



UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:)
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Logista Advisors LLC,) CFTC Docket No. 17 – 29
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Respondent.)
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**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTIONS 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 Logista Advisors LLC (“Logista”), a registered Commodity Trading Advisor (“CTA”) and Commodity Pool Operator (“CPO”), has violated Commission Regulation (“Regulation”) 166.3, 17 C.F.R. § 166.3 (2017). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Logista engaged in the violations set forth herein, and to determine whether any order shall be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Logista has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying the findings or conclusions herein, Logista consents to the entry and acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”).¹

¹ Logista consents to the use of these findings and conclusions 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 agree that they shall be taken as true and correct and be given preclusive effect therein, without further proof.

Logista 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, other than a proceeding in bankruptcy or receivership or a proceeding to enforce the terms of this Order.

III.

The Commission finds the following:

A. Summary

From approximately September 2013 through October 2014 (the “Relevant Period”), Logista failed to diligently supervise the handling by its employees and officers of commodity interest accounts and other activities relating to Logista’s business as a Commission registrant, in violation of Regulation 166.3, 17 C.F.R. § 166.3 (2017). In particular, the Logista employee who was primarily responsible for Logista’s crude oil futures trading from approximately September 2013 through September 2014 was given inadequate training, direction, and supervision, which resulted in the employee, in his trading on a foreign futures exchange, repeatedly engaging in the disruptive trading practice commonly known as “spoofing,” i.e., bidding or offering with the intent to cancel his bid or offer before execution. After the trader’s misconduct was detected by the exchange’s compliance department, Logista failed to satisfy its obligation to supervise an appropriate investigation that would enable Logista to provide accurate responses to the exchange’s inquiries.

B. Respondent

Logista Advisors LLC (“Logista”) is a Delaware limited liability company, with its place of business in Houston, Texas. Logista is a crude-oil-trading firm that manages one commodity pool. Logista actively trades in the crude oil futures markets principally to hedge the risks from its options portfolio. Logista has been registered with the Commission as a CTA and CPO since December 12, 2012.

C. Facts

Throughout August 2014, Logista, operating from its offices in Houston, traded futures through a registered futures commission merchant (“FCM”) based in New York City. The FCM provided Logista with direct market access to futures exchanges through an electronic trading platform, and Logista used this access to trade heavily on both domestic and foreign exchanges. On several trading dates in August 2014, a Logista employee, while trading a crude oil futures spread contract (the “arb” contract) on behalf of the commodity pool managed by Logista, engaged in the disruptive trading practice commonly known as “spoofing,” i.e., bidding or offering with the intent to cancel the bid or offer before execution.

Trading the arb contract throughout August 2014 on a foreign futures exchange, Logista’s employee repeatedly entered large orders into the market (100 lots or more) opposite smaller orders (generally between 1 and 10 lots). By deceptively placing orders that he intended to cancel, the trader intentionally or recklessly gave the false impression of significant market

Logista 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.

depth on one side of the order book in a manner that would benefit Logista's smaller orders on the other side of the book. Within seconds or fractions of a second, the trader would cancel his large arb orders, often immediately after being filled on the smaller orders on the other side of the book. Logista's trader engaged in this scheme on at least fifteen trading days in August 2014, during which time he manually entered all orders and cancellations. For example, on August 22, 2014, Logista's trader placed 100-lot buy or sell orders in the arb contract on fifty-five occasions—forty-nine times in the October 2014 contract and six times in the December 2014 contract. The trader cancelled every one of these 100-lot orders before any portion of the orders could be filled. Forty-two of his forty-nine October 2014 orders and all six of his December 2014 orders were canceled within 1.5 seconds of being placed. In the case of twenty-two of the 100-lot orders in the October 2014 contract and two of the 100-lot orders in the December 2014 contract, one or more of the trader's smaller orders were filled on the opposite side of his 100-lot order between when he placed the order and when he canceled it.

Throughout the Relevant Period, Logista lacked any procedures for the detection and deterrence of disruptive trading by its agents. The Logista trader who engaged in this conduct received no training at Logista concerning improper trading. Logista lacked any written policies or procedures providing direction for its traders in implementing the firm's trading strategies, let alone policies or procedures to avoid disruptive trading. Logista's officers who were responsible for supervising the firm's trading were unaware of the August 2014 arb spoofing, including the Logista executive who directly supervised the trader, despite the fact that the executive worked at a desk next to the trader and that all of Logista's futures trading was done exclusively by the trader and the executive.

Moreover, when the foreign exchange's compliance department was alerted to Logista's abnormal trading in the arb contract and subsequently contacted Logista's FCM to inquire about the firm's August 22, 2014 trading, Logista failed to supervise its personnel diligently to ensure that they provided the FCM with a proper response to the exchange's questions. The Logista executive who supervised the trader—and who also communicated the firm's responses to the FCM—did not examine Logista's arb trading for the date in question, even after the exchange provided specific examples of the spoofing conduct, and did not even ask the trader for an explanation of the conduct. Indeed, no one at Logista ever informed the trader that his conduct was being questioned by the exchange. Instead of conducting a good-faith inquiry into the trader's conduct, over a period of several weeks Logista personnel provided its FCM and the exchange with a succession of inaccurate explanations for the trading at issue, and failed to detect the trader's misconduct even after Logista had been contacted by the exchange.

