

FTX: Samuel Bankman-Fried Ethics and Crypto

The New York Times

The Collapse of FTX | Bankman-Fried Released on Bond | 2 Executives Plead Guilty | A 'Massive, Yearslong Fraud' | Bankman-Fried Interview

Embattled Crypto Exchange FTX Files for Bankruptcy

The announcement capped a stunning week that has shocked the crypto industry.

Give this article



Sam Bankman-Fried, FTX's founder, resigned on Friday. A corporate turnaround specialist who helped run Enron after its collapse has taken his place. Erika P. Rodriguez for The New York Times

FTX: Legal, Ethical, and Global Issues



WSJ: “Crypto Crisis: The Latest on FTX, Sam Bankman-Fried And Bitcoin Prices.”

WSJ: “They Lived Together, Worked Together and Lost Billions Together: Inside Sam Bankman-Fried’s Doomed FTX Empire.”

Fox News: “Sam Bankman-Fried, FTX founder, charged with fraud, money laundering.”

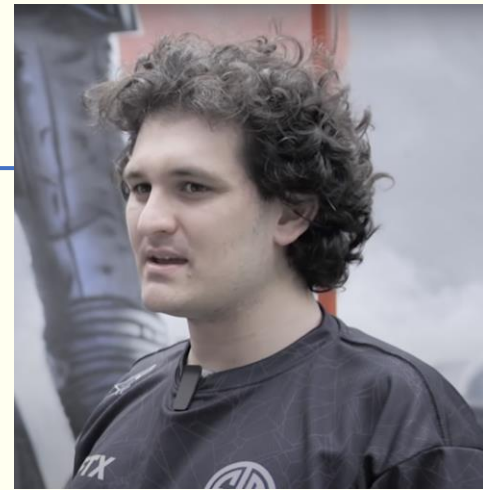
Boston Globe: “Failed crypto firm FTX has some key Boston connections.”



Sam Bankman-Fried was arrested in the Bahamas on fraud charges. Mario Duncanson/Getty Images
<https://markets.businessinsider.com/news/currencies/crypto-crash-bitcoin-bear-market-sam-bankman-fried-ftx-bankruptcy-2022-12>

Samuel Bankman-Fried (SBF)

- SBF graduated from the Massachusetts Institute of Technology in 2014.
- He majored in physics and a minor in mathematics.
 - JMW-Disclosure: I also graduated with a major in physics and a minor in mathematics. Otherwise, we have nothing in common!
- Parents: Barbara Fried and Joseph Bankman, both professors at Stanford Law School
- Worked at Jane Street Capital, a proprietary trading firm.
- Co-founded Alameda Research a quantitative trading firm
 - (later headed by Caroline Ellison, MIT grad, colleague, friend, and more),
- Co-founded FTX, a cryptocurrency derivatives exchange, with Gary Wang in April 2019.
- FTX Collapsed in 2022. Wang and Ellison pled guilty to various counts of fraud. Expect to testify against SBF
- SBF Arrested in the Bahamas and charged with a number of crimes including fraud and illegal campaign donations.



Inside Sam Bankman-Fried's Doomed FTX Empire

- <https://www.wsj.com/articles/sam-bankman-fried-ftx-alameda-bankruptcy-collapse-11668824201>
- The emerging picture of what went wrong suggests the **crypto empire was a mess almost from the start**, with few boundaries, financial or personal
- NASSAU, Bahamas—Sam Bankman-Fried's **\$32 billion crypto-trading empire collapsed in an incandescent bankruptcy last week**, prompting irate customers, crypto acolytes and Silicon Valley bigwigs to ask how something that seemed so promising could have imploded so fast.

The emerging picture suggests FTX wasn't simply felled by a rival, or undone by a bad trade or the relentless fall this year in the value of cryptocurrencies. Instead, **it had long been a chaotic mess**. From its earliest days, the firm was an unruly agglomeration of corporate entities, customer assets and Mr. Bankman-Fried himself, according to court papers, company balance sheets shown to bankers and interviews with employees and investors. No one could say exactly what belonged to whom. Prosecutors are now investigating its collapse.

Mr. Bankman-Fried's companies had neither accounting nor functioning human-resources departments, according to a filing in federal court by the executive brought in to shepherd FTX through bankruptcy. Corporate money was used to buy real estate, but records weren't kept. There wasn't even a roster of employees, to say nothing of the terms of their employment. Bankruptcy filings say one entity's outstanding loans include at least \$1 billion to Mr. Bankman-Fried personally and \$543 million to a top lieutenant.

