Fried , announced his resignation when the bankruptcy papers were filed on Friday in federal bankruptcy court in Delaware. Mr. Bankman-Fried had agreed to step aside around 4:30 a.m. that day, the new filing said, after consulting with his own legal team.

He handed control to John J. Ray III, a veteran of corporate crises. Since then, Mr. Ray and other FTX officials have worked “around the clock” to get the company in order, according to the bankruptcy filing. The firm halted trading and responded to a “cyberattack” reported late on Friday, the filing said.

Until last week, Mr. Bankman-Fried was considered a leader of the crypto industry. He was a frequent presence in the halls of Congress, where he tried to shape legislation governing the new and largely unregulated technology. He was also a prominent donor, contributing more than $5 million to President Biden’s election effort.

But his downfall was swift. A run on deposits last week left FTX unable to meet customer demand. Mr. Bankman-Fried struck a deal to sell his firm to its largest rival, Binance , a humbling capitulation after a lengthy online skirmish between Mr. Bankman-Fried and Binance ’s chief executive, Changpeng Zhao . But a review of FTX’s finances turned up numerous problems, and Binance pulled out of the deal.

Mr. Bankman-Fried scrambled to line up new finance but, unable to find a solution, filed for bankruptcy. Now the S.E.C. and the Justice Department are investigating his management of FTX. They are focused on whether FTX improperly transferred customer funds to Alameda Research, a trading firm that Mr. Bankman-Fried also founded.

Alameda is among more than 100 related corporate entities that joined FTX in the bankruptcy filing on Friday.

CO cftc : United States Commodity Futures Trading Commission | ftxdig : FTX Trading Ltd

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RE usa : United States | namz : North America

IPD Suits and Litigation (Civil)

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The New York Times

SE National Desk; SECTA

HD FTX Founder Says He Expanded Too Fast and Missed Warnings

BY By David Yaffe-Bellany

WC 2,144 words

PD 15 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

In less than a week, the cryptocurrency billionaire Sam Bankman -Fried went from industry leader to industry villain, lost most of his fortune, saw his $32 billion company plunge into bankruptcy and became the target of investigations by the Securities and Exchange Commission and the Justice Department.

But in a wide-ranging interview on Sunday that stretched past midnight, he sounded surprisingly calm. "You would've thought that I'd be getting no sleep right now, and instead I'm getting some," he said. "It could be worse."

TD

The empire built by Mr. Bankman-Fried, who was once compared to titans of finance like John Pierpont Morgan and Warren Buffett , collapsed last week after a run on deposits left his crypto exchange, FTX, with an $8 billion shortfall, forcing the firm to file for bankruptcy. The damage has rippled across the industry, destabilizing other crypto companies and sowing widespread distrust of the technology.

Besides some Twitter posts, messages to employees and occasional texts to reporters, Mr. Bankman-Fried, 30, has said little publicly over the last week. In the interview on Sunday, he voiced numerous regrets over the collapse of FTX.

But he would offer only limited details about the central questions swirling around him: whether FTX improperly used billions of dollars of customer funds to prop up a trading firm that he also founded, Alameda Research. The Justice Department and the S.E.C. are examining that relationship.

Alameda had accumulated a large "margin position" on FTX, essentially meaning it had borrowed funds from the exchange, Mr. Bankman-Fried said. "It was substantially larger than I had thought it was," he said. "And in fact the downside risk was very significant." He said the size of the position was in the billions of dollars but declined to provide further details.

Mr. Bankman-Fried did, however, agree with critics in the crypto community who said he had expanded his business interests too quickly across a wide swath of the industry. He said his other commitments had led him to miss signs that FTX was running into trouble.

"Had I been a bit more concentrated on what I was doing, I would have been able to be more thorough," he said. "That would have allowed me to catch what was going on on the risk side."

Mr. Bankman-Fried, who is based in the Bahamas, declined to comment on his current location, citing safety concerns. Lawyers for FTX and Mr. Bankman-Fried did not respond to requests for comment.

Mr. Bankman-Fried's fall has stunned the crypto world. But in recent months, warning signs had emerged that his business empire was in peril and that his ambitions exceeded his grasp, according to interviews with nine of his colleagues and business partners, as well as internal messages obtained by The New York Times .

As he embarked on a buying spree this year, investing in beleaguered crypto companies, he wasn't sharing information with key staff. When he was told that he was overextended and was encouraged to hire more employees, he resisted the suggestions. And in Washington, he was pushing an ambitious regulatory agenda while speaking critically about Changpeng Zhao , the chief executive of the rival exchange Binance , who eventually mobilized his extensive Twitter following to set off the run on FTX.

Despite the billions that venture capital firms put into the company, FTX had none of those outside investors on its board. In the Bahamas, Mr. Bankman-Fried led a sometimes cloistered existence, surrounded by a small coterie of colleagues, some of whom were in romantic relationships with other FTX employees, according to four people familiar with the matter. He and his top lieutenants lived together in a penthouse in Albany, a 600-acre oceanside resort on the island of New Providence in the Bahamas.

Asked whether he was overly dependent on that small group, Mr. Bankman-Fried said his circle of close colleagues numbered about 15. "Realistically speaking, I don't think anyone can maintain close contact and close communication with more than 15 people," he said.

The relationship between Alameda and FTX was the root of Mr. Bankman-Fried's downfall. He founded the trading firm in 2017 and rented offices in Berkeley, Calif., not far from where he had grown up as the son of Stanford Law professors. Soon the company made millions of dollars exploiting inefficiencies in the Bitcoin market.

In 2019, Mr. Bankman-Fried relocated the company to Hong Kong, a friendlier regulatory environment. He moved with a small band of traders -- including Caroline Ellison, a former trader at the financial firm Jane Street -- and went on to start FTX, a marketplace for crypto investors to buy, sell and store digital assets.

FTX and Alameda were closely linked. Alameda traded heavily on the FTX platform, meaning it sometimes benefited when FTX's other customers lost money, a dynamic that critics called a conflict of interest. In the past, Mr. Bankman-Fried has defended the arrangement, saying Alameda provided crucial liquidity -- injections of capital that enabled others customers to complete transactions on the exchange.

Alameda was run by Ms. Ellison, but Mr. Bankman-Fried was also involved, contributing to the decision-making on big trades, a person familiar with the company's inner workings said. At times, there did not appear to be much of a firewall between the businesses. Alameda was supposed to operate out of a separate office, but a guest who visited FTX's complex in recent months said Ms. Ellison had been sitting within view of computers displaying the exchange's trading data.

In addition to Mr. Bankman-Fried and Ms. Ellison, the circle of executives running the crypto operation in the Bahamas included Nishad Singh, FTX's director of engineering; Gary Wang, the exchange's chief technology officer; and Ramnik Arora, the head of product.

Mr. Bankman-Fried moved FTX to the Bahamas in 2021, drawn by a regulatory setup that allowed him to offer risky trading options that weren't legal in the United States. On the exchange, investors could borrow money to make big bets on the future value of cryptocurrencies.

He lived in a five-bedroom penthouse in the Albany resort's Orchid building, with Ms. Ellison, Mr. Singh, Mr. Wang and six others. Mr. Bankman-Fried and Ms. Ellison were at times romantically involved, two people said.

Mr. Bankman-Fried said he and Ms. Ellison were no longer in a romantic relationship but declined to comment further. Ms. Ellison did not respond to a request for comment. Many details of the relationships among FTX's leadership team were previously reported in the crypto publication CoinDesk.

Mr. Bankman-Fried's circle of colleagues was bound by a commitment to effective altruism, a charitable movement that urges adherents to give away their wealth in efficient and logical ways. For co-workers outside the clique, it was sometimes difficult to get time speaking with Mr. Bankman Fried, a person familiar with the matter said. And Mr. Bankman-Fried made it a point of pride that FTX had only about a 300-person staff, much smaller than its top rivals, Binance and Coinbase .

Even as he kept hiring down, Mr. Bankman-Fried built an ambitious philanthropic operation, invested in dozens of other crypto companies, bought stock in the trading firm Robinhood , donated to political campaigns, gave media interviews and offered Elon Musk billions of dollars to help finance the mogul's Twitter takeover.

Mr. Bankman-Fried said he wished "we'd bitten off a lot less."

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"The venture stuff was probably not really worth it given the attention that it took," he said, referring to his investments in other companies.

Perhaps Mr. Bankman-Fried's most ambitious aim was to shape crypto regulation in Washington, where he testified to Congress and met with regulators. He also used his growing influence in the capital to criticize his biggest rival, Mr. Zhao, in private meetings, people familiar with the matter said.

Attacking Mr. Zhao "was not a good strategic move on my part," Mr. Bankman-Fried said on Sunday. "I was pretty frustrated at a lot of what I saw happening, but I should've understood that it was not a good decision of me to express that."

A former investor in FTX, Mr. Zhao still owned a large amount of FTT, a cryptocurrency that FTX invented to facilitate trading on its platform. On Nov. 6, Mr. Zhao announced on Twitter that he was selling the FTT, spooking customers who rushed to withdraw their FTX deposits.

"We won't pretend to make love after divorce," Mr. Zhao wrote on Twitter . "We won't support people who lobby against other industry players behind their backs."

When FTX collapsed, Mr. Zhao initially agreed to buy the exchange in what would have amounted to a bailout. But soon the deal fell through, after Binance found problems in the company's financials. In a Signal group chat that included Mr. Bankman-Fried and other FTX representatives, Mr. Zhao posted a curt note, according to two people familiar with the matter. "Sam, I'm sorry," he wrote, "but we won't be able to continue this deal. Way too many issues. CZ."

Mr. Bankman-Fried scrambled to line up new financing. "I shouldn't throw stones in a glass house, so I'll hold back a bit," he said in a message to employees obtained by The Times. "Except to say: probably they never really planned to go through with the deal."

Meanwhile, at a meeting with Alameda employees on Wednesday, Ms. Ellison explained what had caused the collapse, according to a person familiar with the matter. Her voice shaking, she apologized, saying she had let the group down. Over recent months, she said, Alameda had taken out loans and used the money to make venture capital investments, among other expenditures.

Around the time the crypto market crashed this spring, Ms. Ellison explained, lenders moved to recall those loans, the person familiar with the meeting said. But the funds that Alameda had spent were no longer easily available, so the company used FTX customer funds to make the payments. Besides her and Mr. Bankman-Fried, she said, two other people knew about the arrangement: Mr. Singh and Mr. Wang.

The meeting was previously reported by The Wall Street Journal. Mr. Singh did not respond to a request for comment, and Mr. Wang could not be reached. According to a person familiar with FTX's finances, the exchange lent as much as $10 billion to Alameda.

As FTX has crumbled, Mr. Bankman-Fried has been "working constructively with regulators, bankruptcy officials and the company to try to do what's best for consumers," he said on Sunday.