In accepting Logista's Offer, the Commission recognizes Logista's assistance to the Commission's Division of Enforcement during its investigation of this matter.

IV.

LEGAL DISCUSSION

Regulation 166.3, 17 C.F.R. § 166.3 (2017), requires that every Commission registrant (except associated persons who have no supervisory duties) diligently supervise the handling by its partners, employees, and agents of all of its commodity interest accounts and activities

relating to its business as a registrant.

Regulation 166.3 imposes upon registrants an affirmative duty to supervise their employees and agents diligently by establishing, implementing and executing an adequate supervisory structure and compliance program. *See In re Vision Fin. Mkts. LLC*, CFTC No. 13-36, 2013 WL 5376144, at *2 (Sept. 24, 2013) (consent order); *CFTC v. Carnegie Trading Grp., Ltd.*, 450 F. Supp. 2d 788, 805 (N.D. Ohio 2006). For a registrant to fulfill its duties under Regulation 166.3, it must both design an adequate program of supervision and ensure that the program is followed. *See In re GNP Commodities, Inc.*, CFTC No. 89-1, 1992 WL 201158, at *19 (Aug. 11, 1992), *aff'd sub nom. Monieson v. CFTC*, 996 F.2d 852 (7th Cir. 1993). A violation under Regulation 166.3 is an independent violation for which no underlying violation is necessary. *See CFTC v. Trinity Fin. Grp., Inc.*, No. 92-6832-CIV, 1997 WL 820970, at *29 n.6 (S.D. Fla. Sept. 29, 1997), *aff'd in relevant part, vacated in part and remanded sub nom. CFTC v. Sidoti*, 178 F.3d 1132 (11th Cir. 1999). Consequently, a violation of Regulation 166.3 is demonstrated by showing that either: (1) the registrant's supervisory system was generally inadequate, or (2) the registrant failed to perform its supervisory duties diligently. *See In re Forex Capital Mkts. LLC*, No. 12-01, 2011 WL 4689390, at *3 (Oct. 3, 2011) (consent order); *see also Trinity Fin. Grp., Inc.*, 1997 WL 820970, at *29 (finding Regulation 166.3 liability where registrants' purported "measures to deter and detect" wrongdoing were "illusory," registrants "failed to establish and maintain meaningful procedures for detecting and deterring" misconduct, and registrants "failed to take reasonable steps to correct" problems of which they were aware).

By the conduct described above, Logista both employed an inadequate supervisory system and failed to perform its supervisory duties diligently, in violation of Regulation 166.3. First, Logista did not have in place an adequate supervisory system sufficient to detect or prevent its traders from engaging in disruptive trading practices with regard to crude oil futures trading. Second, Logista failed to perform its supervisory duties diligently to detect its trader's misconduct in trading the arb contract, even after Logista was informed of the exchange's concerns with that trading. Third, Logista lacked an adequate supervisory system sufficient to ensure that Logista personnel provided an appropriate response to inquiries from the exchange and from Logista's FCM. For these reasons, Logista failed to diligently supervise the handling by its employees and officers of commodity interest accounts and other activities relating to Logista's business as a Commission registrant, in violation of Regulation 166.3.

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Logista violated Regulation 166.3, 17 C.F.R. § 166.3 (2017).

VI.

OFFER OF SETTLEMENT

Logista, without admitting or denying the findings or conclusions herein, has submitted the Offer in which it:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to this Order only 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;
 - 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 it 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 Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2017), relating to, or arising from, this proceeding;
 - 7. any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868, as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205, 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;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Logista 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 Logista violated Regulation 166.3, 17 C.F.R. § 166.3 (2017);
 - 2. orders Logista to cease and desist from violating Regulation 166.3;
 - 3. orders Logista to pay a civil monetary penalty in the amount of two hundred fifty thousand dollars (\$250,000), plus post-judgment interest, within ten (10) days of the date of entry of this Order; and
 - 4. orders Logista and its successors and assigns to comply with the conditions and

undertakings consented to in the Offer and as 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. Logista shall cease and desist from violating Regulation 166.3, 17 C.F.R. § 166.3 (2017).
- B. Logista shall pay a civil monetary penalty of two hundred fifty thousand dollars (\$250,000), within ten (10) days of the date of entry of this Order (the “CMP Obligation”). If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post-judgment interest shall accrue on 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 (2012). Logista 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, 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
DOT/FAA/MMAC/AMZ-341
CFTC/CPSC/SEC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-7262
nikki.gibson@faa.gov

If payment is to be made by electronic funds transfer, Logista shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Logista shall accompany payment of the CMP Obligation with a cover letter that identifies the name and docket number of this proceeding. Logista 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.

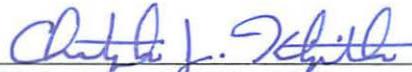
- C. Logista agrees that neither it nor any of its successors and assigns, agents, or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Logista’s (i) testimonial obligations, or (ii) right to take positions in other proceedings to which the Commission is not a party. Logista and

its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.

- D. Logista understands and agrees that any acceptance by the Commission of partial payment of Logista's CMP Obligation shall not be deemed a waiver of its 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 as of this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 29, 2017