

THE FTX NEXUS

An Investigative Analysis of Regulatory Capture, Institutional Fraud,
and Systemic Contagion in Cryptocurrency Markets (2020–2024)

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Abstract

This report presents a comprehensive investigative synthesis of the FTX collapse and its surrounding ecosystem of institutional fraud, regulatory failure, and political corruption. It examines the intertwined relationships between Sam Bankman-Fried (SBF), FTX, Alameda Research, SEC Chairman Gary Gensler, Caroline Ellison and her MIT-economist parents, the Stanford Law School connections through SBF’s parents Joseph Bankman and Barbara Fried, the cascading crypto contagion from Terra/LUNA through Celsius, Voyager, and BlockFi, the prosecution of Binance CEO Changpeng Zhao, the controversial “Operation Chokepoint 2.0” campaign led by Senator Elizabeth Warren and federal regulators, the FTX–Ukraine donation nexus, bipartisan dark-money political contributions exceeding \$150 million, and the labyrinthine 134-entity corporate structure designed to obscure accountability. Drawing on court filings, congressional testimony, CFTC and SEC complaints, bankruptcy declarations, and journalistic investigations, this analysis illuminates the structural and relational architecture that enabled one of the largest financial frauds in American history.

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1 Introduction and Scope

The collapse of FTX in November 2022 was not a singular event but the terminal failure of an interconnected web of fraud, regulatory capture, political influence-buying, and systemic risk that had been building since at least 2017. At its peak, FTX was valued at \$32 billion, its founder Sam Bankman-Fried was the 41st-richest American on the Forbes 400, and its political apparatus had distributed more than \$100 million in campaign contributions across both American political parties. The enterprise employed approximately 300 people spread across more than 130 affiliated legal entities spanning 27 jurisdictions.

This report synthesizes publicly available investigative data to construct the most complete picture possible of the relationships, structures, and events that facilitated this fraud. The analysis is organized thematically: the principal actors and their relationships, the corporate and financial architecture, the regulatory and political dimensions, the systemic contagion that preceded and followed FTX's implosion, and the coordinated regulatory assault on cryptocurrency banking infrastructure that followed.

2 The Principal Actors and Their Relationships

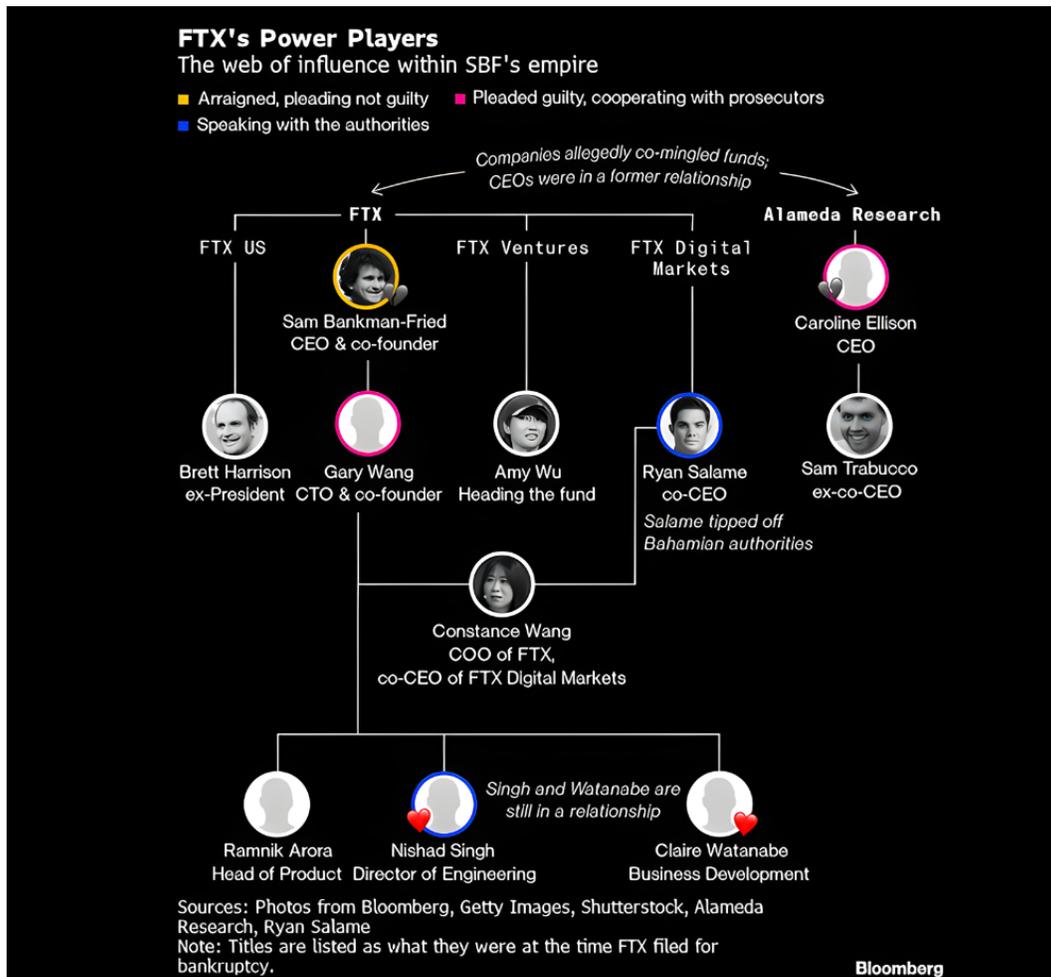


Figure 1: FTX’s Power Players: The web of influence within SBF’s empire, showing the organizational hierarchy, legal status (arrested/pleaded guilty/cooperating), and interpersonal relationships among key executives. Note that FTX and Alameda Research “allegedly co-mingled funds” and that the “CEOs were in a former relationship.” *Source: Bloomberg.*

2.1 Sam Bankman-Fried: The Architect



Figure 2: Sam Bankman-Fried outside the Manhattan Federal Courthouse during his criminal fraud trial. At its peak, SBF was the 41st-richest American on the Forbes 400 with an estimated net worth of \$24 billion. *Source: Getty Images.*

Samuel Benjamin Bankman-Fried (b. March 5, 1992) was raised on the Stanford University campus by two Stanford Law School professors in an environment steeped in utilitarian philosophy, effective altruism, and Democratic Party politics. He graduated from MIT in 2014 with a degree in physics and began his career as a trader at Jane Street Capital, one of Wall Street’s most sophisticated quantitative trading firms. In November 2017, he co-founded Alameda Research as a cryptocurrency arbitrage fund. In May 2019, he co-founded FTX with MIT classmate Gary Wang.