His management of FTX is now the subject of an inquiry by federal prosecutors in New York, who have begun contacting possible witnesses, according to a person familiar with the matter. Others associated with FTX have started reaching out to lawyers for potential representation, said several people briefed on the matter. FTX is being represented in the investigations and the bankruptcy by the law firm Sullivan & Cromwell , while lawyers from Paul Weiss are representing Mr. Bankman-Fried.

In the interview, Mr. Bankman-Fried declined to discuss the prospect of prison time.

"People can say all the mean things they want about me online," he said. "In the end, what's going to matter to me is what I've done and what I can do."

He has also found other ways to occupy his time in recent days, playing the video game Storybook Brawl, though less than he usually does, he said. "It helps me unwind a bit," he said. "It clears my mind."

Shortly before the interview, Mr. Bankman-Fried had posted a cryptic tweet: the word "What." Then he had tweeted the letter H. Asked to explain, Mr. Bankman-Fried said he planned to post the letter A and then the letter P. "It's going to be more than one word," he said. "I'm making it up as I go."

So he was planning a series of cryptic tweets? "Something like that."

But why? "I don't know," he said. "I'm improvising. I think it's time."

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Matthew Goldstein, Erin Griffith and Ephrat Livni contributed reporting

Matthew Goldstein, Erin Griffith and Ephrat Livni contributed reporting

ART Crypto enthusiasts at a conference in April in Nassau, Bahamas, where FTX is based, above. The FTX founder Sam Bankman-Fried, far left. Changpeng Zhao, the chief executive of Binance, a competing exchange, initially agreed to buy FTX in what would have amounted to a bailout. (PHOTOGRAPHS BY ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES; BENOIT TESSIER/REUTERS) (A15) This article appeared in print on page A1, A15.

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RE bah : Bahamas | usa : United States | caribz : Caribbean Islands | namz : North America

IPD National Desk

PUB The New York Times Company

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The New York Times

CLM DealBook Newsletter
SE Business; DealBook
HD **Who Bears Blame for FTX's Failure?**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni

WC 1,968 words
PD 14 November 2022
ET 12:57 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

With the collapse of the giant cryptocurrency exchange, investors are asking whether regulators or the venture capitalists who funded **FTX**, are at fault.

What to make of **FTX** and SBF?

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Andrew here. Over dinners and text messages this weekend, financiers on Wall Street and Silicon Valley, and policymakers in Washington, debated whether the multibillion-dollar collapse of FTX, the crypto exchange founded by the wunderkind Sam Bankman -Fried, should be compared to the fall of Enron , Lehman Brothers , Bernie Madoff or MF Global .

It will take several more weeks to understand which comparison is most apt, and just how systemic the collapse is. It is too soon to know whether FTX's downfall will deliver a fatal blow to crypto — or will simply make a good movie. (The business writer Michael Lewis, who has been embedded with Bankman-Fried for the past six months, is trying to sell the rights to one.)

The more immediate and practical question is how such a mess could have been avoided, and what lessons there are for the deal makers who turbocharged Bankman-Fried's rise.

Was it a lack of U.S. regulation? Sort of, but not really: FTX was based in the Bahamas. Should the U.S. have moved faster to create an attractive regulatory environment so companies like FTX would have moved here and had to abide by Washington's rules? Maybe. But if the FTX case turns out to be fraud, regulation unto itself may not have been enough to stop it. Madoff didn't live on an island beyond U.S. jurisdiction — he was based on Lexington Avenue.

If we ultimately learn that FTX's undoing is the first of many in an industry that has been built on a pile of offshore fairy-dust leverage, the regulatory lesson will actually be the opposite: The S.E.C., C.F.T.C. and Treasury will have proved prescient for all their warnings to the public that crypto was too risky. Privately, the crypto skeptics in Washington's regulatory complex are already pointing to FTX's collapse more as a badge of honor than an example of a failure to stop it.

Which brings us to the investment community, a group that has long argued that the free market is the best form of regulation and venerated the charismatic founder — remember Elizabeth Holmes ? — above all else. FTX proves just how high a cost that strategy may exact. The venture capitalists behind FTX failed, and the libertarian views of Silicon Valley it was based upon might need to re-evaluated. It is hard enough in this environment to raise new funds; it is likely to only become harder for crypto-focused V.C.s, several executives told me.

Very few investors are publicly introspective about their misses. Sequoia Capital, the storied Silicon Valley V.C. firm that had to write down its $120 million investment in FTX to zero, defended its due diligence — even after it deleted a hagiographic letter about Bankman-Fried's "awesome" intellect when his company imploded.

So give some credit to Marcelo Claure , the former SoftBank executive who helped lead the Japanese tech conglomerate's investment in FTX. "I have been reflecting personally on the whole FTX fiasco and it taught me one more time that we should NEVER invest because of FOMO and we should always 100% understand what we are investing in. I totally failed here on both," he tweeted on the weekend.

Any time there is a boom cycle like this, otherwise smart investors do dumb things because they see their pals and peers piling in and worry they will be left out. Envy is a pernicious quality — and one that is all too human.

HERE'S WHAT'S HAPPENING

President Biden and President Xi Jinping of China meet in person. Their first face-to-face meeting since Biden's election, ahead of this week's Group of 20 conference, takes place as tensions rise over issues like Taiwan and Washington's restrictions on tech exports to China. American officials sought to play down any rifts — but also the chance of any breakthroughs.

Chinese stocks jump on new government measures. Beijing announced more financial support for debt-ridden property developers , pushing shares in the real estate sector — one of China's biggest — up sharply on Monday. That followed a rise in the Hong Kong and mainland China markets after an easing of zero-Covid restrictions.

Democrats move to raise the debt ceiling soon. Speaker Nancy Pelosi suggested she would take action to push back a fight over government spending until after the 2024 election, as Republicans still appear poised to win control of the House. Separately, Democrats have maintained control of the Senate , after defending seats in Arizona and Nevada.

Jeff Bezos commits to giving away most of his billions. The Amazon founder told CNN that he would donate the majority of his $124 billion fortune during his lifetime , including to groups focused on climate change. Earlier, Bezos announced a $100 million grant to the singer Dolly Parton to donate to charities of her choice.

Disney will pause hiring and cut some jobs. The entertainment giant's C.E.O., Bob Chapek , told executives that the company was looking to cut costs . Chapek's announcement came after Disney announced a surge in losses at Disney +.

CZ wants to be a white knight, this time

As the crypto world reels from the collapse of FTX — and investors fear for other companies that might in turn implode — Changpeng Zhao , the founder of the giant exchange Binance , said he wants to essentially become the industry's lender of last resort . (That comes after he agreed to, and then walked away from, a rescue of FTX last week.)

Zhao proposed "an industry recovery fund," to help support otherwise strong companies facing runs on their assets, "to reduce further cascading negative effects of FTX." And at the B20 business conference in Bali, Zhao — widely known in crypto circles as CZ — called for clearer and more sophisticated regulations .

But CZ also took a veiled shot at the FTX founder Sam Bankman -Fried, warning that the law is no help to investors "if a guy is very good at lying" and at "just pretending to be what he's not."

CZ's comments come as the fallout from FTX grows. Speculation arose this weekend that Crypto.com, which is best known for running Super Bowl commercials starring Matt Damon, had lost millions in FTX. Kris Marszalek , Crypto.com's C.E.O., tweeted that customer funds are safe , but not before the firm saw a brief spike in withdrawals. And Crypto.com's native token, Cronos, lost nearly a quarter of its value on Sunday. Elsewhere, Pantera Capital and Galois became the latest hedge funds to announce losses tied to FTX, $130 million and $40 million, respectively.

Meanwhile, FTX's bankruptcy is chaotic. Police in the Bahamas questioned Bankman-Fried over the firm's collapse, amid a criminal investigation . And a mysterious potential hack siphoned $515 million from FTX and risked triggering widespread data leak.

FTX's Chapter 11 filing, which said the firm had up to $50 billion in liabilities, lists 134 entities from across the globe, from an Australian metals mining company to the Gibraltar-based crypto exchange Zubr. But there are no answers yet for how Bankman-Fried lost so much — or how FTX could have hugely overinflated values for its crypto assets.

Elon Musk has another busy weekend

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“I have too much work on my plate, that’s for sure,” Elon Musk told a business conference on the sidelines of the G20 summit in Indonesia, asserting that he’s working “the absolute most that I can work — morning to night, seven days a week.” The Tesla -Twitter-SpaceX boss certainly kept busy over the weekend, including reportedly laying off nearly all of the social media company’s contract employees .

And yet the billionaire also found time for a bit of trolling, taking aim at the failed crypto entrepreneur Sam Bankman-Fried , Twitter’s free staff lunches , and a powerful Democrat who chairs the Senate subcommittee on consumer protection, product safety, and data security — matters that touch on Twitter and Tesla .

That senator would be Ed Markey of Massachusetts, who questioned Musk after last week’s rash of impersonator Twitter accounts, including a Washington Post reporter who was able to impersonate Markey. Musk said it could be because Markey’s actual account sounded like a “parody” — to which the senator shot back that Twitter is subject to an F.T.C. consent decree and that auto safety regulators are examining Tesla over fatal incidents. “Fix your companies,” Markey tweeted, “or Congress will.”

(It’s worth noting that Twitterbrought back gray “official” badges for prominent accounts, after pausing the Twitter Blue subscription service that spurred the widespread creation of impostor verified accounts.)

What’s Musk’s game plan? It’s one thing to troll a former C.E.O., and another to repeatedly antagonize a senator who can investigate one’s companies, including a business that is a big government contractor . Maybe Musk has some grand plan — get pushed out of Twitter and become a conservative political martyr, or perhaps some complex debt play — or he may just be shooting from the hip .

More Musk news:

* The Tesla C.E.O. and his board are headed to court to defend his enormous compensation package at the electric carmaker against a shareholder lawsuit.

* SpaceX has reportedly bought a major Twitter ad campaign for its Starlink service.

* Musk wants to lure YouTube influencers to Twitter .

The week ahead

The COP27 climate conference wraps up this week, and the G20 summit gets underway in Bali. Investors, meanwhile, will be following the quarterly results of big retailers for signs of the health of the American consumer.

Tuesday: Walmart and Home Depot kick off a week of retail earnings. Also: Krispy Kreme .

Wednesday: The Commerce Department reports U.S. retail sales for October. Earnings: Target, Lowe ’s and Nvidia .

Thursday: Jeremy Hunt, the British finance minister, is expected to outline Britain’s new budget , which may involve a plan to raise taxes. Earnings: Alibaba , Macy’s and Gap.

Friday: Elizabeth Holmes , the founder of Theranos , is scheduled to be sentenced after being convicted in January of defrauding investors .