The lives of the people who ran FTX and its related companies were similarly blurred. Ten of them lived and worked together in a \$30 million penthouse at an upscale resort in the Bahamas. The hours were punishing, and the lines between work and play were hard to discern. Romantic relationships among Mr. Bankman-Fried's upper echelon were common, as was use of stimulants, according to former employees.

Caroline Ellison, Alameda CEO

- “Caroline Ellison, math whiz and Newton native, was bound for success. Then she got into crypto.” -Globe
 - https://www.bostonglobe.com/2022/12/06/business/caroline-ellison-math-whiz-newton-native-was-bound-success-then-she-got-into-crypto/?p1=Article_Recirc_Most_Popular&p1=Article_Recirc_Most_Popular
- Caroline Ellison, was reportedly a sometime girlfriend of Samuel Bankman-Fried and she headed Alameda, an investment arm of FTX that received billions from FTX and used it in various fashions.
- She has already pleaded guilty to federal charges including wire fraud, securities fraud, and commodities fraud.
- She is expected to be a witness against Bankman-Fried.



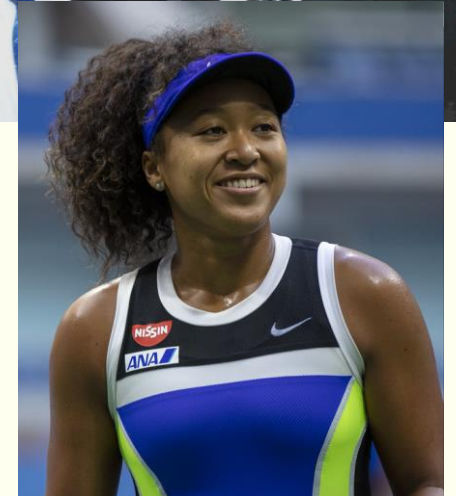
Bankman-Fried is Charged

- Prosecutors have accused Bankman-Fried of engaging in a years-long "**fraud of epic proportions**," by using customer deposits to support his Alameda Research hedge fund firm, buy real estate and make political contributions.
- Bankman-Fried is charged with
 - two counts of wire fraud and
 - six counts of conspiracy,
 - Money laundering
 - campaign finance violations
- If convicted, he could spend many years in prison.
- FTX filed for bankruptcy protection on Nov. 11.
- On December 13, 2022, John Ray, the new chief executive testified that "the exchange **lost \$8 billion of customer money** while being run by "grossly inexperienced, non-sophisticated individuals."

Celebrity FTX endorsers are being sued

The class action suit includes: Tom Brady, Gisele Bundchen, Steph Curry, Naomi Osaka, Shaquille O'Neal, David Ortiz, Shohei Ohtani, Trevor Lawrence, Udonis Haslem, Larry David, Kevin O'Leary, Jimmy Fallon, and others -

<https://www.cnn.com/2022/12/14/tech/celebrity-crypto-lawsuits/index.html>



Jack M. Wilson: <http://www.jackmwilson.com>

Gary Gensler Chair US Securities and Exchange Commission testified in 2021:

- *“Right now, we just don’t have enough investor protection in crypto. ”*
- *“Frankly, at this time, it’s more like the Wild West.”*
- *“This asset class is rife with **fraud, scams, and abuse** in certain applications.”*
- *“There’s a great deal of **hype and spin** about how crypto assets work.”*
- *“In many cases, investors aren’t able to get rigorous, balanced, and complete information.”*
 - <https://www.sec.gov/news/speech/gensler-aspen-security-forum-2021-08-03>
- Many financial experts have been warning about the dangers of crypto for many years.
- FTX probably could have and should have been avoided.

Crypto was created with the express aim of **evading government controls.**

- “The public can see that someone is sending an amount to someone else, but **without information linking the transaction to anyone.**”
 - Satoshi Nakamoto <https://bitcoin.org/bitcoin.pdf>
- “As long as transactions are made between Bitcoin accounts, however, their authors remain anonymous. There is **no central authority necessary to authorize bitcoin transactions and capable of knowing who carries them.** The transactions are recorded as anonymous entries in a virtual registry that is synchronized on all computers on the network.”
 - <https://www.cato.org/regulation/fall-2013/who-satoshi-nakamoto>
- The ability to evade government intervention, government regulation, and any government interference is why crypto currency has become the greatest boon to the **scams, frauds, money laundering, and other criminal enterprises** we have seen.
 - <http://www.jackmwilson.com/ArticlesTalks/BitcoinDebate.pdf>

It is a Global Problem

- In 2019, Bankman-Fried founded the crypto exchange FTX in the Bay Area, relocating first to Hong Kong and then the Bahamas in search of a more favorable regulatory environment.
 - Boston Globe Dec 6, 2022
 - https://www.bostonglobe.com/2022/12/06/business/caroline-ellison-math-whiz-newton-native-was-bound-success-then-she-got-into-crypto/?p1=Article_Recirc_Most_Popular&p1=Article_Recirc_Most_Popular
- This has been a problem with the Crypto industry as the decentralized nature makes it difficult to regulate activities to stop scams, criminal use, ransomware, money laundering, and Ponzi schemes.

