

# JUSTICE NEWS

## Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, November 7, 2019

### **Tower Research Capital LLC Agrees to Pay \$67 Million in Connection With Commodities Fraud Scheme**

Tower Research Capital LLC (Tower), a New York, New York-based financial services firm has entered into a resolution with the Department of Justice to resolve criminal charges related to a scheme involving thousands of episodes of unlawful trading activity in U.S. commodities markets by three former traders.

Tower entered into a deferred prosecution agreement (DPA) in connection with a criminal information filed yesterday in the Southern District of Texas charging the company with one count of commodities fraud. Under the terms of the DPA, Tower agreed to pay a combined \$67.4 million in criminal monetary penalties, criminal disgorgement and victim compensation with the criminal monetary penalty credited for any payments made to the Commodity Futures Trading Commission (CFTC). Tower also agreed to, among other things, conduct appropriate reviews of its internal controls and policies and procedures, and to modify its compliance program, where necessary, to ensure it is designed to deter and detect violations of the Commodity Exchange Act and commodities fraud statute.

“Traders at Tower Research Capital LLC fraudulently placed thousands of bogus orders they never intended to execute—to deceive other market participants and move the market for their own benefit,” said Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division. “This agreement includes monetary penalties, the return of unjust profits, and compensation of victims to protect our nation’s commodities markets from manipulation.”

“Free markets are not open and fair when people criminally manipulate them,” said U.S. Attorney Ryan K. Patrick of the Southern District of Texas (SDTX). “Fraudsters like this will be prosecuted. This case also shows the Department’s willingness to resolve cases when industry cooperates and remediates failures of internal controls.”

“When traders seek to manipulate the commodities market for personal gain, it can cause significant and long-lasting financial consequences for law-abiding citizens,” said Special Agent in Charge Emmerson Buie Jr. of the FBI’s Chicago Field Office. “The FBI will continue to work with its prosecutorial partners to safeguard the market from unlawful influence and hold violators accountable.”

According to court documents filed as part of the DPA, from approximately March 2012 until December 2013, three traders who were members of a single trading team at Tower engaged in a scheme to defraud other participants in the markets for E-Mini S&P 500, E-Mini NASDAQ 100 and E-Mini Dow futures contracts (collectively, E-Mini futures contracts). The S&P 500 and NASDAQ 100 future contracts were traded on the Chicago Mercantile Exchange, while the Dow futures contracts were traded on the Chicago Board of Trade. On thousands of occasions throughout this period, the traders fraudulently placed orders to buy and sell the E-Mini futures contracts with the intent to cancel those orders before execution, including in an attempt to profit by deceiving other market participants. By placing these orders, the traders intended to, and did, inject false and misleading information about the genuine supply and demand for E-Mini futures contracts into the markets, which deceived other market participants into believing something untrue, namely that the visible order book accurately reflected market-based forces of supply and demand. This false and misleading information was intended to, and at times did, trick other market participants into reacting to the apparent change and imbalance in supply and demand by buying and selling E-Mini futures contracts at quantities, prices and times they otherwise likely would not have traded. The Department and Tower have filed a joint motion, which is subject to approval by the Court, to defer for the term of the DPA any prosecution and trial of the criminal information filed against Tower.

A number of significant factors contributed to the Department's criminal resolution with Tower, including the company's cooperation with the United States and Tower's extensive remedial efforts. Tower also swiftly moved in early 2014 to terminate the three traders, made significant investments in sophisticated trade surveillance tools, increased legal and compliance resources, revised the company's corporate governance structures and changed its senior management.

The CFTC announced today a separate settlement with Tower in connection with a related, parallel proceeding. Under the terms of that resolution with the CFTC, Tower agreed to pay approximately \$67.4 million, which includes a civil monetary penalty of \$24.4 million, as well as restitution and disgorgement that will be credited for any such payments made to the Department. In addition, the CFTC order imposes upon Tower other remedial and cooperation obligations in connection with any CFTC investigation pertaining to the underlying conduct.

The three traders are Kamaldeep Gandhi, 37, and Krishna Mohan, 34, both of New York, New York, and Yuchun (Bruce) Mao, 40, a citizen of the People's Republic of China. As part of the investigation, the Department obtained an indictment against Mao in October 2018 with charges pending in the SDTX. An indictment is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

On Nov. 2, 2018, Gandhi pleaded guilty to two counts of conspiracy to engage in wire fraud, commodities fraud and spoofing. His sentencing is scheduled for Feb. 7, 2020, before SDTX U.S. District Judge Ewing Werlein Jr. On Nov. 6, 2018, Mohan pleaded guilty to one count of conspiracy to engage in wire fraud, commodities fraud and spoofing, and his sentencing is scheduled for Feb. 13, 2020, before U.S. District Judge Gray H. Miller of the SDTX.

The FBI's Chicago Field Office investigated this case. Trial Attorney Matthew F. Sullivan and Assistant Chief Avi Perry of the Criminal Division's Fraud Section and SDTX Assistant U.S. Attorney John R. Lewis prosecuted the case. The CFTC's Division of Enforcement referred the matter to the Department and provided assistance in this matter.

Individuals who believe that they may be a victim in this case should visit the Fraud Section's Victim Witness website at <https://www.justice.gov/criminal-vns/case/tower-research-dpa> or call (888) 549-3945.

---

**Attachment(s):**

[Download Tower Information](#)

[Download Tower Deferred Prosecution Agreement](#)

**Topic(s):**

Securities, Commodities, & Investment Fraud

**Component(s):**

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[Federal Bureau of Investigation \(FBI\)](#)

[USAO - Texas, Southern](#)

**Press Release Number:**

19-1,208

*Updated November 7, 2019*