Release Number 8260-20

CFTC Orders JPMorgan to Pay Record $920 Million for Spoofing and Manipulation

September 29, 2020

Washington, D.C. — The Commodity Futures Trading Commission today issued an order filing and settling charges against **JPMorgan Chase & Company** (JPMC & Co.) and its subsidiaries, **JPMorgan Chase Bank, N.A.**, and **J.P. Morgan Securities LLC** (JPMS) (collectively, JPM), for manipulative and deceptive conduct and spoofing that spanned at least eight years and involved hundreds of thousands of spoof orders in precious metals and U.S. Treasury futures contracts on the Commodity Exchange, Inc., the New York Mercantile Exchange, and the Chicago Board of Trade. This case is brought in connection with the Division of Enforcement's Spoofing Task Force.

The order finds that JPM's illegal trading significantly benefited JPM and harmed other market participants. JPM is required to pay a total of $920.2 million—the largest amount of monetary relief ever imposed by the CFTC—including the highest restitution ($311,737,008), disgorgement ($172,034,790), and civil monetary penalty ($436,431,811) amounts in any spoofing case.

"Spoofing is illegal—pure and simple," said CFTC Chairman Heath P. Tarbert. "This record-setting enforcement action demonstrates the CFTC's commitment to being tough on those who intentionally break our rules, no matter who they are. Attempts to manipulate our markets won't be tolerated. The CFTC will take all steps necessary to investigate and prosecute illegal activities that could ultimately undermine the integrity of the American free enterprise system."

"This action sends the important message that if you engage in manipulative and deceptive trade practices you will be caught, punished, and forced to give up your ill-gotten gains," added Division of Enforcement Director James McDonald. "The CFTC is committed to working with our law enforcement and regulatory partners to eradicate this unlawful activity and to hold those responsible fully accountable."

Related Criminal and Civil Actions

In a parallel matter, the Department of Justice's Fraud Section and the United States Attorney's Office for the District of Connecticut today announced entry of a Deferred Prosecution Agreement (DPA) with JPMC & Co., deferring criminal prosecution of JPMC & Co. on charges of wire fraud. Under the terms of the DPA, JPMC & Co. has agreed, among other things, to pay a criminal fine, disgorgement, and restitution.

In another parallel matter, the Securities and Exchange Commission (SEC) today announced entry of an order filing and settling charges against JPMS imposing both disgorgement and a civil monetary penalty. The CFTC order will recognize and offset any restitution and disgorgement payments made to the DOJ and the SEC.

Related CFTC Actions

The CFTC has previously issued orders in related matters filing and settling charges of spoofing against two traders, both of whom have entered into formal cooperation agreements with the CFTC: **John Edmonds** [See CFTC Press Release No. 7983-19] and **Christian Trunz** [See CFTC Press Release No. 8014-19]. In another related matter, the CFTC continues to pursue civil litigation against two other traders, **Michael Nowak** and **Gregg Smith**, for spoofing and attempted price manipulation [See CFTC Press Release No. 8013-19].

Case Background

The order finds that, from at least 2008 through 2016, JPM, through numerous traders on its precious metals and Treasuries trading desks, including the heads of both desks, placed hundreds of thousands of orders to buy or sell certain gold, silver, platinum, palladium, Treasury note, and Treasury bond futures contracts with the intent to cancel those orders prior to execution. Through these spoof orders, the traders intentionally sent false signals of supply or demand designed to deceive market participants into executing against other orders they wanted filled. According to the order, in many instances, JPM traders acted with the intent to manipulate market prices and ultimately did cause artificial prices.

The order also finds that JPMS, a registered futures commission merchant, failed to identify, investigate, and stop the misconduct. The order states that despite numerous red flags, including internal surveillance alerts, inquiries from CME and the CFTC, and internal allegations of misconduct from a JPM trader, JPMS failed to provide supervision to its employees sufficient to enable JPMS to identify, adequately investigate, and put a stop to the misconduct.

The order notes that during the early stages of the Division of Enforcement's investigation, JPM responded to certain information requests in a manner that resulted in the Division being misled. The order recognizes, however, JPM's significant cooperation in the later stages of the investigation.

The Division of Enforcement staff members responsible for this case are Mark A. Picard, David C. Newman, Trevor Kokal, Patrick Marquardt, Jordon Grimm, Steven I. Ringer, Lenel Hickson, Jr., and Manal Sultan.

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