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UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:	)	
	)	
Arab Global Commodities DMCC	)	CFTC Docket No. 18-01
	)	
Respondent.	)	
	)	

ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTION 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS

I.

The Commodity Futures Trading Commission ("Commission") has reason to believe that Arab Global Commodities DMCC ("AGC" or "Respondent") violated Section 4c(a)(5)(C) of the Commodity Exchange Act ("Act" or "CEA"), 7 U.S.C. § 6c(a)(5)(C) (2012), from at least March to August 2016 (the "Relevant Period"). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement ("Offer") that the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, Respondent consents to the entry of this Order Instituting Proceedings Pursuant to Section 6(c) and 6(d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions ("Order") and acknowledges service of this Order.[1]

[1] Respondent consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

III.

The Commission finds the following:

A. SUMMARY

From at least March to August 2016, one or more AGC traders engaged in the disruptive practice of "spoofing" (bidding or offering with the intent to cancel the bid or offer before execution) with respect to Copper futures contracts traded on the Commodity Exchange, Inc. ("COMEX"). This spoofing conduct violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012). Moreover, AGC failed to implement adequate policies and procedures to monitor its employees' trading for spoofing, and failed to respond adequately to a warning concerning spoofing by an AGC trader ("Trader A") from its Futures Commission Merchant ("FCM").

B. RESPONDENT

Arab Global Commodities DMCC ("AGC") has been incorporated with the Dubai Multi Commodities Centre since 2005. AGC is a registered Broker and Clearing Member of Dubai Gold and Commodity Exchange ("DGCX"). AGC maintains offices in Dubai, as well as in several cities in India. It has never been registered with the Commission in any capacity.

C. FACTS

AGC is a proprietary trading firm that utilized algorithmic and manual trading strategies. During the Relevant Period, AGC employed approximately 25 traders, including at least one trader, Trader A, who engaged in spoofing on the COMEX Copper futures market. Trader A generally spoofed after business hours, when Trader A traded from home. Trader A repeatedly used the same spoofing pattern: (1) place a small order (generally less than 10 lots) on one side of the book, generally one or two levels away from the best bid/offer; (2) shortly thereafter, place a large order or a series orders (generally more than 100 lots) on the other side of the book, with the intent to cancel those orders before execution; and (3) once the smaller order is filled in whole or in part, cancel the large orders resting on the opposite side of the book before those orders could be filled.

Trader A deployed this spoofing strategy regularly during the Relevant Period. In certain instances, it appears that Trader A was using another AGC trader's account to hide Trader A's spoofing.

Prior to the Relevant Period, AGC did not have an anti-spoofing policy, nor did it train its traders or managers with respect to the CEA and exchange prohibitions against spoofing. During the Relevant Period, AGC did not monitor Trader A's COMEX trading, and therefore did not detect Trader A's spoofing. Furthermore, although AGC's FCM relayed its suspicions to one of AGC's branches, the issue was not effectively elevated to AGC decision-makers, with the result that AGC did not adequately address the issue until it was notified by the Chicago Mercantile Exchange ("CME") that CME had commenced an investigation. AGC promptly terminated Trader A.

In accepting AGC's Offer, the Commission recognizes AGC's assistance during the investigation. In addition, the Commission notes that AGC resolved the matter with the Commission at an early stage of the investigation and proactively implemented remedial measures and processes to deter similar misconduct in the future, including implementing significant structural, compliance, and policy measures, as well as updating its training to reflect the prohibition against spoofing.

IV.

LEGAL DISCUSSION

A. Section 4c(a)(5)(C) of the Act—Spoofing Violations

Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012), makes it unlawful for "[a]ny person to engage in any trading, practice, or conduct on or subject to the rules of a registered entity that . . . is, is of the character of, or is commonly known to the trade as, 'spoofing' (bidding or offering with the intent to cancel the bid or offer before execution)." *See also United States v. Coscia*, No. 16-3017, 2017 WL 3381433, at *7 (7th Cir. Aug. 7, 2017) (holding that because the CEA clearly defines spoofing, it provides adequate notice of prohibited conduct). As described above, Trader A entered into multiple bids or offers on a registered entity with the intent to cancel the bids or offers before execution, in violation of Section 4c(a)(5)(C) of the Act. *See, e.g., CFTC v. Oystacher*, 203 F. Supp. 3d 934, 942 (N.D. Ill. 2016) (denying motion for judgment on the pleadings, holding that allegations of placing "both bids and offers with the intent to cancel those bids or offers before execution" constitutes "trading behavior [that] falls within the Spoofing Statute's defined prohibition."); *CFTC v. Nav Sarao Futures Limited PLC*, No. 15-CV-3398, 2016 WL 8257513, at *10 (N.D. Ill. Nov. 14, 2016) (consent order) (finding that defendants engaged in spoofing techniques by, among other things, "plac[ing] tens of thousands of bids and offers for the E-Mini S&P contract with the intent of cancelling those bids and offers before execution (*i.e.*, Spoof Orders) . . ."); *CFTC v. Khara*, No. 15-CV-03497, ECF 35 at 6 (S.D.N.Y. Mar. 31, 2016) (consent order) (finding that "Defendants . . . engaged in unlawful disruptive trading practices or conduct in the gold and silver futures markets . . . that were, were of the character of, or were commonly known to the trade as 'spoofing' (bidding and offering with the intent to cancel the bid or offer before execution)."); *In re Posen*, CFTC No. 17-20, 2017 WL 3216576, at *2 (July 26, 2017) (manual trader "entered into thousands of bids or offers on a registered entity with the intent to cancel the bids or offers before execution in violation of Section 4c(a)(5)(C) of the Act").

