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BITCOIN PRICE INDEX (24H)

USD -1.22%

\$240.43

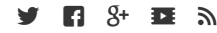
EUR €223.85

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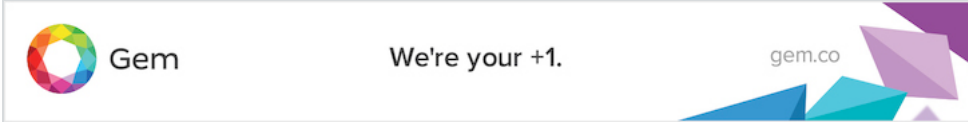
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CFTC Chairman: We Have Oversight of Bitcoin Derivatives

Joon Ian Wong (@jooonian) | Published on December 11, 2014 at 13:51 BST

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The chairman of the US derivatives regulator has told a senate committee that digital currency derivatives fall within his agency's remit.

Timothy Massad, who chairs the Commodity Futures Trading Commission (CFTC), testified before the US Senate Committee on Agriculture, Nutrition and Forestry yesterday, noting that while his agency does not have specific rules governing digital currencies, it would oversee futures and swaps in any commodity. This includes digital currencies, he said.



He added:

"While the CFTC does not have policies and procedures specific to virtual currencies like bitcoin, the agency's authority extends to futures and swaps contracts in any commodity ... derivative contracts based on a virtual currency represent one area within our responsibility."

Massad noted the CFTC defines commodities "very broadly" and the term is not limited to agricultural commodities like metals and energy, but also includes derivatives linked to stock market indices, currencies and electricity.

Bitcoin is innovative

Massad framed digital currency derivatives as a form of innovation that his agency wants to encourage, although he noted his agency is also tasked with enforcing consumer protections and preventing manipulation and fraud.

The CFTC chair referred to TeraExchange's bitcoin swap as an example of a digital currency derivative that fell within his agency's oversight. New Jersey-based TeraExchange received approval for its swap from the CFTC in September.

"Innovation is a vital part of our markets, and it is something that our regulatory framework is designed to encourage. At the same time our regulatory framework is intended to prevent manipulation and fraud, and to make sure our markets operate with transparency and integrity," Massad said.

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Some market participants welcomed Massad's comments. Joe Lee, who runs digital currency derivatives platform [BTC.sx](#), said regulation could encourage greater adoption of digital currencies.

Lee also said Massad's comments could improve clarity on regulations around digital currencies in general. He added:

"Regulation, when done correctly, is a great tool for ensuring fair play across the markets and ensuring consumer protection ... I welcome the comments from chairman Timothy Massad in acknowledging the role of the CFTC in bitcoin and virtual currencies."

Christian Martin, chief executive of TeraExchange, also welcomed Massad's comments. He said regulators and lawmakers were paying increasing attention to digital currencies and he viewed this as a positive development. He pointed to Massad's remarks at a Senate committee hearing as evidence that digital currency is being taken seriously.

"The topic of [digital] currency being present in such a critical – arguably the most critical yearly process [for the CFTC] – is an observable indication of mindshare being dedicated to the topic throughout [Washington, DC] generally," he said.

The less oversight the better

However, other players in the bitcoin derivatives world were less positive. Arthur Hayes, who runs [BitMEX](#), a Hong Kong-based firm that offers its own bitcoin-linked derivatives, said Massad's statement was too broad to be interpreted clearly.

More specific comments from the regulator would be required before market participants could be sure about the impact of possible regulation, Hayes said.

"I would say the less regulators are involved, the better. What [regulators] do will drive behaviour, whether or not that is favourable depends on the details," he said.

In November, a CFTC commissioner said that the regulator had oversight over bitcoin and digital currencies because it could be defined as a commodity. He made [the remarks](#) at a conference on bitcoin organised by Bloomberg.

The regulator also organised its own event to discuss bitcoin and digital currencies, holding a [meeting in October](#) that concluded with largely positive sentiment about the sector.

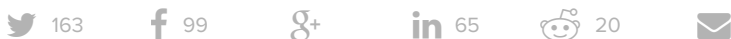
Massad was testifying to the Senate committee as part of an oversight hearing. He was updating the Senate on the CFTC's progress in fulfilling its responsibilities under the Dodd-Frank Act.