FTX Rises to Prominence and then.....

- “FTX was previously seen as a rising star in the digital asset world. It attracted nearly \$2 billion of investments from high-profile venture-capital funds, hedge funds and the Ontario Teachers’ Pension Plan.
- Many investors face a wipeout of their equity stakes in FTX as the exchange heads to the bankruptcy court. Venture-capital firm Sequoia Capital said on Wednesday it is writing down its \$150 million investment in FTX to zero.”
 - https://www.wsj.com/articles/ftx-files-for-chapter-11-bankruptcy-11668176869?mod=hp_lead_pos1

FTX's investors –partial list Over \$ 2 Billion total

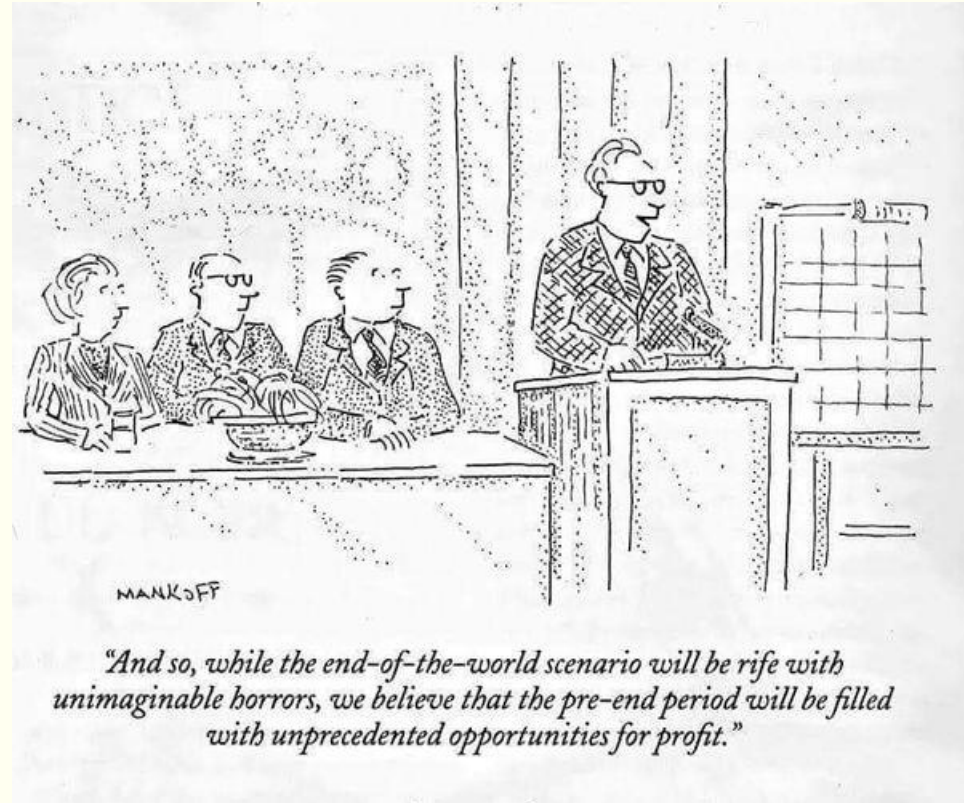
In spite of this huge external investment, Sam Bankman –Fried retained control and put no investors on the board. The FTX Board consisted of only of Bankman-Fried, an Attorney, and another FTX Employee.

- Altimeter Capital Management,
- BlackRock
- Iconiq Capital,
- Insight Partners,
- IVP,
- Lightspeed Venture Partners,
- Lux Capital,
- Mayfield,
- NEA,
- Ontario Teachers Pension Plan >\$95 million
- Paradigm -\$278 million
- Sequoia Capital - \$213 million,
- SoftBank,
- Ribbit Capital,
- Temasek Holdings, \$210 million
- Thoma Bravo.
- Third Point Ventures,
- Tiger Global,

<https://www.nytimes.com/2022/11/11/technology/ftx-investors-venture-capital.html#:~:text=FTX's%20list%20of%20investors%20spans,Holdings%2C%20BlackRock%20and%20Thoma%20Bravo>

What about crypto?

Paul Krugman, Nobel Prize winning economist in the NY Times June 17, 2022: *“If you believe, as I do, that crypto is to a large extent a **Ponzi scheme**, this may just happen to be the moment when the scheme has run out of new suckers.”*



Greed ?

