

SBF paid \$40M bribe to unfreeze crypto trading accounts in China, US charges

Enlarge / Then-CEO of FTX Sam Bankman-Fried speaks during a House Committee on Financial Services hearing on December 8, 2021, in Washington, DC.

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FTX founder Sam Bankman-Fried is facing a new criminal charge, with an updated indictment alleging that he violated the Foreign Corrupt Practices Act when he “authorized and directed a bribe of at least \$40 million to one or more Chinese government officials.”

The superseding indictment returned by a federal grand jury in New York yesterday, and unsealed today, said the bribe’s purpose “was to influence and induce one or more Chinese government officials to unfreeze certain Alameda trading accounts containing over \$1 billion in cryptocurrency, which had been frozen by Chinese authorities.” Including the new charge, Bankman-Fried now faces 13 criminal counts.

In early 2021, Chinese law enforcement officials froze certain Alameda accounts on two of China’s largest cryptocurrency exchanges, the indictment said. Bankman-Fried “understood that the Accounts had been frozen by Chinese authorities as part of

an ongoing investigation of a particular Alameda trading counterparty.”

The alleged bribe consisted of cryptocurrency then worth about \$40 million, which was “transferred from Alameda’s main trading account to a private cryptocurrency wallet” in or about November 2021.

Accounts unfrozen, apparently after bribe

The alleged bribe apparently achieved its purpose. “At or around the time of the \$40 million bribe payment, the Accounts were unfrozen,” the indictment said. “After confirmation that the Accounts were unfrozen, Bankman-Fried authorized the transfer of additional tens of millions of dollars in cryptocurrency to complete the bribe.” Money from the unfrozen accounts was then used at Bankman-Fried’s direction “to fund additional Alameda trading activity,” the indictment said.

Before allegedly resorting to bribery, Bankman-Fried and others working for him “considered and tried numerous methods to unfreeze the Accounts or otherwise to regain access to the cryptocurrency in the Accounts,” the indictment said. Those attempts included “retaining attorneys to lobby or otherwise advocate in China for Alameda’s funds to be unfrozen; communicating with the Chinese Exchanges; and opening new accounts on the Chinese Exchanges using the personal identifying information of several individuals unaffiliated with FTX or Alameda (the ‘Fraudulent Accounts’) and attempting to transfer the cryptocurrency from the frozen Accounts to the Fraudulent Accounts in an effort to circumvent the Chinese authorities’ freeze orders.”

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But after months of failed attempts, the indictment said, Bankman-Fried and others “ultimately agreed to and directed a

multi-million-dollar bribe to seek to unfreeze the Accounts.” Several Alameda employees were allegedly involved.

“Following Bankman-Fried’s authorization and direction, an Alameda employee sent cryptocurrency payment instructions for at least a portion of the bribe payment to other Alameda employees, including at least one employee located in the United States,” the indictment said. The alleged conspirators include people “known and unknown, at least one of whom was first brought to and will be arrested in the Southern District of New York,” the indictment said.

Bankman-Fried was arrested in December. The previous criminal counts include charges of defrauding FTX customers, investors, and lenders, as well as conspiracy to commit those frauds. They also include conspiracy to commit bank fraud, conspiracy to operate an unlicensed money-transmitting business, conspiracy to commit money laundering, and conspiracy to make unlawful political contributions and defraud the Federal Election Commission.

Use of parents’ devices restricted in bail deal

Bankman-Fried pleaded not guilty and is out on bail but was in danger of losing his bail package over his use of technology such as a VPN service. US prosecutors and Bankman-Fried reached a new agreement on bail conditions, and US District Judge Lewis Kaplan approved the new conditions today.

Bankman-Fried was previously ordered to live with his parents, who have two laptops, a desktop computer, and two cell phones in their house. His “parents have agreed to not allow the Defendant to use the Parents’ Devices, to password protect the Parents’ Devices, to safeguard the passwords from the Defendant, to not allow the Defendant to have the passwords to the Parents’ Devices in any form, and to install monitoring

software on the Parents' Devices... that will photograph the device's user every five minutes," the new bail agreement said.

Bankman-Fried's parents also agreed to sign sworn affidavits stating that they won't bring "prohibited electronic devices" into their home. His parents further "agreed to provide the Government with the serial numbers, MAC addresses, and any other identifying information the Government requests for the Parents' Devices, and to provide Pretrial Services with access to the photographs taken by the monitoring software whenever requested by Pretrial Services."

After a dispute over Bankman-Fried's VPN (virtual private network) usage, he is being given limited access to a laptop that will be configured to let him use an FTX transactional database over a VPN connection "to prepare his defense." He is otherwise prohibited from using VPNs.

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