

## [Securities Regulation Daily Wrap Up, TOP STORY—In sweeping anti-spoofing initiative, CFTC and DOJ bring charges against 3 banks and 8 individuals, \(Jan. 29, 2018\)](#)

Securities Regulation Daily Wrap Up

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The CFTC and the Justice Department brought civil and criminal actions against three major banks as well as eight individuals in connection with various alleged spoofing schemes and acts of commodities fraud. The banks were only charged in civil enforcement actions, and each paid significant penalties in connection with settling the matters simultaneously with their filing. The banks charged are Deutsche Bank AG, UBS AG, and HSBC Securities (USA) Inc.

None of the individual defendants was party to any settlement. Six individuals were charged both by the CFTC and criminally. Two individuals were charged criminally only. A summary of the charges brought by the [CFTC](#) and the [Department of Justice](#) against each defendant follows.

**Deutsche Bank.** The [CFTC's order](#) provided for the simultaneous filing and settlement of charges against Deutsche Bank AG and Deutsche Bank Securities Inc. (collectively, DB), and requires DB to pay a \$30 million civil monetary penalty and to undertake remedial actions. The order found that from at least February 2008 and continuing through at least September 2014, DB, by and through certain precious metals traders, engaged in a scheme to manipulate the price of precious metals futures contracts by utilizing a variety of manual spoofing techniques with respect to precious metals futures contracts traded on the COMEX.

**UBS.** The [CFTC's order](#) provided for the simultaneous filing and settlement of charges against UBS, and requires UBS to pay a \$15 million civil monetary penalty and to undertake remedial relief. The order found that from January 2008 through at least December 2013, UBS, by and through the acts of certain precious metals traders on the spot desk, attempted to manipulate the price of precious metals futures contracts by utilizing a variety of manual spoofing techniques with respect to precious metals futures contracts traded on the COMEX. UBS received additional credit for self-reporting its wrongful conduct.

**HSBC.** The [CFTC's order](#) provided for the simultaneous filing and settlement of charges against HSBC, and requires UBS to pay a \$1.6 million civil monetary penalty and to undertake remedial relief. The order found that HSBC engaged in numerous acts of spoofing with respect to certain futures products in gold and other precious metals traded on the COMEX, and that HSBC engaged in this activity through one of its traders based in HSBC's New York office. The order also requires HSBC to take specified steps to implement and strengthen its training, systems, and controls to detect and deter spoofing by HSBC personnel in the futures markets.

**Krishna Mohan.** The CFTC filed its [enforcement action](#) in the U.S. District Court for the Southern District of Texas against Krishna Mohan of New York City, charging him with spoofing and engaging in a manipulative and deceptive scheme in the E-mini Dow futures contract market on the Chicago Board of Trade and the E-mini NASDAQ 100 futures contract market on the CME. He was also charge criminally.

**Jitesh Thakkar and Edge Financial Technologies.** The CFTC filed [its 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. with aiding and abetting spoofing and a manipulative and deceptive scheme in the E-mini S&P futures contract market on the CME. Thakkar was also charged criminally.

**Jiongsheng Zhao.** The CFTC filed [its enforcement action](#) in the U.S. District Court for the Northern District of Illinois against defendant Jiongsheng Zhao, of Australia, charging him with spoofing and engaging in a

manipulative and deceptive scheme in the E-mini S&P 500 futures contract market on the CME. He was also charged criminally.

**James Vorley and Cedric Chanu.** The CFTC filed [its enforcement action](#) in the U.S. District Court for the Northern District of Illinois against James Vorley, a U.K. resident, and Cedric Chanu, a United Arab Emirates resident, charging them with spoofing and engaging in a manipulative and deceptive scheme in the precious metals futures markets. Both were also charged criminally.

**Andre Flotron.** The CFTC filed [its enforcement action](#) in the U.S. District Court for the District of Connecticut against Andre Flotron, of Switzerland, charging him with engaging in a manipulative and deceptive scheme and spoofing in the precious metals futures markets on a registered entity. Flotron has also been charged criminally.

**Edward Bases and John Pacilio.** Edward Bases, of New Canaan, Connecticut, and John Pacilio, of Southport, Connecticut, were charged in a criminal complaint with commodities fraud in connection with an alleged scheme to engage in both solo and coordinated spoofing on the COMEX when they were employed as precious metals traders at a leading global financial institution. Bases was also charged with spoofing offenses. Neither was charged by the CFTC in a civil enforcement action.

**Law enforcement statements.** In a joint statement and press conference, Acting Assistant Attorney General John P. Cronan of the Justice Department's Criminal Division, Deputy Assistant Director Chris Hacker of the FBI's Criminal Investigative Division, and the CFTC's Enforcement Director James McDonald all noted the seriousness nature of these actions. Cronan stated, "As alleged, the defendants in these cases engaged in sophisticated schemes or trading practices aimed at defrauding individuals and entities trading on U.S. futures exchanges." He continued, "Conduct like this poses significant risk of eroding confidence in U.S. markets and creates an uneven playing field for legitimate traders and investors."

In a press conference, Director McDonald also underscored the role that law enforcement's utilization of cutting-edge data analysis tools played in bringing these actions, and promised they will continue to be used in the enforcement setting. McDonald also pointed to the importance that cooperation by the banks played in settling these matters, as well the resulting reductions in the civil monetary penalties assessed. Separately, McDonald stated, "These cases should send a strong signal that we at the CFTC are committed to identifying individuals responsible for unlawful activity and holding them accountable."

The cases are [No. 18-06](#) (*In the Matter of Deutsche Bank AG*); [No. 18-07](#) (*In the Matter of UBS AG*); [No. 18-08](#) (*In the Matter of HSBC Securities (USA) Inc.*); [No. 4:18-cv-00260](#) (*CFTC v. Mohan*); [No. 18-cv-00619](#) (*CFTC v. Thakkar*); [No. 18-cv-00620](#) (*CFTC v. Zhao*); [No. 18-cv-00603](#) (*CFTC v. Vorley*); and [No. 18-158](#) (*CFTC v. Flotron*).

Companies: Deutsche Bank AG; UBS AG; HSBC Securities [USA] Inc.

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