UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

COMMODITY FUTURES TRADING COMMISSION, Plaintiff, v. ROMAN BANOCZAY, JR., ROMAN BANOCZAY, SR., and BAZUR SPOL. S.R.O., Defendants.	Civil Action No. 1:20-cv-05777 Hon. Judge Gary S. Feinerman Hon. Mag. Judge Jeffrey I. Cummings

CONSENT ORDER FOR PERMANENT INJUNCTION, CIVIL MONETARY PENALTY, AND OTHER EQUITABLE RELIEF AGAINST DEFENDANTS ROMAN BANOCZAY, JR.; ROMAN BANOCZAY, SR.; AND BAZUR SPOL S.R.O.

I. INTRODUCTION

On September 29, 2020, Plaintiff Commodity Futures Trading Commission ("Commission" or "CFTC") filed a Complaint (ECF No. 1) against Defendants Roman Banoczay, Jr. ("Junior"), Roman Banoczay, Sr. ("Senior"), and BAZUR spol. S.R.O. ("BAZUR," collectively with Junior and Senior, "Defendants") seeking injunctive and other equitable relief, as well as the imposition of civil penalties, for violations of the Commodity Exchange Act ("Act"), 7 U.S.C. §§ 1–26 (2018), and the Commission's Regulations ("Regulations") promulgated thereunder, 17 C.F.R. pts. 1–190 (2020).

II. CONSENTS AND AGREEMENTS

To effect settlement of all charges alleged in the Complaint against Defendants without a trial on the merits or any further judicial proceedings, Defendants:

1. Consent to the entry of this Consent Order for Permanent Injunction, Civil Monetary Penalty, and Other Equitable Relief Against Defendants ("Consent Order");

2. Affirm that they have read and agreed to this Consent Order voluntarily, and that no promise, other than as specifically contained herein, or threat, has been made by the Commission or any member, officer, agent, or representative thereof, or by any other person, to induce consent to this Consent Order;

3. Acknowledge service of the summons and Complaint;

4. Admit the jurisdiction of this Court over them and the subject matter of this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018);

5. Admit the jurisdiction of the Commission over the conduct and transactions at issue in this action pursuant to the Act;

6. Admit that venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e);

7. Waive:

   (a) Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2018) and 28 U.S.C. § 2412 (2018), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2020), relating to, or arising from, this action;

   (b) Any and all claims that they 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 action;

(c) Any claim of Double Jeopardy based upon the institution of this action or the entry in this action of any order imposing a civil monetary penalty or any other relief, including this Consent Order; and

(d) Any and all rights of appeal from this action;

8. Consent to the continued jurisdiction of this Court over them for the purpose of implementing and enforcing the terms and conditions of this Consent Order and for any other purpose relevant to this action, even if Defendants now or in the future reside outside the jurisdiction of this Court;

9. Agree that they will not oppose enforcement of this Consent Order on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and hereby waives any objection based thereon;

10. Agree that neither they nor any of their agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any allegation in the Complaint or the Findings of Fact or Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint or this Consent Order is without a factual basis; provided, however, that nothing in this provision shall affect their: (a) testimonial obligations; or (b) right to take legal positions in other proceedings to which the Commission is not a party. Defendants shall comply with this agreement, 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;

11. Consent to the entry of this Consent Order without admitting or denying the allegations of the Complaint or any findings or conclusions in this Consent Order, except as to jurisdiction and venue, which they admit in Paragraphs 4 through 6 above;

12. Consent to the use of the findings and conclusions in this Consent 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 the findings and conclusions in this Consent Order shall be taken as true and correct and be given preclusive effect therein, without further proof;

13. Do not consent, however, to the use of this Consent Order, or the findings and conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party, other than: a statutory disqualification proceeding; a proceeding in bankruptcy, or receivership; or a proceeding to enforce the terms of this Order;

14. Agree to provide immediate notice to this Court and the Commission by certified mail, in the manner required by paragraph 84 of Part VI of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against them, whether inside or outside the United States; and

15. Agree that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against Defendants in any other proceeding.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Court, being fully advised in the premises, finds that there is good cause for the entry of this Consent Order and that there is no just reason for delay. The Court therefore directs the entry of the following Findings of Fact, Conclusions of Law, permanent injunction and equitable relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), as set forth herein.

THE PARTIES AGREE AND THE COURT HEREBY FINDS:

A. Findings of Fact

i. The Parties to this Consent Order

16. Plaintiff **Commodity Futures Trading Commission** is the independent federal regulatory agency charged by Congress with administering and enforcing the Act and Regulations.

