

Allegations Surface: FTX Founder Accuses Sullivan & Cromwell of Manipulation



Sam Bankman-Fried, the founder of FTX, has come forward with allegations that lawyers from Sullivan & Cromwell played a pivotal role in his downfall during the cryptocurrency exchange's collapse while simultaneously downplaying their involvement with the company.

Sullivan & Cromwell's Entry into FTX Affairs

In the summer of 2021, Sullivan & Cromwell entered the picture when FTX's U.S. arm enlisted the services of their law firm partner, Ryne Miller, as the company's general counsel, as The New York Times reported. Subsequently, Sullivan & Cromwell became involved in 20 legal matters about FTX and an associated hedge fund.

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The "Rock Solid" Declaration

A mere four days before FTX filed for bankruptcy, Andrew Dietderich, a partner at Sullivan & Cromwell, told another attorney that FTX was "rock solid," according to The New York Times.

The CEO Shuffle Allegation

Bankman-Fried alleges that Dietderich orchestrated his removal as FTX's chief executive, subsequently appointing a corporate turnaround specialist, John Jay Ray III, to the position. Ray then actively pursued Sullivan & Cromwell's involvement in managing FTX's bankruptcy proceedings.

Skyrocketing Legal Fees

According to The New York Times, Sullivan & Cromwell has accumulated over \$100 million in legal fees for bankruptcy proceedings. The presiding judge, however, found no tangible evidence of actual conflicts and allowed the firm to continue its work.

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U.S. Government's Accusations Against Bankman-Fried

The U.S. government has accused Bankman-Fried of promoting FTX Trading as a secure platform for cryptocurrency asset trading while diverting investor funds to his privately held hedge fund.

Bankman-Fried's Defense Strategy

At his upcoming federal fraud trial, Bankman-Fried is expected to deflect some of the blame for FTX's bankruptcy toward Sullivan & Cromwell and another advisory firm. He may employ an "advice-of-counsel" defense, contending that many of FTX's actions received approval from its legal advisors.

Don't be a silent ninja! Let us know your thoughts in the comment section below.