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DATE FILED: 8-29-13

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

U.S. Commodity Futures Trading
Commission,

Plaintiff,

v.

Matthew Marshall Taylor

Defendant.

Case No. 12 CV 8170 (RJS)

ECF Case

**FINAL JUDGMENT AND CONSENT ORDER FOR PERMANENT INJUNCTION,
CIVIL MONETARY PENALTY AND OTHER EQUITABLE RELIEF AGAINST
DEFENDANT MATTHEW MARSHALL TAYLOR**

I. INTRODUCTION

On November 8, 2012, Plaintiff Commodity Futures Trading Commission ("Commission" or "CFTC") filed a Complaint against Defendant Matthew Marshall Taylor ("Defendant") seeking injunctive and other equitable relief, as well as the imposition of civil penalties, for violations of Section 4b(a)(2)(i) - (iii) of the Commodity Exchange Act ("Act"). 7 U.S.C. §6b(a)(2)(i) - (iii) (2006).

II. CONSENTS AND AGREEMENTS

To effect settlement of all charges alleged in the Complaint against Defendant without a trial on the merits or any further judicial proceedings, Defendant:

1. Consents to the entry of this Consent Order for Permanent Injunction, Civil Monetary Penalty and Other Equitable Relief Against Defendant ("Consent Order");
2. Affirms that he has read and agreed to this Consent Order voluntarily, and that no promise, other than as specifically contained herein, or threat, has been made by the Commission

or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Consent Order;

3. Acknowledges service of the summons and Complaint;

4. Admits the jurisdiction of this Court over him and the subject matter of this action pursuant to Section 6c of the Act, as amended, 7 U.S.C. § 13a-1;

5. Admits the jurisdiction of the Commission over the conduct and transactions at issue in this action pursuant to the Act, 7 U.S.C. §§ 1, *et seq.*;

6. Admits that venue properly lies with this Court pursuant to Section 6c(e) of the Act, as amended, 7 U.S.C. § 13a-1(e);

7. Waives:

(a) any and all claims that he may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. §§ 148.1 *et seq.* (2012), relating to, or arising from, this action;

(b) 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, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this action;

(c) any claim of Double Jeopardy based upon the institution of this action or the entry in this action of any order imposing a civil monetary penalty or any other relief, including this Consent Order; and

(d) any and all rights of appeal from this action;

8. Consents to the continued jurisdiction of this Court over him for the purpose of implementing and enforcing the terms and conditions of this Consent Order and for any other purpose relevant to this action, even if Defendant now or in the future resides outside the jurisdiction of this Court;

9. Agrees that he will not oppose enforcement of this Consent Order by alleging that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure and waives any objection based thereon;

10. 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 allegation in the Complaint or the Findings of Fact or Conclusions of Law in this Consent Order, or creating or tending to create the impression that the Complaint and/or this Consent Order is without a factual basis; provided, however, that nothing in this provision shall affect his : (a) testimonial obligations, or (b) right to take legal positions in other proceedings to which the Commission is not a party. Defendant 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; and

11. By consenting to the entry of this Consent Order, Defendant neither admits nor denies the allegations of the Complaint, except Defendant admits to all of the Findings of Fact and Conclusions of Law in this Consent Order. Further, Defendant agrees and intends that the allegations contained in the Complaint and all of the Findings of Fact and Conclusions of Law contained in this Consent Order shall be taken as true and correct and be given preclusive effect, without further proof, in the course of: (a) any current or subsequent bankruptcy proceeding filed by, on behalf of, or against Defendant; (b) any proceeding pursuant to Section 8a of the Act, as

amended, 7 U.S.C. § 12a, and/or Part 3 of the Regulations, 17 C.F.R. §§ 3.1 *et seq.* (2012); and/or (c) any proceeding to enforce the terms of this Consent Order.

12. Agrees to provide immediate notice to this Court and the Commission by certified mail, in the manner required by paragraph 44 of Part VII of this Consent Order, of any bankruptcy proceeding filed by, on behalf of, or against him, whether inside or outside the United States, and

13. Agrees that no provision of this Consent Order shall in any way limit or impair the ability of any other person or entity to seek any legal or equitable remedy against Defendant or him in any other proceeding.

III. FINDINGS OF FACT

The Court, being fully advised in the premises, finds that there is good cause for the entry of this Consent Order and that there is no just reason for delay. The Court therefore directs the entry of the following Findings of Fact, Conclusions of Law, permanent injunction and equitable relief pursuant to Section 6c of the Act, as amended, 7 U.S.C. § 13a-1, as set forth herein.