Is Crypto A Ponzi Scheme?

- Mitchell Zuckoff, Boston University, and author of “Ponzi’s Scheme: The True Story of a Financial Legend.” Boston Globe May 24, 2022.:
 - A novel investment opportunity bursts onto the scene. Its origin story is complex yet plausible enough. Regulators shrug, then race to catch up. Charismatic pitchmen condemn the traditional system as rigged against outsiders and innovators. Reporters tell stories of sudden wealth. Customers’ doubts succumb to opportunism and, for some, greed.
 - Good times roll, until they don’t.
 - **That might sound like the stratospheric rise and recent plunge in values of the digital money known as cryptocurrency.** But a century ago it described the trajectory of Charles Ponzi, whose eponymous scheme is being invoked daily to attack crypto as a scam.
 - “By definition, a **Ponzi scheme is a fraud in which money from one group of people is secretly used to pay promised returns to another group of people.** Think of it this way: You “invest” \$1,000 in exchange for my guarantee to double your money in weeks. What you don’t know is that I don’t have a legitimate business with products or services. Instead, I intend to lure more investors (a.k.a. suckers) and use their money to pay you. Eventually, the scheme collapses when I take the money and run, or when withdrawals outpace the influx of new money.” (FTX collapsed when this happened to them.)
 - Afterward, The New York Times was more forgiving toward Ponzi than to investors seduced by the promise of easy money: “**They showed only greed — the eagerness to get much for nothing** — and they had not one of Ponzi’s redeeming graces.”

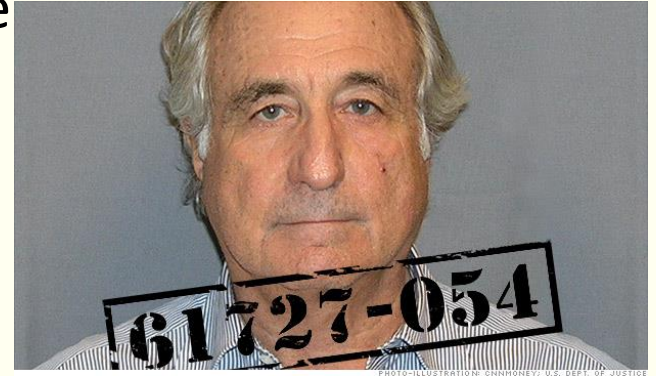


The Greater Fool

- While Zuckoff called them “suckers,” they are mostly known as “**the greater fools**” in the literature on Ponzi schemes.
- CNBC” June 17, 2022 - Microsoft Co-Founder Bill Gates described cryptocurrencies as “**100 percent based on some sort of Greater Fool Theory.**”
- The **Greater Fool Theory** states that the market will always have investors that are foolish enough to shell out money for an overvalued investment. “I may be a fool to buy at this price, but there is a greater fool who will pay more.”
- Wilson: The key to making money in a Ponzi scheme is not to be the “**greatest fool.**”

Bernie Madoff

- Before Crypto, the largest Ponzi scheme in history was run by Bernie Madoff -a 64.8 billion scheme that ran for decades.
- In a Ponzi scheme the originators and early investors make huge fortunes.
- The later investors, the “**greater fools**,” lose money and the **greatest fools** often lose it all.
- I had friends in Massachusetts who were early investors and became very wealthy and donated to UMass, and others who lost a fortune.
- The courts went after the earlier investors to try to claw back some of their ill gotten gains (with some success).



What do other Professional Investors think?

- **Warren Buffet**

- “If you ... owned all of the bitcoin in the world and you offered it to me for \$25, I wouldn’t take it,”
- <https://www.cnbc.com/2022/05/02/warren-buffett-wouldnt-spend-25-on-all-of-the-bitcoin-in-the-world.html>

- Most famously, Buffett said bitcoin is “**probably rat poison squared.**”

- <https://www.cnbc.com/2022/04/30/warren-buffett-gives-his-most-expansive-explanation-for-why-he-doesnt-believe-in-bitcoin.html>

- **Charles Munger**

- “In my life, I try and avoid things that are stupid and evil and make me look bad in comparison to somebody else – and bitcoin does all three,” Munger said. (Ibid above)

- **Nassim Nicholas Taleb**

- described bitcoin’s value as “**zero**”. “**This is the first time we’ve seen a financial bubble coupled with religious, cult-like behaviour and an investment strategy not seen before in history,**” he says.

- **Jamie Dimon CEO of Citibank**

- “**I personally think that bitcoin is worthless,**” Dimon said during an Institute of International Finance event on Monday, CNBC Pro reported.

