

Katten Represents LedgerX, First Federally Approved Exchange and Clearing Housing for Digital Currency Derivatives

July 24, 2017

Katten's client LedgerX was approved today by the US Commodity Futures Trading Commission (CFTC) as the first execution facility and clearinghouse authorized to trade and settle derivatives contracts with digital currencies such as Bitcoin. Specifically the CFTC today approved LedgerX's application for registration as a derivatives clearing organization (DCO) to settle fully collateralized options executed on LedgerX's swap execution facility (SEF). On July 6, the CFTC approved LedgerX's application for registration as a SEF.

Katten represented LedgerX in obtaining both its SEF and DCO licenses.

In connection with its option contracts on Bitcoin, LedgerX will use the distributed ledger associated with Bitcoin—the Blockchain—to receive Bitcoin from and deliver Bitcoin to its members. LedgerX will also employ cloud-based storage to maintain many of its required books and records. Eligible participants may include registered broker dealers, banks, futures commission merchants, qualified commodity pool entities and qualified high-net-worth investors.

Financial Services attorney Gary DeWaal stated, "Just as the launch of currency futures in May 1972 represented a landmark event in the history of derivatives trading—expanding the asset classes on which derivatives were based to include financial instruments—the beginning of trading on LedgerX later this year will also be a historic milestone." In addition to being able to trade a new asset class in a new licensed facility, Gary noted that for market participants considering the use of the distributive ledger, "This is an opportunity to see how it works in practice, rather than in theory."

The LedgerX press release is available here.

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