17. Defendant **Roman Banoczay, Jr.** is a resident of Bratislava, Slovakia and is Senior's son. Junior has never been registered with the Commission in any capacity. Junior directed the trading of commodity futures through accounts held by Senior and BAZUR. Junior was authorized to do so by Senior and BAZUR.

18. Defendant **BAZUR Spol. S.R.O.** is a Slovak business entity based in Bratislava, Slovakia. BAZUR has never been registered with the Commission in any capacity.

19. Defendant **Roman Banoczay, Sr.** is a resident of Bratislava, Slovakia. Senior has never been registered with the Commission in any capacity. Senior is the CEO and statutory authorized representative of BAZUR.

ii. Fundamentals of Crude Oil Futures Markets

20. A futures contract is an agreement to buy or sell a commodity for delivery or cash settlement in the future at a specified price.

21. The West Texas Intermediate crude oil futures contract ("Crude Oil" contract) is traded on the New York Mercantile Exchange ("NYMEX"). The standard contract unit for the Crude Oil contract (one "lot," in trading terminology) equals 1,000 barrels of oil. The contract price is quoted in dollars per barrel, with a minimum price change (commonly referred to as a "tick") of $0.01 per barrel. Because one Crude Oil contract equals 1,000 barrels, a one-tick

change in the quoted price results in a $10 change in the actual price of a single lot ($0.01 per barrel x 1,000 barrels).

iii. Operation of CME's Electronic Trading Platform (Globex)

22. The CME Group ("CME") is a holding company that owns NYMEX and operates an electronic trading platform known as Globex that is located in Aurora, Illinois. The Crude Oil contract can be traded on Globex between 5:00 p.m. Central Time on Sunday evening and 4:00 p.m. Central Time on Friday afternoon.[1] Globex is an open-access marketplace that allows traders to view the book of visible orders and prices for futures contracts, and enter their own orders to buy or sell futures contracts. An "order," in the context of electronic exchange trading, is a request submitted to the exchange to buy (that is, "bid") or sell (that is, "offer" or "ask") a certain number of a specified futures contract. An order may be for one or more lots. Orders are entered into the exchange's order book, and when there is a willing buyer and seller for a contract at a specified price, a transaction occurs and the orders are "filled" or "executed." At any time before an order is fully filled, a trader may "cancel" the order. When an order is canceled, the contracts that have not yet been bought or sold are pulled from the order book.

23. When a bid or offer is submitted through Globex, it becomes part of the list of orders reflected in the "order book" for a particular futures contract. Traders are able to see the "visible" portion of the order book (also known as "market depth") for at least ten price levels on the buy side and for at least ten price levels on the sell side for all market participants. The visible portion of the order book includes only the aggregate number of orders at each price level and the aggregate number of lots comprising those orders. The identities of the traders who

[1] All times described in this Consent Order are expressed in Central Time, unless otherwise stated.

placed the orders and the number of lots sought in any particular order are not visible to market participants.

24. For example, if the "best-bid" (the highest price at which any trader is willing to buy) is 6500, and the "best-ask" (the lowest price at which any trader is willing to sell) is 6501, then on the buy side, the visible order book displays the lots available at price levels of 6500, 6499, 6498, 6497, and so forth until reaching the tenth-highest price level at 6491.[2] On the sell side, the book displays the lots available at price levels of 6501, 6502, 6503, 6504, and so forth until reaching the tenth-lowest price level at 6510. The "bid-ask spread" is the difference between the best-ask and best-bid price levels; accordingly, the bid-ask spread in the example above is 1 (6501 less 6500).

25. An "aggressive" order is an order that crosses, or aggresses, the bid-ask spread in order to execute a trade. An aggressive buy order is a bid placed at the best-ask price or higher, i.e., an order to buy at a price at which at least one other trader is currently willing to sell. An aggressive sell order is an offer placed at the best-bid price or lower, i.e., an order to sell at a price at which at least one other trader is currently willing to buy.

26. A "resting" order, by contrast, does not cross the bid-ask spread. A resting buy order is a bid placed at the best-bid price or lower, i.e., an order to buy at a price that is lower than the price that other traders are currently willing to sell. A resting sell order is placed at the best-ask price or higher, i.e., an order to sell at a price that is higher than the price that other traders are currently willing to buy.

[2] Globex displays the price for the Crude Oil contract (and other futures contracts) without decimal points. In this example, the best bid is equal to a contract price of $65.00 per barrel, and the best-ask is equal to a contract price of $65.01 per barrel.

iv. How Futures Markets Respond to Order Activity

27. All else being equal, in futures markets—including the crude oil futures market—prices will generally rise when there is more interest in buying a particular contract (i.e., the demand side) than there is in selling (i.e., the supply side); conversely, prices will generally fall when supply exceeds demand (i.e., there is more interest in selling than buying).

