Release Number 8938-24

# CFTC Obtains $12.7 Billion Judgment Against FTX and Alameda

## Restitution and Disgorgement Damages to Pay Fraud Victims

**August 08, 2024**

**Washington, D.C.** — The Commodity Futures Trading Commission today announced the U.S. District Court for the Southern District of New York entered a consent order of permanent injunction and other equitable relief against **FTX Trading Ltd.** and **Alameda Research LLC** (together, FTX) and ordered FTX to pay $12.7 billion in monetary relief to FTX customers and victims of FTX's fraud. The order requires FTX to pay $8.7 billion in restitution and $4 billion in disgorgement, which will be used to further compensate victims for losses suffered as a result of the massive fraudulent scheme orchestrated by Samuel Bankman-Fried, his now-bankrupt FTX group of companies, and a core group of FTX insiders. [See CFTC Press Release Nos. 8638-22, 8644-22, 8669-23].

In addition, the order finds FTX violated the Commodity Exchange Act (CEA) and CFTC regulations, imposes injunctions against further violations of the CEA and CFTC regulations as well as trading and registration prohibitions, and requires FTX and Alameda to cooperate with the CFTC in its ongoing litigation. The order finds FTX and Alameda made material misrepresentations and omissions to customers. The court noted that FTX touted itself as "the safest and easiest way to buy and sell crypto," and that customer assets, including digital assets such as Bitcoin and Ether, were held in "custody" by FTX while stating FTX segregated customer assets from FTX's own assets as a general principle, when in fact customer funds were commingled and misappropriated.

In a related settlement agreement approved by the Bankruptcy Court for the District of Delaware, the CFTC agreed not to seek a civil monetary penalty against FTX and to subordinate its monetary claims to those of victims of the FTX fraud scheme. As described by FTX in its proposed reorganization plan filed in the bankruptcy proceeding, payments by FTX towards its CFTC disgorgement obligation will be used to further compensate victims through a supplemental remission fund. The plan remains subject to approval in the bankruptcy proceeding.

"FTX used age-old tactics to create an illusion that it was a safe and secure place to access crypto markets. But the basic regulatory tools, like governance, customer protections, and surveillance that exist to identify misconduct and ultimately prevent collapse, were simply not there," said CFTC Chairman Rostin Behnam. "Like countless other CFTC crypto resolutions, including major players Binance, BitMEX, and Tether, this resolution with FTX is consistent with the enforcement commitments I have long made as Chairman. But, as I have been saying for years, this is just the tip of the iceberg. In the absence of digital asset legislation to fill regulatory gaps, entities will continue to operate in the shadows without these basic tools of sound regulation, sharpening their deceptive practices and continuing to dupe customers."

Division of Enforcement Director Ian McGinley added, "Not only is this multi-billion dollar recovery for victims the largest such recovery in CFTC history, we achieved it with remarkable speed. FTX's massive fraud collapsed 21 months ago and in that time the CFTC investigated, filed a complaint, and achieved what many thought was impossible at the time of the collapse - a resolution to compensate victims for the losses they suffered. I commend our Chicago-based team for their tireless efforts on behalf of FTX's victims."

**Case Background**

The consent order stems from the CFTC complaint filed December 13, 2022 against Bankman-Fried and FTX, and amended December 21, 2022, to include two former FTX executives, Caroline Ellison and Zixiao "Gary" Wang. The CFTC complaint charged Bankman-Fried, who controlled FTX and Alameda, with orchestrating a scheme to defraud.

The court entered consent orders of judgment on liability against Wang and Ellison on December 23, 2022. In a related case, the court entered a consent order of judgment as to liability and partial injunctive relief against Nishad Singh, a third FTX insider, on April 13, 2023.

The consent order resolves the CFTC's litigation against FTX, leaving the case pending as to the four individual defendants including Bankman-Fried. In its continuing litigation, the CFTC seeks restitution to defrauded victims, disgorgement of ill-gotten gains, civil monetary penalties, permanent trading and registration bans, and permanent injunctions against further violations of the CEA and CFTC regulations, as charged.

The CFTC appreciates the assistance of the U.S. Department of Justice, the U.S. Attorney's Office for the Southern District of New York, the Federal Bureau of Investigation, and the Securities and Exchange Commission. The CFTC appreciates the cooperation of the Justice Department's Tax Division.

The Division of Enforcement staff responsible for this matter are Carlin Metzger, Nina Ruvinsky, Yusuf Capar, Elizabeth N. Pendleton, Scott R. Williamson, Robert T. Howell, Gretchen Lowe, and former staff member Bryan Hsueh.

Alex Case, Margaret Aisenbrey, and Anne Stukes of the Office of General Counsel also contributed to this matter.

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Statement of Commissioner Kristin N. Johnson