

CFTC And CME Collaborate To Chase Alleged Spoofers

June 5, 2015 | [Financial Regulation, The GEE Blog](#)



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The Commodity Futures Trading Commission's (CFTC) ongoing use of its new anti-spoofing authority (Section 4c(a)(5)(C) of the Commodity Exchange Act) demonstrates a heightened awareness by exchanges of efforts by market participants to rapidly enter and cancel trades in order to manipulate market prices. In May 2015, the [CFTC filed a complaint](#) (Complaint) in the Southern District of New York against two traders who allegedly engaged in spoofing by layering trades in the Gold and Silver futures on the Commodity Exchange, Inc. (COMEX). The case is noteworthy for several reasons. The Complaint alleges that defendants Heet Khara and Nasim Salim "entered orders or layered multiple orders to encourage market participants to trade opposite ... smaller orders on the opposite side of the book." Once the smaller orders were filled, the defendant engaged in layering would cancel his trades. In some instances, Khara and Salim allegedly worked in tandem with on another; in other instances, they would engage in both sides of such manipulative trading on their own. In this manner, each defendant engaged in hundreds of futures trades and appears to have made hundreds of thousands of dollars. The CME Group's Market Regulation Department identified the trading in February 2015. It began investigating and reported the same to the CFTC. This indicates the exchanges surveillance is becoming more sophisticated and is certainly keyed in on this type of purportedly manipulative activity. It also suggests the exchanges and the CFTC are focused on distinct illegal, manipulative trading and are not using the new anti-spoofing authority to challenge otherwise legitimate use of layering trades. Finally, and perhaps more importantly, the case demonstrates the CFTC's resolve to act quickly in order to prevent market manipulation. Ordinarily, it may take over a year for the CFTC to investigate and bring a case; this matter was identified in February and filed in May. *Stay tuned for more. Or, come to the Futures Industry Association's Legal & Compliance Conference in Washington D.C., on June 24, 2015, where we will be talking about this case and other enforcement trends in the commodity futures markets.*

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