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CFTC Staff Issues Advisory for Virtual Currency Products

Washington, DC — The Commodity Futures Trading Commission's (CFTC) Division of Market Oversight (DMO) and Division of Clearing and Risk (DCR) today issued a joint staff advisory that gives exchanges and clearinghouses registered with the CFTC guidance for listing virtual currency derivative products.

"The CFTC staff is committed to providing regulatory clarity as much as possible," said DMO Director Amir Zaidi. "As the virtual currency market continues to evolve, CFTC staff will seek to provide additional guidance to help market participants keep pace with innovation while complying with CFTC regulations."

"CFTC staff is providing this information, in part, to aid market participants in their efforts to design risk management programs that address the new risks imposed by virtual currency products," DCR Director Brian Bussey stated. "In addition, the guidance is designed to help ensure that market participants follow appropriate governance processes with respect to the launch of these products."

The advisory provides guidance on certain enhancements when listing a derivative contract based on virtual currency and clarifies the CFTC staffs' priorities and expectations in its review of new virtual currency derivatives to be listed on a designated contract market or swap execution facility, or to be cleared by a derivatives clearing organization.

CFTC staff generally believes that the advisory should help exchanges and clearinghouses effectively and efficiently discharge their statutory and self-regulatory responsibilities, while keeping pace with the unique challenges of emerging virtual currency derivatives.

Highlighted in the advisory are certain key areas that require particular attention in the context of listing a new virtual currency derivatives contract. They are:

- Enhanced market surveillance
- Close coordination with CFTC staff
- Large trader reporting
- Outreach to member and market participants
- Derivatives Clearing Organization risk management and governance

CFTC Oversight of the Virtual Currency Futures Markets

In 2015, the CFTC found virtual currencies such as Bitcoin to be commodities subject to oversight under its authority under the Commodity Exchange Act (CEA). Since then, the CFTC has taken action against unregistered Bitcoin futures exchanges; enforced the laws prohibiting wash trading and prearranged trades on a derivatives platform; issued proposed guidance on what is a derivative market and what is a spot market in the virtual currency context; issued warnings about valuations and volatility in spot virtual currency markets; and addressed a virtual currency Ponzi scheme.

The guidance announced today is another effort to ensure the CFTC is exercising appropriate oversight, while encouraging innovation and growth in these products.

For more information visit [CFTC.gov/Bitcoin](https://www.cftc.gov/Bitcoin) (<https://www.cftc.gov/Bitcoin/index.htm>).