

September 16, 2019

CFTC Charges Traders at Major U.S. Bank with Manipulating the Precious Metals Futures Markets

Washington, DC — The U.S. Commodity Futures Trading Commission today filed a civil enforcement action in the U.S. District Court for the Northern District of Illinois against **Michael Nowak**, of New Jersey, and **Gregg Smith**, of New York, charging them with spoofing, engaging in a manipulative and deceptive scheme, and attempting to manipulate prices in the precious metals futures markets while employed at a major U.S. bank. This case was brought in connection with the CFTC Division of Enforcement's Spoofing Task Force.

"These charges strike at the core of our agency's mission—to preserve market integrity and to protect those who participate in our markets from fraud and manipulation. As alleged here, traders at a major financial institution sought to profit by manipulating the precious metals futures markets. The alleged scheme involved injecting false information into the market, through an unlawful trade practice known as spoofing, to trick others into executing the defendants' trades at a price, quantity, or time that otherwise would not have been available," said CFTC Director of Enforcement James McDonald. "We will continue to vigorously pursue all forms of misconduct that have the potential to undermine the integrity of our markets."

The CFTC complaint alleges that beginning in at least 2008 and continuing through at least 2015, while placing orders for and trading precious metals futures contracts on CME Group Inc.'s exchanges, Nowak and Smith repeatedly engaged in manipulative or deceptive acts and practices by spoofing (bidding or offering with the intent to cancel the bid or offer before execution). The defendants placed thousands of orders with the intention to cancel them in order to send false signals of increased buying or selling interest designed to trick market participants into executing the orders the defendants wanted filled. The complaint also alleges that the defendants engaged in spoofing with the intent to manipulate market prices and create artificial prices, and thereby enable their orders to be filled sooner, at a better price, or in larger quantities than they otherwise would. According to the complaint, the defendants were aware other traders at the bank were also spoofing, and Smith taught other traders at the bank how to spoof.

In its continuing civil litigation, the CFTC seeks, among other relief, civil monetary penalties, disgorgement, restitution, trading bans, and a permanent injunction against future violations of the federal commodities laws, as charged.

Related Criminal Action

Earlier today, a criminal indictment brought by the Department of Justice against traders including Nowak and Smith was unsealed in the U.S. District Court for the Northern District of Illinois. See *United States v. Smith et al.*, No. 19-CR-669 (N.D.Ill.).

The CFTC thanks and acknowledges the assistance of the Fraud Section of the Department of Justice's Criminal Division, the Federal Bureau of Investigation, and CME Group Inc.

The CFTC Division of Enforcement staff members responsible for this case are Trevor Kokal, David C. Newman, Mark A. Picard, Steven I. Ringer, Jordon Grimm, Patrick Marquardt, Lenel Hickson, Jr., and Manal M. Sultan.

