RECEIVED CFTC
Office of Proceedings
Proceedings Clerk
9:29 am, Aug 01, 2023

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:	)	
	)	
Adam Cobb-Webb,	)	CFTC Docket No. 23-32
	)	
Respondent.	)	
	)	

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 on or about December 16, 2021, through at least January 14, 2022 ("Relevant Period"), Respondent Adam Cobb-Webb ("Respondent") violated Sections 4c(a)(5)(C) and 6(c)(1) of the Commodity Exchange Act ("Act"), 7 U.S.C. §§ 6c(a)(5)(C), 9(1), and Regulation 180.1(a)(1), (3), 17 C.F.R. § 180.1(a)(1), (3) (2022), of the Commission Regulations ("Regulations") promulgated thereunder. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

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.[1]

[1] 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, Respondent engaged in multiple instances of the disruptive trading practice known as "spoofing" (bidding or offering with the intent to cancel the bid or offer before execution) involving West Texas Intermediate ("WTI") light sweet crude oil futures contracts traded on New York Mercantile Exchange, Inc. ("NYMEX"), a designated contract market. This conduct violated Sections 4c(a)(5)(C) and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(a)(5)(C), 9(1), and Regulation 180.1(a)(1), (3), 17 C.F.R. § 180.1(a)(1), (3) (2022).

B. RESPONDENT

Adam Cobb-Webb is a British citizen who resides in England. Respondent traded for his own account during the Relevant Period. Respondent has never been registered with the Commission.

C. FACTS

During the one-month Relevant Period, Respondent placed bids and offers for WTI futures with the intent to cancel his bids or offers before execution, i.e., spoofing. Respondent's spoofing was characterized by a pattern of trading in which Respondent placed an iceberg order (whose order quantity was only partially visible in the order book) on one side of the order book that he intended to execute and, shortly before or after placing the iceberg order, placed a series of fully-displayed orders on the opposite side of the order book at the first few price levels that he intended to cancel before execution (spoof orders). After Respondent's iceberg order was filled, Respondent would cancel his fully-displayed spoof orders. Respondent engaged in this pattern of trading on a daily basis throughout the Relevant Period.

Respondent's fully-displayed spoof orders typically constituted a large percentage of orders resting at the top price levels at the time such orders were placed. The quantity of Respondent's spoof orders also was often several times larger than the visible quantity of Respondent's iceberg orders. Respondent entered the spoof orders with intent to cancel, and to create a false impression of buying or selling interest that would induce other market participants to cross the bid-ask spread and fill his iceberg orders. Respondent knew or recklessly disregarded that the spoof orders would create the false appearance of market depth and result in misinformation about supply and demand that could affect market activity.

III. LEGAL DISCUSSION

Section 4c(a)(5)(C) of the Act, 7 U.S.C. §6c(a)(5)(C), prohibits 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," i.e., bidding or offering with the intent to cancel the bid or offer before execution. *See United States v. Coscia*, 866 F.3d 782, 795–96 (7th Cir. 2017) (affirming conviction for spoofing where evidence showed that defendant entered orders with intent to cancel before execution). As set forth above, Respondent engaged in a pattern of trading in which he entered large, fully-displayed orders that he intended to cancel once his *bona fide*, partially-displayed, iceberg orders were filled. Respondent thus violated Section 4c(a)(5)(C) of the Act.[2]

Section 6(c)(l) of the Act, 7 U.S.C. § 9(1), and Regulation 180.l(a)(l), (3), 17 C.F.R. § 180.1(a)(1), (3) (2022), in pertinent part, prohibit using or employing, or attempting to use or employ, any manipulative device, scheme, or artifice to fraud, or engaging, or attempting to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person, in connection with a contract of sales of any commodity for future delivery on or subject to the rules of a registered entity. *See, e.g.*, *Skudder*, 2022 WL 17752392, at *6. Because spoofing constitutes a manipulative device or artifice to defraud, Respondent's above-described conduct violates Section 6(c)(1) of the Act and Regulation 180.1(a)(1), (3).

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondent Adam Cobb-Webb violated Sections 4c(a)(5)(C) and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(a)(5)(C), 9(1), and Regulation 180.1(a)(1), (3), 17 C.F.R. § 180.1(a)(1), (3) (2022).

