

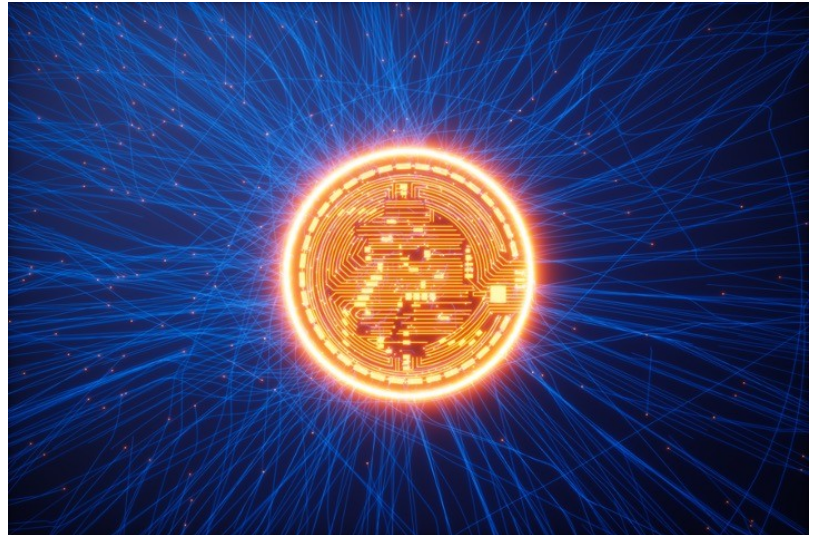


FTX Bankruptcy Ripples to BlockFi as NYT Celebrates Disgraced Ex-CEO SBF

New Jersey-based digital asset lender BlockFi is seeking Chapter 11 bankruptcy protection in the wake of the largest cryptocurrency collapse in history.

“This action follows the shocking events surrounding FTX and associated corporate entities,” reads the BlockFi [blog](#).

In Monday’s [filing](#), BlockFi fingered an outstanding \$275 million loan to FTX US, the now-bankrupt subsidiary of former CEO Sam Bankman-Fried’s counterfeit empire. BlockFi also operates a division in the Bahamas — where FTX is based — and filed a concurrent bankruptcy petition there.



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“We do have significant exposure to FTX and associated corporate entities that encompasses obligations owed to us by Alameda, assets held at FTX.com, and undrawn amounts from our credit line with FTX.US,” a BlockFi spokesman told [Reuters](#) earlier this month. (Alameda Research was the FTX hedge fund.) The outlet reported that this past July, FTX had agreed to provide BlockFi “with a \$400 million revolving credit facility with an option to buy it for up to \$240 million.”

Others in the crypto world may likewise drown in the wake of the FTX fall. The digital asset brokerage Genesis has already warned investors of a possible bankruptcy looming, notes [Bloomberg](#). Last week, [The New American](#) reported the uncomfortably close ties between FTX and the U.S. dollar-based stablecoin Tether.

In fact, 2022 may be marked in history as the year of crypto collapse. Crypto lender Celsius Network saw its assets plummet by 80 percent between the end of March and mid-July when it declared bankruptcy. Another crypto lender, Voyager Digital, also filed bankruptcy in July, placing blame on its close connections with failed crypto hedge fund Three Arrows Capital (3AC), which had filed for bankruptcy just days before. Founders of the latter are still at large, and the demise of 3AC caused BlockFi to contract with FTX US to avoid bankruptcy. Additionally, in May, [Terraform](#) Labs witnessed the failure of both its stablecoin (TerraUSD) and its cryptocurrency (Luna), for a market loss of \$45 billion.

[NerdWallet](#).com sums up this “crypto winter” by tallying that the “total value, or market cap, of the largest 100 cryptocurrencies on Nov. 14, 2022, was about \$830 billion. That’s about a 70% fall from a market cap of \$2.7 trillion on Nov. 7, 2021.” In other words, the prices of most of those cryptocurrencies “dropped by double-digits” in a single year.

