

**Congress of the United States**  
**House of Representatives**

COMMITTEE ON OVERSIGHT AND REFORM

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WASHINGTON, DC 20515-6143

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<https://oversight.house.gov>

November 18, 2022

Mr. Sam Bankman-Fried  
Founder and Former Chief Executive Officer  
FTX US  
167 North Green Street  
Chicago, IL 60607

Mr. John J. Ray III  
Chief Executive Officer  
FTX US  
167 North Green Street  
Chicago, IL 60607

Dear Mr. Bankman-Fried and Mr. Ray:

I am extremely troubled by recent news surrounding the collapse of FTX Trading Ltd. (FTX), including its affiliated entity FTX US, and the potentially significant harm that FTX's bankruptcy will cause to American consumers and investors. To better understand these issues, the Subcommittee on Economic and Consumer Policy is seeking detailed information on the significant liquidity issues faced by FTX, the company's abrupt decision to declare bankruptcy, and the potential impact of these actions on customers who used your exchange. In a recent court filing in the Chapter 11 bankruptcy proceeding, Mr. Ray—who has supervised historic financial restructurings in cases involving criminal malfeasance—called the situation facing FTX “unprecedented,” stating: “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.”<sup>1</sup> FTX investors and the American people demand answers.

On August 30, 2022, the Subcommittee launched an investigation into the digital asset industry to examine how federal regulatory agencies and digital asset exchanges, including FTX US, are seeking to protect consumers and bring stability to the industry. In the letter to FTX US, I raised concerns about “the apparent lack of action by cryptocurrency exchanges to protect consumers conducting transactions through [its] platform[]” and urged FTX US to “act to protect consumers” using its exchange. The Subcommittee's letter also requested information about the steps FTX US was taking to combat cryptocurrency-related fraud and scams occurring on its own exchange and to help ensure that the cryptocurrency ecosystem more generally would function safely for consumers.<sup>2</sup> This investigation is ongoing, and although FTX US has provided an initial response, the Subcommittee continues to seek full compliance with our requests.

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<sup>1</sup> Declaration of John J. Ray III in Support of Chapter 11 Petitions and First Day Pleadings, *In re: FTX Trading Ltd., et al.*, No. 22-11068-JTD (Bankr. D. Del. Nov. 17, 2022).

<sup>2</sup> Letter from Chairman Raja Krishnamoorthi, Subcommittee on Economic and Consumer Policy, Committee on Oversight and Reform, to Sam Bankman-Fried (Aug. 30, 2022) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/2022-08-30.RK%20to%20Bankman-Fried-FTX%20re%20Crypto%20Fraud.pdf>).

On November 6, 2022, reports began circulating that FTX was facing significant liquidity concerns and that consumers would likely be affected. FTX had reportedly transferred roughly \$10 billion in customer funds to Alameda Research Ltd., the trading firm Mr. Bankman-Fried founded in 2017, which in turn used the borrowed funds to make “risky bets.”<sup>3</sup> In response to these reports, FTX customers withdrew approximately \$5 billion from the exchange on November 6—the exchange’s largest ever single-day withdrawal total.<sup>4</sup> That same day, Mr. Bankman-Fried tweeted that the reports were “unfounded” and that FTX was “highly regulated” and had been “process[ing] billions of dollars of deposits/withdrawals today.”<sup>5</sup> Yet just two days later, on November 8, FTX paused customer withdrawals.<sup>6</sup> On the same day, Mr. Bankman-Fried announced that FTX had come to an agreement with rival cryptocurrency exchange Binance on a “strategic transaction” that would “clear out liquidity crunches” and ensure that “all assets will be covered 1:1. The important thing is that customers are protected.”<sup>7</sup> On November 9, Binance announced that it was pulling out of the deal, leaving FTX customers concerned and confused about the status of their investments.<sup>8</sup>

In the midst of these developments, reports emerged that FTX owed up to \$8 billion to customers seeking to withdraw their money from their digital wallets—with many consumers facing difficulty withdrawing anything.<sup>9</sup> Reports also suggested that Mr. Bankman-Fried had privately warned investors on a call that FTX could face bankruptcy if the company was unable to raise the approximately \$8 billion needed to make its customers whole.<sup>10</sup>

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<sup>3</sup> *FTX Tapped into Customer Accounts to Fund Risky Bets, Setting Up Its Downfall*, Wall Street Journal (Nov. 10, 2022) (online at [www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp\\_lead\\_pos](https://www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp_lead_pos)).