- **Christine Lagarde President of the European Central Bank**

- At a Reuters Next Conference, Lagarde branded bitcoin “**a highly speculative asset,**” adding that it has been used to conduct “**some funny business and some interesting and totally reprehensible money laundering activity.**”

- <https://bitcoinmagazine.com/business/how-banks-try-to-discredit-bitcoin>

More quotes from experienced investors

- Jim Cramer (CNBC): “I’m at least big enough to admit that this time I was wrong about crypto. I wish the real promoters would do the same. Just because you make money in it, which I was fortunate enough to do, doesn’t necessarily mean that it’s for real.
- “There’s no point in any of this stuff beyond separating you from your money,” The Mad Money host said he “believed it, until 300 of them went out of businesses.”
 - (<https://www.cnbc.com/video/2022/08/30/jim-cramer-rips-cryptocurrencies-and-other-speculative-assets-urges-investors-to-stay-away.html>)
- This is exactly the hallmark of the Ponzi scheme –coupled with “Pump and Dump” schemes in which crypto-conflicted advocates pump up the price and then dump on the greater fools.

Jeremy Grantham might sum it up best!

- *Jeremy Grantham, CEO and founder of GMO*
 - "Bitcoin is not a good reserve of value, as we've seen. It's terrible for a currency exchange. It's expensive to transact, but worst of all, it is deadly to the environment. It's incredibly energy intensive to give you a speculative instrument to wager on, that's it. The fact that it takes our precious energy and has a carbon footprint is the worst crime of all, and the sooner it goes away, the better."
 - "As a speculative instrument, it's made a lot of money for a couple hundred people who got in early with a lot. Most of the other people playing it have now lost money, we know that. It's the same old, same old where the rich get richer and the poor get poorer, so any attempt to spin this as an equalizer is just that, it's pure spin." (Also on bitcoin.)
 - <https://www.msn.com/en-us/money/markets/bubble-expert-jeremy-grantham-predicts-a-huge-decline-in-stocks-tears-into-bitcoin-and-slams-the-fed-in-a-new-interview-here-are-the-10-best-quotes/ar-AA10wB1B?ocid=msedgntp&cvid=d8687c67e88d4e87a6a02cfa1a320862>

Scams are easy, frequent, and profitable

- 46,000 people say they lost over \$1 billion in crypto to scams since the start of 2021, according the Federal Trade Commission in June (much more since)
- Celsius: Freezes accounts. (\$1.2 B-\$4.7 Billion) Accused in lawsuit of fraud and Ponzi scheme
- Terra-USD: Stable Coin disappears due to run on bank (\$60 billion including Luna)
- Luna: Collapses when lack of value is found
- Voyager Bankrupt and Ordered to Cease False Promises About U.S. Banking Insurance
- Beanstalk: POS theft of \$182 million
- Axie Infinity hacked, \$615 million stolen (probably N. Korean theft)
- 3AC-Three Arrows Capital: Bankrupt, Founders absconded, lost \$10 B (\$200 million loss in Luna)
- Titanium Blockchain CEO Pleads Guilty to Fraud
- Nomad: Theft of \$192 million in stable coin and Ether
- Tesla: Pump and Dump?
- Ethereum: DAO hack steals \$60 million
- Squid Game scam: Classic “Rug Pull” steals \$3.36 million
- Tornado provides a place for criminal money laundering.
- Day of Defeat: Rug Pull theft \$1.35 million - promised 10 million times ROI due to “mystery plan.”
 - And many many more
- FTX Collapses with at least \$8 billion missing.

Do you have any way to recover?

- “People who lost their money due to the (Celsius) exchange being hacked still haven’t gotten it back. **There are no laws governing crypto assets like there are with money held in a bank.** Crypto funds essentially belong to the crypto exchange, not to you, so without regulation, there’s a high chance that account holders won’t be getting their money back,
 - Jay Fraser, Director Of strategic partnerships at blockchain-enabled securities exchange BSTX
 - (<https://www.msn.com/en-us/money/smallbusiness/their-crypto-bank-failed-and-they-lost-six-figures-overnight-what-now/ar-AA10TSQK?ocid=msedgntp&cvid=1594e57b8df04f939b9104114b0565c2>)
- You can imagine how that must feel to FTX customers.

Greed and Fear cause banks to respond.

