

BitMEX Co-Founder Sentenced to Probation on U.S. Compliance Charge

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A representation of cryptocurrencies. Photo: edgar su/Reuters

Benjamin Delo, a co-founder of cryptocurrency derivatives exchange BitMEX, was sentenced to 30 months probation for violating U.S. anti-money-laundering law.

Mr. Delo, who was sentenced Wednesday in federal court in New York, has also paid a \$10 million penalty as part of a deal with prosecutors and the U.S. Commodity Futures Trading Commission. He pleaded guilty in February to a single count of violating the Bank Secrecy Act.

Prosecutors said Mr. Delo and other BitMEX founders willfully defied U.S. law by failing to set up know-your-customer procedures at Seychelles-incorporated BitMEX. Mr. Delo, who coded BitMEX's trading engine, held roles as BitMEX's chief operations officer and later as chief strategy officer.

The exchange grew explosively after its founding in 2014 to become one of the largest in the world. But according to prosecutors, BitMEX failed to adequately address a surge in U.S.-based customers who should have been more thoroughly screened.

Once Mr. Delo and his co-founders realized that U.S. law could apply to them if they hosted U.S. customers, they for a time made only minimal and easily-evaded efforts to block U.S. residents from the platform, prosecutors said.

Mr. Delo was involved in a “criminal compliance failure,” but BitMEX wasn’t designed to circumvent U.S. law, said Patrick Smith, a defense lawyer for Mr. Delo. Mr. Delo had personally banned hundreds of users with a connection to the U.S., he said.

Mr. Delo will be allowed to return, potentially within days, to his home in Hong Kong, where he had lived with his wife before he was charged.

He said he regretted not acting sooner to ensure BitMEX wasn’t serving U.S. customers. “It was a terrible decision,” he told U.S. District Judge John Koeltl, who imposed the sentence.

Two other BitMEX co-founders, Arthur Hayes and Samuel Reed, have also pleaded guilty. Mr. Hayes, BitMEX’s former chief executive, was sentenced in May to serve six months of house arrest followed by two years of probation. Mr. Reed is scheduled to be sentenced in July.

BitMEX’s first employee, Gregory Dwyer, has pleaded not guilty.

Prosecutors had wanted a prison sentence for Mr. Delo, but conceded that it would be unfair given that the judge sentenced Mr. Hayes, who was once the public face of BitMEX, to just house arrest.

Mr. Hayes, a native of Buffalo, N.Y., and Detroit, met Mr. Delo, an Oxford University-educated U.K. citizen, while the two were working for JPMorgan Chase & Co. in Hong Kong. The two and Mr. Reed, while in their 20s, founded BitMEX, and have so far earned hundreds of millions of dollars from the platform, according to prosecutors.

BitMEX itself entered into a \$100 million settlement with U.S. regulators in August.

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