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**UNITED STATES DISTRICT COURT  
 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
 SAN FRANCISCO DIVISION**

Commodity Futures Trading Commission,  
  
 Plaintiff,  
  
 v.  
  
 Ooki DAO (formerly d/b/a bZx DAO), an  
 unincorporated association,  
  
 Defendant.

**CIVIL ACTION NO: 3:22-cv-5416**

**Hon. \_\_\_\_\_**

**COMPLAINT FOR INJUNCTIVE  
 AND OTHER EQUITABLE RELIEF  
 AND CIVIL MONETARY  
 PENALTIES UNDER THE  
 COMMODITY EXCHANGE ACT  
 AND COMMISSION REGULATIONS**

Plaintiff Commodity Futures Trading Commission (“CFTC” or “Commission”), for its  
 Complaint against Defendant Ooki DAO (“Ooki DAO” or “Defendant”), formerly doing  
 business as the bZx DAO (“bZx DAO”), by and through its attorneys, alleges as follows:

**I. SUMMARY**

1. From approximately June 1, 2019 to approximately August 23, 2021 (the “bZx  
 Relevant Period”), bZeroX, LLC (“bZeroX”) designed, deployed, marketed, and made  
 solicitations concerning a blockchain-based software protocol (the “bZx Protocol”) that accepted  
 orders for and facilitated margined and leveraged retail commodity transactions (functioning

1 similarly to a trading platform). The bZx Protocol permitted users to contribute margin  
2 (collateral) to open leveraged positions whose ultimate value was determined by the price  
3 difference between two virtual currencies from the time the position was established to the time  
4 it was closed. The bZx Protocol purported to offer users the ability to engage in these  
5 transactions in a decentralized environment—i.e., without third-party intermediaries taking  
6 custody of user assets. In so doing, bZeroX—which had never registered with the  
7 Commission—unlawfully engaged in activities that could only lawfully be performed by a  
8 registered designated contract market (“DCM”) and other activities that could only lawfully be  
9 performed by a registered futures commission merchant (“FCM”) under the Commodity  
10 Exchange Act (the “Act”), 7 U.S.C. §§ 1-26, and Commission Regulations (“Regulations”),  
11 17 C.F.R. pts. 1-190 (2021). In addition, bZeroX failed to conduct know-your-customer  
12 (“KYC”) diligence on its customers as part of a customer identification program (“CIP”), as  
13 required of FCMs by the Regulations.<sup>1</sup>

14  
15  
16 2. On approximately August 23, 2021, bZeroX transferred control of the bZx  
17 Protocol to the bZx DAO, a decentralized autonomous organization (“DAO”), which  
18 subsequently, on approximately December 18, 2021, renamed itself and is now doing business as  
19 the Ooki DAO. The Ooki DAO is an unincorporated association comprised of holders of  
20 OokiDAO Tokens (“Ooki Tokens”) who vote those tokens to govern (e.g., to modify, operate,  
21 market, and take other actions with respect to) the bZx Protocol (which the Ooki DAO has  
22 renamed the “Ooki Protocol”).  
23

24  
25 <sup>1</sup> In an Order filed concurrently with this Complaint, bZeroX and two individuals who  
26 controlled it (the “bZx Founders”) resolved charges with the Commission in connection with this  
27 unlawful conduct. *See In re bZeroX, LLC, Tom Bean, and Kyle Kistner*, CFTC No. 22-31 (Sept.  
28 22, 2022). Accordingly, this Complaint does not charge or seek relief related to conduct by  
bZeroX and the bZx Founders during the bZx Relevant Period; although, such conduct is  
relevant to this Complaint.

1           3.       A key bZeroX objective in transferring control of the bZx Protocol (now the Ooki  
2 Protocol) to the bZx DAO (now the Ooki DAO) was to attempt to render the bZx DAO, by its  
3 decentralized nature, enforcement-proof. Put simply, the bZx Founders believed they had  
4 identified a way to violate the Act and Regulations, as well as other laws, without consequence.  
5 A bZx Founder so stated on a call with bZeroX community members prior to transferring control  
6 of the bZx Protocol to the bZx DAO:  
7

8                   It's really exciting. We're going to be really preparing for the new regulatory  
9 environment by ensuring bZx is future-proof. So many people across the industry  
10 right now are getting legal notices and lawmakers are trying to decide whether  
11 they want DeFi companies to register as virtual asset service providers or not –  
12 and really what we're going to do is take all the steps possible to make sure that  
13 when regulators ask us to comply, that we have nothing we can really do because  
14 we've given it all to the community.