THE PARTIES AGREE AND THE COURT HEREBY FINDS:

a. The Parties to this Consent Order

14. Plaintiff Commodity Futures Trading Commission is an independent federal regulatory agency that is charged by Congress with administering and enforcing the Act, as amended, 7 U.S.C. §§ 1 *et seq.*, and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 *et seq.* (2011).

15. During December 13 and 14, 2007, ("the Relevant Period"), Defendant Matthew Marshall Taylor was employed as a Vice-President and a trader on the Capital Structure Franchise Trading ("CSFT") desk at Goldman, Sachs & Co. ("Goldman"), a registered Futures Commission Merchant ("FCM") which was and is located in New York, New York. During the

Relevant Period, Defendant was registered with the Commission as an associated person of Goldman. Defendant currently resides in Florida.

b. Taylor's Electronic and Fabricated Trades

16. Among the products that Defendant traded on the CSFT desk were S&P 500 E-mini futures contracts ("E-mini futures"). E-mini futures are futures contracts that are tied to the S&P 500 stock index.

17. E-mini futures are electronically traded on the Chicago Mercantile Exchange ("CME") through an electronic trading platform called "Globex." Defendant used the Globex platform to trade E-mini futures electronically.

18. These electronic trades were recorded automatically on Goldman's systems and that information appeared on various Goldman risk estimates and risk reports.

19. Defendant also had access to Goldman's manual trade entry system (the "Manual Trade Entry System").

20. This Manual Trade Entry System was used to record trades that could not be executed through an electronic trading platform - unlike the E-mini futures.

21. In or about November 2007, Defendant had lost a significant portion of the profits he had accumulated in his trading account at Goldman earlier that year. Because of this reduction in Defendant's profits and the general market conditions at that time, Defendant was instructed by his supervisors to reduce the overall risk in his trading account.

22. On or about December 13, 2007, Defendant increased the size of his position in E-mini futures despite prior instructions from his supervisors to decrease the overall risk in his trading account. Specifically, by entering a series of electronic trades on the CME through Globex, Defendant increased his position to a notional value of approximately \$8.3 billion long.

23. At the same time that Defendant increased his S&P 500 E-mini futures position, he recorded multiple fabricated entries in the Manual Trade Entry System for E-mini futures trades that he never made. Defendant entered these fabricated trades in order to conceal and understate the true size of his E-mini futures position and risk in his trading account, as the fabricated sales functioned to offset portions of Defendant's actual E-mini futures purchases.

24. Specifically, on December 13, 2007, Defendant entered approximately sixteen fabricated E-mini futures sales in the Manual Trade Entry System. By doing this, Defendant caused to be routed false information concerning these fabricated trades to Goldman's internal systems and false information about the Defendant's actual positions and the risk associated with his actual E-mini futures trading.

c. Taylor Concealed His Position, Risk and Profit and Loss from Goldman

25. At the end of the trading day on December 13, 2007, Defendant prepared a false end of day profit and loss ("P&L") report for his trading account (the "December 13 P&L Report").

26. The December 13 P&L Report was ultimately forwarded by Defendant to his supervisors and others. This report reflected a false P&L loss of approximately \$2 million for this trading account, whereas the actual P&L for the December 13 trading day was a profit of approximately \$52 million.

27. Defendant concealed this profit so as not to expose Defendant's actual oversized position and market risk.

28. On or about the morning of December 14, 2007, Goldman's internal risk management and trade recording systems revealed the actual position of the E-mini futures held by Defendant in his trading account: Defendant's position was long over \$8.3 billion.

29. Moreover, employees at Goldman began to question a significant discrepancy between Defendant's actual position in his trading account and what he had falsely reported in the December 13 P&L Report.

30. Later that same day, in order to conceal his actual \$8.3 billion position in the E-mini futures, Defendant made false statements and sent false information and reports to employees of Goldman by sending emails in which he falsely claimed, among other things, that there were "booking errors" or "booking problems" and falsely represented his actual E-mini futures position. Defendant also falsely represented to his supervisors, among other things, that a risk report was wrong, when in fact it was correct, and provided that supervisor with a false explanation for why the risk report was wrong.

31. On December 14, 2007, Defendant entered approximately six additional fabricated E-mini futures sales in the Manual Trade Entry System. Like the sales entered on December 13, 2007, these fabricated sales were designed to, and had the effect of, concealing the true size of Defendant's E-mini futures position and risk.

32. The E-mini futures trades made by Defendant, and Defendant's fraudulent efforts to conceal his position, resulted in realized losses to Goldman of approximately \$118 million, after his employer's offsetting and liquidation of the position.

