

# SEC charges disgraced crypto tycoon Bankman-Fried with defrauding investors

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Samuel Bankman-Fried was arrested on the eve of his scheduled testimony at a US Congress hearing about the collapse of his FTX cryptocurrency exchange.

The US Securities and Exchange Commission charged disgraced cryptocurrency tycoon Sam Bankman-Fried on Tuesday with defrauding

customers of billions of dollars, a day after he was arrested in the Bahamas at the request of the United States.

Bankman-Fried had "built a house of cards on a foundation of deception" in his dealings with investors in his FTX crypto firm, the SEC said.

"Today we are holding Mr. Bankman-Fried responsible for fraudulently raising billions of dollars from investors in FTX and misusing funds belonging to FTX's trading customers."

The charge comes a day after Bankman-Fried was arrested in the Bahamas on the eve of his scheduled appearance at a US congressional hearing in which he was to testify under oath about the crypto exchange's overnight demise.

The SEC said investigations "as to other securities law violations and into other entities and persons relating to the alleged misconduct are ongoing."

The 30-year-old had in recent weeks defied [legal advice](#) and made multiple media appearances offering his version of his company's sudden failure, usually by video link from the Bahamas, where his company is headquartered.

According to a press release from the attorney general's office in the Bahamas, Bankman-Fried was to be held in custody before an expected request for his extradition by the United States.

The Bahamian prime minister's office shared news of the arrest, as well as a police statement saying Bankman-Fried was arrested in the early evening at his apartment complex in the capital Nassau.

He was taken into custody without incident, the statement said, and was to appear in court in Nassau on Tuesday.

As much as anyone, Bankman-Fried had embodied the apparent emergence of cryptocurrency as an above-board investment rather than a frowned-upon get-rich-quick scheme shunned by the banking establishment.

His FTX platform was plugged by celebrities in [advertising campaigns](#) and the cyber whiz kid became a regular presence in Washington, where he donated tens of millions of dollars in political contributions.

But after reaching a valuation of \$32 billion, FTX's implosion was swift following a November 2 report on ties between FTX and Alameda, a trading company also controlled by Bankman-Fried.

The report exposed that Alameda's balance sheet was heavily built on the FTT currency—a token created by FTX with no independent value.

## **'Grossly inexperienced'**

The price of FTT plunged in early November, roiling both Alameda and FTX, where Alameda had large trading positions.

Reeling from customer withdrawals and short some \$8 billion, FTX and around 100 related entities filed for bankruptcy protection on November 11, inviting scrutiny from regulators, prosecutors and furious clients.

Among the revelations, FTX is suspected of fraud for propping up Alameda with billions of dollars in customer funds that are now likely lost forever.

Questions also linger over whether Bankman-Fried engaged in market

manipulation, or illegally provided inside information to Alameda.

"If convicted he could be facing the rest of his life in prison, given the dollar amount of the fraud," Jacob S. Frenkel, a former federal criminal prosecutor at Dickinson Wright, told AFP.

"We would not see an indictment if prosecutors were not absolutely convinced that they will win a conviction," he added.

In his media interviews, Bankman-Fried has admitted to mistakes, but has denied intent to defraud his customers.

FTX CEO John Ray, who came to the company after the debacle, was to tell Congress on Tuesday that the problems arose because control was "in the hands of a very small group of grossly inexperienced and unsophisticated individuals."

"Never in my career have I seen such an utter failure of corporate controls at every level of an organization, from the lack of financial statements to a complete failure of any internal controls or governance whatsoever," Ray said in prepared remarks.

The fall of FTX has caused major doubts about the long term viability of cryptocurrency and heaped stress on other platforms and entities that rode the success of Bitcoin and other currencies.

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