- Last year, engineers at Bank of America filed the biggest number of patent applications in the bank's history, including hundreds involving digital payments technologies. It's unclear how exactly the bank plans to use its technology, but it was partly **driven by the desire to keep customers within the bank's systems** rather than lose them to scrappy cryptocurrency start-ups that allow them to transfer money free.
- “The bank sees potential in blockchain, and we're currently a leading patentholder in the space with more than 160 patents,” a Bank of America spokesman, Mark Pipitone, said. **“But we still haven't found a use at scale to make the financial lives of customers and clients better.”**
 - <https://www.nytimes.com/2021/11/01/business/banks-crypto-bitcoin.html>

NY Times: Crypto Crash Widens a Divide: 'Those With Money Will End Up Being Fine'

<https://www.nytimes.com/2022/06/29/technology/crypto-crash-divide.html>

- *No crypto investor has fully escaped the downturn. But a small group of industry titans accumulated immense wealth as prices spiked over the last two years, giving them an enviable cushion. Many of them bought Bitcoin, Ether and other virtual currencies years ago, when prices were a small fraction of their current value. Some locked in their gains early, selling parts of their crypto holdings. Others run publicly traded crypto companies and cashed out of their stock or invested in real estate.*
- *By contrast, many amateur traders flooded into the crypto market during the pandemic, when prices had already started soaring. Some poured in their life savings, leaving them vulnerable to a crash. Thousands also flocked to work for crypto companies, thinking it was a ticket to new riches. Now many of them have seen their savings vanish or have lost their jobs*

Wilson: This is a classic Ponzi Scheme pattern.

June 14, 2022 LinkedIn Who Pays for Crypto's Collapse?

- But this cycle had something new: crypto craziness.
- The Federal Trade Commission reports that 46,000 people have reported losing **\$1 billion in crypto to scams since January 2021.**
- Bitcoin is down more than 70% since its 2021 peak,
- Ethereum is down 72%,
- XRP 78%.
- And of course, the Luna token is down from \$116 on April 5 to essentially zero.
- Is anyone liable? Binance, FTX, Coinbase, Kraken, Bitfinex and Crypto.com are some of the largest exchanges for crypto trading."

- https://www.wsj.com/articles/who-pays-for-crypto-collapse-class-action-lawsuits-bitcoin-ethereum-losses-investors-coinbase-luna-xrp-11655056359?mod=hp_trending_now_opn_pos1

Burn Baby Burn

- ***Cryptocurrency's Dirty Secret: Energy Consumption***

- <https://news.climate.columbia.edu/2022/05/04/cryptocurrency-energy/>

- “But crypto has a dirty little secret that is very relevant to the real world: it uses a lot of energy. How much energy? Bitcoin, the world’s largest cryptocurrency, currently consumes an estimated **150 terawatt-hours** of electricity annually — more than the entire country of **Argentina**, population 45 million. Producing that energy emits some **65 megatons** of carbon dioxide into the atmosphere annually — comparable to the emissions of **Greece** — making crypto a significant contributor to global air pollution and climate change.”
- And crypto’s thirst for energy is growing as mining companies race to build larger facilities to cash in on the 21st century gold rush.
- They are buying closed fossil fuel fired power plants and reopening them to drive their mining.



A Bitcoin mining facility in Texas. Members of Congress are examining the environmental impact of virtual currencies. Mark Felix/Agence France-Presse — Getty Images

Transparency or false transparency?

- Crypto advocates like to claim that transactions are easily seen and audited.
- That is a half truth. (IMHO more like a 1/10 truth)
 - Yes, on many blockchains it is quite easy to follow the transactions but....
 - In most cases you cannot identify the actual human beings or organizations doing the transactions.
 - It is also possible to do multiple transactions (thousands or millions) across multiple stores of value (including cash or cash equivalents) that make it quite easy to launder money.
 - **Tornado** was designed to do exactly that.
- The U.S. Treasury Department accused Tornado Cash, a so-called mixer platform that enables users to exchange cryptocurrencies with relative anonymity, of **laundering billions** of dollars in virtual currency, including \$455 million allegedly stolen by North Korean hackers, and over \$7 billion overall.
 - https://www.wsj.com/articles/tornado-cash-sanctions-show-shift-in-crypto-regulatory-focus-11660336224?mod=hp_minor_pos10
 - Astoundingly, a crypto advocacy group has sued the US government to demand to be allowed to launder their money.
 - https://www.wsj.com/articles/crypto-advocacy-group-sues-u-s-treasury-over-tornado-cash-sanctions-11665610506?mod=hp_minor_pos11

Is this what they mean by “transparency?”

Benzinga 17 Oct 2022

<https://www.msn.com/en-us/money/news/101m-in-ethereum-was-just-transferred-between-2-wallets/ar-AA134211?ocid=msedgntp&cvid=8779aff280a2403cbc9e8af750989449>

“What happened: \$101,521,913 worth of Ethereum (CRYPTO: ETH) was just moved between 2 anonymous cryptocurrency wallets in a single transaction.” (17 October 2022).

