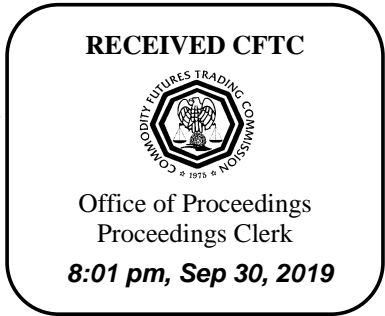


**UNITED STATES OF AMERICA  
Before the  
COMMODITY FUTURES TRADING COMMISSION**



<p><b>In the Matter of:</b></p> <p style="text-align: center;"><b>Belvedere Trading LLC,</b></p> <p style="text-align: center;"><b>Respondent.</b></p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p><b>CFTC Docket No. 19-45</b></p>
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**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT,  
MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

**I.**

**INTRODUCTION**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that from at least June 2014 to February 2015 and from at least October 2015 to November 2015 (“Relevant Period”) Belvedere Trading LLC (“Belvedere” or “Respondent”) violated Section 4c(a)(5)(C) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6c(a)(5)(C) (2012). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Belvedere engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which 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 (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledges service of this Order.<sup>1</sup>

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<sup>1</sup> Respondent consents to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, and agrees that they shall be taken as true and correct and be given preclusive effect therein, without further proof. Respondent does not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondent does not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

## II.

### FINDINGS

The Commission finds the following:

#### A. Summary

During the Relevant Period, Belvedere, by and through two Belvedere traders (“Trader A” and “Trader B,” together, “the Traders”), engaged in numerous instances of the disruptive trading practice known as “spoofing” (i.e., bidding or offering with the intent to cancel the bid or offer before execution) in the E-mini S&P 500 futures contracts traded on the Chicago Mercantile Exchange (“CME”), a futures exchange and designated contract market which is owned and operated by CME Group Inc. This conduct violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012).

In accepting the Offer, the Commission recognizes Belvedere’s early resolution of this matter in the form of a reduced civil monetary penalty.

#### B. Respondent

**Belvedere Trading LLC** is a privately-held Illinois limited liability company with its principal place of business in Chicago, Illinois. Belvedere is a proprietary trading firm and is a member of the CME, but has never been registered with the Commission in any capacity.

#### C. Facts

During the Relevant Period, the Traders engaged in proprietary trading in commodity futures markets on behalf of Belvedere. Trader A traded independently at Belvedere and Trader B was the head trader of Belvedere’s night trading desk.

On hundreds of occasions between June 2014 and February 2015, Trader A placed bids and offers for E-mini S&P 500 futures contracts with the intent to cancel the bids and offers before execution. Trader A’s trading pattern involved the placement of an order that Trader A wanted to get filled (“Genuine Order”), on one side of the market, typically consisting of at least one passive iceberg order that showed a small visible quantity to the market; and, on the opposite side of the market, placement of one or more orders that Trader A intended to cancel before execution (“Spoof Order(s)”), typically consisting of fully-visible passive order(s) for a larger total quantity. Generally, after receiving a fill on the Genuine Order, Trader A then canceled the Spoof Order(s). In placing the Spoof Orders, Trader A often used an order splitter to enter several smaller, randomly-sized orders, which further obscured Trader A’s pattern of trading from other market participants. Due in part to the splitting of orders, Trader A placed thousands of Spoof Orders over these hundreds of occasions.

On nearly a hundred occasions during October 2015 and November 2015, Trader B utilizing Tag50 IDs registered to himself and to junior traders at Belvedere, placed bids and offers via different or the same Tag50s for E-mini S&P 500 futures contracts with the intent to cancel the bids and offers before execution. Trader B’s trading pattern consisted of the

placement of a Genuine Order on one side of the market, and, on the opposite side of the market, the placement of one or more Spoof Orders, often layered in the order book. After receiving a fill on the Genuine Order, Trader B then canceled the Spoof Order(s). Trader B sometimes utilized different Tag50s to place the Spoof Orders and Genuine Order. Due in part to Trader B layering multiple Spoof Orders opposite the Genuine Order, Trader B placed hundreds of Spoof Orders on these nearly one hundred occasions.

### III.

#### LEGAL DISCUSSION

##### A. Spoofing in Violation of Section 4c(a)(5)(C) of the Act

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 the execution).” *See, e.g., United States v. Coscia*, 866 F.3d 782, 792-93 (7th Cir. 2017) (holding that because the Act clearly defines spoofing, it provides adequate notice of prohibited conduct), *cert denied*, 138 S. Ct. 1989 (2018).

As described above, during the Relevant Period, Belvedere, by and through the acts of the Traders, placed bids and offers for futures contracts listed on CME, a registered entity, with the intent to cancel those bids and offers before they were executed. By engaging in this conduct, Belvedere violated Section 4c(a)(5)(C) of the Act. *See 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”).

##### B. Respondent 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 Regulation 1.2, 17 C.F.R. § 1.2 (2019), provide that “[t]he 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.” Pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g., Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988); *Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *CFTC v. Byrnes*, 58 F. Supp. 3d 319, 324 (S.D.N.Y. 2014).

