

[Securities Regulation Daily Wrap Up, BLOCKCHAIN—Jury finds ex-FTX CEO Sam Bankman-Fried guilty of fraud, money-laundering charges, \(Nov. 3, 2023\)](#)

Securities Regulation Daily Wrap Up

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By Suzanne Cosgrove

The onetime “king of crypto” faces jail time of up to 110 years in connection with a scheme that lost an estimated \$8 billion in customer funds.

Sam Bankman-Fried, the former chief executive and co-founder of the now-bankrupt cryptocurrency trading platform FTX, was found guilty of seven criminal charges on Thursday, concluding a closely watched trial in a Manhattan federal courthouse that began October 3. His sentencing is expected to take place on March 28, 2024.

Bankman-Fried was convicted of two counts of wire fraud conspiracy, two counts of wire fraud, and one count of conspiracy to commit money laundering, each of which carries a maximum sentence of 20 years in prison, according to a release from the Department of Justice. He also was convicted of conspiracy to commit commodities fraud and conspiracy to commit securities fraud, each of which carries a maximum sentence of five years in prison.

Bankman-Fried, who testified on his own behalf in the final days of the trial, had pleaded not guilty to the charges.

As noted in a [Reuters report](#), Bankman-Fried faces a second trial in March on another set of charges brought by prosecutors earlier this year that include allegations of foreign bribery and bank fraud conspiracy.

Lying, cheating, and stealing. “Sam Bankman-Fried perpetrated one of the biggest financial frauds in American history,” said U.S. Attorney Damian Williams in [a prepared statement](#). “A multibillion-dollar scheme designed to make him the King of Crypto -- but while the cryptocurrency industry might be new and the players like Sam Bankman-Fried might be new, this kind of corruption is as old as time,” Williams said. “This case has always been about lying, cheating, and stealing, and we have no patience for it,” he added.

FTX was founded by Bankman-Fried and former Google employee Gary Wang in May 2019, but while it loomed large in the world of cryptocurrency trading, attracting attention by its quick growth and Bankman-Fried’s press interviews, appearances at industry events and testimony before Congress, its lifespan was short.

The company filed for bankruptcy one year ago, in November 2022, and the U.S. Attorney’s Office indicted Bankman-Fried on fraud, money laundering, and campaign finance offenses in December 2022. Bankman-Fried was arrested in the Bahamas and extradited to the U.S. to face charges.

The investigations into FTX’s finances may have been hastened when the cryptocentric news site [CoinDesk](#) revealed in November 2022 that FTX’s balance sheet showed “unusually close” ties between FTX and Alameda Research, a crypto trading firm also founded and run by Bankman-Fried and his associates. CoinDesk reported a sizable percentage of Alameda’s \$14.6 billion assets were in FTX tokens (FTT), partly the result of heavy “borrowings” from FTX.

As [the SEC later charged](#), Bankman-Fried and Wang improperly diverted customer assets to Alameda Research LLC and its subsidiaries, the crypto asset hedge fund that former Alameda CEO Caroline Ellison ran. Bankman-Fried used those customer funds “to make undisclosed venture investments, lavish real estate purchases, and large political donations,” the SEC said.

Ellison and ex-FTX executives Wang and Nishad Singh all testified for the prosecution in Bankman-Fried's criminal trial after Ellison and Wang had entered guilty pleas in related criminal cases brought against them by the U.S. Attorney's Office for the Southern District of New York.

SEC and CFTC charges. The DOJ's criminal charges came on top of similar filings last year by the SEC and CFTC. As reported previously by [Securities Regulation Daily](#), the SEC filed charges against Bankman-Fried on December 13, 2022 (*SEC v. Samuel Bankman-Fried*, 22-cv-10501) and Ellison and Wang on December 21, 2022.

In the SEC filing, the Commission charged Ellison and Wang, along with Samuel Bankman-Fried, with engaging in a scheme to defraud equity investors in FTX Trading Ltd. at the same time as they were defrauding the platform's customers. Wang created and participated in the creation of the software code that allowed Alameda to divert FTX customer funds and Ellison used the misappropriated FTX customer funds for Alameda's trading activity, the SEC said.

FTX raised more than \$1.8 billion from investors, including U.S. investors, "who bought an equity stake in FTX believing that FTX had appropriate controls and risk management measures," the SEC stated. However, "unbeknownst to those investors (and to FTX's trading customers), Bankman-Fried was orchestrating a massive, years-long 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 CFTC also amended an earlier complaint against Bankman-Fried, FTX, and Alameda to include Ellison and Wang. Ellison and Wang were charged with violating Commodity Exchange Act, Section 6(c)(1) and CFTC Regulation 180.1(a)(1) and (a)(3). In addition, Ellison was charged with violating CEA Section 6(c)(1) and CFTC Regulation 180.1(a)(2).

Ellison and Wang later agreed to settle the SEC's charges, and neither Ellison nor Wang disputed their liability in connection with the CFTC's charges. Both agreed to the entry of consent orders of judgment.

Firing a warning shot. While the dramatic descent of Bankman-Fried and FTX shook the derivatives industry and dampened equity investors' enthusiasm, crypto trading has continued apace.

However, top law enforcement officials made it clear that they will continue to watch out for and prosecute misdeeds.

"Sam Bankman-Fried thought that he was above the law. Today's verdict proves he was wrong," said Attorney General Merrick Garland [in a statement](#) released after the jury delivered its verdict. "This case should send a clear message to anyone who tries to hide their crimes behind a shiny new thing they claim no one else is smart enough to understand: the Justice Department will hold you accountable."

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