28. Many market participants incorporate these general supply and demand concepts into their trading decisions. Market participants consider, for example, liquidity and market depth—i.e., the volume of lots and orders at various prices of the visible order book—to determine whether there is generally more interest to buy or to sell in the market at any given time, and thus whether a corresponding price change is likely. Market participants also consider "order book balance" or "order book pressure"—i.e., the ratio of lots and orders on the bid side of the market to the lots and orders on the offer side of the market. Many market participants use automated trading systems that analyze the market for imbalances in the order book and use that information to inform trading decisions.

29. For instance, if there are substantially more lots and/or orders on the bid side than on the offer side, market participants may reasonably believe that there is more interest to buy than to sell, and thus infer that a price increase is likely. These market participants may then trade accordingly, and some may attempt to buy lots before the expected price increase. In such a case, these market participants would place aggressive buy orders (i.e., at a higher price than the currently resting buy orders in the market), making execution of resting sell orders more likely.

v. Mechanics of Spoofing in Futures Markets

30. Spoofing and related manipulative or deceptive trading strategies seek to take advantage of these market fundamentals and market participants' reactions to them. This might be done, for example, by placing one or more resting orders (which the trader intends to execute) on the sell side of the market, and then placing one large order or a series of relatively large orders (which the trader intends to cancel before execution) on the buy side. The large orders on the buy side would create an order book imbalance and convey a false appearance that there is more interest to buy than to sell in the market. This might deceive other market participants into trading at a time, price, or quantity they otherwise would not have, in a way that benefits the trader. In this example, the trader's large buy orders could deceive other market participants into placing aggressive orders to buy, thus moving the price higher and allowing the trader's sell orders to be executed sooner, at a better price, and/or in larger quantities than they otherwise would have been executed. Once the trader executes his desired sell orders, he would cancel the larger orders on the other side of the market.

vi. Junior's Manipulative and Deceptive Scheme

a) <u>Junior's Trading and Overview of Spoofing Scheme</u>

31. From approximately October 31, 2013, through April 19, 2018, Senior held trading accounts at a futures commission merchant that is headquartered in Greenwich, Connecticut. These accounts included a primary account in the name of Senior, and two sub-accounts, one in the name of Senior and another in the name of BAZUR (together, the "Futures Trading Accounts"). According to paperwork filed with the futures commission merchant, both sub-accounts authorized "Roman Banoczay" to act as financial advisor and exercise discretionary trading authority over them.

32. Junior entered orders and executed trades through the Futures Trading Accounts, and was the only person who did so. Junior traded manually, by submitting orders, cancelations, and modifications using a computer mouse or keyboard. Junior traded in the Futures Trading Accounts on his own behalf, and on behalf of Senior and BAZUR. Senior and BAZUR authorized and were aware of Junior's trading. Junior was an agent of both BAZUR and Senior, and all of his trading in the Futures Trading Accounts was conducted within the scope of and in furtherance of that agency.

33. From January 16, 2018 through February 12, 2018 (the "Relevant Period"), Junior engaged in a manipulative and deceptive scheme (the "Scheme") that consisted of spoofing the crude oil futures market on CME's Globex electronic trading platform. When he engaged in the Scheme, Junior knew or was reckless to the fact that his spoof orders would send false signals of increased supply or demand (i.e., increased selling or buying interest) into the market and would deceive or trick other market participants.

34. Junior's turn to spoofing came amid a string of significant trading losses that he incurred in January 2018. Specifically, he lost more than $289,000 on January 10, more than $624,000 on January 24, and more than $87,000 on January 26.

35. In the face of these losses, Junior started implementing and refining a spoofing strategy. Junior began to spoof on January 16, and from that point through the end of that month, he engaged in between seven and seventy-seven spoofing events each day.

36. Junior often spoofed into and out of corresponding positions in the market—in other words, in several instances Junior bought a long position in the market through spoofing, and then offset that long position by spoofing to sell a corresponding short position. This behavior earned Junior a profit based on the difference in price between his buy and sell. In

early February, Junior's spoofing accelerated. By February 2, he started spoofing consistently and increasingly, executing seventy-six to 340 spoofing events per day until February 12, when he engaged in more than 700 spoofing events in a single day. After that, his futures commission merchant put a hold on his account.

37. During the Relevant Period, Junior engaged in approximately 2,000 distinct spoofing events. These 2,000 events encompassed more than 19,000 individual spoof orders.