SBF cultivated a carefully constructed public persona: the disheveled wunderkind sleeping on beanbags, wearing cargo shorts to Congressional hearings, and pledging to give away his fortune. This persona was a deliberate fabrication. In a private exchange with a journalist from Vox published after FTX’s collapse, SBF was asked whether the “ethics stuff” was “mostly a front.” His reply was unequivocal in its admission.

SBF was convicted on November 2, 2023 of all seven criminal charges against him, including wire fraud, conspiracy to commit wire fraud, securities fraud, commodities fraud, and money laundering. On March 28, 2024, Judge Lewis Kaplan sentenced him to 25 years in federal prison.

2.2 Caroline Ellison: The Nominal CEO



Figure 3: Caroline Ellison outside the Manhattan Federal Courthouse after testifying against Sam Bankman-Fried. Her three days of testimony were characterized by prosecutors as the “cornerstone of the trial.” *Source: Associated Press.*

Caroline Ellison, born in Boston, is the eldest of three daughters of Glenn Ellison and Sara Fisher Ellison, *both economists at the Massachusetts Institute of Technology*. Glenn Ellison served as head of MIT’s Department of Economics—a fact of considerable significance given that SEC Chairman Gary Gensler was simultaneously a professor at MIT’s Sloan School of Management. This connection places Gensler, the Ellison family, and SBF within a remarkably tight institutional orbit.

Ellison joined Alameda Research in March 2018 after Bankman-Fried recruited her from Jane Street Capital. She was promoted to co-CEO of Alameda (alongside Sam Trabucco) in October 2021 and became sole CEO in August 2022 after Trabucco departed. Despite this title, Ellison received no equity in Alameda Research and only a 0.5% stake in FTX. When she requested equity, SBF told her “it was too complicated.” By contrast, Gary Wang held 16% of FTX and 10% of Alameda, and Nishad Singh held 5% of FTX.

Ellison testified extensively at SBF’s trial over three days. She described a pattern in which SBF made all major decisions while she served as a compliant figurehead. She admitted to creating seven versions of Alameda’s balance sheet, with SBF advising her to send the version that minimized debts and inflated the value of FTT, FTX’s native token. She further admitted to disguising nearly \$5 billion in personal loans that SBF and senior deputies had extracted from the enterprise.

In a secretly recorded all-hands meeting at Alameda’s Hong Kong office on November 9, 2022,

Ellison admitted to the approximately 30 staff members present that “FTX basically always allowed Alameda to, like, borrow user funds.” When asked who directed the use of customer funds, she responded: “Um... Sam, I guess?”

Ellison pleaded guilty to seven charges in December 2022 and was sentenced to 24 months in prison on September 24, 2024. Judge Kaplan described FTX’s collapse as possibly “the greatest financial fraud ever perpetrated in this country.”

2.3 The MIT–SEC–FTX Triangle: Gary Gensler



Figure 4: SEC Chairman Gary Gensler at the Securities and Exchange Commission. Gensler served as an MIT Sloan professor alongside Glenn Ellison, Caroline Ellison’s father, before being appointed SEC Chairman in April 2021. *Source: SEC.*

Gary Gensler served as a professor at MIT’s Sloan School of Management from 2018 until his appointment as SEC Chairman in April 2021. During this period at MIT, Gensler’s departmental superior in the economics faculty was Glenn Ellison—the father of Caroline Ellison, who would become CEO of Alameda Research. SBF himself graduated from MIT in 2014 and maintained connections with the institution.

The connections between FTX and the SEC extended further. The General Counsel of FTX US, Ryne Miller, had previously served as lead counsel to Gensler when Gensler was Chairman of the CFTC. Mark Wetjen, FTX US’s Head of Policy, had also served under Gensler at the CFTC.

SBF met with Gensler at the SEC in 2022, a meeting that drew intense scrutiny after FTX’s collapse. U.S. Representative Tom Emmer (R-MN) stated publicly that “reports to my office allege [Gensler] was helping SBF and FTX work on legal loopholes to obtain a regulatory

monopoly.” Uniswap founder Hayden Adams later revealed that approximately two weeks before FTX’s collapse, SBF told him the SEC was in “very deep discussions” with FTX, and that the agency’s plan was for FTX to obtain a sole brokerage license while a partner institution would receive a sole exchange license—effectively granting FTX a regulatory monopoly over U.S. crypto trading.

Popular crypto attorney Jake Chervinsky confirmed that FTX had been close to securing a deal with the SEC that “would have set a harmful precedent for everyone else.” The Stabenow-Boozman bill, which SBF actively lobbied for, was characterized by critics as the “SBF bill” because FTX had helped draft it in a manner that would have eliminated competitors while shielding FTX’s own practices from scrutiny.

2.4 The Stanford Connection: Joseph Bankman and Barbara Fried

SBF’s parents, Joseph Bankman and Barbara Fried, were both tenured professors at Stanford Law School. Bankman specialized in tax law; Fried specialized in ethics, moral philosophy, and distributive justice—an irony not lost on commentators.