<sup>4</sup> *FTX Tapped into Customer Accounts to Fund Risky Bets, Setting Up Its Downfall*, Wall Street Journal (Nov. 10, 2022) (online at [www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp\\_lead\\_pos](https://www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp_lead_pos)); *Sam Bankman-Fried Says Alameda Research Is Winding Down Trading in Public Apology*, Wall Street Journal (Nov. 10, 2022) (online at [www.wsj.com/livecoverage/stock-market-news-today-11-10-2022-cpi-report-october-inflation/card/sam-bankman-fried-says-alameda-research-is-winding-down-trading-in-public-apology-dE8BNEDUZvwS0elpCEe2?mod=article\\_inline](https://www.wsj.com/livecoverage/stock-market-news-today-11-10-2022-cpi-report-october-inflation/card/sam-bankman-fried-says-alameda-research-is-winding-down-trading-in-public-apology-dE8BNEDUZvwS0elpCEe2?mod=article_inline)).

<sup>5</sup> Sam Bankman-Fried (@SBF\_FTX), Twitter (Nov. 6, 2022) (online at [https://twitter.com/SBF\\_FTX/status/1589399420487208960?s=20&t=LShmbq89B2SCdNUhp8HlFg](https://twitter.com/SBF_FTX/status/1589399420487208960?s=20&t=LShmbq89B2SCdNUhp8HlFg)).

<sup>6</sup> *FTX Customers Face a Long Road to Try to Get Their Money Back*, Wall Street Journal (Nov. 11, 2022) (online at [www.wsj.com/articles/ftx-customers-wonder-whether-theyll-ever-see-their-money-again-11668139118?mod=hp\\_lead\\_pos4](https://www.wsj.com/articles/ftx-customers-wonder-whether-theyll-ever-see-their-money-again-11668139118?mod=hp_lead_pos4)).

<sup>7</sup> Sam Bankman-Fried (@SBF\_FTX), Twitter (Nov. 8, 2022) (online at [https://twitter.com/SBF\\_FTX/status/1590012124864348160?s=20&t=0WVKSaNJ3EkYYnGphLJOHw](https://twitter.com/SBF_FTX/status/1590012124864348160?s=20&t=0WVKSaNJ3EkYYnGphLJOHw)).

<sup>8</sup> *Binance Pulls Out of Deal to Acquire Rival Crypto Exchange FTX*, New York Times (Nov. 9, 2022) (online at [www.nytimes.com/2022/11/10/technology/ftx-crypto-exchange.html](https://www.nytimes.com/2022/11/10/technology/ftx-crypto-exchange.html)).

<sup>9</sup> *Id.*; *FTX Tapped into Customer Accounts to Fund Risky Bets, Setting Up Its Downfall*, Wall Street Journal (Nov. 10, 2022) (online at [www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp\\_lead\\_pos](https://www.wsj.com/articles/ftx-tapped-into-customer-accounts-to-fund-risky-bets-setting-up-its-downfall-11668093732?mod=hp_lead_pos)).

<sup>10</sup> *FTX Needs \$8 Billion, Bankman-Fried Tells Investors*, Wall Street Journal (Nov. 9, 2022) (online at [www.wsj.com/livecoverage/stock-market-news-today-11-09-2022/card/ftx-needs-8-billion-bankman-fried-tells-investors-2RSa5oqZyZZ5YrPLuZuL](https://www.wsj.com/livecoverage/stock-market-news-today-11-09-2022/card/ftx-needs-8-billion-bankman-fried-tells-investors-2RSa5oqZyZZ5YrPLuZuL)); *FTX Hurtles Toward Bankruptcy With \$8 Billion Hole, US Probe*,