The Traders engaged in the conduct described herein within the course and scope of their employment or agency with Belvedere. Therefore, pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, Belvedere is liable for the acts, omissions, and failures of the Traders in violation of the provisions of the Act and Regulations cited above.

#### IV.

#### FINDINGS OF VIOLATIONS

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

#### V.

#### OFFER OF SETTLEMENT

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

- A. Acknowledges service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on 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 (2019), 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, tit. II, §§ 201-253, 110 Stat. 847, 857-74 (codified as amended at 28 U.S.C. § 2412 and 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 on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;

- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent 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 Respondent 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 one million one hundred thousand dollars (\$1,100,000), within ten days of the date of entry of this Order, plus post-judgment interest, if applicable; and
  - 4. Orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order.

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

## VI.

### ORDER

**Accordingly, IT IS HEREBY ORDERED THAT:**

- A. Respondent and its successors and assigns shall cease and desist from violating Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2012).
- B. Respondent shall pay a civil monetary penalty in the amount of one million one hundred thousand dollars (\$1,100,000) ("CMP Obligation"), within ten days of the date of the entry of this Order. If the CMP Obligation is not paid in full within ten days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

Respondent shall pay the CMP Obligation and any post-judgment interest 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, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326  
Commodity Futures Trading Commission  
Division of Enforcement  
6500 S. MacArthur Blvd.

HQ Room 181  
Oklahoma City, OK 73169  
(405) 954-6569 office  
(405) 954-1620 fax  
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondent shall contact Marie Thorne 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 the 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, DC 20581.

- C. Respondent and its successors and assigns 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 and assigns, agents, or employees under its 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. Respondent and its successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.
  2. Procedures and Controls To Detect Spoofing Activity: Respondent shall maintain systems and controls reasonably designed to detect spoofing activity by its traders, including, but not limited to, the systems and controls Respondent developed and implemented in response to the spoofing activity that is the subject of this Order. These systems and controls shall, at a minimum, be designed to detect and generate a report regarding patterns of trading that might constitute spoofing activity. Respondent's personnel shall promptly review such reports and follow up as necessary to determine whether spoofing activity has occurred.
  3. Training: Respondent shall maintain a training program that provides training, at least annually, addressing the legal requirements of the Act with regard to spoofing, to all employees trading on behalf of Respondent and other affiliated entities who submit any orders on futures markets and to their supervisors.
  4. Cooperation with the Commission: Respondent shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement ("Division"), in this action, and in any current or future Commission

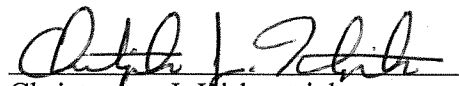
investigation or action related to the subject matter of this action. Respondent shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, the subject matter of this action. Respondent's cooperation shall continue for a period of five years from the date of entry of this Order. As part of such cooperation, Respondent agrees to:

- a. Subject to all applicable laws and regulations, preserve and produce to the Commission in a responsive and prompt manner, as requested by Division staff, all non-privileged documents, information, and other materials wherever located, including but not limited to audio files, electronic communications, and trading records and data, in the possession, custody, or control of Respondent;
  - b. Comply fully, promptly, completely, and truthfully, subject to any legally recognized privilege, with any inquiries or requests for information and documents by the Commission;
  - c. Identify and authenticate relevant documents and other evidentiary materials, execute affidavits or declarations, and provide a corporate representative to testify completely and truthfully at depositions, trial, and other judicial proceedings, when requested to do so by Division staff;
  - d. Use its best efforts to produce any current (as of the time of the request) officer, director, employee, or agent of Respondent, regardless of the individual's location and at such a location that minimizes Commission travel expenditures, to provide assistance at any trial, proceeding, or Commission investigation related to the subject matter of this proceeding, including, but not limited to, requests for testimony, depositions, and/or interviews, and to encourage them to testify completely and truthfully in any such trial, proceeding, or investigation; and
  - e. Subject to applicable laws and regulations, use its best efforts to assist in locating and contacting any prior (as of the time of the request) officer, director, employee, or agent of Respondent.
5. Prohibited or Conflicted Undertakings: Should the Undertakings herein be prohibited by, or be contrary to, the provisions of any obligations imposed on Respondent by any presently existing, or hereinafter enacted or promulgated laws, rules, regulations, or regulatory mandates, then Respondent shall promptly transmit notice to the Commission (through the Division) of such prohibition or conflict, and shall meet and confer in good faith with the Commission (through the Division) to reach an agreement regarding possible modifications to the Undertakings herein sufficient to resolve such inconsistent obligations. In the interim, Respondent will abide by the obligations imposed by the laws, rules, regulations, and regulatory mandates. Nothing in these Undertakings shall limit, restrict or narrow any obligations pursuant to the Act or the Commission's Regulations promulgated thereunder, in effect now or in the future.

6. 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.
7. Change of Phone/Address: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Order, Respondent shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten calendar days of the change.

**The provisions of this Order shall be effective as of this date.**

By the Commission.

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

Dated: September 30, 2019