THE SPEED READ

Deals

* Estée Lauder is reportedly near a deal to buy the fashion label Tom Ford for $2.8 billion. (FT)

* 2023 will be a lousy year for I.P.O.s , Goldman Sachs warns. (Bloomberg)

* How JPMorgan Chase avoided taking the kinds of huge losses on leveraged buyout-related debt that are dogging rivals. (WSJ)

Policy

* The Education Department has suspended applications for student debt relief after a federal judge blocked its effort to cancel billions in loans. (Axios)

* Municipalities were a big winner of midterm elections , as voters approved billions of dollars worth of spending on local projects. (WSJ)

* Britain is struggling to convince companies to invest in the country as it faces a recession. (Bloomberg)

Best of the rest

* The Yale management professor Jeffrey Sonnenfeld defended aging leaders , including President Biden, who turns 80 this month. (Politico)

* Alibaba of China withheld sales data from Singles Day , its huge annual shopping event, for the first time. (Bloomberg)

* How droughts in Mexico could mess with your favorite beer . (NYT)

Thanks for reading! We'll see you tomorrow.

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ART The fallout over FTX raises a thicket of questions. | Saul Loeb/Agence France-Presse — Getty Images

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IPD Elections

PUB The New York Times Company

AN Document NYTFEED020221114eibe002xl

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The New York Times

SE Business

HD FTX's Collapse Casts a Pall on a Philanthropy Movement

BY By Nicholas Kulish

WC 1,283 words

PD 14 November 2022

ET 00:00 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

Sam **Bankman -Fried**, the chief executive of the embattled cryptocurrency exchange, was a proponent and donor of the "effective altruism" movement.

In short order, the extraordinary collapse of the cryptocurrency exchange **FTX** has vaporized billions of dollars of customer deposits, prompted investigations by law enforcement and destroyed the fortune and reputation of the company's founder and chief executive, Sam **Bankman-Fried**.

TD

It has also dealt a significant blow to the corner of philanthropy known as effective altruism , a philosophy that advocates applying data and evidence to doing the most good for the many and that is deeply tied to Mr. Bankman-Fried, one of its leading proponents and donors. Now nonprofits are scrambling to replace millions in grant commitments from Mr. Bankman-Fried's charitable vehicles, and members of the effective altruism community are asking themselves whether they might have helped burnish his reputation.

"Sam and FTX had a lot of good will — and some of that good will was the result of association with ideas I have spent my career promoting," the philosopher William MacAskill, a founder of the effective altruism movement who has known Mr. Bankman-Fried since the FTX founder was an undergraduate at M.I.T., wrote on Twitter on Friday. "If that good will laundered fraud, I am ashamed."

Mr. MacAskill was one of five people from the charitable vehicle known as the FTX Future Fund who jointly announced their resignation on Thursday. In their statement, they said that "it looks likely that there are many committed grants that the Future Fund will be unable to honor." Grant recipients worked on topics including pandemic preparedness and artificial intelligence safety.

Mr. MacAskill did not respond to a request for comment for this article.

Through a separate nonprofit called Building a Stronger Future, Mr. Bankman-Fried also gave to groups including the news organizations ProPublica , Vox and the Intercept.

In a note to staff members on Friday, ProPublica 's president, Robin Sparkman, and editor in chief, Stephen Engelberg , wrote that the remaining two-thirds of a $5 million grant for reporting on pandemic preparedness and biothreats were on hold. "Building a Stronger Future is assessing its finances and, concurrently, talking to other funders about taking on some of its grant portfolio," they wrote.

In a statement on Sunday, a senior adviser to the foundation, Avi Zenilman, wrote: "While we don't have information on the immediate future of Building a Stronger Future, it is clear that its scope and structure will need to change. However, the organizations and institutions it funded remain vitally important. We are hopeful that this work will continue in some way."

"We are deeply sorry to everyone impacted by this shocking event, including our grantees and partners," Mr. Zenilman added.

Benjamin Soskis , senior research associate in the Center on Nonprofits and Philanthropy at the Urban Institute, said that the issues raised by Mr. Bankman-Fried's reversal of fortune acted as a "distorted

fun-house mirror of a lot of the problems with contemporary philanthropy," in which very young donors control increasingly enormous fortunes.

"They gain legitimation from their status as philanthropists, and there's a huge amount of incentive to allow them to call the shots and gain prominence as long as the money is flowing," Mr. Soskis said.

Mr. Bankman-Fried's fall from grace may have cost effective-altruist causes billions of dollars in future donations. For a relatively young movement that was already wrestling over its growth and focus, such a high-profile scandal implicating one of the group's most famous proponents represents a significant setback.

His connection to the movement in fact predates the vast fortune he won and lost in the cryptocurrency field. Over lunch a decade ago while he was still in college, Mr. Bankman-Fried told Mr. MacAskill, the philosopher, that he wanted to work on animal-welfare issues. Mr. MacAskill suggested the young man could do more good earning large sums of money and donating the bulk of it to good causes instead.

Mr. Bankman-Fried went into finance with the stated intention of making a fortune that he could then give away. In an interview with The New York Times last month about effective altruism, Mr. Bankman-Fried said he planned to give away a vast majority of his fortune in the next 10 to 20 years to effective altruist causes. He did not respond to a request for comment for this article.

Effective altruism focuses on the question of how individuals can do as much good as possible with the money and time available to them. Historically, the community focused on low-cost medical interventions, such as insecticide-treated bed nets to prevent mosquitoes from giving people malaria.

More recently many members of the movement have focused on issues that could have a greater impact on the future, like pandemic prevention and nuclear nonproliferation as well as preventing artificial intelligence from running amok and sending people to distant planets to increase our chances of survival as a species.

In a few short years, effective altruism went from a somewhat obscure corner of charity favored by philosophy students and social workers to a leading approach to philanthropy for an increasingly powerful cohort of millennial and Gen-Z givers, including Silicon Valley programmers and hedge fund analysts.

The Facebook and Asana co-founder Dustin Moskovitz and his wife, Cari Tuna, have said they are devoting much of their fortune to effective-altruist causes.

"I don't know yet how we'll repair the damage Sam did and harden EA against other bad actors," Mr. Moskovitz wrote in a tweet on Saturday. "But I know that we're going to try, because the stakes remain painfully high."

As recently as last month, the umbrella FTX Foundation said it had given away $140 million, of which $90 million went through the FTX Future Fund dedicated to long-term causes. It is unclear how much of that money made it to the recipients and how much was earmarked for giving in installments over several years.

Asked whether he had set up any kind of endowment for his giving, Mr. Bankman-Fried said in the Times interview last month: "It's more of a pay-as-we-go thing, and the reason for that, frankly, is I'm not liquid enough for it to make sense to do an endowment right now."

A significant share of the grants went to groups focused on building the effective altruist movement rather than organizations working directly on its causes. Many of those groups had ties to Mr. Bankman-Fried's own team of advisers. The largest single grant listed on the Future Fund website was $15 million to a group called Longview, which according to its website counts the philosopher Mr. MacAskill and the chief executive of the FTX Foundation, Nick Beckstead, among its own advisers .

The second-largest grant, in the amount of $13.9 million, went to the Center for Effective Altruism. Mr. MacAskill was a founder of the center. Both Mr. Beckstead and Mr. MacAskill are on the group's board of trustees , with Mr. MacAskill serving as the chair of the United Kingdom board and Mr. Beckstead as the chair of the U.S. subsidiary.

The FTX Foundation itself had little to no oversight beyond Mr. Bankman-Fried's close coterie of collaborators. According to its website, the board of the FTX Foundation comprised Caroline Ellison, the head of Alameda Research, the hedge fund Mr. Bankman-Fried founded; Gary Wang, the chief technology officer of FTX; and Nishad Singh, director of engineering at FTX.

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The New York Times

SE en Español
HD **¿Qué pasó con FTX? Esto es lo que tienes que saber**
BY By Kalley Huang
WC 965 words
PD 14 November 2022
ET 23:18 GMT
SN NYTimes.com Feed
SC NYTFEED
LA English
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LP

Binance , la casa de cambio de criptomonedas más grande del mundo, estaba preparada para rescatar a **FTX**. Luego se retiró del acuerdo.

Cuando el mercado de las criptomonedas experimentó una caída que causó la pérdida de 2 billones de dólares en mayo, **FTX**, una empresa del sector, les ofreció ayuda financiera a varias firmas al borde del derrumbe.

TD

La semana pasada, le tocó el turno a FTX de necesitar rescate… y su rival Binance pareció estar a punto de ofrecérselo . Luego, Binance . Luego, dio marcha atrás y anunció que no concretaría el acuerdo para adquirir la empresa.

Actualización: El viernes, FTX se declaró en bancarrota y Sam Bankman -Fried renunció al puesto de director general.

¿Qué son FTX y Binance?

FTX y Binance son casas de cambio de criptomonedas, es decir, su propósito era y es ofrecer a sus clientes un espacio para intercambiar monedas digitales por otras monedas digitales o por dinero tradicional y viceversa. Juntas, estas dos casas de cambio procesaban la mayoría de las operaciones realizadas con criptomonedas en el mundo, según CoinMarketCap, empresa dedicada a darles seguimiento a datos de la industria.

Al frente de FTX, una de las mayores casas de cambio del mundo, con oficinas centrales en las Bahamas, se encontraba Sam Bankman -Fried. La empresa había invertido millones de dólares en acciones de cabildeo para conseguir que los legisladores estadounidenses instituyeran legislación favorable para la criptoindustria.

Al mando en Binance , la mayor casa de cambio, se encuentra el multimillonario Changpeng Zhao . La empresa, que no tiene oficinas centrales oficiales y en general opera fuera de Estados Unidos, ha sido objeto de críticas por evadir las normas. Binance invirtió en FTX en sus inicios.

Ambas empresas han cimentado sus operaciones en opciones riesgosas de negociación que no son legales en Estados Unidos. Ambas cuentan con divisiones más pequeñas en Estados Unidos, Binance.us y FTX.us, que son independientes de la empresa mayor y cuya estructura está diseñada para cumplir con las regulaciones estadounidenses.

La criptoindustria ha atraído cada vez más la atención de los reguladores en el Capitolio de Estados Unidos y por todo el mundo. Zhao, de 45 años, y Bankman-Fried, de 30, han tenido enfrentamientos públicos sobre la regulación más adecuada para las criptomonedas… o si siquiera es necesaria.

¿Por qué tuvo problemas FTX?

FTX tiene un token propio llamado FTT, que los agentes u operadores negociadores utilizan para operaciones como el pago de comisiones por transacción. El año pasado, Zhao le vendió de regreso su participación en FTX a Bankman-Fried, quien hizo un pago parcial con tókenes FTT.