Reports initially suggested that these significant concerns affected only the FTX global entity. On November 8, 2022, Mr. Bankman-Fried told his nearly 1 million followers on Twitter that “FTX.us ... [is] not currently impacted by this. FTX.us’s withdrawals are and have been live, is fully backed 1:1, and operating normally.”<sup>11</sup> On November 10, Mr. Bankman-Fried reiterated that “FTX US, the US based exchange that accepts Americans, was not financially impacted by this shitshow. It’s 100% liquid. Every user could fully withdraw” their funds.<sup>12</sup> Despite these statements, the Subcommittee was informed on November 9 that the “FTX US ... customer assets actually held are not immediately reconcilable with the customer assets reported.”<sup>13</sup> In addition, reports emerged that FTX US would possibly need to halt trading on its platform.<sup>14</sup>

On November 11, 2022, FTX announced that FTX, FTX US, Alameda Research, and approximately 130 other affiliated entities were declaring Chapter 11 bankruptcy and that Mr. Bankman-Fried had resigned as Chief Executive Officer.<sup>15</sup> The announcement raised further questions about whether customers would be able to recoup their investments, with Mr. Ray stating that the company’s goal was to “maximize recoveries for stakeholders.”<sup>16</sup>

Following the bankruptcy filing, Reuters reported that at least \$1 billion in consumer funds had “vanished” and that Mr. Bankman-Fried had implemented a custom-built “backdoor” in FTX’s book-keeping systems that allowed him to “execute commands that could alter the company’s financial records without alerting other people, including external auditors.” According to the report, “[t]his meant that the movement of the \$10 billion in funds to Alameda did not trigger internal compliance mechanisms at FTX.”<sup>17</sup> Based on its review of an internal balance sheet, the Financial Times reported that FTX held only \$900 million in liquid assets despite liabilities of \$9 billion the day before the exchange collapsed.<sup>18</sup>

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Bloomberg (Nov. 10, 2022) (online at [www.bloomberg.com/news/articles/2022-11-10/sam-bankman-fried-s-ftx-faces-8-billion-shortfall-possible-bankruptcy?srnd=premium](https://www.bloomberg.com/news/articles/2022-11-10/sam-bankman-fried-s-ftx-faces-8-billion-shortfall-possible-bankruptcy?srnd=premium)).

<sup>11</sup> Sam Bankman-Fried (@SBF\_FTX), Twitter (Nov. 8, 2022) (online at [https://twitter.com/SBF\\_FTX/status/1590012133307478016?s=20&t=mg0fPN2PcAp8IZtdd6P6bg](https://twitter.com/SBF_FTX/status/1590012133307478016?s=20&t=mg0fPN2PcAp8IZtdd6P6bg)).

<sup>12</sup> Sam Bankman-Fried (@SBF\_FTX), Twitter (Nov. 10, 2022) (online at [https://twitter.com/SBF\\_FTX/status/1590709195892195329](https://twitter.com/SBF_FTX/status/1590709195892195329)).

<sup>13</sup> Email from FTX US to Majority Staff, Subcommittee on Economic and Consumer Policy, Committee on Oversight and Reform (Nov. 11, 2022).

<sup>14</sup> *FTX Latest: White House Is Monitoring Crisis in Crypto Markets*, Bloomberg (Nov. 10, 2022) (online at [www.bloomberg.com/news/articles/2022-11-10/ftx-latest-bankman-fried-shuts-down-trading-firm-alameda](https://www.bloomberg.com/news/articles/2022-11-10/ftx-latest-bankman-fried-shuts-down-trading-firm-alameda)).

<sup>15</sup> FTX (@FTX\_Official), Twitter (Nov. 11, 2022) (online at [https://twitter.com/FTX\\_Official/status/1591071832823959552?s=20&t=4RsLfTIJLMGPE7elhiWSvQ](https://twitter.com/FTX_Official/status/1591071832823959552?s=20&t=4RsLfTIJLMGPE7elhiWSvQ)).

