# “Risk Of Flight Too Great” – Bankman-Fried Denied Bail, Remanded To Custody

## Description

***Update (1700ET)***: Following his arrest last night, with its expectations of an imminent deportation, Sam Bankman-Fried told a Bahamian judge at an arraignment Tuesday that he **wouldn’t waive his right to an extradition hearing**.

A defense lawyer said Bankman-Fried planned to fight being sent to the US.

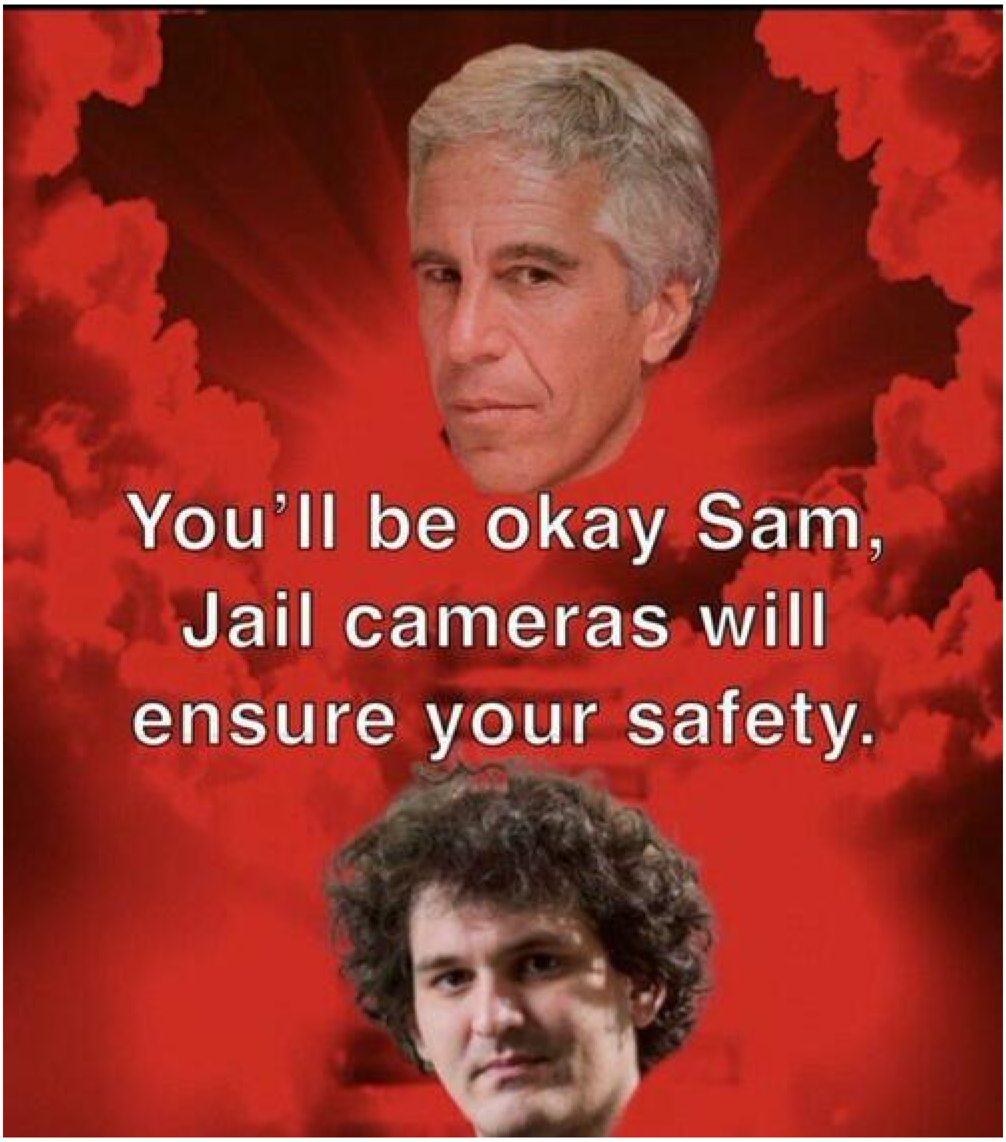
> $30 million penthouse to 80 square foot cell.pic.twitter.com/uZoG7EsRaG
>
> — Genevieve Roch-Decter, CFA (@GRDecter) December 13, 2022

Counsel for SBF has **requested bail be set at $250,000.**


Manhattan US Attorney Damian Williams called the case ***“one of the biggest financial frauds in American history”*** and said the investigation of the alleged scheme is “very much ongoing.”

