

# Whistleblower Topic of the Week: CFTC Continues Global Effort to Combat Market "Spoofing"

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In an era of automated, algorithmic trading dominance, the battle against those who spoof on futures and derivative exchanges has intensified.

The 2010 passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which outlawed spoofing by name in these exchanges, has given the Commodity Futures Trading Commission ([CFTC](#)) and the Department of Justice enhanced abilities to prosecute those who attempt to spoof markets. It is now a plain violation of the Commodities Exchange Act and other laws to engage in spoofing.

Spoofing generally refers to an intended set of actions by a trader or group of traders to place and cancel orders without the intent to execute a trade at the price placed. Since traders' perceptions of supply and demand influence their trading decisions, spoofing improperly moves markets up or down purposefully allowing the spoofer to profit from those movements.

The CFTC recently resolved an enforcement action brought against two residents of the United Arab Emirates who engaged in spoofing in the gold and silver markets between February and April of 2015. These two international [market manipulators](#) would routinely place larger aggregate orders for gold and silver contracts on the Commodity Exchange Inc. (COMEX) opposite smaller orders, cancelling the large orders after the small ones executed.

The CFTC action, aided by the Dubai Financial Services Authority, imposes permanent trading and registration bans on these two traders and requires a collective payment of nearly \$3 million in civil monetary penalties.

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