THE PARTIES AGREE AND THE COURT HEREBY FINDS:

IV. CONCLUSIONS OF LAW

a. Jurisdiction and Venue

33. This Court has jurisdiction over this action pursuant to Section 6c of the Act, as amended, 7 U.S.C. § 13a-1, which provides that whenever it shall appear to the Commission that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order promulgated thereunder, the

Commission may bring an action in the proper district court of the United States against such person to enjoin such act or practice, or to enforce compliance with the Act, or any rule, regulation or order thereunder.

34. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, as amended, 7 U.S.C. § 13a-1(e), because Defendant's acts and practices in violation of the Act occurred within this District.

b. Violations of CEA Section 4b; Fraud in the Sale of Futures Contracts

35. By the conduct described in paragraphs 1 through 34 above, Defendant (i) cheated, defrauded and willfully deceived Goldman by, among other things, entering fabricated trades and concealing Defendant's E-mini futures position, risk and P&L from Goldman, (ii) willfully made false reports, and statements to Goldman, and (iii) willfully entered false records in or in connection with orders to make, or the making of, contracts of sale of commodities for future delivery, made, or to be made, for or on behalf of Goldman where such contracts for future delivery were or may have been used for (a) hedging any transaction in interstate commerce in such commodity, or the produce or byproducts thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped or received in interstate commerce for the fulfillment thereof in violation of Section 4b(a)(2)(i) - (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) - (iii) (2006).

36. Each misrepresentation or omission of a material fact, deception, false report, false statement, or false record made during the Relevant Period, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of Section 4b(a)(2)(i) - (iii) of the Act, 7 U.S.C. § 6b(a)(2)(i) - (iii) (2006).

37. Unless restrained and enjoined by this Court, there is a reasonable likelihood that the Defendant will continue to engage in the acts and practices alleged in the Complaint and in similar acts and practices in violation of the Act.

V. PERMANENT INJUNCTION

IT IS HEREBY ORDERED THAT:

38. Based upon and in connection with the foregoing conduct, pursuant to Section 6c of the Act, as amended, 7 U.S.C. § 13a-1, Defendant is permanently restrained, enjoined and prohibited from directly or indirectly:

- a. cheating or defrauding, or attempting to cheat or defraud, other persons;
- b. willfully making or causing to be made to other persons any false report or statement or willfully entering or causing to be entered for other persons any false record; or
- c. willfully deceiving or attempting to deceive other persons by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for other persons in or in connection with any order to make, or the making of, any contract of sale of any commodity in interstate commerce or for future delivery that is made, or to be made, for or on behalf of any other person in violation of Section 4b(a)(1)(A) - (C) of the Act, 7 U.S.C. § 6b(a)(1)(A) - (C) (Supp. II 2009).

39. Defendant is also permanently restrained, enjoined and prohibited from directly or indirectly:

- a. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a of the Act, as amended, 7 U.S.C. § 1a);

- b. Entering into any transactions involving commodity futures, options on commodity futures, commodity options (as that term is defined in Regulation 1.3 (hh), 17 C.F.R. § 1.3(hh) (2011)) (“commodity options”), security futures products, swaps (as that term is defined in Section 1a(47) of the Act, as amended, and as further defined by Commission regulation 1.3(xxx), 17 C.F.R. 1.3(xxx)) (“swaps”) and/or foreign currency (as described in Sections 2(c)(2)(B) and 2(c)(2)(C)(i) of the Act, as amended, 7 U.S.C. §§ 2(c)(2)(B) and 2(c)(2)(C)(i)) (“forex contracts”) for his own personal account or for any account in which he has a direct or indirect interest;
- c. Having any commodity futures, options on commodity futures, commodity options, security futures products, swaps and/or forex contracts traded on his behalf;
- d. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity futures, options on commodity futures, commodity options, security futures products, swaps and/or forex contracts;
- e. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity futures, options on commodity futures, commodity options, security futures products, swaps and/or forex contracts;
- f. Applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging 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) (2012); and/or
- g. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2012)), agent or any other officer or employee of any person (as that term is defined

in Section 1a of the Act, as amended, 7 U.S.C. § 1a) registered, exempted from registration or required to be registered with the Commission except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2012).

VI. CIVIL MONETARY PENALTY

40. Defendant shall pay a civil monetary penalty in the amount of five hundred thousand dollars (\$500,000) (“CMP Obligation”), plus post-judgment interest, within ten (10) days of the date of the entry of this Consent Order. If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Consent Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Consent Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Consent Order pursuant to 28 U.S.C. § 1961 (2006).

