

## Securities Regulation Daily Wrap Up, TOP STORY—With CFTC's first non-prosecution agreements, cooperation steps into fore, (Jun. 29, 2017)

Securities Regulation Daily Wrap Up

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The CFTC has entered into its first non-prosecution agreements, agreeing not to pursue charges against three Citigroup Global Markets traders who used spoofing strategies in U.S. Treasury futures markets. Earlier this year, the Commission imposed a \$25 million penalty against [Citigroup](#) and \$550,000 against [two traders](#) for spoofing. According to the CFTC's [release](#), the three non-prosecution agreements emphasize the traders' "timely and substantial cooperation, immediate willingness to accept responsibility," assistance in the CFTC's investigation, and clean records.

Exhibits to each NPA explain how each trader entered a large brief order, which he intended to cancel before execution, on the opposite side of a smaller order that he actually wanted to trade. They used this strategy to get their small orders filled, and filled more quickly, at the prices they wanted. The traders admitted to the spoofing and other unlawful conduct at Citigroup. One of the traders [engaged](#) in the spoofing strategy in conjunction with a more senior trader. Another traveled from Tokyo to New York for training, where he [observed](#) large orders being placed to induce algorithmic traders to transact on the smaller orders. The third trader [admitted](#) to another that he had incurred a loss by placing a large spoofing order of 1,000 contracts.

The Director of Enforcement, James McDonald, said that the use of NPAs will be an important part of the Division's cooperation program going forward. In many complex cases, there is no substitute for cooperating witnesses, he said. Here, the traders admitted their wrongdoing, identified others' misconduct, and provided other information that expedited the investigation and strengthened the CFTC's case against the other actors.

**Heightened emphasis on cooperation.** In January, the CFTC [issued](#) guidance on cooperation by [individuals](#) and [companies](#) involved in investigations and enforcement actions. The then-Director of Enforcement said of the guidance, "By making the benefits of cooperation with the CFTC more transparent, we will further incentivize insiders to provide us with first-hand evidence and strengthen our ability to efficiently investigate potential misconduct and fulfill our mission of combating fraud and ensuring the integrity of our markets."

In June, the CFTC [settled charges](#) against a spoofing in precious metals markets who acted individually and in coordination with other traders at his firm. Remarkably, the Commission did not impose a civil monetary penalty, citing the respondent's past and continued cooperation. McDonald said that the action shows that the CFTC "will give meaningful cooperation credit to those who acknowledge their own wrongdoing, enter into a Cooperation Agreement and provide substantial assistance to the Division in its investigations and enforcement actions against others."

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