

Public Statements & Remarks

Statement of Commissioner Kristin N. Johnson Regarding CFTC Action Against Market Manipulation Scheme in the Digital Assets Markets

January 09, 2023

The Commodity Futures Trading Commission (CFTC) today filed a complaint against Avraham Eisenberg (Defendant), in the U.S. District Court for the Southern District of New York. The CFTC alleges that Eisenberg devised and carried out a scheme to manipulate the price of a thinly-traded digital asset—the Mango token (MNGO)—in order to benefit swaps positions he opened on Mango Markets, a decentralized digital asset exchange. As a result of his manipulative scheme, Eisenberg was able to misappropriate more than \$100 million from Mango Markets, essentially bankrupting the platform and harming other users. Notably, Eisenberg publicly acknowledged his manipulation, and even brazenly proposed to the Mango Markets user community that he would return some of the funds he stole in exchange for an agreement not to pursue him criminally. By his misconduct Eisenberg violated both anti-fraud and anti-manipulation provisions of the Commodity Exchange Act and the CFTC’s regulations.

I have long been concerned about the potential for fraud and manipulation in digital asset markets, and, since my appointment as a Commissioner at the CFTC, have advocated for us to use our existing authority to vigorously pursue misconduct, including fraud and manipulation, even in novel venues like a decentralized digital asset exchange.^[1] Market integrity and customer protection are two of the key mandates driving the CFTC’s efforts. The misconduct here highlights the need for customer education regarding the risks of transacting on decentralized platforms, as well as increased scrutiny on the system safeguards and integrity of the code operating them.

It is imperative that all market participants understand that conduct like Eisenberg’s will be subject to enforcement action in accordance with our mandate. While there are many benefits to responsible innovation, customers must remain vigilant. Fraudsters who seek to take advantage of an unsuspecting public will exploit popular interest in innovative financial technology and perpetrate scams that separate investors from their hard-earned money. This case illustrates these dangers, underscores the ever-present threats, and demonstrates that—no matter the asset class—effective enforcement and customer protections must be among our highest priorities.

I would like to recognize the Division of Enforcement staff bringing this litigation: Jack Murphy, Jacob Mermelstein, K. Brent Tomer, Lenel Hickson, Jr., and Manal Sultan.

[1] See, e.g., Statement of Commissioner Kristin N. Johnson Regarding CFTC Consent Order of \$2.8 Million in Restitution for Virtual Currency Fraud, Dec. 1, 2022, <https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement120122> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement120122>); Statement of Commissioner Kristin N. Johnson Regarding CFTC Order Finding That Jeremy Rounsville of Hunt County Texas, Defrauded Customers in Digital Asset Arbitrage Scheme, Nov. 4, 2022, <https://www.cftc.gov/PressRoom/SpeechesTestimony/statementjohnson110422> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/statementjohnson110422>); Statement of Commissioner Kristin N. Johnson Regarding Unregistered Crypto Futures Platform, Price Manipulation, and Failure to Comply with AML/KYC/CIP Obligations, Oct. 3, 2022, <https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement100322> (<https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement100322>).

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