

## Release Number 8369-21

# CFTC Orders Coinbase Inc. to Pay \$6.5 Million for False, Misleading, or Inaccurate Reporting and Wash Trading

March 19, 2021

**Washington, D.C.** — The Commodity Futures Trading Commission today issued an order filing and settling charges against digital asset exchange operator Coinbase Inc., based in San Francisco, California, for reckless false, misleading, or inaccurate reporting as well as [wash trading](#) by a former employee on Coinbase's GDAX platform.

The order requires Coinbase to pay a civil monetary penalty of \$6.5 million and to cease and desist from any further violations of the Commodity Exchange Act or CFTC regulations, as charged.

"Reporting false, misleading, or inaccurate transaction information undermines the integrity of digital asset pricing," said Acting Director of Enforcement Vincent McGonagle. "This enforcement action sends the message that the Commission will act to safeguard the integrity and transparency of such information."

### Case Background

According to the order, between January 2015 and September 2018, Coinbase recklessly delivered false, misleading, or inaccurate reports concerning transactions in digital assets, including Bitcoin, on the GDAX electronic trading platform it operated. During this period, Coinbase operated two automated trading programs, Hedger and Replicator, which generated orders that at times matched with one another. The GDAX Trading Rules specifically disclosed that Coinbase was trading on GDAX, but failed to disclose that Coinbase was operating more than one trading program and trading through multiple accounts.

In addition, the order finds that while Hedger and Replicator had independent purposes, in practice the programs matched orders with one another in certain trading pairs, resulting in trades between accounts owned by Coinbase. Coinbase included the information for these transactions on its website and provided that information to reporting services, either directly or through access to its website. Reporting firms such as Crypto Facilities Ltd., which publishes the CME Bitcoin Real Time Index, and CoinMarketCap OpCo, LLC, which posts such transactional information on its website, received access to Coinbase's transactional information via Coinbase's Application Programming Interface, while the NYSE Bitcoin Index, received it directly in transmissions from Coinbase. According to the order, transactional information of this type is used by market participants for price discovery related to trading or owning digital assets, and potentially resulted in a perceived volume and level of liquidity of digital assets, including Bitcoin, that was false, misleading, or inaccurate.

The order also finds that over a six-week period—August through September 2016—a former Coinbase employee used a manipulative or deceptive device by intentionally placing buy and sell orders in the Litecoin/Bitcoin trading pair on GDAX that matched each other as wash trades. This created the misleading appearance of liquidity and trading interest in Litecoin. Coinbase is therefore found to be vicariously liable as a principal for this employee's conduct.

The Division of Enforcement staff members responsible for this case are Jon J. Kramer, Bryan T. Hsueh, Elizabeth N. Pendleton, Scott R. Williamson, and Robert T. Howell.

**-CFTC-**