Court filings from FTX’s bankruptcy proceedings, filed by successor CEO John Ray III, paint a picture of deep parental involvement in the FTX enterprise:

Joseph Bankman served as a paid advisor to FTX, functioning as what the lawsuit describes as “virtually the only grown-up in the room.” He directed charitable contributions (funneling more than \$5.5 million to Stanford University), managed tax deductions, selected outside counsel, and strategized about FTX loans exceeding millions of dollars. He referred to Alameda Research as a “family business.” When dissatisfied with his \$200,000 annual salary, SBF wired his parents a \$10 million cash gift sourced from Alameda Research. FTX also placed a \$16.4 million Bahamas property in their names.

Barbara Fried co-founded Mind the Gap, a “secretive Silicon Valley” super PAC supporting Democratic candidates. FTX’s lawyers alleged that Fried encouraged her son to disguise donations to Mind the Gap to avoid creating “the impression that funding MTG is a family affair.” In an April 2021 communication, she suggested using Nishad Singh as a straw donor to route \$1 million to Mind the Gap. FEC records confirm Singh made that exact donation.

Bankman had also helped Senator Elizabeth Warren (D-MA) draft tax legislation, connecting the SBF family orbit to yet another key regulatory figure in the cryptocurrency space.

3 The Corporate Architecture of Fraud

3.1 The 134-Entity Labyrinth

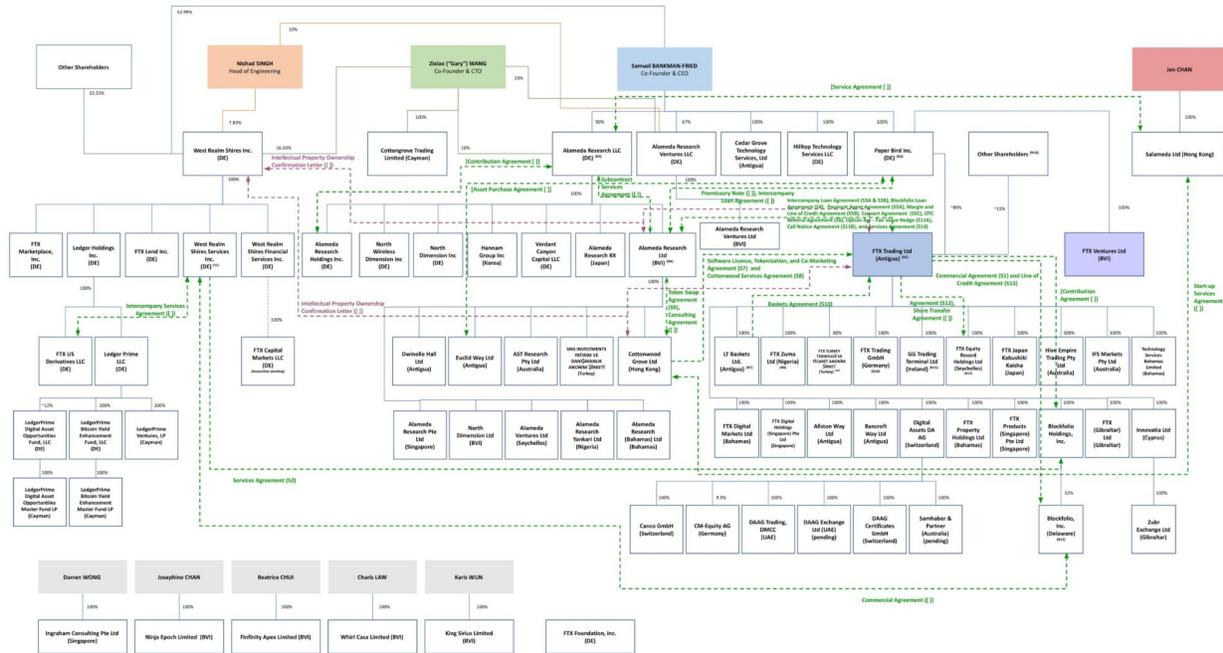


Figure 5: The complete corporate ownership structure of the FTX–Alameda empire, showing the 134+ legal entities spanning 27 jurisdictions, the ownership stakes of SBF (via Paper Bird Inc.), Gary Wang, and Nishad Singh, and the labyrinth of intercompany agreements, IP transfers, and service contracts designed to obscure the flow of funds. Key holding entities include Paper Bird Inc. (SBF’s 89% control vehicle), West Realm Shires Inc. (FTX US), Alameda Research LLC, FTX Trading Ltd (Antigua), and FTX Ventures Ltd (BVI). *Source: U.S. Bankruptcy Court filing, Case 22-11068.*

When John J. Ray III—the attorney who had previously overseen Enron’s bankruptcy—was appointed as FTX’s successor CEO, he filed one of the most scathing declarations in the history of American corporate bankruptcy. “Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here,” he wrote. This assessment, coming from the man who unwound Enron, carries extraordinary weight.

The bankruptcy filing identified 134 legal entities affiliated with or subsidiary to FTX Trading Ltd, organized across 27 jurisdictions. This structure was maintained by approximately 300 employees. Key entities included:

FTX Trading Ltd, incorporated in Antigua and Barbuda, served as the primary operating company. FTX Digital Markets Ltd, incorporated in the Bahamas, served as the regulated entity underpinning international exchange operations. FTX US (West Realm Shires Inc.) operated as the nominally separate domestic exchange. Alameda Research LLC functioned as the sister hedge fund. Paper Bird Inc., controlled by SBF, held 75% ownership of FTX Trading Ltd. Clifton Bay Investments LLC served as an additional holding vehicle.

Ray testified before the House Financial Services Committee on December 13, 2022, characterizing FTX’s operations as “old-fashioned embezzlement.” He reported that the company operated without financial audits, liquidity forecasts, or appropriate cash management. Many entities had never held board meetings. Corporate funds were used to purchase personal real estate and make political donations. Employee expenses, including luxury properties, were approved via emoji reactions on informal messaging platforms.