El 2 de noviembre, la publicación especializada en criptomonedas CoinDesk informó que, al parecer, se había filtrado un documento que demostraba que Alameda Research, un fondo de cobertura operado por Bankman-Fried, tenía una gran cantidad, un tanto inusual, de tókenes FTT. En teoría, FTX y Alameda son empresas independientes, pero en la noticia se daba a entender que tenían vínculos financieros estrechos.

Binanceanunció el 6 de noviembre su intención de vender sus tókenes FTT "debido a revelaciones recientes". En respuesta, el precio de los FTT se desplomó y los operadores se apresuraron a abandonar a FTX, por temor a que se convirtiera en otra criptoempresa más en desgracia.

FTX tuvo dificultades para procesar las solicitudes de retiros, que llegaron a un total de alrededor de 6000 millones de dólares en tres días. Luego, llegó a tener problemas de liquidez, pues no contaba con suficiente dinero para cubrir las solicitudes recibidas.

¿Cómo intervino Binance?

El 8 de noviembre, Binanceindicó que había llegado a un acuerdo para comprar FTX y así rescatarla. Sin embargo, Zhao añadió en ese anuncio, "Binance tiene la opción de desistir del acuerdo en cualquier momento".

En un anuncio simultáneo, Bankman-Fried señaló que el acuerdo protegería a los clientes y le permitiría a FTX terminar de procesar los retiros solicitados. Intentó calmar el nerviosismo en torno a los rumores sobre un conflicto entre FTX y Binance e incluso dijo: "Estamos en las mejores manos".

¿Por qué no se concretó el acuerdo entre Binance y FTX?

El 9 de noviembre, Binanceanunció que había decidido no comprar FTX, "tras completar el debido proceso de auditoría de la empresa". Además, citó investigaciones regulatorias e informes sobre la mala gestión de fondos.

"Siempre que fracasa una empresa importante, independientemente de la industria, los consumidores minoristas sufren", afirmó Binance en un comunicado. "Desde hace unos años hemos visto que el ecosistema de las criptomonedas se ha vuelto más resistente y estamos convencidos de que, con el tiempo, el libre mercado se encargará de deshacerse de las personas ajenas que hacen mal uso de los fondos de los usuarios".

Antes de anunciar su bancarrota, FTX había comunicado que había llegado a un acuerdo con Tron, plataforma de cadena de bloques, para cambiar algunos tókenes de FTX a otras billeteras de criptomonedas.

¿Por qué la situación de FTX ha afectado al mercado de las criptomonedas?

La industria de las criptomonedas desde hace tiempo ha batallado para convencer a los reguladores, inversionistas y clientes comunes de que es confiable. La caída de FTX, que parecía más estable que otras empresas, además del retiro de Binance de la compra, han sobresaltado al mercado.

El precio de los FTT ha bajado aproximadamente un 80 por ciento desde el 8 de noviembre. El precio del bitcóin y el ether , unos de los tókenes más valiosos, ha fluctuado muchísimo desde el 8 de noviembre; en cierto momento, sufrió una caída de más del 20 por ciento.

Kalley Huang es una becaria enfocada en información tecnológica con sede en San Francisco. Se graduó en la Universidad de Carolina del Norte en Chapel Hill. @KalleyHuang

CO ftxdig : FTX Trading Ltd | hlicay : Binance (Cayman Islands)

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The New York Times

SE Technology

HD **How Sam Bankman-Fried's Crypto Empire Collapsed**

BY By David Yaffe-Bellany

WC 2,140 words

PD 14 November 2022

ET 22:06 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

In less than a week, the cryptocurrency billionaire Sam **Bankman-Fried** went from industry leader to industry villain, lost most of his fortune, saw his $32 billion company plunge into bankruptcy and became the target of investigations by the Securities and Exchange Commission and the Justice Department.

But in a wide-ranging interview on Sunday that stretched past midnight, he sounded surprisingly calm. "You would've thought that I'd be getting no sleep right now, and instead I'm getting some," he said. "It could be worse."

TD

The empire built by Mr. Bankman-Fried, who was once compared to titans of finance like John Pierpont Morgan and Warren Buffett, collapsed last week after a run on deposits left his crypto exchange, FTX, with an $8 billion shortfall, forcing the firm to file for bankruptcy. The damage has rippled across the industry, destabilizing other crypto companies and sowing widespread distrust of the technology.

Besides some Twitter posts, messages to employees and occasional texts to reporters, Mr. Bankman-Fried, 30, has said little publicly over the last week. In the interview on Sunday, he voiced numerous regrets over the collapse of FTX.

But he would offer only limited details about the central questions swirling around him: whether FTX improperly used billions of dollars of customer funds to prop up a trading firm that he also founded, Alameda Research. The Justice Department and the S.E.C. are examining that relationship.

Alameda had accumulated a large "margin position" on FTX, essentially meaning it had borrowed funds from the exchange, Mr. Bankman-Fried said. "It was substantially larger than I had thought it was," he said. "And in fact the downside risk was very significant." He said the size of the position was in the billions of dollars but declined to provide further details.

Mr. Bankman-Fried did, however, agree with critics in the crypto community who said he had expanded his business interests too quickly across a wide swath of the industry. He said his other commitments had led him to miss signs that FTX was running into trouble.

"Had I been a bit more concentrated on what I was doing, I would have been able to be more thorough," he said. "That would have allowed me to catch what was going on on the risk side."

Mr. Bankman-Fried, who is based in the Bahamas, declined to comment on his current location, citing safety concerns. Lawyers for FTX and Mr. Bankman-Fried did not respond to requests for comment.

Mr. Bankman-Fried's fall has stunned the crypto world. But in recent months, warning signs had emerged that his business empire was in peril and that his ambitions exceeded his grasp, according to interviews with nine of his colleagues and business partners, as well as internal messages obtained by The New York Times.

As he embarked on a buying spree this year, investing in beleaguered crypto companies, he wasn't sharing information with key staff. When he was told that he was overextended and was encouraged to hire more employees, he resisted the suggestions. And in Washington, he was pushing an ambitious regulatory agenda while speaking critically about Changpeng Zhao, the chief executive of the rival exchange Binance, who eventually mobilized his extensive Twitter following to set off the run on FTX.

Despite the billions that venture capital firms put into the company, FTX had none of those outside investors on its board. In the Bahamas, Mr. Bankman-Fried led a sometimes cloistered existence, surrounded by a small coterie of colleagues, some of whom were in romantic relationships with other FTX employees, according to four people familiar with the matter. He and his top lieutenants lived together in a penthouse in Albany, a 600-acre oceanside resort on the island of New Providence in the Bahamas.

Asked whether he was overly dependent on that small group, Mr. Bankman-Fried said his circle of close colleagues numbered about 15. "Realistically speaking, I don't think anyone can maintain close contact and close communication with more than 15 people," he said.

The relationship between Alameda and FTX was the root of Mr. Bankman-Fried's downfall. He founded the trading firm in 2017 and rented offices in Berkeley, Calif., not far from where he had grown up as the son of Stanford Law professors. Soon the company made millions of dollars exploiting inefficiencies in the Bitcoin market.

In 2019, Mr. Bankman-Fried relocated the company to Hong Kong, a friendlier regulatory environment. He moved with a small band of traders — including Caroline Ellison, a former trader at the financial firm Jane Street — and went on to start FTX, a marketplace for crypto investors to buy, sell and store digital assets.

FTX and Alameda were closely linked. Alameda traded heavily on the FTX platform, meaning it sometimes benefited when FTX's other customers lost money, a dynamic that critics called a conflict of interest. In the past, Mr. Bankman-Fried has defended the arrangement, saying Alameda provided crucial liquidity — injections of capital that enabled other customers to complete transactions on the exchange.

Alameda was run by Ms. Ellison, but Mr. Bankman-Fried was also involved, contributing to the decision-making on big trades, a person familiar with the company's inner workings said. At times, there did not appear to be much of a firewall between the businesses. Alameda was supposed to operate out of a separate office, but a guest who visited FTX's complex in recent months said Ms. Ellison had been sitting within view of computers displaying the exchange's trading data.

In addition to Mr. Bankman-Fried and Ms. Ellison, the circle of executives running the crypto operation in the Bahamas included Nishad Singh, FTX's director of engineering; Gary Wang, the exchange's chief technology officer; and Ramnik Arora, the head of product.

Mr. Bankman-Fried moved FTX to the Bahamas in 2021, drawn by a regulatory setup that allowed him to offer risky trading options that weren't legal in the United States. On the exchange, investors could borrow money to make big bets on the future value of cryptocurrencies.

He lived in a five-bedroom penthouse in the Albany resort's Orchid building, with Ms. Ellison, Mr. Singh, Mr. Wang and six others. Mr. Bankman-Fried and Ms. Ellison were at times romantically involved, two people said.

Mr. Bankman-Fried said he and Ms. Ellison were no longer in a romantic relationship but declined to comment further. Ms. Ellison did not respond to a request for comment. Many details of the relationships among FTX's leadership team were previously reported in the crypto publication CoinDesk.

Mr. Bankman-Fried's circle of colleagues was bound by a commitment to effective altruism, a charitable movement that urges adherents to give away their wealth in efficient and logical ways. For co-workers outside the clique, it was sometimes difficult to get time to speak with Mr. Bankman Fried, a person familiar with the matter said. And Mr. Bankman-Fried made it a point of pride that FTX had only about a 300-person staff, much smaller than its top rivals, Binance and Coinbase.

Even as he kept hiring down, Mr. Bankman-Fried built an ambitious philanthropic operation, invested in dozens of other crypto companies, bought stock in the trading firm Robinhood, donated to political campaigns, gave media interviews and offered Elon Musk billions of dollars to help finance the mogul's Twitter takeover.

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Mr. Bankman-Fried said he wished “we’d bitten off a lot less.”

“The venture stuff was probably not really worth it given the attention that it took,” he said, referring to his investments in other companies.

Perhaps Mr. Bankman-Fried’s most ambitious aim was to shape crypto regulation in Washington, where he testified to Congress and met with regulators. He also used his growing influence in the capital to criticize his biggest rival, Mr. Zhao, in private meetings, people familiar with the matter said.

Attacking Mr. Zhao “was not a good strategic move on my part,” Mr. Bankman-Fried said on Sunday. “I was pretty frustrated at a lot of what I saw happening, but I should’ve understood that it was not a good decision of me to express that.”

A former investor in FTX, Mr. Zhao still owned a large amount of FTT, a cryptocurrency that FTX invented to facilitate trading on its platform. On Nov. 6, Mr. Zhao announced on Twitter that he was selling the FTT, spooking customers who rushed to withdraw their FTX deposits.

“We won’t pretend to make love after divorce,” Mr. Zhao wrote on Twitter. “We won’t support people who lobby against other industry players behind their backs.”

