

Crypto

FTX's Celebrity, VC Backers to Face Consolidated Suits in Miami

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Lawsuits against FTX's financial backers and celebrity endorsers by customers of the failed cryptocurrency exchange were consolidated before a single federal judge in Florida.

A judicial panel on Monday ordered the creation of a multi-district litigation before US District Judge K. Michael Moore in Miami, noting that the company had its US headquarters there before filing for bankruptcy.

Customers have filed several class actions against venture capital and private equity firms including Sequoia Capital and Thoma Bravo that invested in FTX, claiming they enabled co-founder Sam Bankman-Fried, who is facing fraud stemming from the exchange's collapse. Celebrities that endorsed FTX, including Tom Brady, Gisele Bundchen, Shaquille O'Neal and Larry David, have also been sued.

FTX itself has been protected from litigation since its November Chapter 11 filing in Delaware, but that stay doesn't apply to third parties that allegedly facilitated the exchange's actions.

MDLs are designed to reduce costs by eliminating duplicative pre-trial document exchanges and provide a venue for test trials to weigh the value of claims, although some companies criticize them as a way for judges to wrongfully strong-arm settlements of suits. Plaintiffs' lawyers argued _____ for an MDL last month at a hearing in Philadelphia, saying it was necessary to manage the "unwieldy" litigation.

Bankman-Fried has pleaded not guilty to a 13-count indictment, part of which alleges he orchestrated a scheme to transfer billions of dollars in FTX customer funds to Alameda Research, an affiliated hedge fund, for risky trades and personal use.

The case is In RE: FTX Cryptocurrency Exchange Collapse Litigation, MDL No. 3076, US Judicial Panel on Multidistrict Litigation (Philadelphia).