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Alert | White Collar Defense & Special Investigations

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Recent Settlement Shows Spoofing Remains a Government Focus

Proprietary trading firm Tower Research Capital (Tower) agreed to settle civil and criminal cases with the Department of Justice (DOJ) and the Commodities Futures Trading Commission (CFTC) for $67.4 million. The government says that former traders at Tower spoofed thousands of commodities orders between 2012 and 2013.

The joint settlement between both agencies and Tower represents the largest spoofing settlement to date. The government claims that high-speed traders Kamaldeep Gandhi, Krishna Mohan, and Yuchun “Bruce” Mao manipulated Chicago-based exchanges by placing deceptively large buy or sell orders for E-mini futures contracts while filling smaller orders on the other side of the market, only to pull the larger orders once the smaller orders were filled. Nearly half of the $67.4 million settlement is intended for counterparties who lost money on those trades, while $24.4 million will go to CFTC, and $10.5 million in disgorgement funds will go to DOJ.

Notwithstanding significant Government spoofing trial defeats including *United States v. Flotron* and *United States v. Thakkar*, Tower’s record-breaking settlement demonstrates that spoofing continues to be a major focus for both DOJ and CFTC. If anything, securing several high-profile settlements and plea agreements in the past year has only emboldened the government’s pursuit of spoofing cases. Last month, DOJ filed spoofing charges against three traders under the Racketeer Influenced and Corrupt Organizations Act (RICO), a law that has scarcely been used against Wall Street since the mid-1980s. The RICO charges indicate that prosecutors may be resurrecting the law to go after white-collar defendants, perhaps creating a template for future spoofing prosecutions. Given this departure from the norm and these recent settlements, traders and trading firms should take heed: spoofing prosecutions aren't going away.

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Greenberg Traurig's White Collar Defense & Special Investigations Practice protects companies and individuals under government scrutiny. GT's creative defense lawyers in the US, Europe, Latin America, and Asia Pacific are at the forefront of white collar defense, with wide-ranging experience in structuring internal investigations, developing guidelines, implementing compliance programs, and addressing issues of voluntary disclosure. Their representations involve alleged securities and commodities fraud, Foreign Corrupt Practices Act (FCPA) violations, health care/pharmaceutical fraud, environmental crimes, money laundering, financial services fraud, public corruption/campaign finance, tax corruption, defense contracting, and bankruptcy fraud. In addition, the majority of GT's litigation shareholders and counsel have first-chair trial experience.

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