

RELEASE Number

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## **Federal Court Orders Trading Firm and CEO to Pay More than \$2.5 Million for Fraudulent Bitcoin Ponzi Scheme**

**Washington, DC** – A New York federal court has ordered New York corporation **Gelfman Blueprint, Inc.** (GBI) and its Chief Executive Officer **Nicholas Gelfman** of Brooklyn, New York, to pay in total over \$2.5 million in civil monetary penalties and restitution in what was the first anti-fraud enforcement action involving Bitcoin filed by the Commodity Futures Trading Commission (CFTC) (see CFTC Complaint and Press Release [7614-17](#)).

### **CFTC Director of Enforcement Comments**

James McDonald, the CFTC's Director of Enforcement, commented: "This case marks yet another victory for the Commission in the virtual currency enforcement arena. As this string of cases shows, the CFTC is determined to identify bad actors in these virtual currency markets and hold them accountable. I'm grateful to the members of Enforcement's Virtual Currency Task Force for their tireless work on these matters."

Together, the Order for Final Judgment by Default (Default Order), and the Consent Order for Final Judgment (Consent Order) (collectively, the Orders), entered respectively on October 2, 2018 and October 16, 2018, by Judge P. Kevin Castel of the U.S. District Court for the Southern District of New York, resolve the charges of the CFTC Complaint against GBI and Gelfman filed on September 21, 2017.

The Orders find that from approximately 2014 through approximately January 2016, Defendants Gelfman and GBI, by and through its officers and agents and employees, operated a Bitcoin Ponzi scheme in which they fraudulently solicited more than \$600,000 from at least 80 customers. As stated in the Orders, the customers' funds supposedly were for placement in a pooled commodity fund that purportedly employed a high-frequency, algorithmic trading strategy executed by Defendants' computer trading program called "Jigsaw." In fact, as the Orders indicate, the strategy was fake, the purported performance reports were false, and—as in all Ponzi schemes—payouts of supposed profits to GBI Customers in actuality consisted of other customers' misappropriated funds. Also, the Consent Order finds that Gelfman was liable as a controlling person for GBI's violations, and the Default Order finds that GBI was liable as a principal for the violations of Gelfman and its other officers, agents, and employees.

The Orders find that, to conceal Defendants' trading losses and misappropriation, Defendants made and provided false performance reports to pool participants, including statements that created the appearance of positive Bitcoin trading gains, when in truth Defendants' Jigsaw trading account records reveal only infrequent and unprofitable trading. The Orders also find that Gelfman, in order to conceal the scheme's trading losses and misappropriation, staged a fake computer "hack" that supposedly caused the loss of nearly all customer funds.

In addition to requiring GBI and Gelfman, respectively, to pay \$554,734.48 and \$492,064.53 in restitution to customers and \$1,854,000 and \$177,501 in civil monetary penalties, the Orders impose permanent trading and registration bans on GBI and Gelfman and permanently enjoin them from further violations of the Commodity Exchange Act and CFTC Regulations, as charged.

The CFTC cautions that orders requiring repayment of funds to victims may not result in the recovery of any money lost because the wrongdoers may not have sufficient funds or assets. The CFTC will continue to fight vigorously for the protection of customers and to ensure the wrongdoers are held accountable.

The CFTC appreciates the cooperation and assistance of the New York County District Attorney's Office and the Finland Financial Supervision Authority.

This case was brought in connection with the Division of Enforcement's Virtual Currency Task Force, and the CFTC Division of Enforcement staff members responsible for this case are Gates S. Hurand, Christopher Giglio, K. Brent Tomer, Lenel Hickson, Jr., and Manal M. Sultan.

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## **CFTC's Customer Fraud Advisory on Virtual Currencies and Bitcoin**

For more virtual currency resources, visit the CFTC's dedicated virtual currency web page, [www.cftc.gov/bitcoin](http://www.cftc.gov/bitcoin), which includes several customer advisories informing the public of possible risks associated with investing or speculating in virtual currencies or recently launched Bitcoin futures and options. The CFTC also has issued several customer protection [Fraud Advisories](#) that provide the warning signs of fraud. These include, for example, the [Commodity Pool Fraud Advisory](#), which warns customers about a type of fraud that involves individuals and firms, often unregistered, offering investments in commodity pools.

Customers can report suspicious activities or information, such as possible violations of commodity trading laws, to the CFTC Division of Enforcement via a Toll-Free Hotline 866-FON-CFTC (866-366-2382) or [file a tip or complaint](#) online.