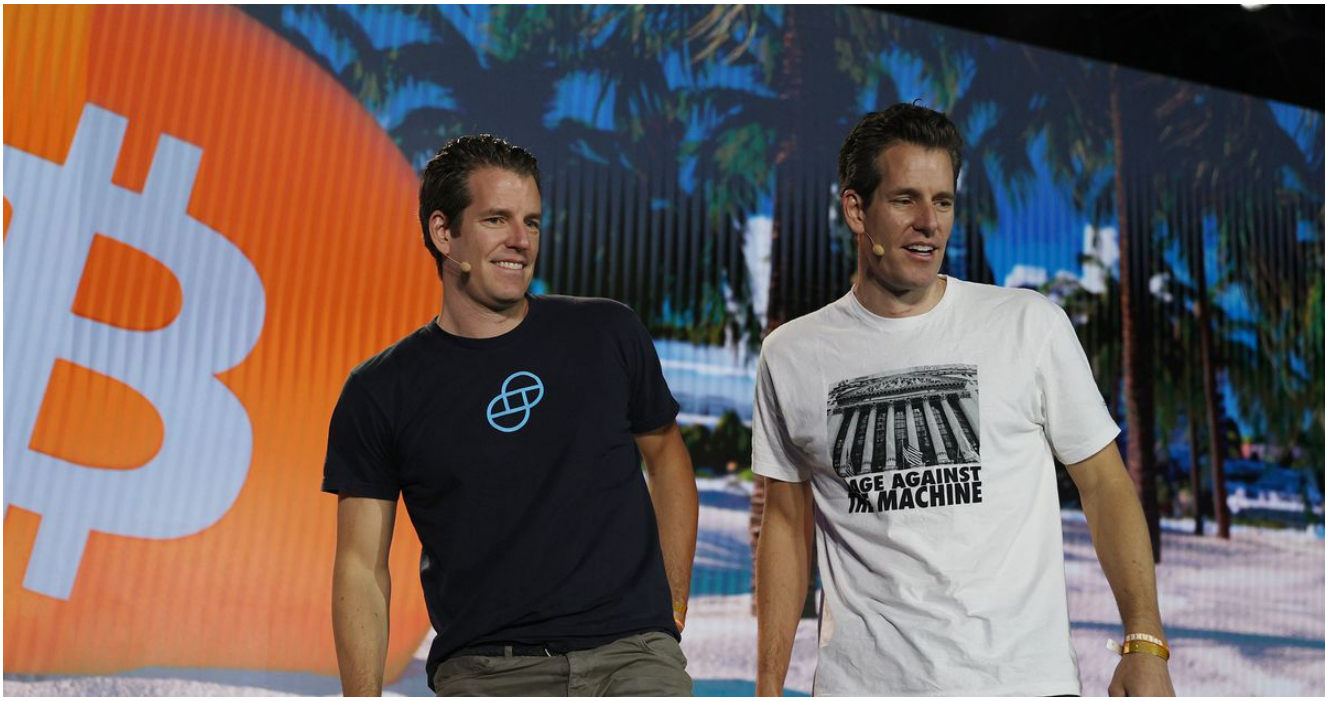
Regulators sue Winklevoss crypto firm over futures contracts



On Thursday, the Commodity Futures Trading Commission (CFTC) filed suit against Gemini Trust Company, a cryptocurrency business founded by Tyler and Cameron Winklevoss. The commission alleges that Gemini misrepresented key details of its exchange and futures contracts in meetings with regulators in 2017.

As punishment, the commission is calling for civil monetary penalties and an order blocking Gemini and its affiliates from trading commodities or soliciting investments.

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The complaint puts particular focus on Gemini’s Bitcoin Futures Contract, one of the first financial instruments allowing investors to trade on expectations of a cryptocurrency’s future value. Because the futures contract was linked to Bitcoin’s settlement price on the Gemini exchange, any manipulation of behavior in the exchange could

be considered manipulation of the futures price.

The CFTC claims to have found several instances of this kind of manipulation. In one instance, Gemini allegedly made unsecured loans to market participants; in other cases, the company allegedly allowed for trades before transfers had settled.

“Credits and advances could misleadingly skew the apparent volume, liquidity or number of participants trading on the Gemini exchange and in the Gemini bitcoin auction,” the complaint reads.

Gemini is disputing the claims and plans to contest the charges in court. “We have an eight year track-record of asking for permission, not forgiveness, and always doing the right thing,” a Gemini spokesperson told Coindesk. “We look forward to definitively proving this in court.”

Gemini had previously been under investigation by the Manhattan US attorney’s office, but prosecutors reportedly dropped the case earlier this year.

The CFTC holds particular jurisdiction over futures contracts, but it has also brought charges in a number of cryptocurrency fraud cases with no connection to futures markets. Earlier this year, the commission filed charges against an alleged Ponzi scheme that misappropriated more than $44 million worth of Bitcoin.

https://www.theverge.com/2022/6/2/23151924/winklevoss-gemini-bitcoin-futures-contract-cftc-regulation-cryptocurrency