

CTFC Seeks Whistleblowers to Uncover Spoofing Schemes and Commodities Fraud

Article By:

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On Thursday, the U.S. Commodities Future Trading Commission (CFTC) issued an alert seeking whistleblowers to assist it in rooting out spoofing schemes in the commodities and derivatives markets. Whistleblowers who help the CFTC can be eligible for both financial awards and certain protections when reporting violations of the Commodity Exchange Act (CEA).

What is “[spoofing](#)?” Spoofing is when a trader places an order in the futures market intending to call off said order before execution. Spoofing distorts supply and demand to persuade other traders to act in a way that benefits the individual who is spoofing.

Just this week, the Department of Justice announced a resolution of criminal charges against an Australian-based trading firm, Propex Derivatives Pty Ltd (Propex), for [commodities fraud](#) related to the spoofing activity of a former employee. Propex agreed to pay \$1 million to resolve the allegations that its former employee engaged in thousands of unlawful trades related to a spoofing scheme in the U.S. commodities market. Under the terms of the DPA, Propex agreed to pay \$1 million which includes a criminal penalty (\$462,271), criminal disgorgement (\$73,429), and victim compensation (\$464,300) with the criminal penalty credited for any payments made to the Commodity Futures Trading Commission (CFTC). Propex paid the CFTC \$462,271 in a separate settlement in a parallel proceeding.

The CFTC wants potential commodities fraud whistleblowers to be on the lookout for the following examples of misconduct:

Manual and automated trading schemes that place and quickly cancel bids and offers in futures contracts to benefit other orders and/or positions Orders being placed and quickly canceled at or near the best bid or offer, especially if opposite-side orders are filled

Multiple orders of the same size repeatedly and simultaneously being placed and canceled

Any scheme designed to cause prices to move artificially

The ability of qualified whistleblowers to obtain a financial reward is similar to other qui tam reward laws, including the [False Claims Act](#) and the [IRS whistleblower program](#). The law is nearly identical to the SEC whistleblower law, and the two agencies cooperate on investigations.

Financial rewards are available to non-U.S. citizens who blow the whistle on potential commodities frauds that occur outside the United States, including areas such as the manipulation of foreign currency exchanges.

CFTC whistleblowers who identify fraud in the commodities and derivatives markets can be eligible to receive between 10 and 30 percent of the monetary awards if the information provided to the Commission results in a successful enforcement action of \$1 million or more.

What is the process for qualifying for a whistleblower award from the CFTC? Commodities fraud whistleblowers must first set forth their original information on an official form ([Form TCR](#)) supplied by the CFTC, and submit that form according to the procedures established by the CFTC. The law requires award seekers to file the form with the CFTC's Office of the Whistleblower. A copy of this form is available on-line, and the CFTC's Office of the Whistleblower's website explains in detail the procedures for filing the form.

Read the CFTC alert: [CFTC Whistleblower Alert: Blow the Whistle on Spoofing in the Commodities and Derivatives Markets](#).

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