

Here's what you need to know about Caroline Ellison and Gary Wang agreeing to plead guilty to FTX charges

Meanwhile, in his first US court appearance former CEO Sam Bankman-Fried is released on \$250 million bail.

By **Anissa Gardizy** Globe Staff, Updated December 22, 2022, 11:07 a.m.



Sam Bankman-Fried, founder of FTX, center, is escorted out of the Magistrate's Court in Nassau, Bahamas, on Wednesday. TRISTAN WHELOCK/PHOTOGRAPHER: TRISTAN WHELOCK/B

Two of Sam Bankman-Fried's key lieutenants have turned on the man behind the FTX cryptocurrency exchange, agreeing to plead guilty to several criminal fraud charges, the US attorney for the Southern District of New York said Wednesday night.

The impending guilty pleas come a week after the agency announced criminal charges against former FTX chief executive Bankman-Fried, who was extradited to the US Wednesday from the Bahamas to New York. A judge said Thursday that Bankman-Fried can post a \$250 million bond and live in his parents' home while he awaits trial.

Bankman-Fried has been accused of orchestrating a massive fraud, in which he and others diverted billions of dollars in FTX customer funds to Alameda Research, a crypto trading firm he founded and owned. Alameda then used the money for trading, as well as to make personal loans to Bankman-Fried and others.

Caroline Ellison, 28, former chief executive of Alameda, and Gary Wang, 29, cofounder and former chief technology officer of FTX, are cooperating in the criminal case building against their former crypto leader. Ellison is a Newton native whose parents work in the economics department at MIT, and Wang is a 2015 MIT graduate who grew up in New Jersey.

Here's a summary of what we learned — and what is likely to happen next.



Caroline Ellison, 28, former chief executive of Alameda Research (right), and Gary Wang, 29, cofounder and chief technology officer of FTX, are cooperating in the criminal case building against their former crypto leader. MAURA INTEMANN

What are Ellison and Wang pleading guilty to?

Both admitted that they played central roles in helping Bankman-Fried build his crypto empire, which was centered around two companies: FTX and trading firm Alameda Research.

Ellison agreed to plead guilty to seven criminal charges, including wire fraud, securities fraud, and commodities fraud, and Wang pleaded guilty to four. Two federal agencies — the Securities and Exchange Commission and the Commodity Futures Trading Commission — also filed civil charges against Ellison and Wang.



Case 1:22-cv-10794 Document 1 File

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF**

_____)
SECURITIES AND
EXCHANGE COMMISSION,)

Plaintiff,)

v.)

CAROLINE ELLISON and
ZIXIAO "GARY" WANG,)

What did they do wrong?

Wang developed the software code that allowed Alameda to secretly access billions of dollars in FTX customer funds, which is forbidden. Ellison knowingly used FTX customer funds for Alameda's trading activity, among other things.

All along, Bankman-Fried and Ellison told investors that his crypto trading firm had no special privileges on the FTX exchange. But in fact, Alameda had access to FTX customer funds, the ability to draw down "on a virtually unlimited line of credit," and an exception to maintain a negative balance in its FTX account. These privileges did not apply to any other FTX customer.

Wang and Ellison admitted to knowing about and facilitating this close relationship between the firms, which was at odds with what Bankman-Fried presented to the public and to investors.

Ellison also lent money from Alameda to Bankman-Fried so that he could "make undisclosed venture investments, lavish real estate purchases, and large political donations," the SEC said. Other executives took out loans, including Wang.

And at Bankman-Fried's direction, authorities said Ellison purchased FTX's digital currency, known as the FTT token, to prop up its price, which further masked the true finances of the companies.

In posts from Ellison's Tumblr blog, she came across as inexperienced. Months before she was named co-CEO, she wrote on her blog that she didn't "have that much responsibility" at work and asked, "What do CEOs of real companies do?"

What happens to them now?

Martin Weinberg, a prominent Boston criminal defense lawyer, said that because the amount of money lost in FTX's collapse is so massive, those involved could face many

decades in prison — especially if they did not cooperate with the government. He said

that in pleading guilty, Ellison and Wang were “motivated by their own self-interest” to receive a “more compassionate sentence.”

“It’s very clear that Ellison and Wang rushed into the US Attorney’s Office in New York and cut a deal,” he said.

He also said any sentencing hearing focused on Ellison or Wang could be years away.

“Ordinarily, the government will defer the sentencing hearing until after the cooperation is complete,” he said. “In this case, that could be a significant amount of time.”

What else do we know about Ellison and Wang?

Ellison grew up in the Boston suburbs and attended Newton North High School, where she was the captain of the math team her senior year.

She studied mathematics at Stanford University and, after graduating in 2016, got hired as a quantitative trader at Jane Street Capital in New York. There, she met Bankman-Fried, who had joined the firm after graduating from MIT in 2014.

Bankman-Fried started Alameda Research in 2018, and Ellison joined as a trader a year later.

Wang grew up in Cherry Hill, N.J. and was a member of his high school’s chess team and math club. He met Bankman-Fried in the summer of 2008, when both were enrolled in an elite math camp for high school students.

Wang earned a degree in math and computer science from MIT in 2015. In college, he was a member of Epsilon Theta, a coed fraternity based in Brookline that Bankman-Fried was also a part of. Prior to FTX, Wang worked as a software engineer at Google.

What does this mean for Bankman-Fried?

The charges against Ellison and Wang indicate that Bankman-Fried was the key leader in the massive, years-long fraud that occurred between FTX and Alameda. The SEC said several times in its complaint that when Ellison and Wang committed fraud, it was “at Bankman-Fried’s direction.”

The charges contradict Bankman-Fried’s previous defense, which he shared during public interviews and appearances after FTX filed for bankruptcy on Nov. 11. Bankman-Fried has claimed that he was removed from day-to-day operations at Alameda.

“I haven’t been running Alameda, I haven’t been thinking about its finances, I haven’t been making those decisions,” he said during a virtual interview at The New York Times DealBook Summit on Nov. 30.

Investigators said the opposite was true.

“Bankman-Fried remained the ultimate decision-maker,” the SEC wrote, adding that he continued to borrow money from Alameda to fuel personal purchases and investments.

What about others who were involved?

It’s likely that more key executives at FTX and Alameda could step forward in the coming days. They’re certainly being advised to do that by US Attorney Damian Williams, whose office brought the charges against Bankman-Fried, Ellison, and Wang.

“If you participated in misconduct at FTX or Alameda, now is the time to get ahead of it,” Williams said in a [video posted to Twitter](#).

Weinberg said Williams’ plea is surprisingly direct.

“It’s an unusually explicit message,” he said.

Who else might come forward?

For about a year, Ellison had a co-CEO at Alameda, Sam Trabucco. The SEC complaint only mentioned Trabucco — a Roxbury Latin School and MIT graduate — three times, simply referring to his employment history at Bankman-Fried’s crypto hedge fund.

Trabucco joined Alameda around 2019 as a trader, then served as co-CEO alongside Ellison until August, when he unexpectedly stepped down. The complaint doesn’t mention what role he may have played in the scheme, and he could not be reached for comment.

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