38. Junior's sudden and substantial reliance on spoofing was successful in helping to offset his earlier trading losses. For example, during his most intense spate of spoofing, from February 2 through February 12, he earned more than $332,000 in profits over just eight days of trading.

b) <u>Junior's Spoofing Technique</u>

39. Junior's Scheme followed a general pattern: (i) placing a small order (between one and forty lots) for Crude Oil futures that he intended to execute ("Genuine Orders"); (ii) within seconds before or after entering a Genuine Order, placing a series of much larger resting orders (more than 95% of which were forty lots each) in rapid succession at various price levels on the opposite side of the market, which he intended to cancel before execution ("Layered Spoof Orders"); and (iii) canceling his Layered Spoof Orders within seconds of his Genuine Order being filled.

40. Junior's Scheme was designed to benefit financially from market participants' reaction to his Layered Spoof Orders. The following is a simplified explanation of how his Scheme was intended to work, using a hypothetical example of Layered Spoof Orders on the buy side. Junior would place a series of large (almost exclusively 40-lot) Layered Spoof Orders to buy that would result in an increase in demand in the order book (i.e., create or add to an order

book imbalance in which orders to buy outweigh orders to sell). This increase would be visible to other market participants and may lead them to conclude that the price is likely to rise. This conclusion, in turn, would impact market participants' decisions, including prompting some to attempt to purchase contracts before the predicted rise in price happens. In such a case, these participants would place aggressive orders to buy (i.e., at a higher price than the currently resting bids in the market), which would enable orders on the opposite side of the Layered Spoof Orders—including Junior's Genuine Orders—to sell sooner, at a better price, or in larger quantities than they otherwise would.

41. Junior's Genuine Order and Layered Spoof Orders were active simultaneously on opposite sides of the market, but, as noted above, the Layered Spoof Orders encompassed a far greater total volume than the Genuine Order—the average ratio of Layered Spoof Order lots to Genuine Order lots for events was about 8-to-1, and in each event Junior created an imbalance of at least 100 lots between his Layered Spoof Orders and Genuine Orders. Thus, Junior intended his spoofing activity to put pressure on the price in the direction of his Genuine Order and to deceive or trick other market participants into filling his Genuine Order at his desired price.

42. By engaging in the Scheme as described herein, Junior entered Layered Spoof Orders either intentionally to send a false signal to the market (or in reckless disregard of the fact that entering these orders would send such a false signal) that he actually wanted to buy or sell the number of contracts specified in those orders—a signal that injected false information about supply and demand into the market. Junior knew or recklessly disregarded that the false information about supply and demand would lure market participants to trade against his Genuine Orders on the opposite side of the market—allowing them to fill sooner, at a better price, or in larger quantities than they otherwise would.

43. The risk that his Layered Spoof Orders could mislead other market participants into believing there was genuine supply or demand was so obvious that Junior must have been aware of it. He knew that his Layered Spoof Orders would appear in the order book and that traders often consider order book information in making trading decisions. Although Junior's Layered Spoof Orders were visible to the rest of the market, his identity as the originator of those orders was not. Accordingly, Junior knew that other market participants could not see that the same trader had placed all of the Layered Spoof Orders, or that the same trader had placed the Layered Spoof Orders and the Genuine Orders, which might have tipped off market participants that his Layered Spoof Orders were not bona fide. Thus, Junior was, at least, reckless with respect to the danger that his Layered Spoof Orders would mislead other market participants.

44. Virtually all of Junior's more than 19,000 individual Layered Spoof Orders—encompassed within the approximately 2,000 distinct spoofing events—were canceled immediately before or after a fill of a Genuine Order. The predictable sequence inherent in Junior's spoofing pattern, repeated over and over in a span of just 27 days, demonstrates that Junior was not reacting to market changes when he canceled his Layered Spoof Orders; rather, he was carrying out a predetermined strategy that was not dependent on market conditions.

c) <u>Examples of Junior's Spoofing Scheme</u>

45. A few examples of Junior's spoofing activity are illustrated below. All of these examples share a common theme that is generally consistent with Junior's spoofing activity throughout the Relevant Period: Junior placed a small Genuine Order on one side of the market, quickly preceded or followed by a set of much larger Layered Spoof Orders on the opposite side of the market. These Layered Spoof Orders created or exacerbated a significant market

imbalance (and concomitant price pressure) and were cancelled within close proximity of the Genuine Order being filled.

