



A Fall of a Giant Saga

Organized by



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FBX Saga

SBF arrested in Bahamas on 12th of Dec



Alameda Research



4. I have over 40 years of legal and restructuring experience. I have been the Chief Restructuring Officer or Chief Executive Officer in several of the largest corporate failures in history. I have supervised situations involving allegations of criminal activity and malfeasance (Enron). I have supervised situations involving novel financial structures (Enron and Residential Capital) and cross-border asset recovery and maximization (Nortel and Overseas Shipholding). Nearly every situation in which I have been involved has been characterized by defects of some sort in internal controls, regulatory compliance, human resources and systems integrity.

5. **Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here.** From compromised systems integrity and faulty regulatory oversight abroad, to the concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals, this situation is unprecedented.

What is FTX?

FTX is a centralized crypto exchange or CEX, founded in 2019 by Sam Bankman-Fried and Gary Wang.

It was valued at a whopping \$32Bn until its crash in early November 2022.

It is alleged and partially proven that SBF and other high ranking corporate officials from FTX co-mingled and wasted over \$8Bn of customer money.

Alameda Research, SBF's hedge fund played a pivotal role in this fiasco.

What do we know so far?



- Alameda Research was initially used as a wire transfer input for FTX, but the money was never sent to FTX, and it was used for Alameda's own investments - which mainly failed and lost a lot of customer's money
- FTX's SBF and other high ranking corporate officials knew what is happening behind the scenes, and even built in various back-doors into the FTX's software so they can move money unnoticed
- Run-on-a-bank event started after Cointelegraph noticed that most of Alameda's \$14.6Bn is held in FTT, an FTX issued token, and after Binance declared they will sell all of their FTT holdings on books (more than \$580Bn)

What do we know so far?



- Customers tried to withdraw more than \$6Bn from their FTX accounts in just 2 days, so FTX needed to stop processing withdrawals due to a lack of liquidity
- FTX failed for Chapter 11 Bancruptcy on 11th of November 2022
- Since then, SBF issued many contradicting statements, which culminated a month later on 12th of December 2022 with his arrest
- SBF is facing up to 115 years in prison if all 8 charges against him are proven, with Wire Fraud being the most serious
- SBF is currently in the Bahamas, being held by the police with the judge overruling bail request, opening a door to a potential extradition to USA



FTX founder Bankman-Fried's bail denial could increase chance of extradition

Judge ordered Bankman-Fried to be held until Feb. 8, 2023



What do we know so far?



- Since John Ray III took over as CEO (he is a bankruptcy expert that handled Enron's bankruptcy) he didn't manage to find all the records of all the FTX's creditors and assets
- He stated that this is the worst corporate control absence he saw in his life
- It is proven that FTX run their books with QuickBooks platform, which is unheard of a multi-billion dollar company
- FTX employees communicated over Signal with auto-destructable messages and this way they run the company worth in excess of \$32Bn

Ripples across the industry



- Fall of FTX caused many ripples across the industry, crashing crypto markets
- Solana was mostly affected due to \$800M of SOL being held on FTX books + many other staked SOL being unstaked due to an FTX crash
- Crypto exchanges BlockFi and Genesis also filed for Chapter 11 Bancruptcy after FTX's collapse
- Many crypto projects were hurt as they held a lot of their cash reserves with the FTX
- Full extent is yet to be seen



Binance / FTX: Love - Hate relationship

- Binance's CEO CZ funded FTX back in 2019 with \$100M for a 20% stake in company
- When FTX started to grow rapidly and become Binance's competitor, CZ halted FTX's attempt to obtain Gibraltar Licence for Crypto
- SBF paid out CZ a whopping \$2Bn for his 20%, yielding him a massive 20-fold ROI
- Most of this money came in a form of FTT, FTX's own token
- Binance dumped FTT on 6th of November after Cointelegraph's concerning piece about Alameda, causing 80% drop in price for FTT
- Later, Binance announced it will buy FTX, just to walk away a day later
- This even caused a run-on-a-bank event that crashed FTX
- Binance is also investigated over customer funds mismanagement at the time

Alameda Research



- Alameda Research, a hedge fund firm, owned by SBF and run by Caroline Ellison (a rookie analyst) managed to lose almost \$10Bn through risky investments and bad management
- Most of the money Alameda lost came from FTX customer funds deposited with the platform
- There was no segregation of business leadership or even employees
- FTX and Alameda functioned like one entity, even though this shouldn't be allowed
- During John Ray III's investigation, some assets have been reclaimed, but most of the money (more than \$7Bn) is considered lost
- Lack of accounting and normal business practices is making things even harder
- A bunch of 20-year-olds played business with billions of dollars and lost most of it is what the conclusion might be

Future?

- FTX's fall is considered a “black swan” event for crypto sector
- Full extent of FTX's saga is still to be determined
- Lack of regulation and procedural approach is what enabled SBF and his friends to make this mess
- Collapse of this size will definitely bring scrutiny to the sector. Will it be good type of scrutiny or bad - we will see
- Canada bans crypto leverage and margin trading after FTX collapse
- Big players were affected (Tiger Global Management, Sequoia Capital, Temasek, Ontario Teachers Pension Fund and others)
- SBF was the second biggest Democratic donor in 2022 election cycle in the USA, how will this affect his trial?

- What do you think about FTX?



THANK YOU
QUESTIONS?



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