

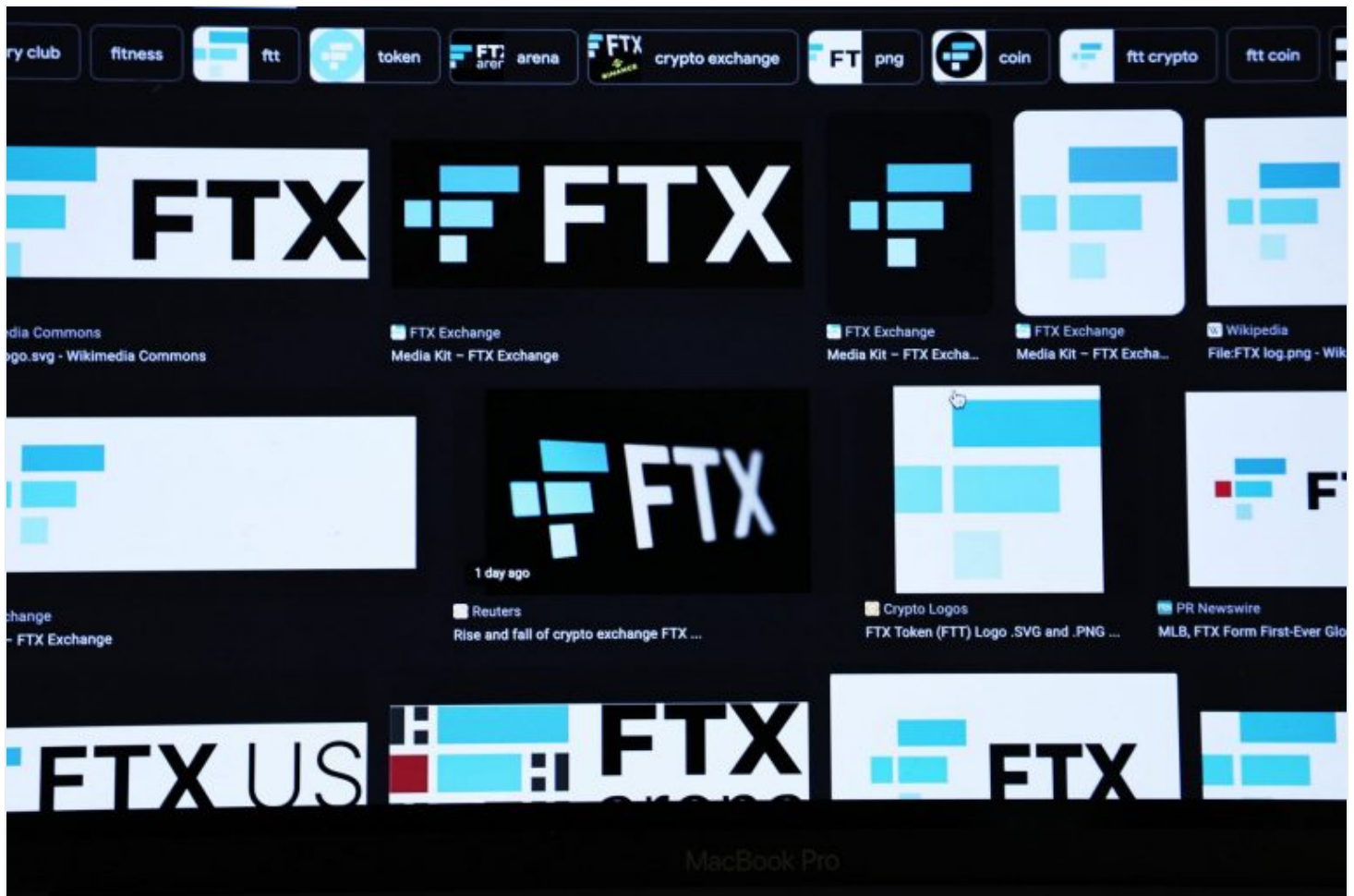
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## and Other FTX Promoters

A handful of FTX endorsers already have reached settlements with investors for undisclosed terms, and Bankman-Fried's conviction could encourage other defendants to settle.

Nov. 08, 2023



*By Malathi Nayak, Bloomberg News (via TNS).*

Sam Bankman-Fried's criminal fraud conviction came just as the FTX implosion was approaching its first anniversary. But for others who helped promote the cryptocurrency exchange, the legal fallout will continue for years.

Attention now turns to a sweeping class-action suit in Miami federal court by

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The class action, which seeks to cover hundreds of thousands of investors, alleges that celebrity endorsers and firms that provided financial and legal services to FTX would have seen red flags about the business if they had done proper due diligence. The Miami case seeks unspecified damages for the \$8 billion that FTX allegedly “stole” from investors — and most of which “vanished.”

The guilty verdict for Bankman-Fried doesn't directly establish a central contention in the class action — that dozens of celebrities and other alleged enablers should have known he was up to no good when they signed on as advisers or brand ambassadors.

But the 31-year-old's conviction for what Manhattan's top federal prosecutor Damian Williams called “one of the biggest financial frauds in American history” will add momentum to the investors' case, according to Daniel Richman, a professor at Columbia Law School.

## **‘Benefit mightily’**

They “are going to benefit mightily from the investigative work of the government,” Richman said. “It's not going to definitely prove their case but helps them considerably in shedding light on what was going on with FTX and Alameda,” the hedge fund affiliated with the exchange that also collapsed in November 2022.

Legal experts have said the celebrities' prominence and wealth make them a juicy target for investors looking to recover some of their losses, with Bankman-Fried essentially broke. Targeted class-actions have reaped billions in settlements from banks and other players in past big-name business collapses, including Enron Corp. and WorldCom Inc.

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Some of those being sued could even use the guilty verdict to argue that having backed FTX with millions of dollars of their own money, they were “victims of the criminal enterprise and should not be liable at the civil level,” said Braden Perry, a former federal regulatory enforcement attorney and partner at law firm Kennyhertz Perry.

As for the professional advisers, the range of defendants named in the Miami case runs from accounting firm Prager Metis and law firm Fenwick & West to investment firms Sequoia Capital and SoftBank Group. All have denied accusations they enabled the deceit carried out by Bankman-Fried.

A handful of FTX endorsers already have reached settlements with investors for undisclosed terms, and Bankman-Fried's conviction could encourage other defendants to settle.

But it could take years to resolve claims against the defendants who put up a fight. Investor suits stemming from the massive frauds perpetrated by Bernard Madoff and Allen Stanford played out for well over a decade.

“The Madoff case, in particular, was unprecedented in its scope and complexity, and the civil litigation surrounding it has been extensive and ongoing for many years,” Perry said. “FTX's complexity could exceed Madoff's due to the multiple jurisdictions and lack of regulatory structure involved.”

Bankman-Fried and his three fellow executives who pleaded guilty and testified against him may be ordered in the criminal case to pay some portion or all of the billions that went missing as victim restitution when they are sentenced.

## Regulatory suits

On the civil side, in addition to the Miami case, Bankman-Fried faces pending suits

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criminal appeals,” he said.

Bankman-Fried’s sentencing has been set for March. A date for a hearing on the requests by the defendants in Miami to throw out the FTX investor case is yet to be scheduled.

“This verdict is the beginning of justice for the victims who entrusted their money with FTX and all those who promoted it,” said Adam Moskowitz, an attorney representing the plaintiffs. Lawyers for the defendants didn’t respond to requests for comment.

The civil suits are consolidated in FTX Cryptocurrency Exchange Collapse Litigation, 23-md-03076, US District Court, Southern District of Florida (Miami).

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