Which may explain why **presiding judge JoyAnn Ferguson-Pratt denied SBF’s bail application**, highlighting his **“risk of flight”** and ordered the crypto executive to be **held in custody at the Bahamas Department of Corrections until Feb. 8.**

The case has been adjourned to the said date.

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The US Securities and Exchange Commission said it will file charges against FTX founder Sam Bankman-Fried on Tuesday relating to violations of securities law, accusing him of ***"orchestrating a scheme to defraud equity investors in FTX"*** and seeking to ban him from the cryptocurrency industry.

> ***"We allege that 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,"*** said SEC Chair Gary Gensler

The SEC made the announcement on Monday, shortly after Bahamian authorities arrest Bankman-Fried, the US Attorney's Office Southern District of New York confirmed.

> Gurbir Grewal: We commend our law enforcement partners for securing the arrest of Sam Bankman-Fried on federal criminal charges. The SEC has authorized separate charges relating to his violations of securities laws, to be filed publicly tomorrow in SDNY. https://t.co/ON0LgY4mf4
>
> — U.S. Securities and Exchange Commission (@SECGov) December 13, 2022

The SEC has charged Bankman-Fried with **violating the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934**. The SEC's complaint seeks injunctions against future securities law violation that prohibits Bankman-Fried from participating in the issuance, purchase, offer, or sale of any securities except for his own personal account.

***Here are some of the wildest accusations from the SEC's 28-page filing:***

**SBF improperly diverted assets to his privately held crypto hedge fund:**

> 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.
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> Throughout this period, Bankman-Fried portrayed himself as a responsible leader of the crypto community. He touted the importance of regulation and accountability. He told the public, including investors, that FTX was both innovative and responsible. **Customers around the world believed his lies, and sent billions of dollars to FTX, believing their assets were secure on the FTX trading platform. But from the start, Bankman-Fried improperly diverted customer assets to his privately-held crypto hedge fund, Alameda Research LLC ("Alameda"), and then used those customer funds to make undisclosed venture investments, lavish real estate purchases, and large political donations.**

**Bankman-Fried then exempted his crypto hedge fund, Alameda, from risk mitigation procedures:**

He told investors and prospective investors that FTX had top-notch, sophisticated automated risk measures in place to protect customer assets, that those assets were safe and secure, and that Alameda was just another platform customer with no specialprivileges. These statements were false and misleading. In truth, **Bankman-Fried had exempted Alameda from the risk mitigation measures and had provided Alameda with significant special treatment on the FTX platform, including a virtually unlimited "line of credit" funded by the platform's customers**.

While he spent lavishly on office space and condominiums in The Bahamas, and sank billions of dollars of customer funds into speculative venture investments, Bankman-Fried's house of cards began to crumble.

**Here's how he diverted funds:**

Bankman-Fried diverted FTX customer funds to Alameda in essentially two ways: (1) by directing FTX customers to deposit fiat currency (e.g., U.S. Dollars) into bank accounts controlled by Alameda; and (2) by enabling Alameda to draw down **from a virtually limitless "line of credit" at FTX**, which was funded by FTX customer assets.

As a result, there was no meaningful distinction between FTX customer funds and Alameda's own funds. Bankman-Fried thus gave Alameda carte blanche to use FTX customer assets for its own trading operations and for whatever other purposes Bankman-Fried saw fit.

**SBF had a secret 'fiat@ account with a negative $8 billion balance':**

Bankman-Fried directed FTX to have customers send funds to North Dimension in an effort to hide the fact that the funds were being sent to an account controlled by Alameda.

Alameda did not segregate these customer funds, but instead commingled them with its other assets, and used them indiscriminately to fund its trading operations and Bankman-Fried's other ventures.

**This multi-billion-dollar liability was reflected in an internal account in the FTX database that was not tied to Alameda but was instead called "fiat@ftx.com**." Characterizing the amount of customer funds sent to Alameda as an internal FTX account had the effect of concealing Alameda's liability in FTX's internal systems.

**Here's how 'fiat@ftx.com' was 'lost' in the shuffle:**

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.
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> 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. This account was associated with an individual that had no apparent connection to Alameda. As a result, this change had the effect of further concealing Alameda’s liability in FTX’s internal systems.