3.2 The Alameda–FTX Financial Pipeline

At the heart of the fraud was a secret financial pipeline between FTX and Alameda Research. According to CFTC and SEC complaints, FTX employees, at SBF’s direction, created special features in FTX’s codebase that favored Alameda:

An “allow negative” flag permitted Alameda to withdraw funds from FTX even when its account balance was insufficient. Alameda was granted an effectively limitless line of credit backed by FTX customer deposits. Alameda received faster execution times and an exemption from FTX’s auto-liquidation risk management process.

These features enabled Alameda to siphon approximately \$8 billion in FTX customer deposits. The funds were used for venture capital investments, luxury real estate, personal loans to insiders (totaling billions of dollars), and political donations. To conceal Alameda’s growing liabilities, SBF directed the creation of what he called “our Korean friend’s account” or “the weird Korean account”—a fictitious customer account used to hide Alameda’s \$8 billion deficit from FTX’s balance sheet.

4 The Crypto Contagion: Terra/LUNA Through FTX

4.1 Phase I: The Terra/LUNA Death Spiral (May 2022)

The cascade of failures that ultimately exposed FTX’s insolvency began in May 2022 with the collapse of the Terra ecosystem. TerraUSD (UST) was an algorithmic stablecoin designed to

maintain a 1:1 peg with the U.S. dollar through a burn/mint mechanism with its sister token, LUNA. At its peak, the combined market capitalization of UST and LUNA approached \$45 billion.

On May 7, 2022, a large \$85 million UST-to-USDC swap on the Curve protocol triggered an initial depeg to \$0.985. Terraform Labs founder Do Kwon deployed \$1.5 billion in Bitcoin reserves to defend the peg, temporarily restoring it to \$0.92. However, a cascade of withdrawals from the Anchor Protocol (which had promised approximately 20% yields on UST deposits) overwhelmed the defense mechanism. Within approximately 72 hours, both UST and LUNA spiraled to near-zero, destroying roughly \$45 billion in market capitalization and wiping over \$450 billion from broader cryptocurrency markets.

4.2 Phase II: Three Arrows Capital and the Lending Collapse (June–July 2022)

Three Arrows Capital (3AC), a Singapore-based crypto hedge fund co-founded by Su Zhu and Kyle Davies, held massive leveraged positions in LUNA. Despite assuring creditors their exposure was manageable, 3AC faced catastrophic losses. The fund had borrowed approximately \$3.5 billion from at least 33 lenders, including \$640 million from Voyager Digital, \$2.3 billion from Genesis, undisclosed sums from BlockFi, and \$75 million in USDC from Celsius.

On June 15, 2022, 3AC failed to meet margin calls and was liquidated by BlockFi. By early July, 3AC had filed for Chapter 15 bankruptcy. The contagion then propagated through the lending chain: Voyager Digital filed for Chapter 11 on July 5, 2022, citing \$650 million in assets frozen in the 3AC estate; Celsius froze all withdrawals on June 12, 2022, and filed for bankruptcy on July 13, 2022, disclosing a \$1.2 billion balance sheet deficit.

4.3 Phase III: SBF as “Savior” (Summer 2022)

With the crypto lending sector in crisis, SBF positioned himself as the industry’s white knight. BlockFi accepted a \$400 million revolving line of credit from FTX US, with terms for FTX to acquire BlockFi for \$240 million. Voyager Digital accepted two lines of credit from Alameda Research: \$200 million in cash and 15,000 BTC. SBF considered acquiring Celsius but passed after discovering a \$2 billion balance sheet hole.

This “rescue” campaign was, in retrospect, profoundly ironic. On-chain analysis subsequently demonstrated that Alameda Research itself had suffered enormous losses from the Terra

collapse. To cover these losses, customer funds were transferred from FTX to Alameda. The entities SBF was “rescuing” were casualties of the same crisis that had rendered his own enterprise insolvent.

4.4 Phase IV: The FTX Collapse (November 2022)

On November 2, 2022, CoinDesk published a report revealing that a significant portion of Alameda Research’s balance sheet consisted of FTT—FTX’s own native token. This circular dependency raised immediate questions about both entities’ solvency.

On November 6, Binance CEO Changpeng Zhao announced publicly that Binance would sell its approximately \$500 million holdings of FTT, triggering a bank run on FTX. On November 8, SBF announced a “strategic transaction” with Binance for FTX’s acquisition. By November 9, Binance withdrew, stating FTX’s “issues are beyond our control or ability to help.” On November 11, FTX, Alameda Research, and 130 affiliated companies filed for Chapter 11 bankruptcy. SBF resigned as CEO. Between \$1 billion and \$2 billion in customer funds could not be accounted for. The Financial Times reported FTX’s balance sheet showed \$9 billion in liabilities against only \$900 million in liquid assets.

4.5 Phase V: BlockFi Falls Last (November 2022)

BlockFi, which had accepted FTX’s “rescue” credit line mere months earlier, suspended withdrawals within days of FTX’s bankruptcy filing. BlockFi itself filed for Chapter 11 bankruptcy in late November 2022, citing its exposure to FTX and the broader contagion. FTX had won the bid to acquire Voyager for \$1.4 billion in September 2022; that deal dissolved with FTX’s bankruptcy.

5 Political Contributions and Dark Money Operations

5.1 The Scale of Bipartisan Influence-Buying



Figure 6: FTX.US contributed \$74.6 million in political donations during the 2022 election cycle, ranking third among all organizational contributors to political groups in the United States—behind only Soros Fund Management (\$129.6M) and Uline Inc. (\$86.6M), and ahead of Citadel LLC (\$72.7M). These contributions were funded primarily from misappropriated FTX customer deposits. *Source: OpenSecrets.org / CoinGecko.*

Federal prosecutors established that SBF and his associates used more than \$100 million in FTX customer funds for political contributions during the 2022 election cycle alone. The operation was explicitly bipartisan, designed to “weed out anti-crypto Democratic and Republican lawmakers.”

