

II. FINDINGS

The Commission finds the following:

A. SUMMARY

During the Relevant Period, on over 1,000 occasions, Chen engaged in spoofing activity in various futures contracts, including Treasuries, on the Chicago Mercantile Exchange (“CME”), the Chicago Board of Trade (“CBOT”), and The Commodity Exchange Inc. (“COMEX”) (together, the “CME Exchanges”), which are futures exchanges and designated contract markets owned and operated by the CME Group Inc. This conduct violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C).

B. RESPONDENT

Randy Chen is a resident of California. Chen was a trader for Tanius Technology, LLC, a proprietary trading company, during the Relevant Period. Chen has never been registered with the Commission.

C. FACTS

During the Relevant Period, Chen engaged in spoofing activity in 12 different futures contracts—primarily but not exclusively Treasuries futures contracts—on the CME Exchanges. Chen’s typical spoofing pattern involved placing one or more small orders (often between 1-5 lots) on one side of the market followed almost immediately by placing multiple 20-lot orders on the opposite side of the market that he intended to cancel before execution. Shortly after placing the 20-lot orders, Chen’s smaller order(s) on the opposite side would often get filled. Chen cancelled most of these 20-lot orders within five seconds. He would occasionally repeat the process of placing and cancelling multiple 20-lot orders until he had induced a fill on the opposite side. Chen engaged in this pattern on over 1,000 separate occasions during the Relevant Period.

III. LEGAL DISCUSSION

Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C), 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, 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, Chen placed bids and offers for futures contracts listed on the CME Exchanges, which are futures exchanges and designated contract markets, with the intent to cancel those bids and offers before they were executed. By engaging in this conduct, Chen violated Section 4c(a)(5)(C) of the Act. *See, e.g., In re Delovitch*, CFTC No. 20-71, 2020 WL 5876728, at *1-2 (Sept. 30, 2020) (consent order) (finding that trader who

placed bids and offers for futures contracts listed on registered exchanges with the intent to cancel those bids and offers before they were executed violated Section 4c(a)(5)(C) of the Act); *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”).

IV. FINDINGS OF VIOLATION

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

V. OFFER OF SETTLEMENT

Chen has submitted the Offer in which he, 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 he may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2021), relating to, or arising from, this proceeding;
 - 7. Any and all claims that he may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–53, 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 Chen 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 Chen violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C);
 2. Orders Chen to cease and desist from violating Section 4c(a)(5)(C) of the Act;
 3. Orders Chen to pay a civil monetary penalty in the amount of one hundred and fifty thousand dollars (\$150,000), plus post-judgment interest within thirty days of the date of entry of this Order;
 4. Orders that Chen be prohibited from, directly or indirectly, engaging in 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)), for a period of six months after the date of entry of this Order, and all registered entities shall refuse him trading privileges during that period; and
 5. Orders Chen 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. Chen shall cease and desist from violating Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C).
- B. Chen shall pay a civil monetary penalty in the amount of one hundred and fifty thousand dollars (\$150,000) ("CMP Obligation"), within thirty days of the date of the 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 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.

Chen 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
6500 S. MacArthur Blvd.
HQ Room 266
Oklahoma City, OK 73169
9-amc-ar-cftc@faa.gov

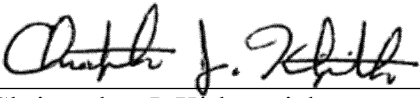
If payment is to be made by electronic funds transfer, Respondent shall contact Tonia King or her successor at the above email address to receive payment instructions and shall fully comply with those instructions. Chen shall accompany payment of the CMP Obligation with a cover letter that identifies the Respondent and the name and docket number of this proceeding. Chen 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, and to Charles Marvine, Deputy Director, Commodity Futures Trading Commission, 2600 Grand Boulevard, Suite 210, Kansas City, MO 64108.

- C. Chen is prohibited from, directly or indirectly, engaging in 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)), for a period of six months after the date of entry of this Order, and all registered entities shall refuse him trading privileges during that period; and
- D. Chen shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Chen agrees that neither he nor any of his agents or employees under his 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 Chen's:
(i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Chen shall comply with this agreement, and shall undertake all steps necessary to ensure that all of his agents and/or employees under his authority or control understand and comply with this agreement.
 2. Chen agrees that he shall not, directly or indirectly, for a period of six months starting from the date of entry of this Order:
 - a. enter into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. §1.3 (2021), for Chen's own personal account or for any account in which Chen has a direct or indirect interest;
 - b. have any commodity interests traded on his behalf;
 - c. control or direct 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; and

- d. solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests.
3. Cooperation, in General: Chen 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. Chen shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, this action.
4. Partial Satisfaction: Chen understands and agrees that any acceptance by the Commission of any partial payment of Chen's CMP Obligation shall not be deemed a waiver of his 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.
5. Change of Address/Phone: Until such time as Chen satisfies in full his CMP Obligation as set forth in this Order, Chen shall provide written notice to the Commission by certified mail of any change to his 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 26, 2022