<sup>16</sup> *Id.*

<sup>17</sup> *Exclusive: At Least \$1 Billion of Client Funds Missing at Failed Crypto Firm FTX*, Reuters (Nov. 11, 2022) ([www.reuters.com/markets/currencies/exclusive-least-1-billion-client-funds-missing-failed-crypto-firm-ftx-sources-2022-11-12/](https://www.reuters.com/markets/currencies/exclusive-least-1-billion-client-funds-missing-failed-crypto-firm-ftx-sources-2022-11-12/)).

<sup>18</sup> *FTX Held Less Than \$1bn in Liquid Assets Against \$9bn in Liabilities*, Financial Times (Nov. 12, 2022) (online at [www.ft.com/content/f05fe9f8-ca0a-48d5-8ef2-7a4d813af558](https://www.ft.com/content/f05fe9f8-ca0a-48d5-8ef2-7a4d813af558)).

I am also distressed by comments that Mr. Bankman-Fried has made to news outlets about FTX since the bankruptcy. In a recent interview with *Vox*, Mr. Bankman-Fried seemingly acknowledged wrongdoing, stating that he “didn’t mean” to “do sketchy stuff,” but that “each individual decision seemed fine and I didn’t realize how big their sum was until the end.”<sup>19</sup> Mr. Bankman-Fried also acknowledged that, while he had told customers that *FTX* was not investing their deposits, he knew that *Alameda Research* technically was doing so.<sup>20</sup> And despite conceding that FTX required “more careful accounting,” Mr. Bankman-Fried also stated that his “biggest single f\*ckup” was declaring bankruptcy, with the new leadership “trying to burn it all to the ground out of shame.”<sup>21</sup>

FTX’s woes appear to be having a domino effect on other digital asset platforms. Digital asset lender BlockFi announced on November 10, 2022, that it was pausing client withdrawals because the status of FTX and FTX US made it “not able to operate business as usual.”<sup>22</sup> Meanwhile, the Securities and Exchange Commission, Commodities Future Trading Commission, and the Department of Justice have announced that they are investigating whether FTX properly handled customer funds.<sup>23</sup>

FTX’s customers, former employees, and the public deserve answers. Mr. Bankman-Fried wrote on Twitter on November 10, 2022, that FTX had “f\*ed up” and promised to “do right by users.”<sup>24</sup> Mr. Bankman-Fried also called for “radical transparency.”<sup>25</sup>

Accordingly, the Subcommittee requests production of the following information and documents by December 1, 2022, to help the Subcommittee determine what went wrong at FTX, what the company plans to do to ensure that every single dollar is returned to the American consumers who placed their trust in your company, and what additional steps Congress could

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<sup>19</sup> *Sam Bankman-Fried tries to explain himself*, *Vox* (Nov. 16, 2022) (online at [www.vox.com/future-perfect/23462333/sam-bankman-fried-ftx-cryptocurrency-effective-altruism-crypto-bahamas-philanthropy](http://www.vox.com/future-perfect/23462333/sam-bankman-fried-ftx-cryptocurrency-effective-altruism-crypto-bahamas-philanthropy)).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> BlockFi (@BlockFi), Twitter (Nov. 11, 2022) (online at <https://twitter.com/BlockFi/status/1590875997351866368?s=20&t=4RsLfTIJLMGPE7elhiWSvQ>).

<sup>23</sup> *FTX in Contact with Prosecutors as Bankruptcy May Touch One Million Customers*, *Wall Street Journal* (Nov. 15, 2022) (online at [www.wsj.com/articles/ftx-in-contact-with-prosecutors-as-bankruptcy-may-touch-one-million-customers-11668518580?mod=article\\_inline](http://www.wsj.com/articles/ftx-in-contact-with-prosecutors-as-bankruptcy-may-touch-one-million-customers-11668518580?mod=article_inline)); *FTX Hurtles Toward Bankruptcy With \$8 Billion Hole, US Probe*, *Bloomberg* (Nov. 10, 2022) (online at [www.bloomberg.com/news/articles/2022-11-10/sam-bankman-fried-s-ftx-faces-8-billion-shortfall-possible-bankruptcy?srnd=premium](http://www.bloomberg.com/news/articles/2022-11-10/sam-bankman-fried-s-ftx-faces-8-billion-shortfall-possible-bankruptcy?srnd=premium)); *Exclusive: At Least \$1 Billion of Client Funds Missing at Failed Crypto Firm FTX*, *Reuters* (Nov. 11, 2022) ([www.reuters.com/markets/currencies/exclusive-least-1-billion-client-funds-missing-failed-crypto-firm-ftx-sources-2022-11-12/](http://www.reuters.com/markets/currencies/exclusive-least-1-billion-client-funds-missing-failed-crypto-firm-ftx-sources-2022-11-12/)).

