## Release Number 8243-20

# Federal Court Orders Illinois Software Development Firm to Pay Penalty and Disgorgement for Aiding and Abetting Illegal Conduct

**September 15, 2020**

**Washington, D.C. —** The Commodity Futures Trading Commission today announced that the U.S. District Court for the Northern District of Illinois entered a consent order of permanent injunction against **Edge Financial Technologies, LLC**, an Illinois firm that provided software development and computer programming services for traders. This ruling resolves a 2018 enforcement action brought in connection with the Division of Enforcement's Spoofing Task Force. [See CFTC Press Release No. 7689-18]

The order provides that Edge aided and abetted Trader A's spoofing (bidding or offering with the intent to cancel the bid or offer before execution) and use of a manipulative and deceptive scheme involving the E-mini S&P futures contract from at least January 30, 2013, through October 30, 2013. Edge enabled Trader A's violations by programming a custom software application that helped send false supply and demand signals for E-mini S&P futures contracts and induced other market participants to react.

The court's permanent injunction prohibits Edge from providing any computer programming services in connection with trading in CFTC-regulated markets for a period of two years. Further, it orders disgorgement of $24,200 and a civil monetary penalty of $48,400, for a total of $72,600 in monetary relief.

"When technology is intended to inject false information into the market, the CFTC will respond to protect market participants and the integrity of the markets we regulate. We cannot allow companies to profit from creating programs intended to help traders spoof and manipulate," said Division of Enforcement Director James McDonald. "Establishing that entities can be held civilly liable for aiding and abetting such illegal conduct, as charged in this case of first impression, strengthens the CFTC's enforcement mission. We will not hesitate to bring charges against entities and individuals for similar conduct in the future."

**Case Background**

According to the order, Edge programmed a "Back-of-Book" function for Trader A knowing that he planned to use this function to engage in spoofing and to employ a manipulative scheme. The Back-of-Book function had two features helpful to Trader A's illegal conduct. First, it kept Trader A's orders, which were visible to other market participants, behind other orders at a particular price level. This was done to minimize the chances that Trader A's orders would result in executed trades. Second, the Back-of-Book function immediately and automatically cancelled Trader A's orders as soon as any portion of these orders was filled by other market participants. Edge programmed the Back-of-Book function with these features with the understanding that they would help Trader A place large spoof orders and trick other market participants into making decisions and executing trades based on this false information. The order permanently enjoins Edge from selling or possessing any application that includes the Back-of-Book function.

The CFTC thanks and acknowledges the assistance of the United Kingdom Financial Conduct Authority, CME Group, the Department of Justice, and the Federal Bureau of Investigation.

The Division of Enforcement staff members responsible for this action are Margaret Aisenbrey, Anthony Biagoli, Thomas Simek, Allison Sizemore, Christopher Reed, and Charles Marvine.

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