V. OFFER OF SETTLEMENT

Respondent 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;

---

[2] *See United States v. Chanu*, 40 F.4th 528, 534 (7th Cir. 2022) (affirming conviction of trader for manual spoofing through use of fully-displayed and iceberg orders), *cert. denied sub nom. Vorley v. United States*, 143 S. Ct. 746 (2023), and cert. denied, 143 S. Ct. 746 (2023); *CFTC v. Skudder*, No. 22 CV 1925, 2022 WL 17752392, at *3 (N.D. Ill. Dec. 19, 2022) (denying motion to dismiss spoofing charge against trader who engaged in manual spoofing through use of fully-displayed and iceberg orders); *United States v. Bases*, No. 18 CR 48-1, 2022 WL 3586142, at *2 (N.D. Ill. Aug. 22, 2022) (denying motion for new trial after conviction of trader for manual spoofing through use of fully-displayed and iceberg orders); *CFTC v. Oystacher*, 203 F. Supp. 3d 934, 942 (N.D. Ill. 2016) (denying motion for judgment in pleadings where CFTC alleged trader was engaged in manual spoofing using fully-displayed and iceberg orders).

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 (2022), 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, §§ 201–253, 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. Agrees for purposes of the waiver of any and all rights under the Equal Access to Justice Act and the Small Business Regulatory Enforcement Fairness Act of 1996, specified in paragraphs 6 and 7 above, that the Commission is the prevailing party in this action;

E. 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

F. 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 Sections 4c(a)(5)(C) and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(a)(5)(C), 9(1), and Regulation 180.1(a)(1) and (3), 17 C.F.R. § 180.1(a)(1), (3) (2022);

2. Orders Respondent to cease and desist from violating Sections 4c(a)(5)(C) and 6(c)(1) of the Act and Regulation 180.1(a)(1), (3);

3. Orders Respondent to pay a civil monetary penalty in the amount of one hundred fifty thousand dollars ($150,000), plus any post-judgment interest, within thirty (30) days of the date of entry of this Order; and

4. Orders that Respondent 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 twelve (12) months after the date of entry of this Order, and all registered entities shall refuse him trading privileges during that period.

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

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Respondent shall cease and desist from violating Sections 4c(a)(5)(C) and 6(c)(1) of the Act, 7 U.S.C. §§ 6c(a)(5)(C), 9(1), and Regulation 180.1(a)(1) and (3), 17 C.F.R. § 180.1(a)(1), (3) (2022);

B. Respondents shall pay a civil monetary penalty in the amount of one hundred fifty thousand ($150,000) ("CMP Obligation"), within thirty (30) days of the date of the entry of this Order. If the CMP Obligation is not paid in full within thirty (30) days of the date of entry of this Order, then post-judgment interest shall accrue on the unpaid portion of 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.

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 266
Oklahoma City, OK 73169
9-amz-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 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 paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

C. Respondent 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 twelve (12) months after the date of entry of this Order, and all registered entities shall refuse him trading privileges during that period; and

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

1. Public Statements: Respondent 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 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 his agents and/or employees under his authority or control understand and comply with this agreement.

2. 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 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.

3. Change of Address/Phone: Until such time as Respondent satisfies in full his CMP Obligation as set forth in this Order, Respondent 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.

4. Respondent agrees that he shall not, for a period of twelve (12) months after the date of entry of this Order, directly or indirectly:

   a. enter into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2022), for Respondent's own personal account or for any account in which Respondent has a direct or indirect interest;

   b. have any commodity interests traded on Respondent's 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;

   d. solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests;

   e. apply for registration or claim exemption from registration with the Commission in any capacity, and engage 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) (2022); and/or

f. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2022)), 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), registered, required to be registered, or exempted from registration with the Commission except as provided for in Regulation 4.14(a)(9).

5. Until such time as Respondent satisfies in full his CMP Obligation, upon the commencement by or against Respondent of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of Respondent's debts, all notices to creditors required to be furnished to the Commission under Title 11 of the United States Code or other applicable law with respect to such insolvency, receivership bankruptcy or other proceedings, shall be sent to the address below:

Secretary of the Commission
Office of the General Counsel
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, DC 20581

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

By the Commission.

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

Dated: August 1, 2023