When FTX collapsed, Mr. Zhao initially agreed to buy the exchange in what would have amounted to a bailout. But soon the deal fell through, after Binance found problems in the company’s financials. In a Signal group chat that included Mr. Bankman-Fried and other FTX representatives, Mr. Zhao posted a curt note, according to two people familiar with the matter. “Sam, I’m sorry,” he wrote, “but we won’t be able to continue this deal. Way too many issues. CZ.”

Mr. Bankman-Fried scrambled to line up new financing. “I shouldn’t throw stones in a glass house, so I’ll hold back a bit,” he said in a message to employees obtained by The Times. “Except to say: probably they never really planned to go through with the deal.”

Meanwhile, at a meeting with Alameda employees on Wednesday, Ms. Ellison explained what had caused the collapse, according to a person familiar with the matter. Her voice shaking, she apologized, saying she had let the group down. Over recent months, she said, Alameda had taken out loans and used the money to make venture capital investments, among other expenditures.

Around the time the crypto market crashed this spring, Ms. Ellison explained, lenders moved to recall those loans, the person familiar with the meeting said. But the funds that Alameda had spent were no longer easily available, so the company used FTX customer funds to make the payments. Besides her and Mr. Bankman-Fried, she said, two other people knew about the arrangement: Mr. Singh and Mr. Wang.

The meeting was previously reported by The Wall Street Journal. Mr. Singh did not respond to a request for comment, and Mr. Wang could not be reached. According to a person familiar with FTX’s finances, the exchange lent as much as $10 billion to Alameda.

As FTX has crumbled, Mr. Bankman-Fried has been “working constructively with regulators, bankruptcy officials and the company to try to do what’s best for consumers,” he said on Sunday.

His management of FTX is now the subject of an inquiry by federal prosecutors in New York, who have begun contacting possible witnesses, according to a person familiar with the matter. Others associated with FTX have started reaching out to lawyers for potential representation, said several people briefed on the matter. FTX is being represented in the investigations and the bankruptcy by the law firm Sullivan & Cromwell, while lawyers from Paul Weiss are representing Mr. Bankman-Fried.

In the interview, Mr. Bankman-Fried declined to discuss the prospect of prison time.

“People can say all the mean things they want about me online,” he said. “In the end, what’s going to matter to me is what I’ve done and what I can do.”

He has also found other ways to occupy his time in recent days, playing the video game Storybook Brawl, though less than he usually does, he said. “It helps me unwind a bit,” he said. “It clears my mind.”

Shortly before the interview, Mr. Bankman-Fried had posted a cryptic tweet: the word “What.” Then he had tweeted the letter H. Asked to explain, Mr. Bankman-Fried said he planned to post the letter A and then the letter P. “It’s going to be more than one word,” he said. “I’m making it up as I go.”

So he was planning a series of cryptic tweets? “Something like that.”

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But why? “I don’t know,” he said. “I’m improvising. I think it’s time.”

Matthew Goldstein, Erin Griffith and Ephrat Livni contributed reporting

Matthew Goldstein, Erin Griffith and Ephrat Livni contributed reporting

ART Crypto enthusiasts at a conference in April in Nassau, Bahamas, where FTX is based. | Erika P. Rodriguez for The New York Times | Changpeng Zhao, the chief executive of Binance, initially agreed to buy FTX in what would have amounted to a bailout. | Benoit Tessier/Reuters | Mr. Bankman-Fried, testifying before a Senate committee in February, made ambitious efforts to shape federal crypto regulation. | Saul Loeb/Agence France-Presse — Getty Images

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RE bah : Bahamas | caribz : Caribbean Islands

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The New York Times

CLM DEALBOOK NEWSLETTER
SE Business/Financial Desk; SECTB
HD **FTX's Founder Was Called A Modern-Day J.P. Morgan. The Analogy Still Works.**
BY By Roger Lowenstein
WC 772 words
PD 14 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 5
LA English
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LP

Though one of them failed and the other died rich, both of their careers make the case for central banks.

The DealBook newsletter delves into a single topic or theme every weekend, providing reporting and analysis that offer a better understanding of an important issue in business. If you don't already receive the daily newsletter, sign up here .

TD

With inflation still roaring, it is a hard time to make a case for the value of central banks. But the boy wizards of cryptocurrency have done it.

The great benefit of crypto was said to be decentralization. This was accompanied by all manner of gasbagging about the liberating power of money unhinged from the central state.

One prominent evangelist of decentralized money, Sam Bankman-Fried, famously wore shorts and was said to be worth $25 billion at age 30. Mr. Bankman-Fried, the founder of the exchange known as FTX, was considered by many to be a safe bet that would tame the wilds of crypto, his industry's white knight.

That characterization gained steam this summer after Mr. Bankman-Fried tried to bail out a couple of smaller failed crypto firms, Voyager Digital and BlockFi Inc., drawing laudatory press that compared him to J.P. Morgan Sr.

The Morgan analogy was repeated this week even after FTX customers withdrew $6 billion in funds in the equivalent of a bank run, forcing FTX to freeze operations and stranding billions in remaining customers' potentially lost assets.

For all of the obvious ways in which Mr. Bankman-Fried is no Pierpont Morgan, a model of discretion whose namesake firm continues to be solvent to this day, on one point they have something in common: Their careers demonstrate a need for central banks.

Morgan earned his reputation as a private rescuer in 1907, when a bank run struck the trusts (banklike associations) in New York City and then spread to traditional banks. Morgan assembled the city's leading financiers to lend emergency funds and ease the panic.

His heroism slowed the bleeding -- but some banks failed, many suspended withdrawals and scores resorted to dispensing homemade certificates in lieu of money. As each bank hoarded reserves to save itself, the stock market plunged 40 percent and the country suffered a severe recession.

Morgan's inadequacy made plain that the United States, already an industrial powerhouse, could not depend on the benevolence of a single financier. Precisely for this reason, Nelson Aldrich, a powerful senator with close ties to Morgan, led a mission to Europe in 1908 to study the workings of the central banks in England, France and Germany.

Two years later, a group of bankers, including a senior partner of Morgan's, the president of its rival National City Bank, and the central banking crusader Paul Warburg, gathered at Morgan's exclusive club on Jekyll Island, off the coast of Georgia. Meeting in secret, they plotted the outline of what Americans had resisted since Andrew Jackson's day -- a central bank. The Federal Reserve was born three years later, in 1913.

This week, The Wall Street Journal's James Mackintosh opined, "The fundamental flaw of centralized finance is that it needs central banks to end chaotic bank runs ..." This is like saying that the flaw with owning a home is that one may need the fire department.

Any monetary instrument is a form of credit, and credit will always involve risk. Mr. Bankman-Fried discovered that. His putative savior, a crypto exchange known as Binance, backed out 24 hours after it had tentatively agreed to a rescue. On Friday, FTX filed for bankruptcy. Yet had the rescue deal gone through, Binance would have been on the hook for, reportedly, up to $8 billion in claims against FTX. Who would have come to the rescue of Binance?

The point of a central reserve, which is what Paul Warburg and Nelson Aldrich had in mind in 1913, is that the pooled resources of the nation are immeasurably greater than those of any single mogul. They offer, in times of need, an ocean of liquidity to iron out the inevitable fluctuations in individual, regional, and industry-specific credit. Would anyone in their right mind wish to entrust the nation to crypto -- and trade the imperfect Fed for the likes of FTX and Binance?

Roger Lowenstein is the author of ''America's Bank: The Epic Struggle to Create the Federal Reserve.''

What do you think? Let us know: dealbook@nytimes.com.

ART This article appeared in print on page B5.

CO cnyc : JPMorgan Chase & Co.

IN ibnk : Banking/Credit | ifinal : Financial Services | i814 : Banking | i81402 : Commercial Banking | iibnk : Integrated Banks

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The New York Times

SE National Desk; SECTA

HD **Crypto Giant FTX Investigating $515 Million in Transfers After Collapse**

BY By David Yaffe-Bellany

WC 1,306 words

PD 13 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 27

LA English

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LP

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A day after it filed for bankruptcy, the collapsed cryptocurrency exchange **FTX** said on Saturday that it was investigating "unauthorized transactions" flowing from its accounts, as crypto researchers documented suspicious transfers of $515 million that may have been the result of a hack or theft.

TD

John J. Ray III, the newly instated chief executive of FTX, said in a statement that "unauthorized access to certain assets has occurred," and that the company was in touch with law-enforcement officials and regulators. As part of the bankruptcy process, the company has been moving its remaining crypto funds to a more secure form of storage.

The suspicious movement of funds marked a new twist in a dramatic series of events that kicked off earlier in the week, when the exchange faced a run on deposits and was unable to meet demand. On Friday, the company filed for bankruptcy, and Sam Bankman -Fried, FTX's founder and chief executive, announced his resignation, with Mr. Ray, a corporate turnaround specialist, replacing him.

The implosion of Mr. Bankman-Fried's cryptocurrency exchange has already cost customers billions of dollars in lost crypto deposits, setting off law-enforcement investigations that could lead to criminal charges.

But the full impact of FTX's dramatic collapse is only beginning to take shape. In his relatively short time as a multibillionaire, Mr. Bankman-Fried built up an astonishingly broad business empire, with investments in dozens of smaller crypto firms and partnerships with businesses as varied as Anthony Scaramucci 's investment firm SkyBridge Capital and the N.B.A.'s Miami Heat . He also became an influential Democratic Party donor, promising to spend as much as $1 billion during the 2024 election cycle.

Now, all those ventures have been thrust into chaos.

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FTX paid high yields to companies that stored assets on its platform, which led many crypto start-ups to treat it as a bank. Genesis , a trading platform, said this past week that it had $175 million in funds locked up with FTX. The company moved to secure a $140 million cash infusion from its parent company, Digital Currency Group , a spokeswoman for the firm said.

Pantera Capital, a crypto hedge fund, told investors in a letter on Friday that under 3 percent of its $4.5 billion in assets had been in FTX stock and FTT, a token created by the company, before the collapse. As FTX was seeking a bailout on Tuesday, the firm moved to sell the majority of its FTT tokens and told its portfolio companies to do the same, said Paul Veradittakit, an investor at the firm.

"The safest thing right now is to hold cash or self-custody," Mr. Veradittakit said. Self-custody means holding one's own assets, rather than parking them with a service provider like an exchange.

News of the possible theft started spreading on Twitter late Friday night, as crypto enthusiasts examined public transaction records documenting the movement of cryptocurrencies. A report by the crypto research firm Elliptic pegged the amount that may have been stolen or hacked at $515 million.

The exact nature of the transfers remained unclear. It could have been the result of a hacker gaining access to the exchange's system, or an insider with special access seeking to abscond with funds. Asked about the transfers, Mr. Bankman-Fried said in a text to The New York Times , "We're sorting through it with the bankruptcy" team.

