



**U.S. COMMODITY FUTURES TRADING COMMISSION**  
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

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**September 17, 2015**

**CFTC Orders Bitcoin Options Trading Platform Operator and its CEO to Cease Illegally Offering Bitcoin Options and to Cease Operating a Facility for Trading or Processing of Swaps without Registering**



**In First Action against an Unregistered Bitcoin Options Trading Platform, CFTC Holds that Bitcoin and Other Virtual Currencies Are a Commodity Covered by the Commodity Exchange Act**

**Washington, DC** – The U.S. Commodity Futures Trading Commission (CFTC) today issued an Order filing and simultaneously settling charges against **Coinflip, Inc.** d/b/a **Derivabit** (Coinflip) and its chief executive officer **Francisco Riordan** for conducting activity related to commodity options transactions without complying with the Commodity Exchange Act (CEA) and CFTC Regulations, specifically, by operating a facility for the trading or processing of commodity options without complying with the CEA or CFTC Regulations otherwise applicable to swaps or conducting the activity pursuant to the CFTC's exemption for trade options. Coinflip is based in San Francisco, California, and Riordan resides in San Francisco.

The Order finds that, from in or about March 2014 to at least August 2014, Coinflip and Riordan operated an online facility named **Derivabit**, offering to connect buyers and sellers of Bitcoin option contracts.

The Order requires Coinflip and Riordan to cease and desist from further violations of the CEA and Regulations, as charged, and to comply with specified undertakings.

Aitan Goelman, the CFTC's Director of Enforcement, commented: "While there is a lot of excitement surrounding Bitcoin and other virtual currencies, innovation does not excuse those acting in this space from following the same rules applicable to all participants in the commodity derivatives markets."

The CFTC Order finds that Coinflip designated put and call options for the delivery of Bitcoins as eligible for trading on the Derivabit platform. Under Section 4c of the CEA and Part 32 of the CFTC's Regulations, commodity option transactions must either be conducted in compliance with provisions of the CEA or Regulations otherwise applicable to swaps, or conducted pursuant to Regulation 32.3, the "trade option" exemption. In the Order, the CFTC for the first time finds that Bitcoin and other virtual currencies are properly defined as commodities. The Order further finds that the activities related to commodity option transactions were not conducted in compliance with a provision of the CEA or a provision of the Regulations otherwise applicable to swaps, and were not conducted pursuant to the Regulation 32.3 "trade option" exemption.

Additionally, the Order finds that Coinflip operated a facility for the trading of swaps but did not register the facility as a Swap Execution Facility or Designated Contract Market, as required. The CEA's definition of "swap" includes option contracts. Accordingly, Coinflip violated Section 5h(a)(1) of the CEA and Regulation 37.3(a)(1). Because Riordan controlled Coinflip, directly or indirectly, and did not act in good faith or knowingly induced, directly or indirectly, Coinflip's acts in violation of the CEA and Regulations, Riordan is liable for all of Coinflip's violations of the CEA and Regulations, the Order finds.

Coinflip and Riordan cooperated with the Division of Enforcement's investigation.

CFTC Division of Enforcement staff members responsible for this action are David W.

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