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Eight Individuals Charged With Deceptive Trading Practices Executed on U.S. Commodities Markets

Eight individuals who allegedly engaged in various deceptive trading practices on commodities markets in the United States have been publicly charged with federal crimes. Seven of the eight individuals were charged with the crime of spoofing, an illegal trading practice that can be used to manipulate the commodities markets. Other than the individuals identified today, only three other individuals have ever been publicly charged with the crime of spoofing. Of those identified today, five were traders employed by global financial institutions, two were traders at large commodities trading firms, and one was the owner of a technology consulting firm.

The enforcement actions were announced by Acting Assistant Attorney General John P. Cronan of the Justice Department's Criminal Division, Deputy Assistant Director Chris Hacker of the FBI's Criminal Investigative Division and Director James McDonald of the U.S. Commodity Futures Trading Commission's (CFTC) Division of Enforcement.

The charges announced today aggressively target, among other things, the practice of spoofing, which was allegedly employed in various forms by these defendants and/or their co-conspirators to manipulate the market for futures contracts traded on the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT), and the Commodity Exchange Inc. (COMEX). The defendants and their co-conspirators are alleged to have defrauded market participants and manipulated these markets by placing hundreds, and in some cases, thousands of orders that they did not intend to trade, or "spoof orders," to create the appearance of substantial false supply and demand and to induce other market participants to trade at prices, quantities, and times that they otherwise would not have traded. According to the charging documents, the spoof orders often had the effect of artificially depressing or artificially inflating the prices of futures contracts traded on CME, CBOT, and COMEX. In order to take advantage of the artificial price levels created by their spoof orders, the defendants and/or their co-conspirators are alleged to have executed real, genuine orders to buy (at the artificially low prices) or to sell (at the artificially **high** prices) in order to generate trading profits or to illicitly mitigate other trading losses.

"As alleged, the defendants in these cases engaged in sophisticated schemes or trading practices aimed at defrauding individuals and entities trading on U.S. futures exchanges," said Acting Assistant Attorney General Cronan. "Conduct like this poses significant risk of eroding confidence in U.S. markets and creates an uneven playing field for legitimate traders and investors. The Department and our law enforcement partners will use all of the tools at our disposal, including cutting-edge data analysis, to detect these types of schemes and to bring those who engage in them to justice. Protecting the integrity of our markets remains a significant priority in our fight against economic crime."

"The FBI has taken enforcement action against multiple commodities traders who, for their own personal gain, were spoofing trades through electronic trading platforms," said Deputy Assistant Director Chris Hacker. "Their deceptive trading artificially affected the perception of supply and demand in the market and took away a level playing field for investors. We ask for those who observe indicators of this type of fraud to come forward to law enforcement so that we can stop those who attempt to exploit our financial system."

"Spoofing is a particularly pernicious example of bad actors seeking to manipulate the market through the abuse of technology," said Director McDonald. "The technological developments that enabled electronic and algorithmic trading have created new opportunities in our markets. At the CFTC, we are committed to facilitating these market-enhancing developments. But at the same time, we recognize that these new developments also present new opportunities for bad actors. We are equally committed to identifying and punishing these bad actors. The CFTC's enforcement program is built around the twin goals of holding wrongdoers accountable and deterring future misconduct. We believe these goals are best achieved when we hold accountable not just companies, but also the individuals involved. As these cases show, we will work hard to identify and prosecute the individual traders who engage in spoofing, but we will also seek to find and hold accountable those who teach others how to spoof, who build the tools designed to spoof, or who otherwise aid and abet the wrongdoing. These cases should send a strong signal that we at the CFTC are committed to identifying individuals responsible for unlawful activity and holding them accountable."

Northern District of Illinois

Six individuals have been charged in four cases with spoofing and/or manipulative conduct charged in the Northern District of Illinois including:

- James Vorley, 37, of the United Kingdom, and Cedric Chanu, 39, a French citizen, are charged in a criminal complaint with conspiracy, wire fraud, commodities fraud, and spoofing offenses in connection with executing a scheme to defraud involving both solo and coordinated spoofing on the COMEX while they were employed as precious metals traders at a leading global financial institution. Vorley was based in London, United Kingdom and Chanu was based in London, and the Republic of Singapore.
- Edward Bases, 55, of New Canaan, Connecticut, and John Pacilio, 53, of Southport, Connecticut, are charged in a criminal complaint with commodities fraud in connection with an alleged scheme to engage in both solo and coordinated spoofing on the COMEX when they were employed as precious metals traders at a leading global financial institution. Bases is also charged with spoofing offenses. Bases and Pacilio were based in New York City.
- Jitesh Thakkar, 41, of Naperville, Illinois, is charged in a criminal complaint with conspiracy and spoofing offenses alleging that Thakkar developed a software program that was used by Thakkar's co-conspirator to engage in spoofing through the placement of thousands of orders on the CME when Thakkar was the

founder and principal of Edge Financial Technologies Inc. ("Edge"), an information technology consulting firm located in Chicago, Illinois.

- Jiongsheng ("Jim") Zhao, 30, of Australia, is charged in a criminal complaint with wire fraud, commodities fraud, making false statements to the CME, and spoofing offenses when he was a trader at a proprietary trading firm located in Sydney, Australia. According to the complaint, data analysis identified hundreds of instances of spoofing by Zhao on the CME between approximately July 2012 and March 2016. Additionally, the complaint alleges that Zhao made false written statements to the CME after being confronted with allegations of his disruptive trading practices.

District of Connecticut

- Andre Flotron, 53, a Swiss national currently residing in Wayne, New Jersey, has been charged in an indictment in the District of Connecticut with conspiracy to commit spoofing, wire fraud, and commodities fraud when he was a UBS AG precious metals trader at UBS's trading desks in Stamford, Connecticut and Zurich, Switzerland. The indictment also alleges that Flotron trained and instructed another UBS trader in the practice of using spoof orders.

Southern District of Texas

- Krishna Mohan, 33, of New York, New York, is charged in a criminal complaint filed in the Southern District of Texas with commodities fraud and spoofing offenses when he was employed as a programmer and trader at a proprietary trading firm in Chicago, Illinois. According to the complaint, data analysis identified that Mohan engaged in a pattern of spoofing over a thousand times in a two-month period.

Today's enforcement actions were led and coordinated by the Criminal Division Fraud Section's Securities and Financial Fraud Unit and the U.S. Attorney's Office for the District of Connecticut, in conjunction with special agents from FBI Offices in New York, Chicago, Connecticut, and Houston, and with invaluable assistance from the Fraud Section's partners at the U.S. Attorney's Office for the Northern District of Illinois, the U.S. Attorney's Office for the Southern District of Texas, the U.S. Postal Inspection Service and the CFTC's Division of Enforcement. The cases are being prosecuted by Assistant Chiefs Nicholas Surmacz and Carol Sipperly and Trial Attorneys Michael O'Neill, Matthew Sullivan, Jeffrey Le Riche, Michael Rinaldi, Cory Jacobs, and Mark Cipolletti of the Fraud Section's Securities and Financial Fraud Unit, along with Assistant U.S. Attorney Avi Perry of the U.S. Attorney's Office for the District of Connecticut.

A complaint, information, or indictment is merely an allegation, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Individuals who believe that they may be a victim in these cases should visit the Fraud Section's Victim Witness website or call 889-549-3945 for more information.

To obtain information on the CFTC's resolutions with three global financial institutions, please go to: http://www.cftc.gov/PressRoom/PressReleases/index.htm.

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