

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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Office of Proceedings
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11:04 am, Mar 30, 2017

In the Matter of:

Stephen Gola,

Respondent.

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**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTION 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT,
MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that Stephen Gola (“Gola” or “Respondent”) violated Section 4c(a)(5)(C) of the Commodity Exchange Act (“Act” or “CEA”), 7 U.S.C. § 6c(a)(5)(C) (2012), from at least July 16, 2011 through December 31, 2012. 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.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”) that 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 6(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 entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

III.

The Commission finds the following:

A. SUMMARY

Between July 16, 2011 and December 31, 2012 (“Relevant Period”), Respondent engaged in the disruptive practice of “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution) in U.S. Treasury futures markets. Gola’s spoofing orders, of which there were more than one thousand during the Relevant Period, violated Section 4c(a)(5)(C) of the Act, 7 U.S.C. § 6c(a)(5)(C).

B. RESPONDENT

Stephen Gola was a Managing Director for Citigroup Global Markets Inc. (“Citigroup”) during the Relevant Period and head trader on Citigroup’s U.S. Treasury desk. He was registered with the Commission as an Associated Person for Citigroup from 1998 through 1999 and 2001 through 2009 and from 2010 through 2014.

C. FACTS

During the Relevant Period, Gola worked on Citigroup’s U.S. Treasury desk and made markets in cash treasuries, among other things. As part of Gola’s duties, after transacting with counterparties, he typically hedged some or all of Citigroup’s counterparty risk by trading in various U.S. Treasury cash markets and Chicago Mercantile Exchange (“CME”) futures products. Among Gola’s CME activity were more than one thousand orders placed with the intent to cancel before execution (*i.e.*, spoofing orders).

Generally, Gola’s spoofing strategy involved placing bids or offers of 1,000 lots or more with the intent to cancel those orders before execution. The spoofing orders were placed in the U.S. Treasury futures markets after another smaller bid or offer was placed on the opposite side of the same or a correlated futures or cash market. Gola placed his spoofing orders to create or exacerbate an imbalance in the order book. This created the impression of greater buying or selling interest than would have existed absent the spoofing orders and was done to induce other market participants to fill Gola’s smaller resting orders on the opposite side of the market from his spoofing orders in advance of anticipated price changes. Gola cancelled his spoofing orders after either the smaller resting orders had been filled or he believed that the spoofing orders were at too great a risk of being executed.

In addition to executing the spoofing strategy individually, at times, Gola coordinated with one or more other traders on the U.S. Treasury desk to implement the spoofing strategy. In some of those instances, Gola would place one or more spoofing orders after another trader had placed one or more smaller resting orders in the same or a correlated futures or cash market. In other instances, another trader would place spoofing orders to benefit Gola’s smaller resting orders.

Finally, Gola knew that at least one other U.S. Treasury trader was using the spoofing strategy, and Gola did not report it to compliance. Specifically, when a Citigroup trader in Tokyo used the spoofing strategy and a spoofing order of 4,000 lots traded, the trader called other members of the U.S. Treasury desk, including Gola to discuss the trade.

IV.

LEGAL DISCUSSION

Section 4c(a)(5)(C) of the Act—Spoofing Violations

Section 4c(a)(5) of the Act 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).” As described above, Gola entered more than one thousand bids or offers on a registered entity with the intent to cancel the bids or offers before execution in violation of Section 4c(a)(5)(C) of the Act.

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Gola violated Section 4c(a)(5)(C) of the Act.

VI.

OFFER OF SETTLEMENT

Gola has submitted an Offer in which he, without admitting or denying the findings and conclusions herein:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission to all the matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on a 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 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. §§ 148.1-30 (2016), 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, §§ 201-253, 110 Stat. 847, 857-68 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and
 - (8) any claims of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Gola 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 Gola violated Section 4c(a)(5)(C) of the Act;
 - (2) orders Gola to cease and desist from violating Section 4c(a)(5)(C) of the Act;
 - (3) orders Gola to pay a civil monetary penalty in the amount of three hundred and fifty thousand dollars (\$350,000), plus post-judgment interest;
 - (4) orders that Gola 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) (2012), until six months after full payment and satisfaction of the civil monetary penalty and any applicable interest, and all registered entities shall refuse him trading privileges during that period; and
 - (5) orders Gola to comply with the conditions, undertakings, and representations consented to in the Offer and set forth in Part VII of this Order.

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

VII.
ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondent shall cease and desist from violating Section 4c(a)(5)(C) of the Act.
- B. Civil Monetary Penalty
 1. Respondent shall pay a civil monetary penalty in the amount of three hundred and fifty thousand dollars (\$350,000) (the “CMP Obligation”). If the CMP Obligation is not paid in full within ten days of the date of entry of the Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of the Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of the Order pursuant to 28 U.S.C. § 1961 (2012).
 2. Respondent shall pay the CMP Obligation 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, Respondent shall make the payment payable to the Commodity Futures Trading Commission, and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables
DOT/FAA/MMAC/AMZ-341
CFTC/CPSC/SEC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
(405) 954-7262 office
(405) 954-1620 fax
nikki.gibson@faa.gov

If payment is to be made by electronic transfer, Respondent shall contact Nikki Gibson 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 Respondent and the name and docket number of this proceeding. 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) (2012)) until six months after full payment and satisfaction of the CMP

Obligation and any applicable interest, and all registered entities shall refuse him trading privileges during that time period.

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 successors, assigns, agents or employees under their 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.
2. Respondent agrees that he shall not, until six months after full payment and satisfaction of the CMP Obligation and any applicable interest, directly or indirectly:
 - a. enter into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3(yy), 17 C.F.R. § 1.3(yy) (2016)) for Respondent's own personal accounts or for any accounts 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) (2016); and/or
 - f. act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2016)), 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) (2012) registered, required to be registered, or exempted from registration with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2016)).
3. Cooperation with the Commission: Respondent shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement ("Division"), and any other governmental agency in this action, and in any investigation, civil litigation, or administrative matter related to the subject matter

of this action or any current or future Commission investigation related thereto. As part of such cooperation, Respondent agrees to:

- a. preserve and produce to the Commission in a responsive and prompt manner, as requested by the Division's staff, all non-privileged documents, information, and other materials wherever located, in the possession, custody, or control of Respondent;
 - b. accept service by mail, electronic mail, or facsimile transmission of notices or subpoenas for documents and/or testimony at depositions, hearings, or trials;
 - c. appoint Respondent's attorney as agent to receive service of such notices and subpoenas; and
 - d. waive the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules in connection with requests or subpoenas of the Division's staff;
4. **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.

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

By the Commission



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

Dated: March 30, 2017