

Presenter: Payton Oas

Session & Time: Oral IV

Room/Time: GUZ 110 / 3:50-4:10

Discipline: Business Administration

Faculty Mentor: Sarah Lee

Digital Portfolio URL:

Title: A Leadership Ethics Analysis of the FTX Fraud Scandal

Abstract:

Samuel Bankman-Fried was the founder of cryptocurrency exchange FTX and the cryptocurrency trading firm Alameda Research, and was recently sentenced to 25 years in prison and was fined $11 billion due to multiple counts of fraudulent schemes. Bankman-Fried was wrongfully using customers' money, from both FTX and Alameda, for his own personal gain through high-risk investments and political donations, and primarily for the funding of Alameda Research. U.S. Attorney Damian Williams, who worked on the case, stated how these schemes were one of the biggest financial fraud activities in the United States of America. Some of FTXâ€™s promises to customers included a reliable experience and the restriction of using customers' money for anything, unless customers gave permission. These promises were obviously broken and ignored by Bankman-Fried and his abuse of power in his position and lack of ethical decision-making. Bankman-Fried was misusing his customers' assets from day

one, showing unethical behavior, deception, and complete lack of transparency when claiming success while the platforms were suffering.

These wrongful doings by Bankman-Fried go far beyond financial loss as they extend to loss in stakeholder trust, market stability, and the public's confidence in financial institutions like FTX and Alameda Research. Bankman-Fried carefully developed his personal image through his devotion to effective altruism, which greatly hid the major deception and unethical practices he participated in.

Referring to concepts of ethical leadership, organizational culture, power, and trust, this case greatly shows how opposite behaviors like lack of transparency and lack of accountability can lead to a short-lived unethical leadership. Through the analysis of Samuel Bankman-Friedâ€™s schemes, these insights will show how important it is to have a leadership style that involves integrity, responsible and ethical decision-making, as well as the importance of effective overseeing systems that can prevent such large disastors to take place.