

RELEASE Number  
7839-18

**November 9, 2018**

## **CFTC Orders Former Virtual Currency Trader to Pay More than \$1.1 Million for Fraudulent Bitcoin and Litecoin Scheme**

**Washington, DC** — The Commodity Futures Trading Commission (CFTC) today issued an Order filing and settling charges against **Joseph Kim** (Kim), of Phoenix, Arizona, requiring Kim to pay more than \$1.1 million for a fraudulent Bitcoin and Litecoin scheme. In the order, Kim admits to orchestrating a fraudulent Bitcoin and Litecoin scheme that led to more than \$1 million in losses, of which Kim misappropriated more than \$600,000. Also today, Kim was sentenced to 15 months on related criminal charges filed in the United States District Court for the Northern District of Illinois.

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

Director of Enforcement James McDonald said, “Today’s Order stands as yet another in the string of cases showing the CFTC’s commitment to actively police the virtual currency markets and protect the public interest. In addition, the criminal indictment and sentence reaffirms the CFTC’s commitment to working in parallel with our partners at the Department of Justice to root out misconduct in these markets. My thanks to U.S. Attorney Lausch and his staff, as well as the Federal Bureau of Investigation, for their assistance in this case.”

The CFTC Order specifically finds that between September 2017 and November 2017, Kim misappropriated Litecoin and Bitcoin from his employer, a Chicago-based proprietary trading firm (Firm). Kim was able to misappropriate the Firm's Bitcoin and Litecoin through a series of transfers between the Firm's accounts and Kim's own personal accounts. When questioned about the missing Litecoin and Bitcoin, Kim falsely represented that there were security issues with a virtual currency exchange that necessitated transfers into various accounts. The Firm discovered Kim's misappropriation in November 2017 and promptly terminated Kim. The Firm suffered a loss of approximately \$601,000 from Kim's scheme.

Thereafter, Kim began fraudulently soliciting funds from individuals (customers) to continue trading in virtual currency with the hope of using trading profits to repay the Firm. Between in or about December 2017 and in or about March 2018, Kim obtained approximately \$545,000 from at least 5 customers to trade virtual currency. However, in soliciting the funds, Kim falsely told customers that he had decided to voluntarily leave the Firm to start his own trading company, and concealed from customers that he had been fired for misappropriating the Firm's virtual currency. Kim also falsely told customers that he would invest their funds in a low-risk virtual currency arbitrage strategy, when, in fact, Kim made high-risk, directional bets on the movement of virtual currencies that resulted in Kim losing all \$545,000 of his customers' funds. Kim concealed those losses by sending false account statements to customers reflecting profitable trading.

In addition to requiring Kim to pay \$1,146,000 in restitution to his company and customers, the Order imposes permanent trading and registration bans on Kim, including virtual currency trading and solicitation bans, and permanently enjoins him from further violations of the Commodity Exchange Act and CFTC Regulations, as charged.

## **Criminal Action**

In a separate action brought by the U.S. Attorney for the Northern District of Illinois, Kim pleaded guilty to one count of wire fraud in connection with the misappropriation of approximately \$601,000 (USD value) of Litecoin and Bitcoin from his employer, and fraudulent solicitation of \$545,000 in funds from investors. *USA v. Kim*, 18-CR-107 (N.D. Ill. ECF Doc 21). Kim was sentenced to 15 months.

The CFTC's appreciates the cooperation and assistance of the U.S. Attorney's Office for the Northern District of Illinois, the Federal Bureau of Investigation, and the Securities and Futures Commission of Hong Kong.

This case is brought in connection with the CFTC Division of Enforcement's Virtual Currency Task Force. The staff members responsible are Brigitte Weyls, Carlin Metzger, Ava Gould, Scott Williamson, and Rosemary Hollinger.

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

For more virtual currency resources, visit the CFTC's 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.