

September 21, 2017

CFTC Charges Nicholas Gelfman and Gelfman Blueprint, Inc. with Fraudulent Solicitation, Misappropriation, and Issuing False Account Statements in Bitcoin Ponzi Scheme

CFTC Files Its First Anti-Fraud Enforcement Action Involving Bitcoin

Washington, DC — The U.S. Commodity Futures Trading Commission (CFTC) today announced the filing of a federal civil enforcement action in the U.S. District Court for the Southern District of New York against Defendants **Nicholas Gelfman**, of Brooklyn, New York, and **Gelfman Blueprint, Inc. (GBI)**, a New York corporation, charging them with fraud, misappropriation, and issuing false account statements in connection with solicited investments in Bitcoin, a virtual currency.

The CFTC Complaint alleges that from approximately January 2014 through approximately January 2016, GBI and Gelfman, company Chief Executive Officer and Head Trader, operated a Bitcoin Ponzi scheme in which they fraudulently solicited more than \$600,000 from approximately 80 persons, supposedly 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 charged in the CFTC Complaint, 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.

The CFTC Complaint further alleges 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. As alleged, Gelfman also staged a fake computer "hack" designed to conceal trading losses and misappropriation.

James McDonald, the CFTC's Director of Enforcement, commented: "Through its work across the Commission, and as exemplified by the work of LabCFTC, the CFTC has demonstrated its continued commitment to facilitating market-enhancing FinTech innovation. Part of that commitment includes acting aggressively and assertively to root out fraud and bad actors in these areas. As alleged, the Defendants here preyed on customers interested in virtual currency, promising them the opportunity to invest in Bitcoin when in reality they only bought into the Defendants' Ponzi scheme. We will continue to work hard to identify and remove bad actors from these markets."

In its continuing litigation, the CFTC seeks, among other relief, restitution to defrauded pool participants, disgorgement of benefits from violations of the Commodity Exchange Act and CFTC Regulations, civil monetary penalties, trading bans, and a permanent injunction against future violations of federal commodities laws, as charged.

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

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 Fraud Advisories

The CFTC 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](#).

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