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FTX Founder Arrested, Faces Indictment in SDNY

Yesterday the Southern District of New York reported that FTX founder Sam Bankman-Fried ("SBF") was arrested in the Bahamas at the behest of the U.S. government, ahead of his testimony before Congress, which had been scheduled for today, about the recent sharp decline in the value of his cryptocurrency exchange and its November 11 filing for bankruptcy protection.

The indictment by U.S. prosecutors in Manhattan was unsealed today. It charges SBF with wire fraud, commodities fraud, securities fraud and money laundering over an alleged scheme to divert FTX customer funds to FTX-affiliated crypto hedge fund Alameda Research. He is also accused of campaign finance violations.

Reuters and the New York Times report that SBF's testimony would have blamed his law firm counsel and rival exchange Binance for pressuring him to resign and nominate successor CEO John Ray in his place.

A statement from the Bahamas Police said SBF was arrested shortly after 6:00 p.m. yesterday (2300 GMT) in Albany, Bahamas.

Such is the latest twist in the saga that began to unfold in October when acquisition discussions with Binance began to unravel.

FTX, for its part, previously submitted a written statement from Ray to Congress, which said that Alameda "used client funds to engage in margin trading which exposed customer funds to massive losses" and engaged in trading that was "inherently unsafe."

Thompson Hine will continue to monitor these events as they evolve.

FOR MORE INFORMATION

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