(1) <u>Event Example 1: January 25, 2018</u>

46. On January 25, 2018, between 06:31:40.482 and 06:31:44.386 a.m., Junior sold ten lots of the Crude Oil futures contract with March 2018 expiry at a price of $66.31 per barrel. Around the same time, Junior placed a Genuine Order to buy ten lots of the same contract at $66.29.[3]

47. Approximately 1.2 seconds after finalizing his Genuine Order to buy, at 06:31:45.692 a.m., Junior began entering a series of much larger 40-lot Layered Spoof Orders on the sell side of the market in order to put downward pressure on the price so that his Genuine Order to buy would be executed at its resting price. Specifically, within approximately eight seconds (between 06:31:45.692 and 06:31:53.557 a.m.), Junior placed nine distinct Layered Spoof Orders, each to sell forty lots of the Crude Oil futures contract. Junior placed these orders at the following prices, in sequence: $66.36, $66.35, $66.34, $66.33, $66.32, $66.31, $66.31, $66.30, $66.30. Junior canceled his first Layered Spoof Order at $66.31 about one second after placement, and did the same with his first Layered Spoof Order at $66.30, canceling it within 400 milliseconds after placement. In other words, in a span of seconds, Junior placed one bid to buy a total of ten lots, and nine offers to sell a total of 360 lots.

48. Junior's attempt to put downward pressure on the price and stimulate selling interest was successful. Between the placement of his first and fifth Layered Spoof Orders, all resting buy orders at $66.30 were canceled or executed, and the best bid moved down to $66.29,

[3] Junior initially placed his Genuine Order to buy at a different quantity and price, and modified it on multiple occasions before finalizing it at 06:31:44.504 a.m.

the price of Junior's resting Genuine Order to buy. As Junior continued to place Layered Spoof Orders to sell, the liquidity available (i.e., the number of resting orders) at $66.29 continued to fall, which brought Junior's resting Genuine Order closer to the front of the queue.

49. Finally, at 06:31:53.559 a.m.—about two milliseconds after Junior placed his final Layered Spoof Order to sell—his 10-lot Genuine Order to buy was fully filled. Within 400 milliseconds of the fill, Junior began canceling all seven of the remaining 40-lot offers he had just finished placing, a process he completed in just over three seconds. He began at 06:31:53.948 a.m. by canceling the offer at $66.30 per barrel, which was by then the third best offer price. Between 06:31:54.072 and 06:31:56.953 a.m., a span of less than three seconds, Junior canceled his remaining Layered Spoof Orders at $66.36, $66.35, $66.34, $66.31, $66.32, and $66.33, respectively.[4]

50. In summary, while waiting for a fill on his Genuine Order to buy ten lots at his desired (lower) price, Junior put downward pressure on the price by placing a total of nine offers to sell a total of 360 lots which, at the time of placement, he intended to cancel and did in fact cancel without any lots being filled.

(2) <u>Event Example 2: February 1, 2018</u>

51. On February 1, 2018, at 02:10:26.943 a.m., Junior sold ten lots of the Crude Oil futures contract with March 2018 expiry at a price of $64.75 per barrel. Less than three seconds later, Junior placed a Genuine Order to buy ten lots of the same contract at a price of $64.73 per barrel.[5]

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[4] Junior first modified his 40-lot orders at $66.36, $66.35, and $66.34, respectively down to twenty lots, before canceling them between 06:31:54.072 and 06:31:54.105 a.m.

[5] As with Example 1, Junior initially input this order at a different quantity and price, and modified it multiple times before finalizing it at 02:10:29.657 a.m.

52. Less than six seconds after modifying the Genuine Order, at 02:10:35.632 a.m., Junior began entering a series of much larger 40-lot Layered Spoof Orders on the sell side of the market in order to put downward pressure on the price so that his Genuine Order to buy would be executed at its resting price. Specifically, within approximately six seconds (between 02:10:35.632 and 02:10:41.857 a.m.), Junior placed twelve distinct Layered Spoof Orders, each to sell forty lots of the Crude Oil futures contract. Junior placed these orders at the following prices, in sequence: $64.85, $64.84, $64.83, $64.82, $64.81, $64.80, $64.79, $64.78, $64.77, $64.76, $64.75, $64.74. In other words, in a span of seconds, Junior placed one bid to buy a total of ten lots, and twelve offers to sell a total of 480 lots.

53. Junior's attempt to put downward pressure on the price and stimulate selling interest was successful. All resting buy orders at $64.75 were executed or canceled, which moved the best bid down to $64.74, one tick away from Junior's resting Genuine Order to buy. As Junior continued to place Layered Spoof Orders to sell, the liquidity available at $64.74 fell until the best bid moved down to $64.73. As liquidity continued to fall further at $64.73, Junior's resting Genuine Order moved closer to the front of the queue.

