Release Number 8647-23

CFTC Charges Avraham Eisenberg with Manipulative and Deceptive Scheme to Misappropriate Over \$110 million from Mango Markets, a Digital Asset Exchange

First CFTC Oracle Manipulation Case on "Decentralized Exchange"

January 09, 2023

Washington, D.C. — The Commodity Futures Trading Commission today filed a civil enforcement action in the U.S. District Court for the Southern District of New York charging Avraham Eisenberg with a fraudulent and manipulative scheme to unlawfully obtain over \$110 million in digital assets from a purported decentralized digital asset exchange. This is the CFTC's first enforcement action for a fraudulent or manipulative scheme involving trading on a supposed decentralized digital asset platform, and its first involving a scheme that is sometimes called "oracle manipulation."

In its continuing litigation, the CFTC seeks, among other relief, civil monetary penalties, disgorgement of any ill-gotten gains, restitution, permanent trading and registration bans, and a permanent injunction against further violations of the Commodity Exchange Act (CEA), as charged.

"The CFTC will use all available enforcement tools to aggressively pursue fraud and manipulation regardless of the technology that is utilized," said Acting Director of Enforcement Gretchen Lowe. "The CEA prohibits deception and swap manipulation, whether on a registered swap execution facility or on a decentralized blockchain-based trading platform."

Case Background

The complaint alleges that on October 11, 2022, Eisenberg unlawfully misappropriated over \$110 million in digital assets from Mango Markets, a purported decentralized digital asset exchange, through "oracle manipulation." To accomplish his scheme, Eisenberg created two anonymous accounts on Mango Markets, which he used to establish large leveraged positions in a swap contract whose value was based upon the relative price of MNGO, the "native" token of Mango Markets, and USDC, a stablecoin. Eisenberg then artificially pumped up the price of MNGO by rapidly purchasing substantial quantities of MNGO on three digital asset exchanges that were the inputs for the "oracle," or data feed, that Mango Markets used to determine the value of Eisenberg's swap positions.

As a result of Eisenberg's manipulative trading, the price of MNGO as reported by the oracle, jumped over 13-fold during a 30-minute span, resulting in a temporary, artificial spike in the value of Eisenberg's swap positions. Eisenberg then cashed out his illicit profits by using the artificially inflated value of his swaps as collateral to withdraw over \$110 million in digital assets from Mango Markets, thereby draining the platform of most of the assets that had been deposited by other users. Subsequently, in an attempt to evade liability, Eisenberg agreed to return a portion of the misappropriated digital assets on the condition that Mango Markets agreed, among other things, to "not pursue any criminal investigations or freezing of funds." Eisenberg ultimately returned approximately \$67 million to Mango Markets, while retaining approximately \$47 million worth of various digital assets.

Parallel Action

In a criminal complaint unsealed on December 27, 2022, the U.S. Attorney's Office for the Southern District of New York charged Eisenberg with commodities fraud and commodities manipulation. The criminal case was filed in the U.S. District Court for the Southern District of New York.

The CFTC appreciates the assistance of the U.S. Attorney's Office for the Southern District of New York and the Securities and Exchange Commission.

The Division of Enforcement staff responsible for this matter are Jack Murphy, Jake Mermelstein, Trevor Kokal, K. Brent Tomer, Lenel Hickson, Jr., and Manal M. Sultan.

Customers and other individuals can report suspicious activities or information, such as possible violations of commodity trading laws, to the Division of Enforcement toll-free hotline 866-FON-CFTC (866-366-2382), file via tip or <u>complaint</u> (http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm) online. contact Whistleblower (https://gcc02.safelinks.protection.outlook.com/?

url=http%3A%2F%2Fwww.whistleblower.gov%2F&data=05%7C01%7Cglowe%40CFTC.gov%7Cec8541aec4464b3fb4d408daf01b5acf%7Cff902a6348374fa7905b52887c7f3cff%7C0%7C0% Whistleblowers are eligible to receive between 10 and 30 percent of the monetary sanctions collected paid from the CFTC Customer Protection Fund financed through monetary sanctions paid to the CFTC by violators of the CEA.