SBF publicly disclosed approximately \$40 million to Democratic candidates and groups, making him the second-largest donor to Democrats in the 2021–2022 cycle (trailing only George Soros). His publicly disclosed Republican donations were comparatively modest at \$262,200 to candidates including Senators Collins, Romney, Murkowski, and Sasse.

However, SBF admitted in interviews that “all my Republican donations were dark” and estimated he was “the second or third biggest” Republican donor nationally during the 2022 midterms. The mechanism for concealing the true scope of giving involved two straw donors: Nishad Singh, who routed more than \$13 million to Democratic causes, and Ryan Salame, co-CEO of FTX Digital Markets, who distributed over \$24 million to Republican candidates and groups.

5.2 The Dark Money Infrastructure

Prosecutors revealed that SBF and his associates donated \$50 million to politically active nonprofit organizations that do not disclose their donors. The donations flowed to groups across the political spectrum: \$5.5 million to One Nation (aligned with Senate Republican leadership), \$2.8 million to the American Action Network (House Republican policies), \$3.2 million to American Prosperity Alliance (which opposed the Inflation Reduction Act), and millions to Democratic-aligned nonprofits through Mind the Gap and related channels.

The family dimension was critical: SBF’s mother Barbara Fried directed Mind the Gap’s operations, his brother Gabriel Bankman-Fried ran Guarding Against Pandemics (which received over \$12 million from Alameda Research), and his father Joseph Bankman managed the tax implications. The political operation was coordinated through an encrypted, auto-deleting Signal group chat named “Donation Processing.”

SBF had contributed \$5.2 million to pro-Biden super PACs during the 2020 election, making him the second-largest individual donor to Biden’s campaign after Michael Bloomberg.

5.3 The Regulatory Capture Objective

The purpose of these donations was not abstract ideology but concrete regulatory outcomes. SBF actively lobbied for the Digital Commodities Consumer Protection Act (the “Stabenow-Boozman” bill), which would have granted the CFTC primary authority over crypto markets while potentially exempting FTX from SEC oversight. Critics noted that FTX had helped draft the bill in a manner designed to eliminate competitors—particularly Binance and decentralized finance (DeFi) protocols—while insulating FTX’s own operations.

According to Uniswap founder Hayden Adams, SBF disclosed to him that the SEC’s plan was for FTX to obtain an exclusive brokerage license while a partner institution would receive an exclusive exchange license, creating a de facto government-sanctioned monopoly. Adams later reflected that “the collapse of FTX may have saved the industry” from this outcome.

6 The FTX–Ukraine Nexus

In March 2022, following Russia’s invasion of Ukraine, the Ukrainian government launched Aid for Ukraine, a website enabling cryptocurrency donations to support the war effort. FTX partnered with the platform alongside crypto firms Everstake and Kuna to convert cryptocurrency donations into fiat currency for deposit at the National Bank of Ukraine. The platform raised over \$60 million.

Following FTX’s collapse, a conspiracy theory proliferated—amplified by Russian state media, certain U.S. politicians, and social media accounts—alleging that U.S. government aid to Ukraine had been “laundered” back to the Democratic Party through FTX. House Republicans formally pressed Secretary of State Blinken on the matter.

The factual record, as established by Ukrainian government officials, Everstake, the State Department, and multiple fact-checking organizations, is as follows: FTX served solely as a “fiat off-ramp” to convert donated cryptocurrency into Ukrainian government currency. This role was limited to “a few times in March 2022.” No U.S. government aid money flowed through FTX. Ukraine’s government never invested funds in FTX. The donations were used to purchase military equipment, body armor, medical supplies, and vehicles. FTX had no involvement in managing or directing the fund.

Deputy Minister of Digital Transformation of Ukraine Alex Bornyakov stated explicitly: “Ukraine’s gov never invested any funds into FTX. The whole narrative that Ukraine allegedly invested in FTX, who donated money to Democrats is nonsense.” Everstake CEO Sergey Vasylychuk characterized the claims as Russian propaganda designed to discourage Western support for Ukraine.

Nevertheless, the legitimate factual kernel—that FTX had a partnership role in Ukrainian crypto fundraising, and that SBF was simultaneously a massive Democratic donor—created a circumstantial nexus that proved irresistible to conspiracy theorists and political operatives. The temporal proximity of FTX’s bankruptcy filing (November 11, 2022) to the midterm elections (November 8, 2022) further fueled speculation.

7 The Prosecution of Changpeng Zhao and Binance

The prosecutorial arc of cryptocurrency enforcement in 2023 extended beyond SBF to encompass Changpeng Zhao (“CZ”), the founder and CEO of Binance, the world’s largest cryptocurrency exchange by trading volume.

On November 21, 2023—less than three weeks after SBF’s conviction—CZ appeared in a Seattle federal court to plead guilty to violating the Bank Secrecy Act by failing to implement an effective anti-money laundering program. The plea was part of a \$4.3 billion settlement between Binance and the Department of Justice, the largest corporate guilty plea in DOJ history involving a simultaneous CEO guilty plea. CZ agreed to step down as Binance’s CEO and was released on a \$175 million personal recognizance bond.

The DOJ characterized Binance’s violations as deliberate. Under CZ’s control, Binance had prioritized “growth, market share, and profits over compliance with U.S. law.” Internal communications revealed the culture: one compliance employee had written, “Is washing drug money too hard these days—come to Binance, we got cake for you.” The charges included conspiracy to violate the BSA, failure to register as a money services business, and violations of the International Emergency Economic Powers Act (IEEPA) related to transactions with sanctioned jurisdictions including Iran.

