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CFTC Releases Annual Enforcement Results for Fiscal Year 2016

Agency Filed 68 Enforcement Cases and Achieved \$1.29 Billion in Monetary Sanctions Ordered

Highlights Include Successful Bench and Jury Trials, Issuance of Largest Whistleblower Award, and Significant Cases Brought Pursuant to Dodd-Frank Authority

Washington, DC - The U.S. Commodity Futures Trading Commission (CFTC) today released the agency's enforcement results for fiscal year (FY) 2016. In the fiscal year that ended in September, the CFTC filed 68 enforcement actions, which addressed a sweeping range of misconduct and market harm, and obtained orders totaling approximately \$1.29 billion in restitution, disgorgement, and penalties.

Along with new enforcement actions, the CFTC aggressively pursued litigation in over 100 cases, including significant and complex cases charging manipulation, spoofing, and unlawful use of customer funds, and won liability verdicts in both jury and bench trials in U.S. District Courts. The CFTC also issued a whistleblower award of more than \$10 million, marking the largest such award since Congress created the CFTC Whistleblower program in 2010, and reflecting the continued growth and impact of the Agency's Whistleblower Office.

"The CFTC's enforcement record shows that the CFTC brings critical, high impact cases that protect customers and ensure the integrity and transparency of the derivatives markets we regulate," said CFTC Chairman Timothy Massad. "The work of the Enforcement Division is the instrument by which the CFTC sends the clear and unwavering message to those who engage in wrongdoing in our markets that they will be held accountable."

During FY 2016, the CFTC collected and deposited at the U.S. Treasury over \$484 million in civil monetary penalties, nearly double the CFTC's operating budget for FY 2016. Furthermore, the CFTC this year secured over \$748 million in civil monetary penalties and \$543 million in restitution and disgorgement orders, bringing the CFTC's total monetary sanctions for FY 2016 to over \$1.29 billion.

"The Division's work over the past year demonstrates that those who would cheat or defraud investors in our markets, or undermine the integrity of the markets themselves, will face the determined efforts of the CFTC, as well as the criminal prosecutors who are our partners in this effort," said Aitan Goelman, the Division of Enforcement's Director. "Our trial record this past year also reflects the Division's ability and will to successfully prosecute our cases through trial."

The agency's high impact cases include:

- Two first-of-their kind actions charging employees of companies with misappropriating and trading using material non-public information in breach of their duties to hold such information confidential. This trading, done to benefit the defendants' personal trading, violated CFTC Rule 180.1, issued pursuant to the Dodd-Frank Act, which bans schemes or artifices to defraud or manipulate;
- A federal court action, including a two-week hearing, against a trader and his company, Igor Oystacher and 3 Red Trading LLC, for allegedly spoofing and manipulation across five derivatives markets;
- A \$100 million action against JP Morgan Chase Bank, N.A. for failure to disclose certain conflicts of interest to clients of its wealth

management business;

- Two actions against Citibank NA for attempted manipulation and false reporting relating to two major interest rate benchmarks, LIBOR and ISDAfix, resulting in \$425 million in penalties and undertakings to strengthen the integrity of its internal controls;
- Nine actions against registered swaps dealers, Futures Commission Merchants (FCMs) and companies for failure to report accurately and fully critical trading and market information and for recordkeeping violations. This included a first-of-its kind federal court action against Deutsche Bank for swaps reporting violations and seeking the appointment of a monitor to ensure compliance;
- A first-of-its kind action against an FCM involving risk management and related supervisory failures and the knowing submission of inaccurate information in its Annual Chief Compliance Officer Report filed with the CFTC;
- An action against a Russian bank and its affiliate for executing fictitious and noncompetitive block trades in Russian Ruble/US Dollar future contracts with a penalty of \$5 million;
- An action against a natural gas trading and marketing firm and a trader for attempted manipulation of natural gas monthly index settlement prices at four major trading hubs in Texas and elsewhere during “bid-week,” resulting in a \$3.6 million penalty and two-year trading limitation;
- Cases charging firms and individuals with making false statements or knowingly providing inaccurate information to the CFTC and the National Futures Association (NFA) during investigations; and
- Actions against fraudsters preying on retail customers, including the operators of illegal, off-exchange boiler rooms pushing precious metals and binary options scams.

Also of note, the Division continued its robust cooperation with foreign regulators and law enforcement officials in combating the international roots of many of its investigations. Finally, the Division continued and intensified its already close cooperation with the criminal authorities in pursuing criminal sanctions, including prison time for culpable individuals, for willful violations of the Commodity Exchange Act.

FY 2016 Enforcement Actions by Category

Manipulation, Attempted Manipulation, False Reporting, Disruptive Trading	4
Protection of Customer Funds and Financial Integrity	8
Retail Fraud	30
Illegal Off-Exchange Contracts, Failure to Register	8
Other Trade Practice: Wash Trades, Fictitious Trades, Position Limits, Trading Ahead	4
Misappropriation of Material, Non Public , Confidential Information, Misconduct by Employees against their Employers	4
Reporting, Recordkeeping	9
Statutory Disqualification	1
Total Number of Enforcement Actions Filed	68

Notes: Some cases involve multiple types of charges, but are listed above by the primary charges. For example, 3 retail fraud actions also involved illegal, off-exchange transactions; 5 actions against

registrants included a failure to supervise violation; 3 actions also involved violation of a prior CFTC order; and 9 actions also involved false statements to the CFTC or NFA.

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