

November 7, 2019

CFTC Orders Mitsubishi Corporation RtM Japan Ltd. to Pay \$500,000 for Spoofing

Washington, DC — The U.S. Commodity Futures Trading Commission today issued an order filing and settling charges against Mitsubishi Corporation RtM Japan Ltd. (RtM Japan) for engaging in multiple acts of spoofing contracts on the New York Mercantile Exchange for platinum and palladium futures. The order finds that RtM Japan engaged in this activity through an inexperienced trader who used a trading platform located in RtM Japan's Tokyo office. The order requires RtM Japan to cease and desist and imposes a civil monetary penalty of \$500,000.

"Today's enforcement action shows, once again, that the Commission will aggressively pursue spoofing in our markets," said CFTC Director of Enforcement James McDonald. "It also demonstrates that participants who allow their employees to test the markets for training or other inappropriate purposes will be held accountable when employees do not trade lawfully."

The order finds that RtM Japan engaged in proprietary trading of futures contracts, and that during the period starting on or about April 5, 2018, through on or about April 13, 2018, a trader placed multiple orders for futures contracts with the intent to cancel the orders before their execution. The order finds that several months prior to this time period, RtM Japan selected the trader to temporarily leave his/her business development duties at RtM Japan and embark on a rotation on a precious metals trading desk. The trader had no trading experience, and the goal of the rotation was to provide him/her with such experience.

The order finds that the trader typically first placed a large order with the intent to cancel it before execution (the spoof order). Soon thereafter, in the same market, the trader entered a smaller order he/she intended to execute (the genuine order), while the spoof order rested. In many instances, the trader received a partial or complete fill on the genuine order, and then cancelled the spoof order before it was filled. At times, the trader layered the spoof orders, entering multiple genuine orders in conjunction with spoof orders. The trader engaged in this spoofing activity in order to test how the market would react.

The order finds that RtM Japan cooperated with the Division of Enforcement's investigation and engaged in proactive remedial measures, including implementing an electronic trading monitoring system to screen for suspicious trades, overhauling its training program, and retaining a third-party expert to develop and implement a comprehensive risk assessment for precious metals trading. This cooperation and remediation is reflected in a reduced civil monetary penalty.

The CME Group's Market Regulation Department independently conducted a parallel investigation, and today also announced disciplinary action against RtM Japan. The CFTC thanks CME Group for its assistance in this matter.

The Division of Enforcement staff members responsible for this case are Philip Tumminio, Kara Mucha, and Rick Glaser.