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Southern DAILY

Make Today Different

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Exclusive: How a secret software change allowed FTX to use client money

Dec 13 (Reuters) - In mid-2020, FTX's chief engineer made a secret change to the cryptocurrency exchange's software.

He tweaked the code to exempt Alameda Research, a hedge fund owned by FTX founder Sam Bankman-Fried, from a feature on the trading platform that would have automatically sold off Alameda's assets if it was losing too much borrowed money.

In a note explaining the change, the engineer, Nishad Singh, emphasized that FTX should never sell Alameda's positions. "Be extra careful not to liquidate," Singh wrote in the comment in the platform's code, which it showed he helped author. Reuters reviewed the code base, which has not been previously reported.

The exemption allowed Alameda to keep borrowing funds from FTX irrespective of the value of the collateral securing those loans. That tweak in the code got the attention of the U.S. Securities and Exchange Commission, which charged Bankman-Fried with fraud on Tuesday. The SEC said the tweak meant Alameda had a "virtually unlimited line of credit." Furthermore, the billions of dollars that FTX secretly lent to Alameda over the next two years didn't come from its own reserves, but rather were other FTX customers' deposits, the SEC said.

The SEC and a spokesperson for Bankman-Fried declined to comment for this story. Singh did not respond to several requests for comment.

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 The regulator, which called the exchange "a house of cards," alleged Bankman-Fried concealed that FTX diverted customer funds to Alameda in order to make undisclosed venture investments, luxury real estate purchases, and political donations. U.S. prosecutors and the Commodity Futures Trading Commission also filed separate criminal and civil charges, respectively.

The complaints - along with previously unreported FTX documents seen by Reuters and three people familiar with the crypto exchange - provide new insights into how Bankman-Fried dipped into customer funds and spent billions more than FTX was making without the knowledge of investors, its customers and most employees.

Police in the Bahamas, where FTX was based, arrested Bankman-Fried on Monday evening, capping a stunning fall from grace for the 30-year-old former billionaire. His company collapsed in November after users rushed to withdraw deposits and investors shunned his requests for more financing. FTX declared bankruptcy on Nov. 11 and Bankman-Fried resigned as chief executive.



Bankman-Fried has apologized to customers, but said he didn't personally think he had any criminal liability.

The auto-liquidation exemption written into FTX code allowed Alameda to continually increase its line of credit until it "grew to tens of billions of dollars and effectively became limitless," the SEC complaint said. It was one of two ways that Bankman-Fried diverted customer funds to Alameda.

The other was a mechanism whereby FTX customers deposited over \$8 billion in traditional currency into bank accounts secretly controlled by Alameda. These deposits were reflected in an internal account on FTX that was not tied to Alameda, which concealed its liability, the complaint said.

"SAFE, TESTED AND CONSERVATIVE"
 As Bankman-Fried grew FTX into one of the world's largest crypto exchanges, consumer protection was a central tenet of his pitch for crypto regulation in the United States. Bankman-Fried stressed this theme in countless statements to customers, investors, regulators and lawmakers. FTX's auto-liquidation software would protect everyone, he explained.

In congressional testimony on May 12, he called FTX's software "safe, tested and conservative."

"By quickly unwinding the riskiest, most undercollateralized positions, the risk engine prevents build-up of credit risk that could otherwise cascade beyond the platform, resulting in contagion," Bankman-Fried testified.

He did not tell lawmakers about the software change to exempt Alameda. Indeed, he told investors that Alameda received no preferential treatment from FTX, the SEC complaint said.

Bankman-Fried had directed subordinates to update the software in mid-2020 to enable Alameda to maintain a negative balance on its account, the SEC complaint said. No other customer account at Alameda was allowed to do so, the complaint added. This would allow Alameda to keep borrowing more FTX funds without the need to provide more collateral.

In software tweaks made in August 2020, Alameda was designated as the "Primary Market Maker" or "PMM," according to a Reuters review of its code-base. Market makers are dealers who enable trading in an asset by standing ready to buy and sell it.

To explain the change, Singh, the chief engineer, inserted a comment into the code: "Alameda would be liquidating, prevented." He included a warning "not to liquidate the PMM."

Only Singh, Bankman-Fried and a few other top FTX and Alameda executives knew about the exemption in the code, according to three former executives briefed on the matter. A digital dashboard used by staff to track FTX customer assets and liabilities was programmed so it would not take into account that Alameda had withdrawn the client funds, according to two of the people and a screenshot of the portal that Reuters has previously reported.

Bankman-Fried's house of cards "began to crumble" in May 2022, the SEC complaint said.

As the value of crypto tokens plummeted that month, several of Alameda's lenders demanded repayment. Since Alameda didn't have the funds to meet these requests, Bankman-Fried directed Alameda to tap its "line of credit" with FTX to obtain billions of dollars in financing, the complaint said.

