

September 28, 2018

CFTC Charges Block Trade Broker with Insider Trading

Broker's Firm Is Additionally Charged with Supervisory and Recordkeeping Failures

Washington, DC – The Commodity Futures Trading Commission (CFTC or Commission) today filed a civil enforcement action in the U.S. District Court for the Southern District of New York against **EOX Holdings LLC** (EOX), an Introducing Broker (IB), and one of its registered Associated Persons (AP), **Andrew Gizienski** of Houston, Texas. The CFTC's Complaint charges Defendants with misusing material, nonpublic information in connection with block trades of energy contracts on ICE Futures US, in violation of the Commodity Exchange Act (CEA) and CFTC Regulations. The Complaint also charges EOX with failing to maintain certain required records and failing to diligently supervise its employees.

CFTC Director of Enforcement Comments

Director of Enforcement James McDonald, stated: "Illegal use of inside or otherwise confidential information significantly undermines market integrity and harms customers in our markets. Today's enforcement action shows that the Commission will vigorously pursue this type of misconduct. To that end, we are also announcing an Insider Trading and Information Protection Task Force—with members from our offices in Chicago, Kansas City, New York, and Washington, DC—to root out this nefarious conduct from our markets."

According to the Complaint, beginning in or about August 2013 through May 2014, Gizienski exercised discretionary trading authority over an account belonging to a friend, while continuing to broker block trades for other EOX customers and while continuing to have access to material, nonpublic information relating to EOX customers. The Complaint alleges that, during this period, Gizienski disclosed to his friend confidential information about other customers, such as their identities, trading activity, and positions, in breach of a pre-existing duty of trust and confidence owed to those customers. As further alleged, Gizienski also traded the discretionary account while in possession of, and on the basis of, confidential information relating to EOX customers.

The Complaint further alleges that EOX waived a company policy prohibiting brokers from exercising discretion over customer accounts to allow Gizienski to trade on behalf of his friend, but failed to institute policies or procedures to monitor Gizienski's trading and to minimize the readily apparent conflicts of interest. Among other things, the Complaint alleges that, since at least 2013, EOX has failed to establish, implement, or enforce policies or procedures governing its brokers' handling of customer orders, the preparation and retention of required records, and the protection of confidential customer information. In addition, the Complaint alleges that, since at least 2013, EOX has failed to keep all pre-trade communications with customers, as well as adequate written records of customer orders. EOX's recordkeeping failures hindered the CFTC's ability to fully investigate potential violations of the CEA and CFTC Regulations.

In its continuing litigation, the CFTC seeks civil monetary penalties, permanent registration and trading bans, and a permanent injunction against further violations of the CEA and CFTC Regulations, as charged.

The CFTC thanks the staff of the Alberta Securities Commission for their cooperation and assistance in this matter.

This case was brought in connection with the CFTC Division of Enforcement's Insider Trading and Information Protection Task Force, and CFTC staff members responsible for this case are Daniel Burstein, Heather Dasso, Robert Howell, Lindsey Evans, Scott Williamson, and Rosemary Hollinger.

CFTC's Insider Trading & Information Protection Task Force

The CFTC's Insider Trading & Information Protection Task Force is a coordinated effort across the Division to identify and charge those who engage in insider trading or otherwise improperly use confidential information in connection with markets regulated by the CFTC.

The Commission will thoroughly investigate and, where appropriate, prosecute instances in which individuals have abused access to confidential information—for example, by misappropriating confidential information, improperly disclosing a client's trading information, front running, or using confidential information to unlawfully prearrange trades. In addition, the Commission will ensure that its registrants develop and enforce policies prohibiting the misuse of confidential information, as they are required to do under the law.

You can report suspicious activities or information, such as possible violations of commodity trading laws, to the CFTC Division of Enforcement via a Toll-Free Hotline 866-FON-CFTC (866-366-2382) or [file a tip or complaint](#) online.