54. Finally, at 02:10:41.859 a.m.—about two milliseconds after Junior placed his twelfth Layered Spoof Order to sell—his ten-lot Genuine Order to buy was fully filled. Within 350 milliseconds of the fill, Junior began canceling all twelve of the 40-lot offers he had just finished placing, a process he completed within five seconds.[6] He began at 02:10:42.199 a.m. by canceling the offer at $64.74 per barrel, which was by then the best offer price. Between 02:10:42.366 and 02:10:42.414 a.m., a span of less than 100 milliseconds, he canceled all of the

[6] Junior modified four of his Layered Spoof Orders to sell down to twenty lots before canceling immediately after.

offers between \$64.79 and \$64.85, and between 02:10:44.455 and 02:10:46.265 a.m., he canceled his 40-lot offers at \$64.75, \$64.76, \$67.77, and \$64.78 per barrel.

55. In summary, while waiting for a fill on his Genuine Order to buy ten lots at his desired (lower) price, Junior put downward pressure on the price by placing twelve offers to sell a total of 480 lots which, at the time of placement, he intended to cancel and did in fact cancel without any lots being filled.

(3) <u>Event Example 3: February 12, 2018</u>

56. On February 12, 2018, at 03:02:13.105 a.m., Junior began entering a series of 40-lot Layered Spoof Orders to buy Crude Oil futures contracts with March 2018 expiry in order to put upward pressure on the price. Specifically, within approximately six seconds (between 03:02:13.105 and 03:02:18.875 a.m.), Junior placed eight distinct Layered Spoof Orders, each to buy forty lots of the Crude Oil futures contract. Junior placed these orders at the following prices, in sequence: \$60.38, \$60.39, \$60.40, \$60.41, \$60.42, \$60.43, \$60.44, \$60.40. At the start of the first order, the best bid was \$60.45 per barrel and the best offer was \$60.46 per barrel.

57. Junior's attempt to put upward pressure on the price and stimulate buying interest was successful. Between the placement of his first and third Layered Spoof Orders, the liquidity available at \$60.45 completely disappeared, and the best bid moved up to \$60.46.

58. At 03:02:18.576 a.m., within 1.2 seconds after the seventh of his eight Layered Spoof Orders to buy, Junior placed a Genuine Order to sell forty lots of the same contract at a price of \$60.46 per barrel.[7] At the time, the best bid was \$60.46 per barrel and the best offer was

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[7] Junior's eighth and final Layered Spoof Order was placed less than 300 milliseconds *after* he filled his 40-lot aggressive Genuine Order to sell on the opposite side, however he canceled it within 2.358 seconds.

$60.47 per barrel, meaning that Junior's sale was an aggressive offer that crossed the bid-ask spread. The order was fully filled within one millisecond.

59. Within 320 milliseconds of the final fill on the Genuine Order to sell, Junior began canceling all eight of the 40-lot bids he had placed, a process he completed in less than 2.5 seconds. He began at 03:02:18.894 a.m., by first canceling the bid at $60.38 per barrel.[8] The remaining seven Layered Spoof Orders were canceled in a span of four milliseconds, between 03:02:21.229 and 03:02:21.233 a.m.

60. In summary, in order to move the price up to aggressively sell at $60.46, Junior placed a total of eight bids to buy a total of 320 lots which, at the time of placement, he intended to cancel and did in fact cancel without any lots being filled.

61. Approximately 1.2 seconds after Junior canceled his last Layered Spoof Order to buy, and within four seconds of executing his Genuine Order to sell at $60.46, Junior reversed course and began entering a series of 40-lot Layered Spoof Orders to now sell Crude Oil futures contracts with the same expiry in order to, this time, put downward pressure on the price. Specifically, within approximately five seconds (between 03:02:22.251 and 03:02:27.305 a.m.), Junior placed eight distinct Layered Spoof Orders, each to sell forty lots of the Crude Oil futures contract. Junior placed these orders at the following prices, in sequence: $60.53, $60.52, $60.50, $60.49, $60.48, $60.47, $60.46, $60.50.[9] At the start of the first order, the best bid was $60.43 per barrel and the best offer was $60.44 per barrel.

[8] Junior first modified the order down to twenty lots before canceling it 18 milliseconds later.

[9] The first of these Layered Spoof Orders was modified down to 20 lots at 3:02:24.984 a.m., about 2.7 seconds after placement and after the placement of the seventh Layered Spoof Order, and was ultimately canceled less than 100 milliseconds later, at 3:02:25.035 a.m.

62. Junior's attempt to put downward pressure on the price and stimulate selling interest was successful, but not sustained. Approximately seven milliseconds after his sixth Layered Spoof Order, the best ask moved down to $60.43 and the best bid to $60.42. However, this was short-lived, and the best ask and bid moved back up to $60.44 and $60.43, respectively, four milliseconds later. One millisecond after Junior's next Layered Spoof Order, at 03:02:24.980 a.m., the best ask and bid moved back down to $60.43 and $60.42, respectively, for approximately eight milliseconds, before moving back up again by $0.01 each.