41. Defendant shall pay his 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, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables – AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-5644

If payment by electronic funds transfer is chosen, Defendant shall contact Linda Zurhorst or her successor at the address above to receive payment instructions and shall fully comply with those instructions. Defendant shall accompany payment of the CMP Obligation with a cover letter that identifies Defendant and the name and docket number of this proceeding. Defendant 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 Stephen J. Obie, Regional Counsel, Division of Enforcement, Commodity Futures Trading Commission, 140 Broadway, 19th Floor, New York, New York 10005.

A. Provisions Related to Monetary Sanctions

42. Partial Satisfaction: Any acceptance by the Commission of partial payment of Defendant's CMP Obligation shall not be deemed a waiver of his obligation to make further payments pursuant to this Consent Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

VII. MISCELLANEOUS PROVISIONS

43. Notice: All notices required to be given by any provision in this Consent Order shall be sent certified mail, return receipt requested, as follows:

Notice to Commission:

Stephen J. Obie, Regional Counsel
Division of Enforcement
Commodity Futures Trading Commission
140 Broadway, 19th Floor
New York, New York 10005

Notice to Defendant:

Through his Counsel:
Thomas C. Rotko
Clayman & Rosenberg LLP
305 Madison Avenue, Suite 1301
New York, NY 10165
(212) 922-1080
(917) 533-0394 (mobile)
(212) 949-8255 (fax)
rotko@clayro.com

All such notices to the Commission shall reference the name and docket number of this action.

44. **Change of Address/Phone:** Until such time as Defendant satisfies in full his CMP Obligation as set forth in this Consent Order, Defendant shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten (10) calendar days of the change.

45. **Entire Agreement and Amendments:** This Consent Order incorporates all of the terms and conditions of the settlement among the parties hereto to date. Nothing shall serve to amend or modify this Consent Order in any respect whatsoever, unless: (a) reduced to writing; (b) signed by all parties hereto; and (c) approved by order of this Court.

46. **Invalidation:** If any provision of this Consent Order or if the application of any provision or circumstance is held invalid, then the remainder of this Consent Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

47. **Waiver:** The failure of any party to this Consent Order at any time to require performance of any provision of this Consent Order shall in no manner affect the right of the party at a later time to enforce the same or any other provision of this Consent Order. No waiver in one or more instances of the breach of any provision contained in this Consent Order shall be deemed to be or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Consent Order.

48. **Continuing Jurisdiction of this Court:** This Court shall retain jurisdiction of this action to ensure compliance with this Consent Order and for all other purposes related to this action, including any motion by Defendant to modify or for relief from the terms of this Consent Order.

49. **Injunctive and Equitable Relief Provisions:** The injunctive and equitable relief provisions of this Consent Order shall be binding upon Defendant, upon any person under his authority or control, and upon any person who receives actual notice of this Consent Order, by personal service, e-mail, facsimile or otherwise insofar as he or she is acting in active concert or participation with Defendant.

50. **Counterparts and Facsimile Execution:** This Consent Order may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (by facsimile, e-mail, or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Consent Order that is delivered by any means shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Consent Order.

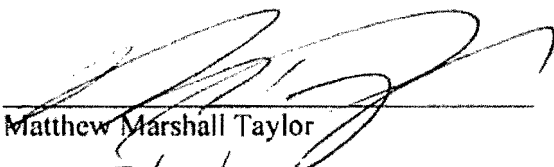
51. Defendant understands that the terms of the Consent Order are enforceable through contempt proceedings, and that, in any such proceedings he may not challenge the validity of this Consent Order.

52. There being no just reason for delay, the Clerk of the Court is hereby directed to enter this Final Judgment And Consent Order For Permanent Injunction, Civil Monetary Penalty And Other Equitable Relief Against Defendant Matthew Marshall Taylor.

IT IS SO ORDERED on this 28th day of August, 2013

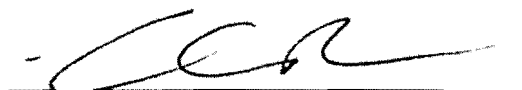

Richard J. Sullivan
UNITED STATES DISTRICT JUDGE

CONSENTED TO AND APPROVED BY:

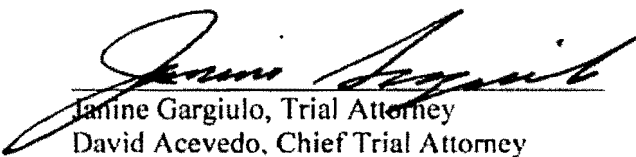

Matthew Marshall Taylor
Date: 5/21/13

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Division of Enforcement
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New York, New York 10005
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Email: jgargiulo@cftc.gov

Dated 8/26/13