FTX Update

However, all other failures pale in comparison to the faceplant of crypto-exchange FTX. Attorneys said during that company’s bankruptcy proceedings last week that the former CEO had treated it as his



Written by [Rebecca Terrell](#) on November 28, 2022

“personal fiefdom.” Sam Bankman-Fried, popularly known by his monogram SBF, spent some \$300 million on personal homes and vacation properties for himself, his family, and senior staff. Billions more are “missing.”

FTX and its more than 100 affiliate companies filed for [bankruptcy](#) on November 11, the same day that SBF resigned. The move happened in response to a run by investors who “pulled \$6 billion from the platform in three days,” according to [Reuters](#). FTX competitor Binance caused that run by liquidating its FTX investments and pulling out of a purchase agreement after reviewing financials that indicated SBF had propped up Alameda balance sheets with counterfeit crypto assets and speculated with billions in customer funds.

FTX lawyers are therefore asking for an investigation into Binance’s role in the bankruptcy. Now archrivals, the two companies’ relations were friendly in 2019 — the year SBF launched FTX — when Binance founder Changpeng Zhao bought 20 percent of the startup for around \$100 million, relates [Reuters](#). By mid-2021, their rivalry had ignited, and SBF bought back Zhao’s stake for around \$2 billion, paid in part with FTX’s own token, FTT. It was that holding — worth about \$580 million — that Binance sold after Zhao reviewed FTX financials in view of a potential bailout purchase of the company. Within two days, FTT’s price collapsed by 80 percent.

During the hearing held in U.S. bankruptcy court in Delaware, FTX lawyers explained that a “substantial amount” of assets is now stolen or missing following cyberattacks that occurred the day SBF filed for bankruptcy.

FTX owes an estimated \$3.1 billion to its top 50 creditors, the names of whom the court agreed could be kept confidential. An attorney said that FTX intends to sell off healthy business units to help recoup losses.

The company announced on November 16 that it had managed to recover \$740 million in digital assets and, according to the [Associated Press](#), BitGo estimates that amount likely exceeds \$1 billion at present. (BitGo is acting as the custodian, or fiduciary, for FTX’s recovered digital assets.)

An estimated one million customers and other investors face potential losses in many more billions of dollars. The new CEO of FTX, John J. Ray, III, accused SBF of working with regulators in the Bahamas to shift assets overseas and “undermine” the U.S. bankruptcy case, reports [Reuters](#).

Bankman-Fried is still at his home in the Bahamas. Authorities have not yet extradited him because the U.S. “treaty with the Bahamas says that he has to be charged first, and rushing this could lead to charges being thrown out,” explains [Fox News](#).

Others wonder whether SBF’s ties to the Democratic Party have something to do with the fact that he is still roaming free. The 30-year-old had emerged as the second-largest donor to liberal campaigns and causes, next to George Soros. He gave around \$39 million in the past two years, either directly or through political action committees, and in 2020 he was the second-largest donor to Joe Biden’s campaign.

He had also partnered with Ukraine in March to help fund that country’s war effort. Pundits speculate that some of the \$60 billion in foreign aid that President Joe Biden had handed Ukraine as of early November went back to fund SBF’s massive donations to Democrats in the [midterms](#).



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NYT BookDeal Summit

Meanwhile, disgraced ex-CEO Sam Bankman-Fried still plans to attend the November 30 [DealBook](#) Summit in New York, hosted by Andrew Ross Sorkin of *The New York Times*.

The summit bills itself as bringing “together today’s most vital minds on a single stage, live in the heart of New York City.” Sorkin launched it in 2011 on the heels of the success of his *DealBook* daily newsletter, which began in 2001. He is the author of the (somewhat ironically titled) book *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System — and Themselves*.

Among SBF’s fellow speakers scheduled to attend the event are Larry Fink, Chairman and CEO of BlackRock; Israeli Prime Minister-designate Benjamin Netanyahu; Trump’s vice president Mike Pence; U.S. Treasury Secretary Janet Yellen; Facebook founder Mark Zuckerberg; and SBF’s old friend, Ukrainian President Volodymyr Zelensky.

“The NYT currently expects SBF to participate in the interview from the Bahamas, where he is currently located,” reports [BeInCrypto.com](#), which calls SBF the “crypto industry’s public enemy number one” and says that “the crypto community is not amused.”



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