63. Nevertheless, Junior succeeded in increasing the liquidity available at the best ask of $60.44. At 03:02:26.928 a.m., approximately two seconds after the seventh of his eight Layered Spoof Orders to sell, Junior placed a Genuine Order to buy forty lots of the same contract at a price of $60.44 per barrel.[10] At the time, the best bid was $60.43 per barrel and the best offer was $60.44 per barrel, meaning that Junior's bid was an aggressive bid that crossed the bid-ask spread. The order was fully filled within one millisecond.

64. Within 430 milliseconds of the final fill on his Genuine Order to buy, Junior began canceling all of the 40-lot offers he had placed, a process he completed in less than three seconds. He began at 03:02:27.351 a.m., by first canceling the bid at $60.52.[11] The remaining six Layered Spoof Orders were canceled in a span of three milliseconds, between 03:02:29.505 a.m. and 03:02:29.508 a.m.

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[10] Junior's eighth and final Layered Spoof Order was placed less than 500 milliseconds *after* he filled his 40-lot aggressive Genuine Order to buy on the opposite side, however he canceled it within 2.203 seconds.

[11] Junior first modified the bid at $60.52 per barrel down to twenty lots, and canceled it forty-eight milliseconds later.

65. In summary, in order to move the price down to aggressively buy at $60.44, Junior placed a total of eight offers to sell a total of 320 lots which, at the time of placement, he intended to cancel and did in fact cancel without any lots being filled.

66. Thus, as this example shows, within a span of seventeen seconds, Junior first placed a set of Layered Spoof Orders to buy 320 lots, causing upward pressure on the price so that he could place and immediately fill his aggressive Genuine Order to sell forty lots at $60.46. Immediately following the cancelations of his Layered Spoof Orders to buy, Junior placed a set of Layered Spoof orders to sell 320 lots, causing downward pressure on the price so that he could place and immediately fill his aggressive Genuine Order to buy forty lots at $60.44. As a result, and as in the first two examples, Junior made a profit of $0.02 per barrel.

B. Conclusions of Law

Jurisdiction and Venue

67. This Court has jurisdiction over this action under 28 U.S.C. § 1331 (2018) (federal question jurisdiction) and 28 U.S.C. § 1345 (2018) (providing that district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). Section 6c(a) of the Act, 7 U.S.C. § 13a-1(a) (2018), authorizes the Commission to seek injunctive relief in any proper district court of the United States against any person whenever it shall appear to the Commission that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order thereunder.

68. Venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e), because Defendants transacted business in the Northern District of Illinois by trading commodity futures on the New York Mercantile Exchange through the CME Group's Globex trading platform,

which is located in this District. In addition, the acts and practices in violation of the Act and Regulations occurred within this District.

vii. Spoofing

69. Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2018), provides that "[i]t shall be unlawful for any 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)."

70. By reason of the conduct described in paragraphs 16 through 66 above, Junior engaged in trading, practices, 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).

71. In placing each Layered Spoof Order, Junior acted with the intent to cancel the bid or offer before execution in violation of 7 U.S.C. § 6c(a)(5)(C).

72. The foregoing acts, omissions and failures of Junior occurred during the scope of his employment, office, or agency with Senior and BAZUR; therefore, pursuant to 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 (2020), Senior and BAZUR are liable for Junior's acts, omissions, and failures in violation of 7 U.S.C. § 6c(a)(5)(C).

73. Unless restrained and enjoined by this Court, there is a reasonable likelihood that Defendants will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act and Regulations.

viii. Use of a Manipulative and Deceptive Device, Scheme, or Artifice

74. Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), provides that "[i]t shall be unlawful for any person, directly or indirectly, to use or employ, or attempt to use or employ, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, any manipulative or deceptive device or contrivance, in contravention of such rules and regulations as the Commission shall promulgate."

75. Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019), provides that "[i]t shall be unlawful for any person, directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly: (1) [u]se or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; . . . [or] (3) [e]ngage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person."

76. By reason of the conduct described above, Junior, in connection with a contract for future delivery on a registered entity, intentionally or recklessly: (1) used or employed, or attempted to use or employ, manipulative devices, schemes, or artifices to defraud; or (2) engaged, or attempted to engage, in acts, practices, or courses of business, which operated or would have operated as a fraud or deceit upon market participants in violation of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a)(1) and (3), 17 C.F.R. § 180.1(a)(1), (3) (2020).

77. The foregoing acts, omissions and failures of Junior occurred during the scope of his employment, office, or agency with Senior and BAZUR; therefore, pursuant to 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 (2020), Senior and BAZUR are liable for Junior's acts, omissions, and failures in violation of 7 U.S.C. § 6c(a)(5)(C).