<sup>24</sup> Sam Bankman-Fried (@SBF\_FTX), Twitter (Nov. 10, 2022) (online at [https://twitter.com/SBF\\_FTX/status/1590709166515310593?s=20&t=e4eLz-i0a5yaF-3mD7c3qA](https://twitter.com/SBF_FTX/status/1590709166515310593?s=20&t=e4eLz-i0a5yaF-3mD7c3qA)).

<sup>25</sup> *Id.*

take to help ensure that the digital asset industry is appropriately regulated and investors are protected:<sup>26</sup>

1. A detailed explanation of FTX’s liquidity issues, including when and how FTX leadership learned of these problems and how these issues evolved over time;
2. A detailed explanation of how FTX’s liquidity issues impacted FTX US, including an explanation of how FTX reconciles public statements as late as November 10, 2022, that FTX’s liquidity issues had no impact on FTX US with FTX US’s concession on November 9, 2022, that “FTX US ... customer assets actually held are not immediately reconcilable with the customer assets reported”;
3. In light of the *Financial Times*’ report that FTX’s internal balance sheet shows that the company held only \$900 million in liquid assets despite liabilities of \$9 billion the day before the exchange collapsed:
  - a. the assets and liabilities held by the day before FTX collapsed; and
  - b. a detailed explanation of who at FTX maintained, reviewed, and provided input on this balance sheet, including any role played by Caroline Ellison;
4. A detailed explanation of how customer funds were handled by FTX and FTX US, including the total amount of customer funds that FTX borrowed or used for any purpose not directly related to FTX customer activity, including but not limited to addressing financial concerns at Alameda Research;
5. An accounting of the valuation of FTX’s current cryptocurrency holdings, including a detailed explanation of how FTX reconciles the financial figures in its bankruptcy filing with Mr. Bankman-Fried’s recent comments that FTX’s holdings were valued at \$5.5 billion;
6. An accounting of the current total amount owed to customers who were trading on the FTX exchange;
7. A detailed description of any “backdoor” or similar feature of FTX’s book-keeping systems that allowed the movement of funds without full knowledge of relevant FTX departments or external auditors and a detailed accounting of the use of this feature, including how it was built, the individuals who had access to and knowledge of it, how many times it was used, the amount of funds transferred, and the use and current status of those funds;
8. A detailed description of FTX’s plans to recover and repay funds owed to customers who were utilizing FTX, FTX US, or any other FTX-affiliated digital

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<sup>26</sup> Except as otherwise noted, all document and information requests cover FTX, FTX US, and all affiliates.

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asset exchanges, including an estimate of the funds that FTX expects to be able to recover and repay;

9. All internal policies and procedures related to the handling of customer funds, liquidity, risk management, disclosures to customers, withdrawal of funds, and related subjects;
10. All internal documents and communications related to Requests 1 through 9, dated from January 1, 2021, through the present; and
11. All outstanding information and documents requested in the Subcommittee's August 30, 2022, letter.

The Committee on Oversight and Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. An attachment to this letter provides additional instructions for responding to the Subcommittee's request. If you have any questions regarding this request, please contact Subcommittee staff at (202) 225-5051.

Sincerely,



Raja Krishnamoorthi  
Chairman

Subcommittee on Economic and Consumer Policy

Enclosure

cc: The Honorable Michael Cloud, Ranking Member  
Subcommittee on Economic and Consumer Policy