On April 30, 2024, CZ was sentenced to four months in federal prison, far below the 36 months prosecutors had requested. He served his sentence and was released on September 27, 2024, becoming the wealthiest person to serve time in U.S. prison.

In October 2025, President Donald Trump pardoned CZ. Senator Elizabeth Warren condemned the pardon, stating: “First, Changpeng Zhao pleaded guilty to a criminal money laundering charge. Then he boosted one of Donald Trump’s crypto ventures and lobbied for a pardon. Today, Donald Trump did his part and pardoned him.”

Attorney General Garland’s statement at the time of CZ’s plea captured the enforcement posture: “In just the past month, the Justice Department has successfully prosecuted the CEOs of two of the world’s largest cryptocurrency exchanges in two separate criminal cases. The message here should be clear: using new technology to break the law does not make you a disruptor, it makes you a criminal.”

8 Operation Chokepoint 2.0: The Crypto Banking War

8.1 Origins and Architecture

The original “Operation Chokepoint” was an Obama-era initiative (2013–2017) in which federal regulators pressured banks to sever ties with politically disfavored but lawful industries such as firearms dealers, payday lenders, and tobacco companies. The mechanism was the subjective concept of “reputational risk,” weaponized through informal guidance and behind-

the-scenes pressure during confidential bank examinations.

“Operation Chokepoint 2.0” emerged under the Biden administration, this time targeting the cryptocurrency industry. The key architects, as identified by venture capitalist Nic Carter and subsequently confirmed through FOIA disclosures, included SEC Chairman Gary Gensler, FDIC Chairman Martin Gruenberg, Federal Reserve Vice Chair for Supervision Michael Barr, and Senator Elizabeth Warren.

The strategy operated through three channels: selectively cutting off banking access to digital-asset companies; driving up compliance overhead and regulatory capital requirements; and taking repeated public stances against the crypto industry through memos, regulatory guidance, and public statements designed to create a chilling effect.

8.2 The Destruction of Crypto-Friendly Banks

On January 3, 2023, the Federal Reserve, FDIC, and OCC issued a joint statement discouraging banks from holding crypto assets or servicing crypto clients. While the statement formally stated that “banking organizations are neither prohibited nor discouraged from providing banking services to customers of any specific class or type,” critics noted it painted such a negative picture that it effectively constituted a prohibition.

On December 7, 2022, Senators Elizabeth Warren, John Kennedy, and Roger Marshall had written a public letter to Silvergate Bank CEO Alan Lane, attacking the bank for providing services to FTX. Silvergate’s actual exposure to FTX was limited to deposits—no loans, no custody of crypto assets. An affidavit from Silvergate’s Chief Administrative Officer Elaine Hetrick later confirmed that the bank was solvent in early 2023 and was not forced to close due to bad risk management, but rather because “the Federal Bank regulatory agencies would not tolerate banks with significant concentrations of digital asset customers.”

On March 8, 2023, Silvergate announced voluntary liquidation. On March 10, Silicon Valley Bank was seized. On March 12, the FDIC and NYDFS seized Signature Bank—despite the fact that board member and former Congressman Barney Frank and others at the bank believed they could handle withdrawals the following morning. Frank stated publicly: “I think part of what happened was that regulators wanted to send a very strong anti-crypto message. We became the poster boy because there was no insolvency based on the fundamentals.”

8.3 The Barney Frank Paradox

The role of Barney Frank in this narrative is layered with irony. As the architect of the Dodd-Frank Act, the seminal post-2008 financial regulatory reform, Frank was one of the most consequential financial regulators of the modern era. Yet as a board member of Signature Bank, he found himself on the receiving end of the same regulatory apparatus he had helped create. His direct accusation—that Signature’s seizure was “just a way to tell people, ‘We don’t want you dealing with crypto’”—was subsequently corroborated when the FDIC required Signature’s acquirer, Flagstar Bank, to divest all crypto-related deposits.

The Wall Street Journal’s editorial board endorsed Frank’s assessment: “This confirms Mr. Frank’s suspicions—and ours—that Signature’s seizure was motivated by regulators’ hostility toward crypto.”

8.4 The Custodia Bank Saga

Custodia Bank, founded by Caitlin Long, represented a particularly stark example of regulatory overreach. Custodia was designed as a full-reserve bank specifically to serve Bitcoin and digital asset businesses, operating a model that was *more conservative* than traditional fractional-reserve banking. Despite this, the Federal Reserve denied Custodia’s application for a Fed master account, effectively preventing it from operating. Long has been engaged in years-long litigation with the Federal Reserve, contending that the denial was politically motivated and constitutes viewpoint discrimination.

8.5 Broader Debanking Campaign

Coinbase Chief Legal Officer Paul Grewal obtained “pause letters” from the FDIC through FOIA requests—documents in which FDIC officials instructed banks to halt or restrict crypto-related activities. These documents provided direct evidence of what the crypto industry had long alleged: that federal regulators were systematically and covertly pressuring banks to debank legal, regulated cryptocurrency companies.

Venture capitalist Marc Andreessen stated on the Joe Rogan podcast that he personally knew more than 30 technology founders who had been “debanked.” A Wall Street Journal survey revealed approximately 120 crypto hedge funds reported difficulties accessing basic banking services in the preceding three years, with many explicitly told their banking relationships would be terminated.

9 Congressional Testimony and Regulatory Theater

9.1 SBF's Congressional Appearances

Prior to FTX's collapse, SBF testified before Congress as the crypto industry's most prominent "responsible" voice, advocating for regulation that would, in practice, entrench FTX's market position. His December 2021 testimony before the House Financial Services Committee was notable for its self-serving framing of regulatory needs. Committee Chair Maxine Waters treated SBF with notable cordiality, a dynamic that drew criticism after FTX's collapse.