B. Respondent AGC Is Liable for the Acts of Its Agents

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Commission Regulation ("Regulation") 1.2, 17 C.F.R. § 1.2 (2016), provide that the act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust. Under Section 2(a)(1)(B) and Regulation 1.2, principals are strictly liable for the actions of their agents. *See, e.g., Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986) ("[W]e have no doubt that section 2(a)(1) imposes strict liability on the principal . . . , provided, of course, as the statute also states expressly, that the agent's misconduct was within the scope or (equivalently but more precisely) in furtherance of the agency."); *Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988) ("We agree with the reasoning of the Seventh Circuit that because the language of section 2(a)(1) expressly imputes the agent's wrongdoing to the principal, it imposes strict liability.").

Trader A engaged in the conduct described herein within the course and scope of Trader A's employment at AGC. Therefore, AGC is liable for the acts, omissions and failures of Trader A, as described above, that constituted violations of Section 4c(a)(5)(C) of the Act.

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that AGC violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012).

VI.

OFFER OF SETTLEMENT

AGC has submitted an Offer in which it, without admitting or denying the findings and conclusions herein:

A. Acknowledges receipt of service of this Order;

B. Admits the jurisdiction of the Commission to all the matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on a violation of or enforcement of this Order;

C. Waives:

(1) the filing and service of a complaint and notice of hearing;

(2) a hearing;

(3) all post-hearing procedures;

(4) judicial review by any court;

(5) any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;

(6) any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2017), relating to, or arising from, this proceeding;

(7) any and all claims that it may possess under the Small Business Regulatory

Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-53, 110 Stat. 847, 857-74 (codified as amended in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and

(8) any claims of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;

D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which AGC has consented in the Offer; and

E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:

(1) makes findings by the Commission that AGC violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012);

(2) orders Respondent to cease and desist from violating Section 4c(a)(5)(C) of the Act;

(3) orders Respondent to pay a civil monetary penalty in the amount of three hundred thousand U.S. dollars ($300,000), plus post-judgment interest; and

(4) orders the Respondent and its successors and assigns to comply with the conditions, and representations consented to in the Offer and as set forth in Part VII of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Respondent shall cease and desist from violating Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012).

B. Civil Monetary Penalty

1. Respondent shall pay a civil monetary penalty in the amount of three hundred thousand U.S. dollars ($300,000) (the "CMP Obligation"). If the CMP Obligation is not paid in full within ten days of the date of entry of the Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of the Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of the Order pursuant to 28 U.S.C. § 1961 (2012).

2. Respondent shall pay the CMP Obligation by electronic funds transfer, U.S. postal money

order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, Respondent shall make the payment payable to the Commodity Futures Trading Commission, and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables
DOT/FAA/MMAC/AMZ-341
CFTC/CPSC/SEC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
(405) 954-7262 office
(405) 954-1620 fax
nikki.gibson@faa.gov

If payment is to be made by electronic transfer, Respondent shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies Respondent and the name and docket number of this proceeding. Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

C. Respondent shall comply with the following conditions and undertakings set forth in the Offer:

1. Public Statements: Respondent agrees that neither it nor any of its successors, assigns, agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order, or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party.

2. Cooperation with the Commission: Respondent shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, in this action, and in any current or future Commission investigation or action related thereto. Respondent shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, the subject matter of this action. As part of such cooperation, Respondent agrees to:

a. preserve and produce to the Commission in a responsive and prompt manner, as requested by the Division's staff, all non-privileged documents, information, and other materials wherever located, in the possession, custody, or control of Respondent; that are related to the subject matter of this proceeding;

b. accept service by mail, electronic mail, or facsimile transmission of notices or subpoenas for documents; and

c. waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules in connection with requests or subpoenas of the Division's staff.

3. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission of any partial payment of Respondent's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

4. Change of Address/Phone: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Consent Order, Respondent shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten (10) calendar days of the change.

The provisions of this Order shall be effective on this date.

By the Commission,

Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: October 10, 2017