

## **Securities Regulation Daily Wrap Up, TOP STORY—N.D. III.: ‘Flash crash’ spoofer pleads guilty, settles CFTC charges, (Nov. 10, 2016)**

Securities Regulation Daily Wrap Up

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By [Anne Sherry, J.D.](#)

A futures trader who played a significant role in the 2010 flash crash pleaded guilty to fraud and spoofing charges. Navinder Singh Sarao also settled the CFTC's related civil charges, agreeing to a consent order filed in the Northern District of Illinois that would impose nearly \$39 million in sanctions along with permanent trading and registration bans. The flash crash was one event in Sarao's five-year scheme to defraud, [according to](#) the Department of Justice ([CFTC v. Nav Sarao Futures Limited PLC](#), November 8, 2016).

Sarao was arrested in London last year and extradited to the United States to face parallel civil and criminal charges. As part of his [guilty plea](#), Sarao admitted that he used an automated trading program and other techniques to manipulate the market for E-mini S&P 500 futures contracts through the Chicago Mercantile Exchange. On thousands of occasions, he was able to induce other market participants into buying or selling E-minis by placing spoof orders. On May 6, 2010, the day of the flash crash, Sarao entered at least 85 spoof orders, constituting over 20 percent of all E-mini sell orders visible to the market.

Section 4c(a)(5)(C) of the Commodity Exchange Act specifically prohibits spoofing, parenthetically described as "bidding or offering with the intent to cancel the bid or offer before the execution." The Northern District of Illinois recently upheld the prohibition against a challenge that it was unconstitutionally vague.

Sarao's scheme continued through 2015, the CFTC [noted](#). He placed tens of thousands of spoof orders, attempted to manipulate the E-mini S&P tens of thousands of times, and succeeded on at least 12 days, including the flash crash. The consent order, which is subject to court approval, calls for nearly \$13 million in disgorgement, but that will be offset entirely by the [forfeiture](#) ordered in the parallel criminal action. Sarao also agreed to pay a nearly \$26 million civil penalty.

The case is [No. 15-cv-3398](#).

Attorneys: Roger A. Burlingame (Kobre & Kim LLP) for Navinder Singh Sarao. Jeff Le Riche, Division of Enforcement, for the Commodity Futures Trading Commission. Michael T. O'Neill, Department of Justice, for the United States.

Companies: Nav Sarao Futures Limited PLC

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