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CFTC Charges Jitesh Thakkar and Edge Financial Technologies, Inc. with Aiding and Abetting Spoofing and Manipulative and Deceptive Scheme

Washington, DC – The Commodity Futures Trading Commission (CFTC) today announced the filing of a federal court enforcement action in the U.S. District Court for the Northern District of Illinois, charging **Jitesh Thakkar** of Naperville, Illinois, and his company, **Edge Financial Technologies, Inc.** (Edge), with aiding and abetting spoofing and a manipulative and deceptive scheme in the E-mini S&P futures contract market on the Chicago Mercantile Exchange (E-mini S&P).

CFTC's Director of Enforcement Comments

James McDonald, the CFTC's Director of Enforcement, stated: "In its effort to root out spoofing from our markets, the CFTC will work vigorously to hold accountable not only the individuals who engage in the spoofing, but also those who produce and sell the tools designed to spoof. The CFTC appreciates the innovative promise of financial technology in our markets, but when those technologies are designed to violate the law, the Division of Enforcement will step in to protect our markets and market participants from that unlawful activity."

According to Complaint, Thakkar is the president of Edge and has over eighteen years of experience programming custom software applications for the trading industry. In October 2011, Trader A, who cooperated with the CFTC in the course of this investigation, reached out to Thakkar and asked Thakkar and Edge to design and develop a custom trading software application that would help Trader A spoof (bidding or offering with the intent to cancel before execution) and inject false information into the market regarding supply and demand for the E-mini S&P. Thakkar, along with Edge programmers working at Thakkar's direction, worked closely with Trader A to meet Trader A's desired specifications.

The CFTC Complaint alleges that Trader A repeatedly engaged in thousands of manipulative or deceptive acts and practices by spoofing. The Complaint further alleges that Thakkar and Edge aided and abetted Trader A's spoofing by designing and developing for Trader A the custom trading software application he requested, which included a "Back-of-Book" function that Thakkar and Edge understood Trader A would use to engage in spoofing.

According to the Complaint, Thakkar and Edge designed the Back-of-Book function with two features that helped Trader A spoof: First, the Back-of-Book function, when enabled, automatically and continuously modified Trader A's order at a particular price level by one lot. Under the rules of the order matching system in place for the E-mini S&P, these one-lot modifications repeatedly moved Trader A's order behind the orders of other market participants, where Trader A's orders were less likely to result in executed trades. Second, the Back-of-Book function, when enabled, immediately and automatically cancelled Trader A's order at a particular price level as soon as any portion of his order was executed. Together, these features designed by Thakkar and Edge enabled Trader A to place and leave large orders in the E-mini S&P at multiple price levels that appeared to be genuine orders, but which Trader A intended to and did cancel before execution. Thakkar and Edge's application allowed Trader A to send false signals of supply and demand for the E-mini S&P and trick other market participants into reacting to these false signals.

According to the Complaint, Trader A used the Back-of-Book function to spoof in the E-mini S&P at least between January 30, 2013 and October 30, 2013. The Complaint alleges that because Thakkar and Edge aided and abetted Trader A by designing and developing the Back-of-Book function, they are responsible for Trader A's spoofing and manipulative or deceptive acts and practices using the Back-of-Book function from January 30, 2013 through October 30, 2013.

In its continuing litigation, the CFTC seeks civil monetary penalties, disgorgement of ill-gotten gains, trading and registration bans, and a permanent injunction against future violations of the federal commodities laws, as charged.

The CFTC thanks and acknowledges the assistance of the CME Group, U.S. Department of Justice and the Federal Bureau of Investigation.

This case is brought in connection with the CFTC Division of Enforcement's Spoofing Task Force, and the staff members responsible for this action are Margaret Aisenbrey, Allison Sizemore, Carlin Metzger, Joyce Brandt, Thomas Simek, and Charles Marvine.

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