15           The bZx Founders were wrong, however. DAOs are not immune from enforcement and may not  
16 violate the law with impunity.

17           4.       From approximately August 23, 2021 to the present (the “DAO Relevant  
18 Period”), the Ooki DAO<sup>2</sup> has operated, marketed, and made solicitations concerning the Ooki  
19 Protocol<sup>3</sup> that accepted orders for and facilitated margined and leveraged retail commodity  
20 transactions. The Ooki DAO exists for the exact same purpose as bZeroX before it—to run a  
21 business, and specifically, to operate and monetize the Ooki Protocol. The Ooki DAO has done  
22 so through the votes of Ooki Token holders (or of BZRX Token holders, when the Ooki DAO  
23 was doing business as the bZx DAO) who, through their votes, chose to participate in running  
24 that business. Just like the bZx Protocol during the bZx Relevant Period, the Ooki Protocol  
25 during the DAO Relevant Period has permitted, and continues to permit, users to contribute

26 <sup>2</sup>       Herein, “Ooki DAO” refers to the “Ooki DAO, formerly doing business as the bZx DAO  
27 during the DAO Relevant Period.”

28 <sup>3</sup>       Herein, “Ooki Protocol” refers to the “Ooki Protocol, formerly named and operating as  
the bZx Protocol during the DAO Relevant Period.”

margin (collateral) to open leveraged positions whose value is determined by the price difference between two virtual currencies from the time the position is established to the time it is closed. The Ooki Protocol purports to offer users the ability to engage in these transactions in a decentralized environment—i.e., without third-party intermediaries taking custody of user assets. In so doing, the Ooki DAO—which has never registered with the Commission—is unlawfully engaging in activities that can only lawfully be performed by a registered DCM and other activities that can only lawfully be performed by a registered FCM under the Act and Regulations. In addition, the Ooki DAO does not conduct KYC diligence on its customers (and in fact advertises the lack of KYC requirements as a positive feature of the Ooki Protocol) as part of a CIP, as required of FCMs by the Regulations.

5. By virtue of the Ooki DAO’s conduct during the DAO Relevant Period as set forth above and described further herein, the Ooki DAO has engaged, is engaging, or is about to engage in acts and practices in violation of Sections 4(a) and 4d(a)(1) of the Act, 7 U.S.C. §§ 6(a), 6d(a)(1), and Regulation 42.2, 17 C.F.R. § 42.2 (2021).

6. Unless restrained and enjoined by this Court, the Ooki DAO will likely continue to engage in acts and practices alleged in this Complaint and similar acts and practices, as described below.

7. Accordingly, the Commission brings this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, to enjoin Defendant’s unlawful acts and practices, to compel its compliance with the Act and the Regulations promulgated thereunder, and to enjoin it from engaging in any commodity-related activity. In addition, the Commission seeks civil monetary penalties and remedial ancillary relief, including, but not limited to, trading and registration bans, restitution, disgorgement from Defendant, rescission, pre- and post-judgment interest, and such other and further relief as the Court may deem necessary and appropriate.

## II. JURISDICTION AND VENUE

8. This Court has jurisdiction over this action under 28 U.S.C. § 1331 (federal question jurisdiction) and 28 U.S.C. § 1345 (district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). Section 6c of the Act, 7 U.S.C. § 13a-1(a), authorizes the CFTC to seek injunctive relief against any person whenever it shall appear to the CFTC that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order thereunder.

9. Venue lies properly in this Court pursuant to 7 U.S.C. § 13a-1(e) because the Ooki DAO transacted business in this District and certain transactions, acts, practices, and courses of business in violation of the Act occurred, are occurring, or are about to occur in this District, among other places.

## III. PARTIES

### A. The CFTC

10. Plaintiff **Commodity Futures Trading Commission** is the independent federal regulatory agency charged by Congress with the administration and enforcement of the Commodity Exchange Act and Regulations promulgated thereunder.

### B. Defendant

11. Defendant **Ooki DAO**, formerly doing business as the bZx DAO, is an unincorporated association comprised of holders of Ooki Tokens (or of BZRX Tokens, when the Ooki DAO was doing business as the bZx DAO) who have voted those tokens to govern (e.g., to modify, operate, market, and take other actions with respect to) the Ooki Protocol (formerly named the bZx Protocol) during the DAO Relevant Period. The Ooki DAO has never been registered with the Commission in any capacity.

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