From: (b)(6)
Sent: 11 Jul 2019 09:42:53 -0400
To: OIGEmail
Subject: [EXTERNAL] LedgerX LLC DCO Amendment Application

On November 8, 2018, LedgerX LLC submitted an application for an amendment to its order of registration as a DCO. This submission has been with the Commission for well over 180 days without approval or denial. We have strong reason to believe that this unreasonable delay that is in clear violation of the Commodity Exchange Act is related to the Chairman's animus towards a blog post written by our CEO.

LedgerX had discussed this amendment with DCR multiple times prior to submission. Per conversations with DCR staffers, the amendment is highly trivial -- simply a word that was left off the initial Order.

On November 26, 2018, LedgerX followed up with DCR over email and was informed that there was nothing missing from the submitted amendment application. Throughout 1Q19 and early 2Q19 LedgerX received questions from DCR to which LedgerX responded thoroughly and promptly.

To this day, LedgerX has never been informed of any element of the DCO amendment application that was incomplete. In fact, quite the opposite -- LedgerX has been informed that DCR has finished its memo recommending approval of the amendment and that the memo has been sitting with the Commission.

As of this email we are on day 245.

Per a previous complaint submitted to OIG, LedgerX has reason to believe that the lack of movement on the DCO amendment has been unfair and specifically targeted towards LedgerX by the Chairman for non-regulatory or legal reasons and that, given the inaction for more than 180 days, the Commission is in clear violation of the Commodity Exchange Act enacted December 18, 2015.

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LedgerX LLC
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From: (b)(6)
Sent: 3 Jul 2019 11:28:25 -0400
To: OIGEmail
Subject: [EXTERNAL] LedgerX to OIG complaint

In January, the Chairman called one of our board members and told him that he was going to make sure our DCO order was revoked within two weeks, due to a blog post written by myself the previous year implying that preferential treatment was being given to larger companies so he could "cement his legacy." This refers to the ICE / Bakkt approval, which was running into issues that were frustrating the chairman.

Two conditions were identified to us by staffers in a side letter — both which were entirely bogus. Insurance, and a SOC 1 type 2 audit, or in lieu of that, something equivalent.

When we explained that we had done both, and upon realizing that the SOC 1 Type 2 audit was not what they thought, a staffer in Chicago called our auditors attempting to tamper on the scope of the audit. The auditors called us saying they had never seen this kind of thing before, and of course, being independent, refused.

Upon realizing the implications of the insurance aspect of the side letter, importantly, that they would have to do consistent rule making across other potential applicants, multiple staffers contacted us to actively discourage us to bind the insurance that was in waiting — this despite the fact we expended considerable resources to obtain it and were fearful of our license being revoked.

We had conversations with division level heads that discussed how much of a mess this was and that one of them told me that he felt like "a guard in a concentration camp, just following orders from the top." These orders were completely divorced from the regulatory framework designed to impartially judge an application's merit and good standing, and in our view, was based entirely on a personal animus between Chris and me because of my blog post.

Further, our SDR requirements have forced us to report to a potential competitor, ICE Trade Vault. At a meeting of the technology advisory committee an ICE employee admitted to me in private that they were watching our contract with great interest and they thought it to be the correct approach. Later, we have on voice recording, when ICE staffers thought they had muted their side, that they were instructed to delay support for our SDR reporting so that we could not start trading — something we consider incredibly anti-competitive.

We filed a formal complaint regarding this anti-competitive aspect which was not answered at all. A division head later admitted, in person, to our COO that I was correct in stating that certain entities were being preferentially treated by the Chariman's office.

LedgerX has suffered considerable cost due to what we consider to be a politically motivated threat to revoke our order entirely divorced from the regulations, rules, and principles of the CEA. We had multiple people quit out of frustration of this back-door threat and LedgerX had to engage in material activities such as an expensive and redundant SOC 1 type 2 audit (which staffers later admitted was unnecessary), as well as an insurance agreement that had to be re-applied for but later told to hold off on. We later learned that staffers were instructed to discourage us binding insurance as it might require others (ErisX, Bakkt) to do so as well.

This was a gross violation by the Chairman's duty to enforce the law and the spirit of the CEA, and instead using his office to endorse favoritisms and cronyism at the worst levels.

Finally, I have been informed by a reporter at one of the most respected journalistic institutions in the world that they have gotten multiple tips from government insiders about completely improper communications about details of LedgerX's plans and status between the government and large private sector competitors. An article about the details of this will likely be published soon, which has prompted me to write this

complaint ahead of time, despite my misgivings to do so, so that the facts of the matter can be established by the government.

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LedgerX LLC

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