In its post, Elliptic said the cryptocurrencies that were suspiciously transferred from FTX were rapidly moved through decentralized exchanges -- crypto marketplaces that operate based on code and have fewer guardrails than centralized exchanges like Coinbase . The researchers described the transfers as "a common technique used by hackers in order to prevent their haul being seized."

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But a major theft would make it even more difficult for FTX to refund customers and other creditors who have already lost billions of dollars in the firm's collapse.

After failing to meet a surge of withdrawal requests this past week, FTX is estimated to owe $8 billion, according to people familiar with the matter. Amateur investors stored their crypto savings on FTX, which was widely regarded as a safe and easy-to-use platform, even in the wild world of crypto. How much those customers are repaid will depend on the bankruptcy process. In an initial filing on Friday, FTX said it had more than 100,000 creditors.

When a traditional bank teeters on collapse, there's often an expectation that the government could step in and save it. That is not the case with crypto, which has experienced a series of bank runs this year that have left customers scrambling to cash out before their investments vaporized.

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As speculation about the suspicious FTX fund transfers spread on Twitter , crypto industry officials appeared to be piecing together the situation in real time. After reports circulated that someone involved in moving funds had an account on Kraken, another crypto exchange, Kraken's chief security officer, Nick Percoco, tweeted, "We know the identity of the user."

Ryne Miller, the general counsel of the U.S. arm of FTX, quickly responded. "Interested in anything you are open to share," he said. "Could you reach out to me?" A Kraken spokesman did not immediately respond to a request for comment.

Mr. Bankman-Fried's collapse was a stunning fall from grace for an executive who had been compared to titans of finance like John Pierpont Morgan and Warren Buffett . But as the bankruptcy has thrown his empire into turmoil, a different picture is emerging.

Investigators at the S.E.C. and the Justice Department are examining whether Mr. Bankman-Fried improperly used customer funds to prop up Alameda Research, a trading firm that he also owns. FTX lent as much as $10 billion in customer funds to Alameda, according to a person familiar with the finances.

Months before the bankruptcy, cracks were emerging. Mr. Bankman-Fried reacted defensively when offered feedback that he was overextending himself and needed to hire more staff, according to someone close to him. He also delayed bonus payments to employees that were supposed to go out in the middle of the year, making the payments months late, the person said.

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FTX did not respond to a request for comment.

Erin Griffith and Stephen Gandel contributed reporting.

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ART Sam Bankman-Fried, chief of the crypto exchange FTX, resigned after a run on deposits forced the company to file for bankruptcy. (PHOTOGRAPH BY SAUL LOEB/AGENCE FRANCE-PRESSE -- GETTY IMAGES) This article appeared in print on page A27.

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The New York Times

SE Business

HD **FTX Investigating Possible Hack Hours After Bankruptcy Filing**

BY By David Yaffe-Bellany

WC 1,263 words

PD 12 November 2022

ET 14:31 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

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IPD Cyberattacks and Hackers

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The New York Times

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HD **Questions About Crash Of FTX Rise For Investors**

BY By Erin Griffith and David Yaffe-Bellany

WC 1,396 words

PD 12 November 2022

SN The New York Times

SC NYTF

ED Late Edition - Final

PG 1

LA English

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LP

Venture capital firms and investment funds showered the failed crypto exchange and its founder with money. There were few strings attached.

Sam **Bankman -Fried**'s pitch to investors was not much of a pitch: It was a take-it-or-leave-it offer.

TD

In meetings to raise money for his cryptocurrency exchange FTX over the last year, the entrepreneur left little room for negotiation, two investors said. FTX was his company, Mr. Bankman-Fried told them, and he planned to run it with little oversight. Interested investors should "support him and observe," one investor who heard the pitch said.

They responded by giving him $500 million early this year, valuing the privately held FTX at $32 billion.

This week, Mr. Bankman-Fried met with investors again -- but with a different tone. FTX had collapsed overnight, putting billions of dollars in customer funds in jeopardy, setting off a slew of government investigations and thrusting the crypto markets into chaos. He was sorry, he said. He had messed up. Without a bailout, FTX could fail.

It was a humbling fall for Mr. Bankman-Fried, 30, who had cultivated a reputation as an iconoclastic wunderkind who could multitask effortlessly and slept on a beanbag at the office. Yet more than 80 investors went along with his vision, pouring nearly $2 billion into FTX in just two years.

Now investors are under scrutiny, too, for enabling Mr. Bankman-Fried with so little oversight. It was the most dramatic example in recent history of what happens when so-called visionary founders are given lots of money with few strings attached.

The events showed that even the top investors -- whose money in FTX has vaporized -- can wildly miss the mark, said Kevin Werbach , a professor of business at the Wharton School of the University of Pennsylvania .

"You can look like a genius making successful big bets," he said, "but sooner or later you'll crash spectacularly if you weren't doing real diligence."

On Friday, FTX, facing a cash shortfall of $8 billion and scrambling to drum up money, filed for bankruptcy. Mr. Bankman-Fried resigned as chief executive. The Justice Department and the Securities and Exchange Commission are examining whether FTX improperly used customer funds to prop up a separate trading firm, Alameda Research, which Mr. Bankman-Fried also founded.

FTX's list of investors spans powerful and well-known investment firms: NEA, IVP , Iconiq Capital, Third Point Ventures , Tiger Global, Altimeter Capital Management, Lux Capital , Mayfield, Insight Partners, Sequoia Capital, SoftBank, Lightspeed Venture Partners , Ribbit Capital , Temasek Holdings , BlackRock and Thoma Bravo .

Some of FTX's investors declined to comment or did not respond to requests.

Four FTX investors, who declined to be identified, said they were shocked by the company's sudden collapse. They said they had properly researched the company's financials, which showed a healthy, growing business that provided an easy-to-use platform for people to buy, sell and store crypto. And they were completely in the dark about FTX's possible self-dealing with Alameda, they said.

Investing in FTX gave them a piece of the hottest start-up in an emerging sector that promised to be as big as smartphone apps or the internet itself. Many investors had trumpeted their support of the deal. Sequoia even published a glowing profile of Mr. Bankman-Fried to its website.

Now the deal represents a major black eye.

Paradigm , a crypto-focused venture fund that put $278 million into FTX, told its own backers in a letter on Wednesday that the investment was likely worthless. Sequoia said in a statement that it valued its $213 million investment in FTX at $0. The venture capital arm of the Ontario Teachers' Pension Plan , which put $95 million into FTX, said in a statement, "Not all of the investments in this early-stage asset class perform to expectations."

FTX's lack of oversight also left investors out of the loop about what happened this week as Mr. Bankman-Fried tried to find a last-minute bailout.

"The full nature and extent of this risk is not known at this time," Sequoia wrote. FTX's liquidity shortfall "will take many months to fully understand," Paradigm said.

Mr. Bankman-Fried, who did not immediately respond to a request for comment, had never made it a secret that he thumbed his nose at tradition.

In an interview with The New York Times in April, Ramnik Arora, one of FTX's top executives, described a video meeting last year between Mr. Bankman-Fried and partners at a top venture firm. In the meeting, Mr. Bankman-Fried delivered a well-received presentation while simultaneously playing a video game.

"The entire partner meeting, he was playing League of Legends at the same time," Mr. Arora said.

Before another investor meeting, Mr. Arora said, the investors asked Mr. Bankman-Fried to put together a slide deck. The entrepreneur threw the presentation together in about a couple of hours.

"There's no formatting anywhere, fonts are everywhere," Mr. Arora said. "You can just feel discomfort -- both sides -- because the investors are like, 'How the hell are we being shown a deck that clearly no one spent any time on?'"

Still, investors weren't offended. For years, they had been loosening deal-making practices that gave them control over a company and protected their investments. It was a way to get into the best deals as money from all over the world flooded into high-growth start-ups. Last year's overlapping investment manias in cryptocurrencies, equities and start-up valuations intensified the trend.

Some of FTX's investors viewed the company as a way to dip a toe in cryptocurrency investing without buying volatile tokens. Others saw FTX as a safer bet than Binance , one of the largest crypto exchanges, since FTX had pushed to establish a regulatory regime in Washington while Binance has come under fire for its secrecy and for skirting financial regulations around the world.

Above all, the investors emphasized that venture capital is designed to take big risks that often fail.

But even by 2021's frothy standards, Mr. Bankman-Fried's latitude from investors was extreme. Despite raising $2 billion, he remained the majority owner of the company. No investors joined FTX's board of directors, which was made up of Mr. Bankman-Fried, an FTX employee and a lawyer. (An advisory board of investors had no functional control over the company.) The company did not tell investors the nature of its business with Alameda Research, Mr. Bankman-Fried's separate crypto trading operation.

Mr. Bankman-Fried was so averse to outside input that investors who dared suggest that a more experienced executive run the company were likely to be shut out of future rounds of funding, one investor said.

In an April interview with Bloomberg, Mr. Bankman-Fried accused venture capital investors of doing deals based on a fear of missing out, rather than financial models. "Like all the models are made up, right?" he said.

In return, investors showered Mr. Bankman-Fried with fawning praise. Orlando Bravo , whose firm, Thoma Bravo , invested $150 million into FTX, said at a conference in September that, despite his

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misgivings about the overall crypto industry, he believed Mr. Bankman-Fried was "one of the best entrepreneurs" he had met.

The Sequoia profile explained that Mr. Bankman-Fried "lives his life by a calculus of altruistic impact." During a video call with the FTX founder, the profile said, Sequoia 's partners commented excitedly to one another in the chat. "I LOVE THIS FOUNDER," one partner wrote.

This week, Sequoia replaced the article with an update. "A liquidity crunch has created solvency risk for FTX and its future is uncertain," it said.

At the end of Mr. Bankman-Fried's call with investors this week, several accused him of hiding details of FTX's dealings with Alameda Research and asked for more information, a person on the call said. He sidestepped the questions and ended the conversation.

ART Sam Bankman-Fried, FTX's founder, once told interested investors to "support him and observe," one investor who heard the pitch said. (PHOTOGRAPH BY ERIKA P. RODRIGUEZ FOR THE NEW YORK TIMES) This article appeared in print on page B1, B3.

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The New York Times

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SE Business; DealBook
HD **Regulators Begin Cracking Down on FTX**

BY By Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Stephen Gandel, Michael J. de la Merced, Lauren Hirsch and Ephrat Livni
WC 2,145 words
PD 11 November 2022
ET 13:40 GMT
SN NYTimes.com Feed
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LP

Authorities worldwide are intensifying their scrutiny of the embattled cryptocurrency exchange, amid concern about improper use of customer money.

The noose tightens for **FTX**

TD

Sam Bankman -Fried, the founder of the embattled crypto exchange FTX, may be racing to raise as much as $8 billion to save his imploding empire. But regulators are already moving to freeze parts of FTX's business, while other divisions file for insolvency or prepare to halt operations.