“This mysterious person's Ethereum wallet address has been identified as:

0x44ba1e69985bceb509a44dda041dd4b57d70043f

“\$101 million worth of Ethereum was sent to an unknown recipient, with Ethereum wallet address:

0x47ccf33b7ecb1296c3f763a6f069a691a4df70d6”

- That sure helps us keep track of fraud and criminal activity!
Right?

KYC: Know Your Customer

- KYC means Know Your Customer and sometimes Know Your Client. KYC or KYC check is the mandatory process of identifying and verifying the client's identity when opening an account and periodically over time. In other words, banks must make sure that their clients are genuinely who they claim to be.
- As we have seen crypto has mostly been able to get away without doing that.
- In fact, that is one of the major selling points of crypto –lack of government knowledge or control.
- Now some crypto organizations are being forced to comply –like real banks. They are then finding that most customers are not able to be identified.
- **Binance** a major crypto exchange was forced to comply.
- The result:
 - In a recent interview with CoinDesk, Binance compliance team Tigran Gambaryan and Matthew Price, former investigators at the U.S. Internal Revenue Service’s cybercrime unit, said that the exchange’s tighter KYC policies had come at a cost to the business.
 - “We have lost 90% of customers after implementing KYC, losing billions in revenue,” said Gambaryan.
 - <https://www.msn.com/en-us/money/news/binance-says-it-lost-90-of-customers-billions-in-revenue-due-to-kyc-compliance/ar-AA10aGzo>
- No wonder Crypto Currency has been a boon to criminals!

FOMO A key driver of crypto's growth.

- The growth of crypto currency, especially among new investors has the big banks running a bit scared. If they do not provide these services, some startup will. They want to have these services even though they know the risk and try to caution investors.
- It is Willie Sutton's theory at work: *"Why rob banks? Because that is where the money is."*
- Fidelity: One in four households now interact with digital assets, and growth is greatest among young investors, with 39% of Gen Z and 38% of Millennials actively engaged in the digital assets' ecosystem.
- Abigail Johnson the CEO of Fidelity has defended their use of crypto against caution letters from the government –including the Dept. of Labor.
- "Fidelity has become a major player in crypto, most recently launching a program that allows companies that use its retirements services to offer their workers a bitcoin option in their 401(k) plans. The move has drawn scrutiny from the Department of Labor and Senator Elizabeth Warren, who wrote in a letter to Johnson that investing in crypto is a **"risky and speculative gamble."**"
 - <https://www.bostonglobe.com/2022/06/17/business/crypto-industry-has-had-terrible-week-heres-what-local-experts-have-do/>



FOMO - Even Reputable Organizations Want In

- Financial institutions are just doing what they always do, satisfying a demand for something that they can make a lot of money on.
- Of course, that is the difference between the Robber Baron Capitalism of the 1890s and the Capitalism of the 1950s. By the later time, governments had realized that they needed to give some oversight to financial institutions to keep them from doing rather damaging things to their customers and our economy. At this time governments have not yet taken the responsibility to put oversight in place.
- In crypto there is no transparency. In fact, that is the central tenet of crypto: no government control or oversight.
- We are now in the 1890 Robber Baron phase of crypto and it will end with disaster for many and huge wealth for a few. It is up to our government to mandate transparency, KYC, fraud protections, legal recourse for scams, and so on. That is being fought hard by the crypto leaders.
 - (See the recent case in which they sued the government in the Tornado case to be able to preserve their ability to launder and hide money from the legal system and governments.)

Rebutting the pseudo science

- Fraudsters often use a series of arguments to try to discredit critics.
 - “Oh, you are too old to understand.”
 - “Well, they are simply afraid of us since we will put them out of business.”
 - “OK. Boomer!”
 - “This is such a new technology that most of you cannot understand it.”
- The crypto advocates borrowed many of these efforts to discredit critics from scammers down through the centuries.
- For example: a huge medical scam called EPMX is now conducted out of Budapest because the founder, William Nelson, was indicted and fled the US. Here is how he discredits critics as he fights to avoid extradition.
 - “Tens of thousands have found Nelson’s pitch persuasive. “Traditional doctors don’t want you to use the EPMX,” he says. “They will tell you it’s a fraud. That’s because they are scared. I have discovered something that will put them out of business. And they don’t want you to have it.”
 - <https://www.seattletimes.com/seattle-news/how-one-mans-invention-is-part-of-a-growing-worldwide-scam-that-snares-the-desperately-ill/>

How does it end?

