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Bahamas Regulator Holds FTX Assets Pending Delivery to Customers, Creditors

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Deborah Kovsky-Apap

Deborah Kovsky-Apap, a partner in Troutman Pepper's Financial Restructuring + Insolvency Practice Group, is quoted in the December 30, 2022 *Reuters* article, "Bahamas Regulator Holds FTX Assets Pending Delivery to Customers, Creditors."

The sheer size of the asset seizure sends mixed signals to FTX customers, according to Deborah Kovsky-Apap, a bankruptcy attorney who is not involved in the case. The Bahamian government's action preserves assets that could otherwise be lost or stolen, but it could also deepen a dispute between the company's U.S.-based bankruptcy proceedings and the Bahamas liquidation.

Ideally, both sides would cooperate to sort out which creditors should be repaid with the seized assets, a task that is already more difficult than normal due to FTX's extensive commingling of customers' funds with those of FTX and its sister hedge fund Alameda Research, Kovsky-Apap said.

"It may be impossible to unscramble that egg," Kovsky-Apap said. "And if you can't, the fact that a government entity has seized these assets and staked out a claim to them creates significant additional tension."

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