And the contagion from FTX is spreading: Changpeng Zhao , a founder of the giant exchange Binance and FTX's onetime savior, warned attendees of a conference in Indonesia on Friday that the crypto industry was facing a reckoning on the scale of the 2008 global financial crisis. "With FTX going down, we will see cascading effects," he said.

Crypto investors, executives and others are raising more questions about what's next. What will the fallout be for venture-capital backers who took money from Bankman-Fried? And will other companies in the crypto world fold?

The Bahamas' securities regulator has frozen some FTX assets, and appointed a provisional liquidator to assess whether the exchange's Bahamian operations — the company is headquartered there — should be wound down. The regulator said it was driven by reports that FTX client money was improperly used to prop up a trading affiliate, Alameda Research. That comes as regulators like the S.E.C. and the Justice Department are also investigating, and as FTX operations in Australia and Japan were shut or suspended.

Meanwhile, Bankman-Fried has hired Martin Flumenbaum , the Paul Weiss litigator who represented Michael Milken in the bond mogul's fight against insider-trading charges, according to The Financial Times.

FTX investors are facing more tough questions. Entities tied to FTX or Bankman-Fried pledged millions to venture firms that also invested in FTX, as Silicon Valley investors and others flocked to pour money into the company at increasingly astronomical valuations. Sequoia alone received $200 million in commitments from FTX entities, and had invested $214 million in the exchange, according to The Information.

Questions are also arising about the due diligence investors conducted on FTX before putting in money, as well as the failure of any outside backers to gain a seat on the exchange's board to provide additional oversight.

More FTX backers also began to tally their losses after Sequoia publicly wrote off its stake in the exchange. Canada's Ontario Teachers' Pension Plan said it had invested $95 million in the company

and that any losses would be limited. SoftBank reportedly expects to lose $100 million on its FTX stake.

A rebound in some token prices over the past 24 hours belies the turmoil in crypto market. On Thursday, BlockFi, a crypto lender that FTX bailed out this year, said the FTX liquidity crunch had spread to its business. “We are not able to operate business as usual,” the company said in announcing it was pausing customers withdrawals.

The volatility is also hitting the market for stablecoins, fairly steady cryptocurrencies that are often pegged to the dollar, which traders favor to settle trades more expeditiously. With crypto markets in free-fall in recent days, investors dumped their holdings in stablecoins. One that is issued by Tether, USDT, briefly lost its 1-to1 peg to the dollar, a worrying sign of instability, and net redemptions soared to $1.7 billion at one point in the past two days, according to CoinMarketCap.

“People see holding Tether as a potential risk,” Zachary Friedman, the co-founder of Secure Digital Markets, a crypto brokerage based in Toronto, told DealBook.

Hedge funds could see a reckoning as well. Mike Novogratz of Galaxy Digital said on Thursday that his firm had $77 million in funds tied up with FTX, which he expects to recover.

Josh Gnaizda of Crypto Fund Research told DealBook that he expected many crypto-focused funds to “temporarily suspend or limit redemptions until they have clarity on whether these assets can be withdrawn, or will need to be marked to zero.”

HERE’S WHAT’S HAPPENING

Amazon reportedly embarks on a cost-cutting review. The e-commerce giant will scrutinize all of its unprofitable businesses , including its Alexa voice-assistant division, according to The Wall Street Journal. That could lead to job cuts.

Britain is on the brink of recession. Already rocked by its highest annual inflation rate in 40 years, the British economy is also contracting. G.D.P. fell by 0.2 percent in the third quarter, and economic output remains below prepandemic levels. The pound gained, but stocks fell on the news.

The latest mail-in results give Democrats hope in Nevada. Fewer than 9,000 votes separate Senator Catherine Cortez Masto , the Democratic incumbent, and Adam Laxalt , her Republican challenger. Democrats increasingly see the Nevada Senate race as winnable, and feel optimistic that they will keep control of the chamber.

SoftBank’s Vision Fund loses another $7 billion. Although the Japanese tech giant reported a more than $21 billion third-quarter profit — largely from selling shares in China’s Alibaba — its vast investment arm lost $7.2 billion after writing down more of its holdings.

What is Elon Musk doing at Twitter ?

It’s tough to fathom, but things have gotten more chaotic at Twitter . In just 24 hours, Elon Musk floated the idea that the social network he has owned for two weeks could file for bankruptcy; been warned by the F.T.C. about potentially violating a consent decree; and lost more top executives , including the head of trust and safety he has backed publicly. (For an in-depth look at the beginnings of the Musk era, read this Times account .)

Musk didn’t rule out Twitter going bankrupt. In a meeting with employees on Thursday, the billionaire said the company didn’t have the necessary cash to survive , and had several billion dollars in negative cash flow. (It isn’t clear how Musk arrived at that figure, but DealBook previously calculated Twitter ’s cash burn at $1 million a day, or a pretax annual loss of $1.4 billion.) That’s on top of his warning of a “dire” economic picture and his selling Tesla stock to “save” Twitter .

A reminder: Musk’s lenders for his Twitter takeover are holding $12.5 billion in debt they can’t easily resell without taking a steep hit. (Sources have told DealBook that selling the debt now could lead to a $1 billion loss; Bloomberg reports that the banks are currently receiving offers of 60 cents on the dollar for the debt.)

Some are gaming out Musk’s next move. Is he trying to drive down the debt prices to buy it up himself, or planning to miss any interest payments, given that he owes $1 billion a year?

And the F.T.C. has fired a warning shot amid concerns that Twitter may breach a 2011 settlement with the agency over data privacy violations:

* Among the big defections this week: Twitter ’s chief compliance officer.

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* An employee reportedly suggested that Twitter may run afoul of the F.T.C. agreement by making engineers “self-certify” their projects’ compliance — and potentially put those employees at personal legal risk. (A company lawyer’s note included a telephone number for the F.T.C. and a link to a whistle-blower website.)

* The employee also claimed that Musk’s personal lawyer, who is overseeing Twitter ’s legal affairs, has said, “Elon puts rockets into space, he’s not afraid of the F.T.C.”

An F.T.C. spokesman also weighed in. “We are tracking recent developments at Twitter with deep concern,” the spokesman said on Thursday, adding that “no C.E.O. or company is above the law.” Musk later told employees that the company would abide by the F.T.C. settlement.

Stocks rally goes global

Markets from Tokyo to Paris are in the green this morning, extending Thursday's gains in the United States. Encouraged by Thursday’s consumer inflation report , investors bought and bought as every sector on the S&P 500 rose. At the same time, the Nasdaq jumped 7.35 percent, its best one-day rally since March 2020.

Bulls hope peak inflation is over, which could persuade the Fed to abandon jumbo interest rate increases. They also see reassuring signs that the global energy crisis is weakening, noting that European countries appear set to survive the winter without having to ration gas and electricity further.

China and Russia added firepower to Friday’s rally. Beijing slightly eased its Covid-19 quarantine rules , raising hopes that the world’s second-biggest economy would reopen for business, while the Hang Seng in Hong Kong closed up 7.7 percent on Friday. Separately, some view the Russian military’s announced retreat from the key Ukrainian city of Kherson as a potential turning point in that war.

Bears note we’ve been here before. In July, Consumer Price Index data showed that inflation was moderating, only to perk up again in the late summer. John Lynch , the chief investment officer at Comerica Wealth Management, told clients not to be fooled by Thursday’s rally, adding that “sustained price pressures in housing, wages and energy indicate a prolonged battle against inflation.”

Weekend reading: Grit or quit?

Mike Evans was bored at an office job when he started listing restaurants that do delivery on a website. His plans were modest, but the site grew into Grubhub . The company went public in 2014. Drained by the start-up grind, he left Grubhub and biked across the country. A few years later, he was back in business, with a new start-up, Fixer, an on-demand handyman service.

Evans discusses his new book, “ Hangry: A Startup Journey. ” with DealBook as well as the lessons he’s learned along the way. This interview has been edited for clarity.

Who is this book for?

It’s for people who want active control over their work. My ideal reader is in the professional world and wondering, “Is this it?” It speaks to a sentiment that we saw underlying the Great Resignation, with people questioning career paths and saying to themselves, “Don’t settle.” Life is too short to be stuck at a job you don’t want — so don’t.

What start-up myth do you want to debunk?

There’s a narrative in start-ups in Silicon Valley that says you go to business school, write a business plan and get some seed money to start a company. That formula doesn’t work. There can’t be innovation if there is a formula.

Is success accidental then?

I’d say it’s experimental. Early on, everybody told me Grubhub was a terrible idea. It’s important to try things you think might or might not work because the path to success can be a random struggle. But you can’t just experiment. You need grit.

Any regrets?

Early on, my goal was just to pay off student loans. I regret not thinking bigger. It’s very hard to think about doing good for the world around you when you’re in crisis, but that doesn’t preclude thinking about it. Startups are levers for social change, so it’s important to be intentional about the change you make in the world with your work. There’s a paradox in creating a startup. You need to think “I can change the world” and have the humility to listen. Those two things don’t always play well together.

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THE SPEED READ

Deals

* The vaping company Juul secured enough funding to avoid bankruptcy , but still plans to lay off about 400 workers. (WSJ)

* Prosus, the Dutch internet conglomerate, has abandoned its stake in VK, Russia's big social network. (Bloomberg)

Policy

* A federal judge in Texas struck down the Biden administration's move to cancel hundreds of billions of dollars in student loan debt. (NYT)

* Mr. Biden plans to name a former Obama and Bush official to lead the $80 billion overhaul of the I.R.S. (NYT)

Best of the rest

* The District of Columbia sued the N.F.L. and the Washington Commanders , accusing them of colluding to cover up complaints of sexual harassment and other abuses against the team. (NYT)

* Alex Jones is now on the hook for nearly $1.5 billion in payouts to families of Sandy Hook shooting victims. (NYT)

* The big social benefits — and drawbacks — of billionaires . (Vox)

Thanks for reading! We'll see you tomorrow.

We'd like your feedback. Please email thoughts and suggestions to dealbook@nytimes.com .

ART The contagion spreads. | Erika P. Rodriguez for The New York Times

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The New York Times

SE Technology

HD **Investors Who Put $2 Billion Into FTX Face Scrutiny, Too**

BY By Erin Griffith and David Yaffe-Bellany

WC 1,354 words

PD 11 November 2022

ET 19:39 GMT

SN NYTimes.com Feed

SC NYTFEED

LA English

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LP

Venture capital firms and investment funds showered the failed crypto exchange and its founder with money. There were few strings attached.

Sam **Bankman-Fried**'s pitch to investors was not much of a pitch: It was a take-it-or-leave-it offer.