After the bankruptcy, SBF initially indicated willingness to testify at a December 13, 2022 hearing but was arrested in the Bahamas on December 12—the day before his scheduled appearance. He was extradited to the United States and held at Fox Hill Prison in Nassau for ten days before consenting to extradition.

9.2 John Ray III's "Old-Fashioned Embezzlement" Testimony

Ray's December 13, 2022 testimony before the House Financial Services Committee was devastating. He characterized FTX's operations as "old-fashioned embezzlement," emphasizing the "concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals." Coming from the man who had overseen Enron's bankruptcy, his assessment carried singular authority.

9.3 Gensler's Defensive Posture

Following FTX's collapse, SEC Chairman Gensler adopted a defensive stance, claiming the agency already possessed sufficient tools to regulate cryptocurrency. His meeting with SBF drew intense scrutiny, though Gensler characterized it as routine engagement. His inability (or unwillingness) to detect FTX's fraud despite direct interaction with its CEO, combined with the MIT connections to Caroline Ellison's family, created an appearance of regulatory capture that severely damaged the SEC's credibility regardless of Gensler's actual culpability.

10 Structural Analysis: How the Legal Architecture Enabled Fraud

The legal and corporate structure of the FTX empire was designed, whether intentionally or through negligence, to maximize opacity and minimize accountability. Several structural

features merit analysis.

First, the jurisdictional arbitrage was deliberate. FTX Trading Ltd was incorporated in Antigua and Barbuda, headquarters were in the Bahamas, subsidiary operations spanned from Gibraltar to the UAE, and the U.S. entity (FTX US) was nominally separate. This structure created competing jurisdictional claims during bankruptcy, with Bahamian liquidators initially claiming FTX Digital Markets was the “constructive owner” of all FTX assets.

Second, the absence of corporate governance was systemic. Ray reported that many FTX entities, particularly those in Antigua and the Bahamas, “never had board meetings.” The management and governance of the entire group was effectively limited to SBF, Wang, and Singh—“recent college graduates in their mid-20s who had never before run a company, let alone managed billions of dollars.”

Third, the auditing regime was farcical. FTX’s international operations were audited by Prager Metis, a firm whose website at the time featured images of its office in the metaverse. FTX US was audited by a small firm called Armanino. Neither audit detected the fraud.

Fourth, the conflation of entities was designed to enable fund movement. Despite nominal separation, FTX and Alameda shared offices, personnel, and—crucially—customer deposits. The “allow negative” flag in FTX’s code was the technical mechanism that permitted this conflation to operate at scale.

11 Synthesis: Patterns, Implications, and Open Questions

11.1 The Pattern of Regulatory Failure

The FTX collapse exposes a pattern of regulatory failure that extends beyond any single agency. The SEC, under Gensler, was meeting with SBF while he was committing fraud and was potentially providing a pathway to regulatory monopoly. The CFTC’s regulatory framework was being shaped by FTX-backed legislation. State regulators in the Bahamas had granted FTX a license without adequate oversight. And the Federal Reserve, FDIC, and OCC were simultaneously engaged in a covert campaign to debank the very industry they had failed to regulate.

The result was a paradox: the regulatory apparatus was too lenient with the fraudsters and too aggressive with legitimate operators. FTX operated freely while legal, compliant companies like Custodia Bank were denied access to the banking system.

11.2 The Web of Relationships

The connections between the principal actors form a remarkably dense network: SBF graduated from MIT, where Gary Gensler was a professor. Gensler’s departmental colleague (and at times superior) Glenn Ellison is the father of Caroline Ellison, who ran Alameda Research. SBF’s parents are Stanford Law professors who advised Elizabeth Warren on tax legislation and ran a Democratic super PAC. FTX’s General Counsel and Head of Policy had both previously worked under Gensler at the CFTC. SBF was the second-largest donor to the party that appointed Gensler as SEC Chairman.

These relationships do not prove conspiracy, but they create an institutional ecosystem in which regulatory vigilance was systematically compromised by personal, professional, and financial relationships.

11.3 The Bipartisan Nature of Corruption

The evidence decisively refutes any narrative framing SBF’s political activities as exclusively partisan. SBF donated to both parties, used straw donors and dark money channels to conceal the full extent of bipartisan giving, and stated openly that his objective was to “weed out anti-crypto” legislators regardless of party. Ryan Salame’s \$24 million in Republican donations were funded by the same stolen customer deposits that funded SBF’s Democratic giving.

11.4 Open Questions

Several significant questions remain unresolved. The full extent of dark money flows from FTX has not been publicly disclosed. The precise nature of the SEC’s discussions with FTX regarding licensing remains partly opaque. The degree to which SBF’s parents were aware of the fraud—as opposed to benefiting from it—is still debated. The role of venture capital firms that invested billions in FTX without conducting adequate due diligence has not been fully accounted for. And the long-term effects of Operation Chokepoint 2.0 on American financial innovation continue to unfold.

12 Conclusion

The FTX collapse was not merely a corporate failure or a cryptocurrency scandal. It was a systemic event that illuminated deep structural vulnerabilities in American financial regulation, political finance, and institutional governance. The fraud was enabled by a confluence of

factors: a charismatic con artist with access to elite academic and political networks; a regulatory environment that alternated between neglect and hostility; a political system in which \$100 million in stolen funds could purchase bipartisan influence with remarkable ease; and a corporate structure deliberately designed to operate beyond effective oversight.

The subsequent regulatory response—Operation Chokepoint 2.0—arguably compounded the damage by targeting legitimate operators rather than addressing the structural failures that enabled FTX. The destruction of Silvergate and Signature Bank, the denial of Custodia’s charter, and the systematic debanking of crypto companies punished an entire industry for the sins of a single fraudster while leaving the underlying regulatory gaps unaddressed.