The regulator was given the job of overseeing the \$700tn swaps market under the Dodd-Frank Act in 2010, [Bloomberg News reported](#).

Much of Massad's testimony to the Senate committee focused on his agency's ability to fulfil its new responsibilities within its budget. The committee's chairwoman Senator Debbie Stabenow issued a [statement](#) after the testimonial calling for increased funding for the CFTC.

Featured image via [CFTC](#)

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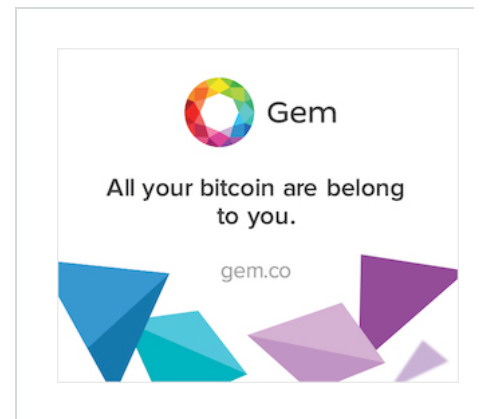
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Jan 12, 2015 at 14:52 | Joon Ian Wong

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Liberty · 4 months ago

"While the CFTC does not have policies and procedures specific to virtual currencies like bitcoin, the agency's authority extends to futures and swaps contracts in any commodity ... derivative contracts based on a virtual currency represent one area within our responsibility."

LOL The agency's authority extends to.....anything they can get their hands on. Responsibility? For what? LOLLOL We're taking orders from a government that spends double what they earn, repeatedly, every year. You know, THE PEOPLE can't do that, make \$50k, and spend \$100k (plus interest) every year. Government can, and does, and WE foot the bill.

How 'bout you regulate or audit.....the FED? National spending? War? You know, something that's burning the US at the stake?

Furthermore, why can't I look up how much this clown is making to regulate all us peasants into the ground? NOT ONE THING on CFTC salaries....THINGS THAT MAKE YOU GO HMMMMMMMMM.....

Bitcoin doesn't cost you anything. It isn't taking government bailouts (LOL bank bailouts anyone?), cheating its users, or frauding with credit/interest scams. We don't need or want you.

Come and take it.

10 ^ | v · Share

skies2006 → Liberty · 4 months ago

Don't worry, there will in the future exist truly distributed exchanges that have no jurisdiction and thus no regulation at all. Built using blockchain and DHT technologies.

5 ^ | v · Share

Markus Virba → Liberty · 4 months ago

CFTC can only enforce bitcoin licenses on US soil. The issue any government faces with bitcoin is that bitcoin is offshore account to begin with. Traceable but not clearly identifiable. CFTC will have to prove that bitcoin transactions are US based first, for them to regulate those transactions. I truly wish them good luck. Cause its a uphill task from here that most of us would rather dedicate to other corners of bitcoin issues.

2 ^ | v · Share

vortex → Liberty · 4 months ago

Exactly this.

They did not create it, they did not invest in it, they have no control over anything about it.

2 ^ | v · Share ›

edwolf · 4 months ago

Will "paper" BTC derivatives open up bitcoin to the same type of artificial price manipulation as paper gold and silver derivatives? Please say it ain't so...

4 ^ | v · Share ›

Michael → edwolf · 4 months ago

The CFTC is the least you can trust. Just google why.

1 ^ | v · Share ›

johngalt → edwolf · 4 months ago

Yes, the creation of synthetic, leveraged contracts will create a risk of price spikes/selloffs and market manipulation. Derivatives on BTC known as 'contract for differences' (or CFDs) are already being traded in the UK at a 17:1 margin. So you could deposit \$6000 into a margin account and buy \$100,000 worth of BTC; If the price goes up 10%, in theory you could make \$10,000 on your initial stake of \$6000. However, the 'spreads' are so wide and the volatility so acute in BTC that chances are very high that you would get wiped out or take serious losses > 80% of the time, not to mention the brokers who would front run your transactions. It's gambling folks, no more no less.

