



ERISX CASE STUDY

OVERVIEW

ErisX is a cryptocurrency exchange and clearing house. Founded in 2010 as Eris Exchange, the firm initially offered cash-settled swap futures. In 2017, its board approved a new focus on cryptocurrencies, coinciding with unprecedented price surges for many prominent digital assets and an increase in institutional interest. This kicked off a whirlwind period for ErisX, which launched its spot market in April 2019 and secured its Derivatives Clearing Organization (DCO) license from the Commodity Futures Trading Commission (CFTC) in July of that year, enabling its clearing arm, Eris Clearing, to commence operations. Finally, the firm launched CFTC-regulated futures trading in December 2019 on its existing federally regulated Designated Contract Market (DCM).

Today, in addition to offering spot and futures trading to individuals and institutions, ErisX offers specialized accounts for self-directed IRAs and IRA LLCs. ErisX provides IRA investors with regulated, secure and transparent access to crypto with all deposits and withdrawals processed through IRA custodians.

This also aligns with the firm's mission to enhance the crypto trading and investing experience for individuals and institutions alike by delivering greater transparency to the crypto markets, lower fee schedules, a variety of trading tools for all levels of experience and greater diversification for self-directed IRAs.

With offices in New York and Chicago, ErisX leverages advanced technology to deliver capital markets-friendly workflows to on of the most exciting sectors in financial services.

CHALLENGE

Before launching cryptocurrency spot and futures trading, ErisX understood that comprehensive market surveillance and risk management capabilities were prerequisites for a secure and transparent marketplace. ErisX built these elements into the launch strategy. While the firm well understood the required building blocks from its experience in traditional markets, there were intricacies associated with the new crypto markets that necessitated a tailored approach.

Financial institutions manage their risk exposure to commodity markets with futures contracts. The market rules and regulations in the traditional commodity futures market are well understood and trading practices are monitored closely for compliance. In contrast, cryptocurrency spot markets do not fall under the same formal market surveillance requirements. Nevertheless, ErisX aimed to apply the rules and standards from regulated futures to its spot market on a voluntary basis, in addition to its obligations to apply the rules to its futures market. This meant ErisX needed a market surveillance solution able to support both spot and futures trading, including 24/7/365 availability.

With this in mind, ErisX began a search process for a third-party market surveillance platform, with comprehensiveness, flexibility and client service as primary criteria.

“We knew we needed a robust vendor solution that would be ready in time for the launch of our crypto spot trading,” said Laurian Cristea, General Counsel at ErisX. “Given our plans to launch futures trading later in the year, we wanted to have a single, fully implemented system in place that would support both markets.”

SOLUTION

ErisX identified Eventus Systems as a market surveillance provider capable of delivering solutions for both its cryptocurrency spot and futures markets. Eventus was selected in large part because of its Validus platform, which enables unparalleled insight into trading, operations, compliance and risk management across multiple asset classes and markets.

The flexibility and performance of Validus' surveillance capabilities were key differentiators. The system can ingest billions of messages each day and scale rapidly, both crucial considerations for a new market trading a burgeoning asset class. The tool is dynamic and flexible, enabling monitoring for patterns and relationships specific to each investment product and appropriate calibration through adjustable parameters. This empowered ErisX to surveil transactions in the four cryptocurrencies supported at launch – Bitcoin, Bitcoin Cash, Litecoin and Ether – with future-proof support to add new cryptocurrencies as market conditions and customer demand evolved.

Validus' ability to cast a wide net for surveillance and identify the most actionable alerts meant ErisX could monitor its spot and futures markets with a single platform, avoiding the inefficiency and additional costs of using multiple solutions. When patterns and relationships trigger alerts, Validus enables drilling down into order and trade details for investigation.

“Real-time surveillance, and flexibility and scalability for U.S. regulatory compliance were necessary steps to launching our crypto spot and futures markets,” said Cristea. “Eventus was able to meet our launch requirements with the ability to grow with us as our business and requirements evolve.”

**LAURIAN CRISTEA
GENERAL COUNSEL AT ERISX**

The onboarding process was smooth and swift. From the first day of the relationship, the two firms established rapport and collaborated well. ErisX identified its top priorities for implementation, and the Eventus team was consultative in helping set up parameters and configuring the system to meet these needs. This enabled ErisX to derive value from Validus from the very start.

RESULTS

In the years since onboarding, ErisX has benefitted from working with Eventus in numerous ways. Validus enables a thorough view of market surveillance and risk management functions, allowing the compliance team to set up impactful and highly intuitive workflows. When events occur that warrant action, relevant teams use the Validus tools to investigate and resolve issues efficiently and quickly.

Such events run the gamut from behaviors prohibited by the CFTC, including spoofing, layering and wash trading, to monitoring that may not require action from a compliance standpoint, such as large price movements and risk exposures. In all monitored cases, ErisX has crucial transparency into the details of when and where the event occurred and the entities involved.

This approach has paid dividends amid a historic run for cryptocurrencies. ErisX continues to win new clients and pursue an ambitious roadmap for developing new products and services. The flexibility that Validus provides helps make these efforts possible.

“We built a best-in-class compliance and legal framework from the ground up by adhering to the CFTC core principles for our regulated futures business and also voluntarily applying the same principles to our spot business as a matter of best practice,” said Cristea. “Our approach to market surveillance, supported by our deployment of Validus, addresses industry concerns about market manipulation on markets that do not adhere to such standards.”

“Since we launched our spot market in April 2019, the Eventus team has been available and responsive to our staff, while also providing a best-in-class surveillance system that enables us to meet evolving exchange compliance requirements,” said Cristea.

WHAT’S NEXT?

ErisX’s future priorities center around meeting demand for the next chapter of growth in the crypto markets. The firm believes margin products, such as ETFs and derivatives, are the future of the crypto space and is setting the stage for the launch of ErisX margin futures trading in the second half of 2021 (pending regulatory approval). This will further differentiate ErisX as the first U.S. venue to offer spot and regulated futures trading on a single venue, putting it in an ideal position as cryptocurrency markets continue their maturation.

The steady support of Eventus has and will continue to play an important role in the firm’s compliance posture to build confidence in its spot and futures markets.



Eventus Systems is a leading global provider of multi-asset class trade surveillance and market risk solutions. Our powerful, award-winning Validus platform is easy to deploy, customize and operate and is proven in the most complex, high-volume and real-time environments.

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