Release Number 8638-22

CFTC Charges Sam Bankman-Fried, FTX Trading and Alameda with Fraud and Material Misrepresentations

December 13, 2022

Washington, D.C. — The Commodity Futures Trading Commission today announced the filing of a complaint in the U.S. District Court for the Southern District of New York against **Samuel Bankman-Fried**, **FTX Trading Ltd. d/b/a FTX.com (FTX)**, and **Alameda Research LLC (Alameda)**. The complaint charges all three defendants with fraud and material misrepresentations in connection with the sale of digital commodities in interstate commerce. Further, the complaint asserts that defendants' actions caused the loss of over $8 billion in FTX customer deposits.

"Digital commodity asset markets continue to present risks for investors due to the lack of basic protections," said CFTC Chairman Rostin Behnam. "The CFTC continues to be fully committed to using all available enforcement tools and authorities to protect investors and root out those who seek to profit through fraud and misappropriation."

"As defendants touted and marketed FTX.com as a model digital commodity asset platform, defendants were committing fraud to the detriment of US investors and to the credibility of the digital asset markets," said CFTC Acting Director of Enforcement Gretchen Lowe. "We will work tirelessly to use the full scope of our enforcement authority to hold such fraudsters accountable."

Case Background

The complaint alleges that from at least May 2019 through November 11, 2022, Bankman-Fried controlled both FTX.com, a centralized digital asset derivative platform, and Alameda, a digital asset trading firm that operated as a primary market maker on FTX. As charged, FTX held itself out as "the safest and easiest way to buy and sell crypto" and represented that customers' assets, including both fiat and digital assets including bitcoin and ether, were held in "custody" by FTX and segregated from FTX's own assets. To the contrary, FTX customer assets were routinely accepted and held by Alameda and commingled with Alameda's funds. Alameda, Bankman-Fried, and others also appropriated customer funds for their own operations and activities, including luxury real estate purchases, political contributions, and high-risk, illiquid digital asset industry investments. The complaint further alleges that, at Bankman-Fried's direction, FTX employees created features in the FTX code that favored Alameda and allowed it to execute transactions even when it did not have sufficient funds available, including an "allow negative flag" and effectively limitless line of credit that allowed Alameda to withdraw billions of dollars in customer assets from FTX. These features were not disclosed to the public.

In its continuing litigation against the Defendants, the CFTC seeks restitution, disgorgement, civil monetary penalties, permanent trading and registration bans, and a permanent injunction against further violations of the Commodity Exchange Act (CEA) and CFTC regulations, as charged.

The CFTC cautions that orders requiring repayment of funds to victims may not always result in the recovery of lost money because the wrongdoers may not have sufficient funds or assets.

Parallel Criminal/Civil Enforcement Action

In a parallel, separate action, on December 13, 2022, the United States Attorney for the Southern District of New York unsealed an indictment charging Bankman-Fried with wire fraud, commodities fraud, securities fraud, and money laundering. Also, on December 13, 2022, the Securities and Exchange Commission charged Bankman-Fried with securities fraud.

The CFTC appreciates the assistance of the US Attorney's Office for the Southern District of New York, the Securities Exchange Commission, and the Securities Commission of The Bahamas.

The Division of Enforcement staff responsible for this matter are: Nina Ruvinsky, Bryan Hsueh, Carlin Metzger, Yusuf Capar, Ray Lavko, Ansley Schrimpf, Jack Murphy, Benjamin Jackman, Elizabeth N. Pendleton, Scott R. Williamson and Robert T. Howell. The Division of Market Oversight and the Division of Clearing and Risk also assisted in this matter. The Division of Enforcement's Digital Asset Task Force also provided assistance.

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Customers and other individuals can report suspicious activities or information, such as possible violations of commodity trading laws, to the Division of Enforcement via a toll-free hotline 866-FON-CFTC (866-366-2382), file a tip or complaint (http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm) online, or contact the CFTC Whistleblower Office at whistleblower.gov. Whistleblowers are eligible to receive between 10 and 30 percent of the monetary sanctions collected paid from the CFTC Customer Protection Fund financed through monetary sanctions paid to the CFTC by violators of the Commodity Exchange Act.

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