^ | v · Share ›

Orchideric · 4 months ago

So where was he during Gox? Ooooooh, you mean in The USA. Hmm, that's nearly NO PROTECTION AT ALL in a Global market... When you are limited to American Exchanges, and American fees.... and China sells off.... then what? All that "Protection" is worthless. You will need a new, GLOBAL/NATO CFTC if it is to be truly regulated; and that's not going to happen today.

2 ^ | v · Share ›

Fu Manchu · 4 months ago

And is the assertion here that said reach extends globally to every nation in the world? Because that's what it would take to claim jurisdiction over global trading network.

1 ^ | v · Share ›

RJF · 4 months ago

And We The People have authority over CFTC. Remember that....

1 ^ | v · Share ›

Orchideric → RJF · 4 months ago

and "We the people" cannot regulate the world with a local CFTC.

^ | v · Share ›

zeek · 4 months ago

the cftc. yea. i spoke with bart chilton in person earlier this year.

if you want corruption and goldman sachs and another method of bilking the entire world with shadow derivatives. i would honestly just stick with the dollar. it's WAY more profitable.

bitcoin's 'regulatory' blow job to gain Venture Capital requires the price of putting on the face of legitimacy for these types of folks. the beauty is you can do what ever it is that you want anyways. but the more blowjobs bitcoin gets, the more vulnerable the price is to a regulatory risk of the FEDS doing a 180 and crushing bitcoin's liquidity by revoking american FEDWIRE banking authority to any bnaks providing dollar convertabiliyt through regulated accounts to bitcoin.

then again. if bitcoin gets big enough ----we've seen wachovia get caught laundering hundreds of billions of dollars of drug money and the price wachovia paid was having to sell itself to the TBTF.

but those are all dollars. should the TBTF every have to but a big bitcoin business to keep shit quiet. thats a win win for bitcoiners and TBTF'ers. that is how bitcoin gets to 1 trillion market cap. regardless of regulation, just getting massive volume for black market transactions of any an all goods. by allowing people to trade goods at lower prices than in dollars. --that's a tall order.

^ | v · Share ›

Orchideric [↗](#) [zeek](#) · 4 months ago

Yeah, and in 1985 the internet was a fad. This is a GLOBAL tech/payment systems movement, which does indeed allow people to trade goods (and services) at lower prices than in dollars because the transfer fees involved with global remittances, and at a much faster speed. Have you ever wired over 10k to another country? It can take weeks. With Bitcoin, it takes minutes, and doesn't cost hundreds of dollars, but pennies, literally. The "price" of Bitcoin is actually irrelevant when using it as it was intended; a payment system, instead of a "store of value". Granted, there will always be speculators, whales and little fish alike, and they may indeed lose it all or become millionaires. Using a hedge fund or other derivatives in Bitcoin is pure illusion as well, because no amount of layering or regulation locally is going to control a global market, because if China decides to sell tomorrow, the CFTC can't do a damned thing about it; the price will plummet. Same goes for the reverse. Then there's the blockchain technology itself... Which is blossoming into an entirely new wave of applications. The possibilities and opportunities there are literally endless. Microsoft is all over it like white on rice, global governments are all making up rules for it, CFTC is on it, NYSE is welcoming it; The US Gov't holds auctions with it; and Bitcoin technology isn't going to go away. In fact, there are over a thousand different crypto-coins and the number is growing every day. Each and every coin protocol is yet another open-source blockchain smorgasbord of code developers have to choose from. It's not about dollars; it's about innovation, speed, economy, and freedom to conduct business across borders without middlemen. There's nothing out there going to put a stop to Bitcoin IMHO.

I'm betting the "FED" or some other smart country (barring new BRICS nations) eventually uses some of their un-backed, magically created Fiats to purchase Bitcoin. Cheers.

[^](#) | [v](#) · [Share](#) ›

Jonathan James Harrison · 4 months ago

Hope they don't consider bitreserve fiat cards as bitcoin derivatives. Bitreserve is building some great infrastructure for bitcoin to go mainstream and it needs to be left to get on with it.

[^](#) | [v](#) · [Share](#) ›

Wong Joon Ian Mod [↗](#) [Jonathan James Harrison](#) · 4 months ago

I didn't know you were a bitreserve fan

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