

# More on Bankman-Fried and the collapse of FTX



by Bill Corden

I've been reading quite a few articles on our friend and his spectacular crash, shaking my head at the gullibility of the corporate investors, when I suddenly remembered the template for a tax dodging scheme I had a ringside seat for. The parallels are amazing and the cast of characters are like Lego pieces

Up here in Canada, back in the late 1980s, our brilliant economists convinced the government of the day to introduce a program to encourage investment in "Scientific Research and Experimental Development" known as SR&ED.

The bare bones of this program gave a tax break to financial

sophisticates who decided to invest in what appeared to be “no risk” Government approved projects. I mean, what could go wrong, the government is behind it.?

These projects were usually run by companies specifically set up to pursue hare-brained ideas that sounded brilliant (just like FTX), but in reality, had no chance of success because the majority of them were run by scam artists and carpetbaggers

To get the status of an SR&ED company you had to submit an application to the government outlining your experimental breakthrough.

Once approved you could then attract “venture capital” investors who could write off, against income taxes, the entire amount of their investment AND they’d get a piece of the action in the optimistic, nay fantastic, profits that would ensue.

My very privileged ringside seat allowed me to talk to the scammers and the victims, because I was a collection agent for Her (now His.. □) Majesty’s Government.

Let me set the broad stage for the mega scams.

The one I was a witness to involved a highly scientific process of capturing the solid waste from sewage plants (yes, you read that right), making it into pellets and selling it off to chemical plants who could extract the “fine oils” such as lanolin and other exotics for use in the beauty industry.

Perfect for the sales pitch... unlimited supply of cheap material, mysterious processing technology and unlimited customers on the other side. Only problem was that it stunk the entire neighborhood out for miles around.

But nobody had thought that might be a problem and, he told me, nobody really dug into the details.

Next, you need “Venture Capitalists,” which in real terms means card playing gamblers of the first order.

They’re not interested in collateral like banks are, they’re interested in returns, they’re motivated by getting the great unwashed interested in the possibility of mega profits and charging them commissions for the favour. Heaven forbid that they should put any of their own money at risk.

Dress it up as a “Venture Capital Mutual Fund” and you’ve got one of the essential ingredients... potential seed money.

Venture capitalists, though, are not as ubiquitous, as you might think and they drive a hard bargain. What you really need is the unlimited amounts that come from sucker investors like Doctors, Dentists, Lawyers and Movie stars, you know, stupid people.

I asked one of the protagonists (a medical professional himself by the way) in the “fine oils” scam how he got past this hurdle, and I remember him just shrugging with a laugh. “Convince one big name, a respected lawyer or media personality etc. to sign on and you’re off to the races. Put that name on your letterhead and they will beat down your door to get in ”

My guy had the confidence of a local prominent lawyer but Bankman-Fried had the confidence of much bigger players, some of the ones you think would know better are highlighted below:

1. A venture capital talisman by the name of Sequoia, considered to be one of the sharpest around
2. It had the imprimatur of no less than Temasek which is the “sovereign wealth fund” of Singapore.
3. Kevin O’Leary, who it seems knows less than I do about the world of finance. [Here’s his story](#)

Not one of these participants ever bothered to sit down with the conman and probe the managerial capabilities, all they saw was the potential for a killing.

Pretty soon, the money pours in like a waterfall and the people driving the train quickly figure out ways to empty the till faster than it fills. They must get the money out of reach of the people who actually own it.

There's countless ways of doing it legally, management fees, patent fees, technological advice fees, investor relations fees, anything you can think of really.

They do this with absolutely no regard for the casualties and when the media report the failure as a bankruptcy, they never even mention the ordinary people who never got paid, the contractors, the suppliers, the employees.

None of them get a red cent when all is said and done.

Our SR&ED man was not anywhere near the same scale as Fried, but he had the same sort of attitude, he was a very likeable guy, a loveable villain if you will.

He didn't care how much people lost, he had made sure he was set and that he was bullet proof from claims.

The penalties imposed upon him were so light that he immediately started another scam in the same vein only this time he told me, "I didn't even bother putting my signature on the application because I knew they didn't check and without my signature they can't touch me."

Forget about trying to recover any money from FTX or Bankman-Fried himself, it's either evaporated or it's so far out of reach that all recovery efforts will be eaten up by legal fees.

Maybe BF will end up in jail but it's a remote likelihood, he's just a kid after all.