The sentencing of SBF to 25 years, CZ to four months (subsequently pardoned), and Caroline Ellison to 24 months reflects the judicial system’s assessment of relative culpability. Whether these outcomes constitute adequate accountability for the destruction of approximately \$8 billion in customer funds, the triggering of multiple bankruptcies, and the corruption of the American political process is a question that will be debated for years to come.

Appendix A: Timeline of Key Events

Date	Event
Nov 2017	Alameda Research co-founded by SBF and Tara Mac Aulay
Mar 2018	Caroline Ellison recruited from Jane Street to Alameda
May 2019	FTX co-founded by SBF and Gary Wang
2020	SBF donates \$5.2M to pro-Biden super PACs
Oct 2021	Ellison promoted to co-CEO of Alameda Research
Jan 2022	FTX raises \$400M at \$32B valuation
May 7–9, 2022	Terra/UST depegs; LUNA crashes to near-zero; \$45B destroyed
Jun 12, 2022	Celsius freezes all withdrawals
Jun 15, 2022	Three Arrows Capital fails margin calls; liquidated by BlockFi
Jul 5, 2022	Voyager Digital files Chapter 11 bankruptcy
Jul 13, 2022	Celsius files Chapter 11 bankruptcy
Aug 2022	Ellison becomes sole CEO of Alameda
Sep 2022	FTX wins \$1.4B bid to acquire Voyager (later nullified)
Nov 2, 2022	CoinDesk reveals Alameda's FTT-heavy balance sheet
Nov 6, 2022	CZ announces Binance will sell FTT holdings
Nov 8, 2022	SBF announces Binance rescue deal; \$6B in withdrawals
Nov 9, 2022	Binance withdraws from deal; Ellison admits fraud in all-hands
Nov 11, 2022	FTX and 130+ entities file Chapter 11; SBF resigns
Nov 28, 2022	BlockFi files Chapter 11 bankruptcy
Dec 12, 2022	SBF arrested in the Bahamas
Dec 13, 2022	Ray testifies before Congress; characterizes FTX as "embezzlement"
Dec 18–19, 2022	Ellison and Wang plead guilty
Jan 3, 2023	Fed/FDIC/OCC issue joint anti-crypto statement
Mar 8, 2023	Silergate Bank announces voluntary liquidation
Mar 10, 2023	Silicon Valley Bank seized by regulators
Mar 12, 2023	Signature Bank seized by FDIC/NYDFS
Nov 2, 2023	SBF convicted on all seven charges
Nov 21, 2023	CZ pleads guilty; \$4.3B Binance settlement
Mar 28, 2024	SBF sentenced to 25 years
Apr 30, 2024	CZ sentenced to 4 months
Sep 24, 2024	Ellison sentenced to 24 months
Oct 23, 2025	Trump pardons CZ

Appendix B: Key Relationship Map

Core Relationship Architecture

Actor A	Actor B	Relationship
SBF	C. Ellison	Boss/employee; on-and-off romantic partners; co-conspirators
SBF	Gary Wang	MIT classmates; FTX co-founders; co-conspirators
SBF	Nishad Singh	FTX engineering director; straw donor (Democrats)
SBF	Ryan Salame	FTX Digital Markets co-CEO; straw donor (Republicans)
SBF	Gary Gensler	Met at SEC (2022); MIT alumni network; regulatory discussions
SBF	J. Bankman	Father; paid FTX advisor; managed charitable/tax strategy
SBF	B. Fried	Mother; Mind the Gap super PAC; straw donation facilitator
C. Ellison	Glenn Ellison	Father; Head of MIT Economics Department
Gary Gensler	Glenn Ellison	MIT colleagues; Ellison served as Gensler's departmental head
Gary Gensler	Ryne Miller	Former CFTC lead counsel became FTX US General Counsel
Gary Gensler	Mark Wetjen	Former CFTC colleague became FTX US Head of Policy
J. Bankman	E. Warren	Advised Warren on tax legislation
B. Fried	DNC apparatus	Mind the Gap funneled dark money to Democrats
R. Salame	GOP apparatus	\$24M+ to Republican candidates/PACs from stolen FTX funds
Barney Frank	Signature Bank	Board member; accused regulators of anti-crypto seizure
E. Warren	Silergate	Led senatorial attack letter precipitating bank's closure

Appendix C: Sources and References

This report draws on the following categories of primary and secondary sources:

Court Filings and Legal Documents: United States v. Samuel Bankman-Fried, No. 22-cr-673 (S.D.N.Y.); CFTC v. Bankman-Fried, FTX Trading Ltd., and Alameda Research LLC (amended complaint); SEC complaints against Ellison and Wang; FTX Chapter 11 bankruptcy filings (Case 22-11068, D. Del.); FTX lawsuit against Joseph Bankman and Barbara Fried; Binance plea agreement and DOJ Information (W.D. Wash.); CZ plea agreement and sentencing memoranda.

Congressional Records: House Financial Services Committee hearing, December 13, 2022 (Ray testimony); SBF’s pre-collapse congressional testimony (December 2021); Tom Emmer statements regarding Gensler-FTX relationship.

Regulatory Documents: FDIC “pause letters” (obtained via Coinbase FOIA); Joint Statement on Crypto-Asset Risks (Fed/FDIC/OCC, January 3, 2023); FinCEN Consent Order with Binance (92 pages).

Journalistic Sources: CoinDesk (Alameda balance sheet revelation); NPR, CNBC, Fortune, Wall Street Journal, New York Times, Reuters, Bloomberg (trial coverage, investigative reporting); Vox (SBF interview); Michael Lewis, *Going Infinite* (2023).

Industry Sources: OpenSecrets (campaign finance data); FEC filings; on-chain analysis of Alameda Research transactions; Lexchart corporate structure analysis of FTX bankruptcy filing.

FOIA Disclosures: Coinbase/Paul Grewal FDIC FOIA requests documenting systematic debanking guidance.