

The Bankman-Fried verdict, explained

March 28 2024



FTX founder Sam Bankman-Fried leaves Federal court on July 26, 2023, in New York. The former crypto mogul faces the potential of decades in prison when he is sentenced Thursday, March 28, 2024, for his role in the 2022 collapse of FTX, once one of the world's most popular platforms for trading digital currency.

Credit: AP Photo/Mary Altaffer, File

Sam Bankman-Fried co-founded the FTX crypto exchange in 2019 and

quickly built it into the world's second most popular place to trade digital currency. It collapsed almost as quickly. By the fall of 2022, it was bankrupt.

Prosecutors soon charged Bankman-Fried with misappropriating billions of dollars in FTX customer deposits. They said he used the money to prop up his hedge fund, buy real estate, and attempt to influence cryptocurrency regulation by making campaign contributions to U.S. politicians and pay \$150 million in bribes to Chinese government officials.

He was put on trial in the fall of 2023.

WHAT DID HE DO WRONG?

FTX had two lines of business: a brokerage where customers could deposit, buy, and sell cryptocurrency assets on the FTX platform, and an affiliated hedge fund known as Alameda Research, which took speculative positions in cryptocurrency investments. As Alameda piled up losses during a cryptocurrency market decline, prosecutors said Bankman-Fried directed funds to be moved from FTX's customer accounts to Alameda to plug holes in the hedge fund's balance sheet.

Prosecutors said Bankman-Fried, now 32, also created secret loopholes in the computer code for the FTX platform that allowed Alameda to incur a multibillion-dollar negative balance that the hedge fund couldn't repay, lied to a bank about the purpose of certain accounts it opened, evaded banking regulations and bribed Chinese officials in an attempt to regain access to bank accounts that had been frozen in that country during an investigation.

WHAT DOES BANKMAN-FRIED SAY?

In interviews and court testimony, Bankman-Fried acknowledged making mistakes, but blamed some of the wrongdoing on other executives at his company, and said he never intended to defraud anyone. He has also said the alleged harm to FTX's customers has been exaggerated.

THE VERDICT

Bankman-Fried was convicted in November 2023 of two counts of wire fraud conspiracy, two counts of wire fraud, one count of conspiracy to commit money laundering, conspiracy to commit commodities fraud and conspiracy to commit securities fraud.

He was sentenced to 25 years in prison four months later in late March 2024. The judge in the case also ordered him to forfeit over \$11 billion.

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