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WEA LEE'S GLOBAL NOTES

12/13/2022

Christmas Is Coming

On Sunday morning we attended a Christmas concert at the West Houston Chinese Church and enjoyed the beautiful holy music and prayed for world peace.

Pastor Hsu and I have known each other for more than 30 years. On the stage he prayed for peace in Ukraine in a powerful tone and tried to relieve the pain for many people. He has devoted his whole life to helping many people who are eager to seek spiritual comfort.

More than 30 years ago, under the initiative of Pastor Wong, the church later grew up from the ruins. He was joined in the effort by the young Pastor Hsu to continue the expansion to build one of the largest Chinese churches in the city.

For many years, in order to support the church, Southern Chinese Daily donated a full newspaper page in the weekend edition for people of all walks of life to read articles on the



Christian page. We are so glad this Christian page is still published every week.

Today there are continuous disputes in the world and the decline of social

morality is really painful to see. Fortunately, we still have different religious forces to persuade others to do good. Otherwise, it will surely be even more unimaginable.



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Publisher Southern Daily Wea H. Lee

Southern News Group Chairman / CEO
Chairman of International Trade & Culture Center
Republic of Guiana Honorary consul at Houston Texas



Southern DAILY Make Today Different

Editor's Choice



Police in plain clothes remove "Ultima Generazione" (Last Generation) climate activists from a roadblock demonstration in Venice, Italy. REUTERS/Manuel Silvestri



Migrants queue near the border wall after crossing the Rio Bravo river to turn themselves in to U.S. Border Patrol agents to request asylum in the U.S. city of El Paso, Texas, as seen from Ciudad Juarez, Mexico December 13, 2022. REUTERS/Jose Luis Gonzalez



A view of the Palace of Westminster seen from the London Eye, in London, Britain. REUTERS/Maja Smiejkowska



Police secures the area after 25 suspected members and supporters of a far-right group were detained during raids across Germany, in Berlin, Germany, December 7. REUTERS/Christian Mang



A woman attends a rally by Palestinian Hamas supporters marking the 35th anniversary of the movement's founding, in Gaza City. REUTERS/Ibraheem Abu Mustafa



Croatia's Luka Modric in action with Argentina's Alexis Mac Allister during FIFA World Cup semi final match at Lusail Stadium, Lusail, Qatar. REUTERS/Kai Pfaffenbach

Nearly Half Of New U.S. Virus Infections Are In Five States



Manhattan New York City During Lockdown

Compiled And Edited By John T. Robbins, Southern Daily Editor

Nearly half of new coronavirus infections nationwide are in just five states — a situation that is putting pressure on the federal government to consider changing how it distributes vaccines by sending more doses to hot spots.

New York, Michigan, Florida, Pennsylvania and New Jersey together reported 44% of the nation's new COVID-19 infections, or nearly 197,500 new cases, in the latest available seven-day period, according to state health agency data compiled by Johns Hopkins University.

Total U.S. infections during the same week numbered more than 452,000.

The heavy concentration of new cases in states that account for 22% of the U.S. population has prompted some experts and elected officials to call for President Joe Biden's administration to ship additional vaccine doses to those places. So far, the White House has shown no signs of shifting from its policy of dividing vaccine doses among states based on population.

Sending extra doses to places where infection numbers are climbing makes sense, said Dr. Elvin H. Geng, a professor in infectious diseases at Washington University.

But it's also complicated. States that are more successfully controlling the virus might see less vaccine as a result.



"You wouldn't want to make those folks wait because they were doing better," Geng said. "On the other hand, it only makes sense to send vaccines to where the cases are rising."

The spike in cases has been especially pronounced in Michigan, where the seven-day average of daily new infections reached 6,719 cases Sunday — more than double what it was two weeks earlier. Only New York reported higher case numbers. And California and Texas, which have vastly larger populations than Michigan, are reporting less than half its number of daily infections. Though Michigan has seen the highest rate of new infections in the past two

weeks, Democratic Gov. Gretchen Whitmer has said she does not plan to tighten restrictions. She has blamed the virus surge on pandemic fatigue, which has people moving about more, as well as more contagious variants.

"Taking steps back wasn't going to fix the issue," Whitmer said as she got her first vaccine Tuesday at Ford Field in Detroit, home of the NFL's Lions. "What we have to do is really put our foot down on the pedal on vaccines" and urge people to wear masks, keep their social distance and wash their hands.



Whitmer got the shot the day after Michigan expanded eligibility to everyone 16 and older. She asked the White House last week during a conference call with governors whether it has considered sending extra vaccine to states battling virus surges. She was told all options were on the table.