78. Unless restrained and enjoined by this Court, there is a reasonable likelihood that Defendant will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act and Regulations.

IV. PERMANENT INJUNCTION

IT IS HEREBY ORDERED THAT:

79. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), Defendants are permanently restrained, enjoined and prohibited from directly or indirectly:

a. engaging 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) in violation of Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C) (2018); and

b. intentionally or recklessly: (1) using or employing, or attempting to use or employ, manipulative devices, schemes, or artifices to defraud; or (2) engaging or attempting to engage, in acts, practices, or courses of business, which operated or would have operated as a fraud or deceit upon market participants, in violation of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a)(1)–(3), 17 C.F.R. § 180.1(a)(1)–(3) (2020).

80. Defendants are also restrained, enjoined and prohibited, for a period of two years from the date of entry of this Consent Order, from directly or indirectly:

a. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018));

b. Entering into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2020)), for their own personal account or for any account in which they have a direct or indirect interest;

c. Having any commodity interests traded on their behalf;

d. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests;

e. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;

f. Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2020); or

g. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2020)), agent, or any other officer or employee of any person (as that term is defined in Section 1a(38) of the Act,7 U.S.C. § 1a(38) (2018)), registered, exempted from registration or required to be registered with the Commission except as provided for in 17 C.F.R. § 4.14(a)(9).

V. CIVIL MONETARY PENALTY

IT IS HEREBY FURTHER ORDERED THAT:

81. Junior shall pay a civil monetary penalty in the amount of seven hundred fifty thousand dollars ($750,000) ("CMP Obligation"). If the CMP Obligation is not paid in full within ten (10) days of the date of the entry of this Consent Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Consent Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961 (2018).

82. Junior shall pay his 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, Junior shall contact 9-AMC-AR-CFTC@faa.gov to receive payment instructions and shall fully comply with those instructions. Junior shall accompany payment of the CMP Obligation with a cover letter that identifies Junior and the name and docket number of this proceeding. Junior 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.

Junior shall also transmit a copy of the cover letter and the form of payment to Rick Glaser, Deputy Director, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

83. Partial Satisfaction: Acceptance by the Commission of any partial payment of Junior's CMP Obligation shall not be deemed a waiver of his obligation to make further payments pursuant to this Consent Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

VI. MISCELLANEOUS PROVISIONS

84. Notice: All notices required to be given by any provision in this Consent Order shall be sent certified mail, return receipt requested, as follows:

Notice to Commission:

Rick Glaser
Deputy Director, Division of Enforcement
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Notice to Defendants:

Joshua Ray, Esq.
Rahman Ravelli
181 Queen Victoria Street
London, UK EC4V 4EG

All such notices to the Commission shall reference the name and docket number of this action.

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

86. Entire Agreement and Amendments: This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

87. Invalidation: If any provision of this Consent Order or if the application of any provision or circumstance is held invalid, then the remainder of this Consent Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

88. Waiver: The failure of any party to this Consent Order at any time to require performance of any provision of this Consent Order shall in no manner affect the right of the party at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

89. Continuing Jurisdiction of this Court: This Court shall retain jurisdiction of this action to ensure compliance with this Consent Order and for all other purposes related to this action, including any motion by Defendants to modify or for relief from the terms of this Consent Order.

90. Injunctive and Equitable Relief Provisions: The injunctive and equitable relief provisions of this Consent Order shall be binding upon Defendants, upon any person under their authority or control, and upon any person who receives actual notice of this Consent Order, by personal service, e-mail, facsimile or otherwise insofar as he or she is acting in active concert or participation with any Defendant.

91. Authority: Senior hereby warrants that he is CEO of BAZUR, and that this Consent Order has been duly authorized by BAZUR and he has been duly empowered to sign and submit this Consent Order on behalf of BAZUR.

92. Counterparts and Facsimile Execution: This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (by facsimile, e-mail, or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Consent Order that is delivered by any means shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

93. Contempt: Defendants understand that the terms of the Consent Order are enforceable through contempt proceedings, and that, in any such proceedings they may not challenge the validity of this Consent Order.

94. Agreements and Undertakings: Defendants shall comply with all of the undertakings and agreements set forth in this Consent Order.

There being no just reason for delay, the Clerk of the Court is hereby ordered to enter this *Consent Order For Permanent Injunction, Civil Monetary Penalty, And Other Equitable Relief Against Defendants Roman Banoczay, Jr.; Roman Banoczay, Sr.; And BAZUR Spol. S.R.O.* forthwith and without further notice.

IT IS SO ORDERED on this 7 day of December, 2021.

Honorable Gary Feinerman
UNITED STATES DISTRICT JUDGE