**SBF has claimed in interviews he ‘wasn’t aware’ of how illiquid Alameda’s collateral had become, yet according to the SEC:**

> **Bankman-Fried was well aware of the impact of Alameda’s positions on FTX’s risk profile.** On or about October 12, 2022, for example, Bankman-Fried, in a series of tweets, analyzed the manipulation of a digital asset on an unrelated crypto platform. In explaining what occurred, Bankman-Fried distinguished between an asset’s “current price” and its “fair price,” and recognized that “large positions – especially in illiquid tokens – can have a lot of impact.”
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> Bankman-Fried asserted that FTX’s risk engine required customers to “fully collateralize a position” when the customer’s position is “large and illiquid enough.” But Bankman-Fried knew, or was reckless in not knowing, that **by not mitigating for the impact of large and illiquid tokens posted as collateral by Alameda, FTX was engaging in precisely the same conduct, and creating the same risk, that he was warning against.**

SEC charged Bankman-Fried for orchestrating a scheme to defraud equity investors in FTX Trading Ltd. (FTX). The regulatory body noted that the former CEO concealed his “diversion of FTX customers’ funds to crypto trading firm Alameda Research while raising more than $1.8 billion from investors.”

> *UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK*
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> *Plaintiff: SECURITIES AND ) EXCHANGE COMMISSION,*
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> *Defendant: SAMUEL BANKMAN-FRIED Plaintiff Securities and Exchange Commission (the “Commission”), for its complaint against Defendant, Samuel Bankman-Fried (“Bankman-Fried”), alleges as follows:*
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> *SUMMARY*

*1. **From at least May 2019 through November 2022, Bankman-Fried engaged in a scheme to defraud equity investors** in FTX Trading Ltd. ("FTX"), the crypto asset trading platform of which he was CEO and co-founder, at the same time that he was also defrauding the platform's customers. Bankman-Fried 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. 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.***

*2. Throughout this period, **Bankman-Fried portrayed himself as a responsible leader of the crypto community.** He touted the importance of regulation and accountability. He told the public, including investors, that FTX was both innovative and responsible. Customers around the world believed his lies, and sent billions of dollars to FTX, believing their assets were secure on the FTX trading platform. But from the start, Bankman-Fried improperly diverted customer assets to his privately-held crypto hedge fund, Alameda Research LLC ("Alameda"), and then **used those customer funds to make undisclosed venture investments, lavish real estate purchases, and large political donations.***

*3. **Bankman-Fried hid all of this from FTX's equity investors, including U.S. investors, from whom he sought to raise billions of dollars in additional funds.** He repeatedly cast FTX as an innovative and conservative trailblazer in the crypto markets. He told investors and prospective investors that FTX had top-notch, sophisticated automated risk measures in place to protect customer assets, that those assets were safe and secure, and that Alameda was just another platform customer with no special privileges. These statements were false and misleading. In truth, Bankman-Fried had exempted Alameda from the risk mitigation measures and had provided Alameda with significant special treatment on the FTX platform, including a virtually unlimited "line of credit" funded by the platform's customers.*

*4. While he **spent lavishly on office space and condominiums in The Bahamas, and sank billions of dollars of customer funds into speculative venture investments,** Bankman-Fried's house of cards began to crumble. When prices of crypto assets plummeted in May 2022, Alameda's lenders demanded repayment on billions of dollars of loans. Despite the fact that Alameda had, by this point, already taken billions of dollars of FTX customer assets, it was unable to satisfy its loan obligations. **Bankman-Fried directed FTX to divert billions more in customer assets to Alameda to ensure that Alameda maintained its lending relationships,** and that money could continue to flow in from lenders and other investors.*

*5. But Bankman-Fried did not stop there. Even as it was increasingly clear that Alameda and FTX could not make customers whole, **Bankman-Fried continued to misappropriate FTX customer funds.** Through the summer of 2022, he directed hundreds of millions more in FTX customer funds to Alameda, which he then used for additional venture investments and **for "loans" to himself and other FTX executives**. All the while, he continued to make misleading statements to investors about FTX's financial condition and risk management. Even in November 2022, faced with billions of dollars in customer withdrawal demands that FTX could not fulfill, Bankman-Fried misled investors from whom he needed money to plug*

> *a multi-billion-dollar hole.* ***His brazen, multi-year scheme finally came to an end when FTX, Alameda, and their tangled web of affiliated entities filed for bankruptcy on November 11, 2022.***

**The first thing to note in the rap sheet is the date, "From at least May 2019 . . .", by which the SEC means FTX's entire existence.** It was around May 2019 that SBF bought the FTX.com domain and the first fundraising announcement didn't drop until August of that year.

Additionally SEC Chair Gary Gensler, warned:

> "The alleged fraud committed by Mr. Bankman-Fried is **a clarion call to crypto platforms that they need to come into compliance with our laws**."

Grewal said the charges will be filed publicly "tomorrow" on Dec. 14 at the Southern District of New York.

Read the full complaint below:

sbf-sec-charges

by Tyler Durden

**Category**

1. Crime-Justice-Terrorism-Corruption
2. Economy-Business-Fin/Invest
3. Main

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