In New York City, vaccination appointments are still challenging to get. Mayor Bill de Blasio has publicly harangued the federal government about the need for a bigger vaccine allotment almost daily, a refrain he repeated when speaking to reporters Tuesday.

"We still need supply, supply, supply," de Blasio said, before adding, "But things are really getting better."

On the state level, Gov. Andrew Cuomo has not called publicly for an increase in New York's vaccine allotment, even as cases ticked up in recent weeks and the number of hospitalized people hit a plateau.

In New Jersey, where the seven-day rolling average of daily new infections has risen over the past two weeks, from 4,050 daily cases to 4,250, Democratic Gov. Phil Murphy said he is constantly talking to the White House about demand for the coronavirus vaccine, though he stopped

short of saying he was lobbying for more vaccines because of the state's high infection rate.



Vaccine shipments to New Jersey were up 12% in the last week, Murphy said Monday, though he questioned whether that's enough.

"We constantly look at, OK, we know we're going up, but are we going up at the rate we should be, particularly given the amount of cases we have?" Murphy said.

New virus variants are clearly one of the drivers in the increase, said Dr. Kirsten Bibbins-Domingo, chair of the department of epidemiology and biostatistics at the University of California at San Francisco. Failure to suppress the rise in cases will lead to more people getting sick and dying, she said, and drive increases in other parts of the country.

"More vaccine needs to be where the virus is," Bibbins-Domingo said, adding that people should get over the "scarcity mindset" that has them thinking surging vaccine into one place will hurt people elsewhere.

In Florida, relaxed safeguards during a busy spring break season likely helped spread virus variants, said University of South Florida epidemiologist Jason Salemi. The state's seven-day average of daily new infections has exceeded 5,400, an increase of 20% in the past two weeks.



While many new infections appear to be among younger people, Salemi said he's worried about Florida's seniors. About 78% of residents age 65 and older have received at least one vaccine dose, but roughly 1 mil-

lion more still have not gotten any shots. "We seemingly have the supply," Salemi said. "Are these people not planning to get vaccinated?"

Talk of sending extra shots to some states comes at a time when the number of daily infections in the U.S. has fallen dramatically compared to a January spike following the holiday season. However, the seven-day average of daily infections been rising slowly since mid-March.

The five states seeing the most infections stand out. As of Tuesday, 31 U.S. states were reporting seven-day averages of fewer than 1,000 new daily cases.

White House coronavirus coordinator Jeff Zients said Tuesday more than 28 million doses of COVID-19 vaccines will be delivered to states this week. That allocation will bring the U.S. total to more than 90 million doses distributed in the past three weeks.

The news came as Biden announced more than 150 million coronavirus shots have been administered since he took office, and that all adults will be eligible to receive a vaccine by April 19.



About 40% of U.S. adults have now received at least one COVID-19 shot, according to the Centers for Disease Control and Prevention. About 23% of American adults have been fully vaccinated — including more than half of Americans 65 and older.

Geng said the nation should take a step back and go slow. Even just a few more weeks of Americans sticking with social distancing and other precautions could make a huge difference.

"The take-home message here is, let's not jump the gun," Geng said. "There's light at the end of the tunnel. We all see it there. And we will get there. Slow and steady." (Courtesy apnews.com/)

Pandemic Brain: Half Of Americans Fear They'll Never Fully Recover From COVID Pandemic Stress



Illustration by John S. Dykes

Compiled And Edited By John T. Robbins, Southern Daily Editor

In record numbers, Americans are anxious, worried, sleep-deprived, distracted, and depressed. The Covid-19 pandemic's triple whammy of an invisible and omnipresent threat (coronavirus infection), profound disruptions in daily life, and uncertainty for the future has thrust many people into a chronic, high-stress state that is, let's just say, less than optimal for rational thinking or any other sort of higher-order cognitive functioning.

While the Covid-19 pandemic rages on worldwide, the immediate mental health impact of this collective trauma is coming into focus even as the outlook for long-term psychological effects remains considerably fuzziest.

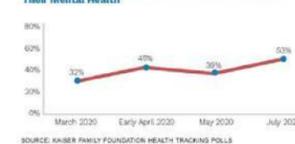
Are we experiencing a pandemic of mental illness? Much has been reported about the ill-termed "mental health pandemic" that seems to be surging through the U.S. and other countries in lockdown with lockdowns and the death, societal disruption, and economic devastation of the viral pandemic. Many experts have sounded the alarm for an approaching tsunami of psychological maladies that could sink an already overburdened mental healthcare system.



A growing cache of data seems to bear out those fears. One of the most recent, a population survey conducted in April and May, found a three-fold increase in depression since the pandemic began. The researchers examined mental health problems relative to 13 pandemic-specific stressors, including loss of a job, death of someone close to you due to Covid-19, and financial problems (see box for full list). The more stressors people reported, the more likely they were to also report symptoms of anxiety and depression.

