

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



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**In the Matter of:** )  
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 **ARB Trading Group LP,** )  
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 **Respondent.** ) **CFTC Docket No. 20-74**  
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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 between March 2017 and June 2020 (“Relevant Period”), ARB Trading Group LP (“ARB Trading” or “Respondent”), violated Section 4c(a)(5)(C) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6c(a)(5)(C) (2018). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether ARB Trading 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, ARB Trading 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, ARB Trading 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> ARB Trading 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 agree that they shall be taken as true and correct and be given preclusive effect therein, without further proof. ARB Trading 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. ARB Trading 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, ARB Trading, through Traders 1, 2, 3, 4, and 5 (collectively, the “Traders”) engaged in hundreds of instances of the disruptive trading practice known as “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution). In the aggregate, the Traders engaged in spoofing in the lean hogs and live cattle futures contracts traded on the Chicago Mercantile Exchange (“CME”); silver and copper futures contracts traded on the Commodity Exchange (“COMEX”); soybean futures contracts traded on the Chicago Board of Trade (“CBOT”); and cotton, canola, and sugar futures contracts traded on ICE Futures, US (“ICE”), all of which are futures exchanges and designated contract markets. CME, COMEX, and CBOT are owned and operated by CME Group Inc., while ICE is owned and operated by Intercontinental Exchange, Inc. This conduct violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2018).

In accepting Respondent’s Offer, the Commission recognizes Respondent’s cooperation with the Division of Enforcement’s investigation of this matter and Respondent’s remediation.

### B. RESPONDENT

**ARB Trading Group LP** is proprietary trading firm headquartered in Chicago, Illinois. As relevant here, Traders 1 and 2 traded from Canada on behalf of ARB Trading’s subsidiary, 303 Proprietary Trading LLC; and Traders 3, 4, and 5 traded from India on behalf of ARB Trading’s subsidiary, ARB Trading Group North LLC. ARB Trading and its subsidiaries, 303 Proprietary Trading LLC and ARB Trading Group North LLC, have never been registered with the Commission.

### C. FACTS

#### 1. **Spoofing**

Trader 1 engaged in futures trading on behalf of ARB Trading and its wholly-owned subsidiary, 303 Proprietary Trading. On multiple occasions, between May 2017 and December 2017, Trader 1 placed bids and offers for soybean, silver, copper, and live cattle futures contracts with the intent to cancel the bids and offers before execution. Trader 1’s spoofing activity involved the placement of an order that he wanted to get filled (“Genuine Order”), on one side of the market, typically consisting of a passive order for ten or fewer contracts; and on the opposite side of the market, placement of one or more orders that he intended to cancel before execution (“Spoof Order”), typically consisting of one or more passive orders for, collectively, five times as many contracts as the Genuine Order. Generally, Trader 1 quickly canceled the Spoof Order after placing it, and often after his Genuine Order was filled.

Trader 2 engaged in futures trading on behalf of ARB Trading and its wholly-owned subsidiary, 303 Proprietary Trading. On multiple occasions, between March 2017 and July 2017, Trader 2 placed bids and offers for lean hogs and live cattle futures contracts with the intent to cancel the bids and offers before execution. Trader 2’s spoofing activity involved the

placement of a Genuine Order on one side of the market, typically consisting of a passive order for ten or fewer contracts; and on the opposite side of the market, placement of one or more Spoof Orders, typically consisting of a passive order for, collectively, at least five times as many contracts as the Genuine Order. Generally, Trader 2 quickly canceled the Spoof Order after placing it, and often after his Genuine Order was filled.

Trader 3 engaged in futures trading on behalf of ARB Trading and its wholly-owned subsidiary, ARB Trading Group North. On multiple occasions, between May 2018 and April 2019, Trader 3 placed bids and offers for cotton futures contracts with the intent to cancel the bids and offers before execution. Trader 3's spoofing activity involved placing a Genuine Order on one side of the market, typically consisting of an iceberg order with a small visible quantity; and on the opposite side of the market, placement of one or more Spoof Orders, often for more than five times the size of the visible quantity of the Genuine Order. Generally, Trader 3 quickly canceled the Spoof Orders after placing them, and often after his Genuine Order was filled. After being notified by the Commission's Division of Enforcement of an investigation into Trader 3's activity in cotton futures, Trader 3 engaged in similar trading activity in sugar futures contracts between May 2020 and June 2020.

Trader 4 engaged in futures trading on behalf of ARB Trading and its wholly-owned subsidiary, ARB Trading Group North. On multiple occasions, between May 2018 and March 2019, Trader 4 placed bids and offers for ICE futures contracts in cotton with the intent to cancel the bids and offers before execution. Trader 4's spoofing activity involved placing a Genuine Order on one side of the market, typically consisting of an iceberg order with a small visible quantity; and on the opposite side of the market, placement of multiple Spoof Orders—sometimes at different price levels—that, when aggregated totaled more than five times the size of the visible quantity of the Genuine Order. Generally, Trader 4 quickly canceled the Spoof Orders after placing them, and often after his Genuine Order was filled.