TD

In meetings to raise money for his cryptocurrency exchange FTX over the last year, the entrepreneur left little room for negotiation, two investors said. FTX was his company, Mr. Bankman-Fried told them, and he planned to run it with little oversight. Interested investors should "support him and observe," one investor who heard the pitch said.

They responded by giving him $500 million early this year, valuing the privately held FTX at $32 billion.

This week, Mr. Bankman-Fried met with investors again — but with a different tone. FTX had collapsed overnight, putting billions of dollars in customer funds in jeopardy, setting off a slew of government investigations and thrusting the crypto markets into chaos. He was sorry, he said. He had messed up. Without a bailout, FTX could fail.

It was a humbling fall for Mr. Bankman-Fried, 30, who had cultivated a reputation as an iconoclastic wunderkind who could multitask effortlessly and slept on a beanbag at the office. Yet more than 80 investors went along with his vision, pouring nearly $2 billion into FTX in just two years.

Now investors are under scrutiny, too, for enabling Mr. Bankman-Fried with so little oversight. It was the most dramatic example in recent history of what happens when so-called visionary founders are given lots of money with few strings attached.

The events showed that even the top investors — whose money in FTX has vaporized — can wildly miss the mark, said Kevin Werbach , a professor of business at the Wharton School of the University of Pennsylvania .

"You can look like a genius making successful big bets," he said, "but sooner or later you'll crash spectacularly if you weren't doing real diligence."

On Friday, FTX, facing a cash shortfall of $8 billion and scrambling to drum up money , filed for bankruptcy . Mr. Bankman-Fried resigned as chief executive. The Justice Department and the Securities and Exchange Commission are examining whether FTX improperly used customer funds to prop up a separate trading firm, Alameda Research, which Mr. Bankman-Fried also founded.

FTX's list of investors spans powerful and well-known investment firms: NEA, IVP , Iconiq Capital, Third Point Ventures , Tiger Global, Altimeter Capital Management, Lux Capital , Mayfield, Insight Partners, Sequoia Capital, SoftBank, Lightspeed Venture Partners , Ribbit Capital , Temasek Holdings , BlackRock and Thoma Bravo .

Some of FTX's investors declined to comment or did not respond to requests.

Four FTX investors, who declined to be identified, said they were shocked by the company's sudden collapse. They said they had properly researched the company's financials, which showed a healthy, growing business that provided an easy-to-use platform for people to buy, sell and store crypto. And they were completely in the dark about FTX's possible self-dealing with Alameda, they said.

Investing in FTX gave them a piece of the hottest start-up in an emerging sector that promised to be as big as smartphone apps or the internet itself. Many investors had trumpeted their support of the deal. Sequoia even published a glowing profile of Mr. Bankman-Fried to its website.

Now the deal represents a major black eye.

Paradigm , a crypto-focused venture fund that put $278 million into FTX, told its own backers in a letter on Wednesday that the investment was likely worthless. Sequoia said in a statement that it valued its $213 million investment in FTX at $0. The venture capital arm of the Ontario Teachers' Pension Plan , which put $95 million into FTX, said in a statement, "Not all of the investments in this early-stage asset class perform to expectations."

FTX's lack of oversight also left investors out of the loop about what happened this week as Mr. Bankman-Fried tried to find a last-minute bailout.

"The full nature and extent of this risk is not known at this time," Sequoia wrote. FTX's liquidity shortfall "will take many months to fully understand," Paradigm said.

Mr. Bankman-Fried, who did not immediately respond to a request for comment, had never made it a secret that he thumbed his nose at tradition.

In an interview with The New York Times in April, Ramnik Arora, one of FTX's top executives, described a video meeting last year between Mr. Bankman-Fried and partners at a top venture firm. In the meeting, Mr. Bankman-Fried delivered a well-received presentation while simultaneously playing a video game.

"The entire partner meeting, he was playing League of Legends at the same time," Mr. Arora said.

Before another investor meeting, Mr. Arora said, the investors asked Mr. Bankman-Fried to put together a slide deck. The entrepreneur threw the presentation together in about a couple of hours.

"There's no formatting anywhere, fonts are everywhere," Mr. Arora said. "You can just feel discomfort — both sides — because the investors are like, 'How the hell are we being shown a deck that clearly no one spent any time on?'"

Still, investors weren't offended. For years, they had been loosening deal-making practices that gave them control over a company and protected their investments. It was a way to get into the best deals as money from all over the world flooded into high-growth start-ups. Last year's overlapping investment manias in cryptocurrencies, equities and start-up valuations intensified the trend.

Some of FTX's investors viewed the company as a way to dip a toe in cryptocurrency investing without buying volatile tokens. Others saw FTX as a safer bet than Binance , one of the largest crypto exchanges, since FTX had pushed to establish a regulatory regime in Washington while Binance has come under fire for its secrecy and for skirting financial regulations around the world .

Above all, the investors emphasized that venture capital is designed to take big risks that often fail.

But even by 2021's frothy standards, Mr. Bankman-Fried's latitude from investors was extreme. Despite raising $2 billion, he remained the majority owner of the company. No investors joined FTX's board of directors, which was made up of Mr. Bankman-Fried, an FTX employee and a lawyer. (An advisory board of investors had no functional control over the company.) The company did not tell investors the nature of its business with Alameda Research, Mr. Bankman-Fried's separate crypto trading operation.

Mr. Bankman-Fried was so averse to outside input that investors who dared suggest that a more experienced executive run the company were likely to be shut out of future rounds of funding, one investor said.

In an April interview with Bloomberg , Mr. Bankman-Fried accused venture capital investors of doing deals based on a fear of missing out, rather than financial models. "Like all the models are made up, right?" he said.

In return, investors showered Mr. Bankman-Fried with fawning praise. Orlando Bravo , whose firm, Thoma Bravo , invested $150 million into FTX, said at a conference in September that, despite his

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misgivings about the overall crypto industry, he believed Mr. Bankman-Fried was “one of the best entrepreneurs” he had met.

The Sequoia profile explained that Mr. Bankman-Fried “lives his life by a calculus of altruistic impact.” During a video call with the FTX founder, the profile said, Sequoia ’s partners commented excitedly to one another in the chat. “I LOVE THIS FOUNDER,” one partner wrote.

This week, Sequoia replaced the article with an update. “A liquidity crunch has created solvency risk for FTX and its future is uncertain,” it said.

At the end of Mr. Bankman-Fried’s call with investors this week, several accused him of hiding details of FTX’s dealings with Alameda Research and asked for more information, a person on the call said. He sidestepped the questions and ended the conversation.

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HD **What Happened to FTX? Here's What to Know.**

BY By Kalley Huang

WC 784 words
PD 11 November 2022
SN The New York Times
SC NYTF
ED Late Edition - Final
PG 5
LA English

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LP

Binance , the world's largest cryptocurrency exchange, was set to bail out FTX. Then it pulled out of the deal.

When the cryptocurrency market experienced a $2 trillion crash in May, the crypto company FTX offered financial lifelines to several collapsing firms.

TD

But this week, FTX needed a bailout, which its rival Binance seemed on the cusp of delivering. Then Binance reversed itself, saying it was pulling out of a deal to acquire the company.

What are FTX and Binance ?

FTX and Binance are cryptocurrency exchanges, meaning they enable customers to trade digital currencies for other digital currencies or traditional money, and vice versa. The two exchanges process the majority of all crypto trades in the world, according to CoinMarketCap, an industry data tracker.

FTX, one of the world's largest exchanges, is run by Sam Bankman -Fried and is headquartered in the Bahamas. It has spent millions of dollars lobbying American legislators to institute crypto-friendly regulation.

Binance , the largest exchange, is run by the billionaire Changpeng Zhao . The company, which has no official headquarters and largely functions outside of the United States, has been scrutinized for skirting regulatory rules. Binance was an early investor in FTX.

Both companies have built their businesses on risky trading options that are not legal in the United States. They each have smaller American arms, Binance.us and FTX.us, which are separate from their sister companies and are meant to comply with U.S. regulations.

The crypto industry has increasingly been the target of regulatory scrutiny on Capitol Hill and across the globe. Mr. Zhao, 45, and Mr. Bankman-Fried, 30, have publicly butted heads over how to regulate cryptocurrency -- or whether to do so at all.

Why did FTX run into trouble?

FTX has a native cryptocurrency token called FTT, which traders use for operations like paying transaction fees. Last year, Mr. Zhao sold his stake in FTX back to Mr. Bankman-Fried, who paid for it partially with FTT tokens.

On Nov. 2, the crypto publication CoinDesk reported on a leaked document that appeared to show that Alameda Research, a hedge fund run by Mr. Bankman-Fried, held an unusually large amount of FTT tokens. FTX and Alameda are meant to be separate businesses, but the report claimed that they had close financial ties.

Binance announced on Nov. 6 that it would sell its FTT tokens "due to recent revelations." In response, FTT's price plummeted and traders rushed to pull out of FTX, fearful that it would be yet another fallen crypto company.

FTX scrambled to process requests for withdrawals, which amounted to an estimated $6 billion over three days. It seemed to enter a liquidity crunch, meaning it lacked the money to fulfill requests.

How did Binance intervene?

On Tuesday, Binance said it had reached an agreement to bail out FTX by buying the company. But, Mr. Zhao added in the announcement, "Binance has the discretion to pull out from the deal at any time."

In a concurrent announcement, Mr. Bankman-Fried said the deal would protect customers and allow FTX to finish processing their withdrawals. He attempted to dispel rumors of conflict between FTX and Binance , adding, "we are in the best of hands."

Why did the deal between Binance and FTX unravel?

On Wednesday, Binance announced it would no longer buy FTX, saying it had arrived at that decision "as a result of corporate due diligence." It also cited regulatory investigations and reports of mishandled funds.

"Every time a major player in an industry fails, retail consumers will suffer," Binance said in a statement. "We have seen over the last several years that the crypto ecosystem is becoming more resilient and we believe in time that outliers that misuse user funds will be weeded out by the free market."

On Thursday, FTX announced it had reached an agreement with Tron, a blockchain platform, to swap certain tokens from FTX to other crypto wallets.

Why has the FTX situation affected the cryptocurrency market?

The cryptocurrency industry has long struggled to convince regulators, investors and ordinary customers that it is trustworthy. The fall of FTX, which seemed more stable than other companies, and the pullout by Binance have jolted the market.

FTT's price has fallen about 80 percent since Tuesday. The prices of Bitcoin and Ether, some of the most valuable tokens, have both fluctuated widely since Tuesday, at one point dropping more than 20 percent.

ART FTX has spent millions of dollars lobbying American legislators to institute crypto-friendly regulation. (PHOTOGRAPH BY MICHAEL M. SANTIAGO/GETTY IMAGES) This article appeared in print on page B5.

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