Other studies show similar rises. From April to June, the Census Bureau tracked anxiety and depression symptoms among Americans in weekly emergency surveys, finding a sharp rise in both. In a Kaiser Family Foundation Health Tracking Survey conducted in July, more than half of U.S. adults (53 percent) said worry and stress related to coronavirus has had a negative impact on their mental health, up from 39 per-

cent in May.



Half of Americans say that the COVID-19 pandemic has been so stressful they worry they'll never fully be able to de-stress, even after it's all over.

A survey of 2,000 Americans finds stress levels have been so bad since 2020 that 25 percent would go as far as escaping to a cabin in the woods by themselves in order to get away from the daily stresses of life. Another 15 percent would need to be even more remote, choosing a desert island as their de-stressing sanctuary. Crucially, respondents add they'd have to be totally alone to truly be able to de-stress. The study, conducted by OnePoll and commissioned by CBDistillery, also finds that for many, getting rid of stress is all about the finer things in life. In fact, 35 percent of respondents think a trip to a luxury resort would do the trick.



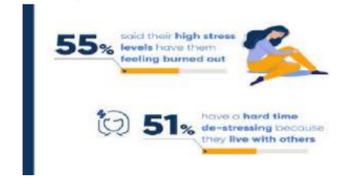
De-stressing still takes work

The average American feels they would need 10 days in their ideal location to completely de-stress. This is borne out by the numbers, too; 55 percent admit their current stress levels have left them feeling burnt out.

Researchers also discovered that stress has a major impact on personal relationships. Seven out of 10 Americans say they get upset or frustrated with someone in their household for no reason at least once a week. These spats aren't surprising though, as 51 percent admit they find it difficult to de-stress because they live with others.

"Sometimes it's the smallest things that can trigger stress," says a spokesperson for CBDistillery in a statement. "Our

results found 45 percent of respondents admitted their coping mechanisms for dealing with stress aren't the healthiest — which can then create a cycle of stress, making these issues worse."



With all of this in mind, it's no wonder 46 percent say they're desperate for a more effective way to handle stress. Nearly three in five respondents believe just having one extra hour of free time to do nothing every day would help their stress levels immensely.

Entertainment is the top coping mechanism for pandemic stress

In attempts to find their happy place and find peace, some of the top coping mechanisms Americans use include listening to music (45%), taking a walk (38%), binge-watching TV (33%), and exercising (29%). Other common coping mechanisms include cuddling with a pet, taking deep breaths (both 29%), eating a snack (28%), reading a book (26%), and playing video games (24%).

"It's clear Americans are desperate to find a solution for their stress," the spokesperson adds. "Whether it's grabbing your favorite snack, taking a walk — there are so many things you can try until you find what works for you."

Related

From The CDC: Coping With Stress

The COVID-19 pandemic has had a major effect on our lives. Many of us are facing challenges that can be stressful, overwhelming, and cause strong emotions in adults and children. Public health actions, such as social distancing, are necessary to reduce the spread of COVID-19, but they can make us feel isolated and lonely and can increase stress and anxiety. Learning to cope with stress in a healthy way will make you, the people you care about, and those around you become more resilient.

Stress can cause the following:

- Feelings of fear, anger, sadness, worry, numbness, or frustration. Changes in appetite, energy, desires, and interests. Difficulty concentrating and making decisions. Difficulty sleeping or nightmares. Physical reactions, such as headaches, body pains, stomach problems, and skin rashes. Worsening of chronic health problems. Worsening of mental health conditions. Increased use of tobacco, alcohol, and other substances

It is natural to feel stress, anxiety, grief, and worry during the COVID-19 pandemic. Below are ways that you can help yourself, others, and your community manage stress.



Healthy Ways to Cope with Stress

- Take breaks from watching, reading, or listening to news stories, including those on social media. It's good to be informed, but hearing about the pandemic constantly can be upsetting. Consider limiting news to just a couple times a day and disconnecting from phone, tv, and computer screens for a while.

- Take care of your body.
 - Take deep breaths, stretch, or . Meditate. Try to eat healthy, well-balanced meals. Exercise regularly. Get plenty of sleep. Avoid excessive alcohol, tobacco, and substance use. Continue with routine preventive measures (such as vaccinations, cancer screenings, etc.) as recommended by your healthcare provider. Get vaccinated with a COVID-19 vaccine when available.

- Make time to unwind. Try to do some other activities you enjoy.
- Connect with others. Talk with people you trust about your concerns and how you are feeling.

- Connect with your community- or faith-based organizations. While social distancing measures are in place, try connecting online, through social media, or by phone or mail. (Courtesy https://www.studyfinds.org/ and CDC.gov)