Trader 5 engaged in futures trading on behalf of ARB Trading and its wholly-owned subsidiary, ARB Trading Group North. On multiple occasions, between July 2019 and December 2019, Trader 5 placed bids and offers for ICE futures contracts in canola with the intent to cancel the bids and offers before execution. Trader 5's trading pattern generally involved the placement of a Genuine Order on one side of the market, typically consisting of a passive order for ten or fewer contracts; and, on the opposite side of the market, placement of one or more Spoof Orders, typically consisting of one or more passive orders for, collectively, at least five times as many contracts as the Genuine Order. Generally, Trader 5 quickly canceled the Spoof Orders after placing them, and often after his Genuine Order was filled.

Collectively, during the Relevant Period, the Traders placed hundreds of Spoof Orders for futures contracts traded on CME, COMEX, CBOT, and ICE; and the activity described above benefitted ARB Trading financially.

## **2. Remediation**

ARB Trading represents that, after being notified of the investigations, it undertook a series of remedial measures and other steps to improve its compliance processes. Among other things, it improved its training program and regularly conducted training on prohibitions against spoofing and other disruptive trading practices under the Act and relevant exchange rules. ARB

Trading also represents that it upgraded its trade monitoring capabilities, and now requires that trade monitoring alerts be reviewed by senior staff members. ARB Trading also represents that it hired additional compliance staff. Finally, ARB Trading, with the assistance of an outside consultant, rewrote its training and operations manuals to include a greater emphasis on the prevention of spoofing and other disruptive trading practices under the Act and relevant exchange rules.

### 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) (2018), 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, ARB Trading, by and through the acts of the Traders, placed bids and offers for futures contracts listed on CBOT, CME, COMEX, and ICE, registered entities, with the intent to cancel those bids and offers before they were executed. By engaging in this conduct, ARB Trading 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. ARB Trading Is Liable for the Acts of Its Agents

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2018), 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 scope of their agency with 303 Proprietary Trading LLC and ARB Trading Group North LLC. ARB Trading which is the parent company of 303 Proprietary Trading and ARB Trading Group North, is liable for all acts, omissions, and failures with respect to the conduct described above. *See In re Barclays PLC*, CFTC No. 15-25, 2015 WL 2445060, at \*16 (May 20, 2015).

#### **IV. FINDINGS OF VIOLATIONS**

Based on the foregoing, the Commission finds that, during the Relevant Period, ARB Trading violated Section 4c(a)(5)(C), 7 U.S.C. § 6c(a)(5)(C) (2018).

#### **V. OFFER OF SETTLEMENT**

ARB Trading 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 (2018) 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 ARB Trading has consented in the Offer;
- 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 ARB Trading violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2018);
  2. Orders ARB Trading to cease and desist from violating Section 4c(a)(5)(C) of the Act;
  3. Orders ARB Trading to pay a civil monetary penalty in the amount of four hundred forty-five thousand dollars (\$445,000), plus post-judgment interest within thirty days of the date of entry of this Order;
  4. Orders ARB Trading 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; and
- F. Represents that since learning of the investigations of ARB Trading and the Traders, ARB Trading implemented remedial measures relating to its futures trading. Among other things, ARB Trading and its wholly-owned subsidiaries:
1. hired additional compliance personnel;
  2. developed and implemented an automated trade surveillance system, which includes surveillance for manipulative and deceptive trading such as spoofing;
  3. assigned an experienced, senior executive to review automated trade surveillance alerts; and
  4. established periodic compliance training for all traders, as well as ARB Trading's leadership.

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

## **VI. ORDER**

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

- A. ARB Trading 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) (2018).
- B. ARB Trading shall pay a civil monetary penalty in the amount of four hundred forty-five thousand dollars (\$445,000) ("CMP Obligation"), within thirty days of the date of entry of this Order. If the CMP Obligation is not paid in full within thirty days of the date of entry of this Order, then post-judgment interest shall accrue on any unpaid CMP Obligation beginning on the date following 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 (2018).

ARB Trading shall pay its 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, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

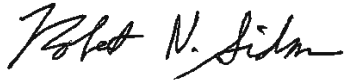
MMAC/ESC/AMK326  
Commodity Futures Trading Commission  
Division of Enforcement  
6500 S. MacArthur Blvd.  
HQ Room 181  
Oklahoma City, OK 73169  
(405) 954-6569 office  
(405) 954-1620 fax  
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic transfer, ARB Trading shall contact Marie Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. ARB Trading shall accompany payment of the CMP Obligation with a cover letter that identifies ARB Trading and the name and docket number of this proceeding. ARB Trading 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. ARB Trading and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: ARB Trading agrees that neither it nor any of its successors, 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 ARB Trading's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. ARB Trading and its successors and assigns shall comply with this Order, and shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement.
  2. Partial Satisfaction. ARB Trading understands and agrees that any acceptance by the Commission of any partial payment of ARB Trading'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.
  3. Change of Address/Phone: Until such time as ARB Trading satisfies in full its CMP Obligation as set forth in this Order, ARB Trading shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing addresses within ten calendar days of the change.

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

By the Commission.



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Robert N. Sidman  
Deputy Secretary of the Commission  
Commodity Futures Trading Commission

Dated: September 30, 2020