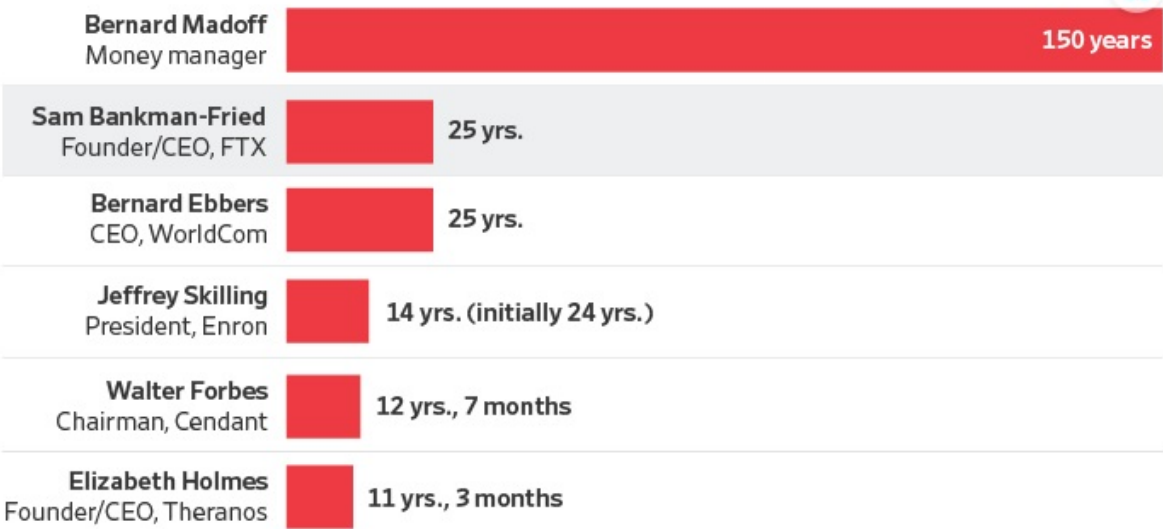
- The search for the guilty and the punishment of the innocent.
- Courts will now try to untangle the FTX mess which many think was entirely foreseeable and should have been stopped before so many people lost their life savings and so many investors lost so much money.
- What do you think?



SBF is found guilty and sentenced (WSJ 3/28/2024)

FTX Founder Sam Bankman-Fried Sentenced to 25 Years

Sentences in some prominent white-collar fraud cases



The sentence for crimes connected to the collapse of the FTX crypto exchange caps the meteoric rise and fall of the onetime crypto king.
785 6 min read

- The Crypto Reboot That Wasn't: Why 'FTX 2.0' Floundered

Wall Street Journal 28 March 2024

FTX Question on Legal and Ethical Issues -1

- Do you think that Samuel Bankman-Fried acted ethically and legally?
- If Yes, then explain why you think this way and defend him to the public.
- If No, then answer the following questions:
 - 1. Do you think his actions were intentionally violations of ethical and legal norms or do you think they occurred unintentionally because he was in experienced?
 - 2. Were his actions influenced by a lack of legal and ethical standards in the emerging field of crypto?

FTX Question on Legal and Ethical Issues -2

- Do you think that celebrity endorsers of FTX have a responsibility for helping FTX to allegedly defraud others? Why or why not?
- Do you think that celebrity endorsers are required to do some due diligence on products they endorse? Is that practical and/or reasonable?

FTX Question on Legal and Ethical Issues -3

- Major investors in FTX were not given seats on the FTX Board of Directors. Typically they are in other new ventures.
- Do you feel that the investors failed to do their due diligence in regard to the millions they invested in FTX?
- Why do you think they failed to recognize the problems?
- If the bankruptcy manages to recover some of the missing billions in assets, do you think that major investors deserve some compensation for having been defrauded or do you think they were part of the problem and do not deserve any compensation?

Links to Additional References on Crypto

- Crypto Debate Slides –J. Wilson 10.27/2022
 - <http://www.jackmwilson.com/ArticlesTalks/BitcoinDebate.pdf>
- CNN: Crypto Decoded
 - <https://www.pbs.org/wgbh/nova/video/crypto-decoded/>
- 11-11-22 NYTimes Embattled Crypto Exchange FTX Files for Bankruptcy
 - <https://www.nytimes.com/2022/11/11/business/ftx-bankruptcy.html>
- 12-6-22 Boston Globe: Caroline Ellison, math whiz and Newton native, was bound for success. Then she got into crypto.
 - [https://www.bostonglobe.com/2022/12/06/business/caroline-ellison-math-whiz-newton-native-was-bound-success-then-she-got-into-crypto/?p1=Article Recirc Most Popular&p1=Article Recirc Most Popular](https://www.bostonglobe.com/2022/12/06/business/caroline-ellison-math-whiz-newton-native-was-bound-success-then-she-got-into-crypto/?p1=Article%20Recirc%20Most%20Popular&p1=Article%20Recirc%20Most%20Popular)

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