



Written by [Rebecca Terrell](#) on December 13, 2022

## House Democrats Upset by SBF Arrest

Authorities in the Bahamas arrested Sam Bankman-Fried (SBF) on Monday, according to the U.S. Department of Justice. “SBF’s arrest followed receipt of formal notification from the United States that it has filed criminal charges against SBF and is likely to request his extradition,” [stated](#) the Bahamian attorney general.



AP Images  
Maxine Waters

The arrest came “at the request of the U.S. Government, based on a sealed indictment” that was unsealed Tuesday morning.

The indictment includes eight criminal counts: conspiracy to commit wire fraud and securities fraud, individual charges of securities fraud and wire fraud, money laundering, and conspiracy to avoid campaign finance regulations.

[SBF](#), the disgraced former CEO of cryptocurrency exchange FTX, is reported to have illegally squandered customer funds in a Ponzi-styled scheme, resulting in the largest financial collapse in crypto history. The company, which was reputedly the third-largest crypto exchange in the world, filed for Chapter 11 bankruptcy protections in early November, and SBF resigned as CEO the same day.

He was due to testify via remote transmission before the U.S. House Financial Services Committee on Tuesday. Upon hearing of his arrest, Committee Chairman Maxine Waters (D-Calif.) issued a [statement](#) expressing her surprise and consternation (though many on Twitter had opposite reactions, posting comments like “finally,” and “about time”):

I am surprised to hear that Sam Bankman-Fried was arrested in the Bahamas at the direction of the United States Attorney for the Southern District of New York.... My staff and I have been working diligently for the past month to secure Mr. Bankman-Fried’s testimony before our Committee tomorrow morning.... Although Mr. Bankman-Fried must be held accountable, the American public deserves to hear directly from Mr. Bankman-Fried about the actions that’ve harmed over one million people, and wiped out the hard-earned life savings of so many. The public has been waiting eagerly to get these answers under oath before Congress, and the timing of this arrest denies the public this opportunity.

In view of the Democratic Party’s ties to SBF, come cast doubts on Waters’ suitability to chair the investigation. He donated nearly \$40 million in the past two years to liberal campaigns and causes, earning him the rank of second-largest donor next to George Soros. In 2020, he was the second-largest donor to Joe Biden’s campaign. As another one of his beneficiaries, should Waters be *relieved* instead of disappointed that no Republicans could ask him about his leftist generosity under oath?



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Representative Alexandria Ocasio-Cortez (D-N.Y.) was also “disappointed” at the news of his arrest.

Yet it is unlikely that Waters or AOC would have extracted anything different from SBF than his [prattle](#) in several public interviews since the collapse of the FTX empire, which included its hedge fund, Alameda Research.

“One of the reasons FTX went bankrupt is because FTX deposits were used to pay Alameda’s creditors. [Alameda CEO] Caroline Ellison said you knew about that. Is that true?” [queried](#) George Stephanopoulos on ABC’s *Good Morning America*.

“You know, best I can tell, uh, Alameda did have a big position open on on FTX. Um, that position, uh, I think, was, you know, very over-collateralized, uh, a year ago,” SBF faltered. “There was a a total market collapse, and, you know, specifically a large correlated collapse in its assets, you know, over the last month and to some extent over the last year that, uh, you know, threatened that position quite a bit and I think that’s, you know, as best I can tell a lot of what happened then.”

“I am no cryptocurrency expert. I’m no finance expert. But I don’t think you answered my question. I asked you: ‘Did you know that FTX deposits were used to pay off Alameda creditors?’” Stephanopoulos responded.

SBF paused, looked down and frowned before hesitatingly saying: “I don’t know of FTX deposits being used to pay off Alameda creditors. Are you ... uh, which creditors are you referring to?”

There was more similar back and forth, with Stephanopoulos quoting FTX terms of service assuring customers that none of their funds would be loaned to FTX trading and SBF pointing out a “margin trading facility on FTX by which users can lend out funds by which other users borrow funds.” Obviously frustrated with the dance, Stephanopoulos finally cornered SBF, demanding a simple yes or no to his original question: “Did you know that these funds were being funneled to Alameda?”

“I did not know that there was any improper use of customer funds,” SBF replied.

Insolvency professional John J. Ray, who was Enron’s liquidator, is the new CEO of FTX, hired to see it through bankruptcy proceedings. Since SBF’s arrest, he is the only [witness](#) appearing before the Finance Committee today. When asked about SBF’s various interviews, he said, “It was really hard to determine what he was trying to say.”

He described the transfer of funds between FTX and Alameda as “voluminous” and remarked on the lack of internal controls or documentation. He also reported that SBF signed his own loans. “That should tell you something right there.”



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