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Statement of CFTC Division of Enforcement Director Ian McGinley on the Ooki DAO Litigation Victory

June 09, 2023

Washington, D.C. — Today, CFTC Division of Enforcement Director Ian McGinley released the following statement on the CFTC's sweeping victory in the Ooki DAO litigation. Last night, U.S. District Judge William H. Orrick entered a default judgement order that requires the defendant Ooki DAO, a decentralized autonomous organization that the CFTC charged with operating an illegal trading platform and unlawfully acting as a futures commission merchant (FCM), to pay a civil monetary penalty of $643,542; orders permanent trading and registration bans; and orders the Ooki DAO, as well as any third party providing web-hosting or domain-name registration services to shut down the Ooki DAO's website and remove its content from the Internet. Critically, in a precedent-setting decision, the court held that the Ooki DAO is a "person" under the Commodity Exchange Act and thus can be held liable for violations of the law. The court then held that the Ooki DAO did, in fact, violate the law as charged.

"The founders created the Ooki DAO with an evasive purpose, and with the explicit goal of operating an illegal trading platform without legal accountability," said McGinley. "This decision should serve as a wake-up call to anyone who believes they can circumvent the law by adopting a DAO structure, intending to insulate themselves from law enforcement and ultimately putting the public at risk."

The CFTC filed this federal civil enforcement action in 2022 concurrently with its issuance of an administrative order against the Ooki DAO's predecessor LLC (bZeroX) and its founders. The administrative order and this enforcement action charged that bZeroX (and then the Ooki DAO) unlawfully offered leveraged and margined retail commodity transactions outside of a registered exchange, unlawfully acted as an FCM, and unlawfully failed to comply with Bank Secrecy Act obligations applicable to FCMs. In addition, the administrative order found that bZeroX's founders were liable as controlling persons of bZeroX and as members of the Ooki DAO for any debts arising from the Ooki DAO's violations of the law.

The Division of Enforcement is grateful for the efforts of the team on this case, including Tony Biagioli, Lauren Fulks, Brittne Chiles, Tom Simek, Christopher Reed, and Charles Marvine.

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