



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5538

Division of
Enforcement

NON-PROSECUTION AGREEMENT

The U.S. Commodity Futures Trading Commission's Division of Enforcement ("Division") investigated whether there were possible violations of the Commodity Exchange Act ("Act") and/or Commission Regulations ("Regulations"). Specifically, the Division investigated, *inter alia*, whether Citigroup Global Markets Inc., and its agents, employees, and affiliates ("Citigroup"), engaged in conduct known to the trade as "spoofing" in the U.S. Treasuries futures markets and whether Citigroup failed to properly supervise its agents and employees with respect to this conduct in 2011 and 2012 ("Investigation"). Jeremy Lao ("Lao") and the U.S. Commodity Futures Trading Commission ("Commission") enter into the following terms and conditions of a non-prosecution agreement ("Agreement") in connection with the Investigation and any other related enforcement litigation or proceeding to which the Commission is a party (together, the "Proceedings"):

The Commission enters into this Agreement based, in part, on Lao's timely and substantial cooperation in the Investigation; his immediate willingness to accept responsibility for his misconduct, as described herein; the material assistance he provided to the Division in the Proceedings, including implicating others at Citigroup for unlawful conduct; and the absence of a history of prior misconduct by Lao.

I. Term

1. Lao understands and agrees that the provisions of this Agreement are in full force and effect from January 31, 2017 to the termination of the Proceedings or two years from the beginning date of the Agreement which ever is later ("Agreement Period"), unless expressly stated otherwise.

II. Cooperation

2. Lao agrees to cooperate fully and truthfully in the Proceedings, as directed by the Division's staff. Lao likewise agrees to cooperate fully and truthfully, as directed by the Division's staff, in any official investigation or proceeding by any other federal or state authority or a self-regulatory organization related to the Investigation and the factual statements that are part of this Agreement ("Other Proceedings"). The full, truthful, and continuing cooperation of Lao shall include, but not be limited to:

- a. preserving and producing 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 Lao;

- b. utilizing his knowledge and skill to explain transactions, interpret information and terminology, or identify new and productive lines of inquiry, as requested by the Division's staff;
- c. preparing and appearing for interviews and testimony, at such times and places and as requested by the Division's staff;
- d. responding completely and truthfully to all inquiries and interviews, as requested by the Division's staff;
- e. identifying and authenticating documents, executing affidavits or declarations, and testifying completely and truthfully at depositions, trial, and other judicial proceedings;
- f. accepting service by mail, electronic mail, or facsimile transmission of notices or subpoenas for documents and/or testimony at depositions, hearings, or trials;
- g. appointing Lao's undersigned attorney as agent to receive service of such notices and subpoenas;
- h. waiving 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; and
- i. serving by hand delivery or by next-day mail all written notices and correspondence required by or related to this Agreement to the Director of the Division of Enforcement, U.S. Commodity Futures Trading Commission, 1155 21st Street, NW, Three Lafayette Centre, Washington, DC 20581, unless otherwise directed in writing by the Division's staff.

III. Statement of Facts

3. If this case had gone to trial, the Commission would have presented evidence sufficient to prove the facts set forth in Exhibit A, which Lao admits.

IV. Prohibitions and Undertakings

4. During the Agreement Period, Lao understands and agrees to comply with the following prohibitions:
- a. To refrain from violating the Act and/or Regulations; and
 - b. To refrain from violating the rules promulgated by any self-regulatory organization and any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40)).

5. During the Agreement Period, Lao understands and agrees to perform the following undertakings:

- a. provide written notification to the Division, within fourteen calendar days, if Lao has been charged or convicted of an offense by any other federal or state authority, or self-regulatory organization.
- b. provide written notification to the Division, within fourteen calendar days, if Lao has been questioned, a formal or informal complaint has been made against Lao, or disciplinary action has been taken against Lao, by any other federal, state, or self-regulatory organization.
- c. Lao will cooperate fully, as enumerated in Section I.

6. Notwithstanding the end of the Agreement Period, Lao understands and agrees that neither Lao nor any of Lao's successors and assigns, agents or employees under Lao's authority or control shall take any action or make any public statement denying, directly or indirectly, any aspect of this Agreement or creating, or tending to create, the impression that this Agreement, which includes the statements in Exhibit A, is without a factual basis; provided, however, that nothing in this provision shall affect Lao's (i) testimonial obligations, or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Lao and his successors and assigns shall undertake all steps necessary to ensure that all of Lao's agents and/or employees under Lao's authority or control understand and comply with this provision. If it is determined by the Division that a public statement by Lao, or by anyone under Lao's authority or control, contradicts in whole or in part this Agreement which includes the statements in Exhibit A, the Division, at its sole discretion, may recommend, and the Commission may bring, an action or proceeding against Lao in accordance with this Agreement.

7. Notwithstanding the end of the Agreement Period, before issuing any press release concerning this Agreement, Lao agrees to have the text of the release approved by the Division's staff.

V. Violation of the Agreement

8. Lao understands and agrees that it shall be a violation of this Agreement if Lao provides false or misleading information or materials in connection with the Proceedings or Other Proceedings if he knew or reasonably should have known the information or materials to be false or misleading. Providing false or misleading information or materials to the Commission also violates Section 6(c)(2) of the Act (7 U.S.C. § 9) and also may subject Lao to criminal penalties for providing false information to the U.S. Government (18 U.S.C. § 1001), providing false information to the Commission (Section 6(c)(2) of the Act, 7 U.S.C. § 9), contempt (18 U.S.C. §§ 401-402), perjury (18 U.S.C. § 1621), making false statements or declarations in court proceedings (18 U.S.C. § 1623), and/or obstructing justice (18 U.S.C. § 1503 *et seq.*). Further, providing false, fictitious, or fraudulent information to a registered entity, board of trade, swap data repository, or futures association designated or registered under the Act

violates, and may also subject Lao to criminal penalties pursuant to Section 9(a)(4) of the Act (7 U.S.C. § 13).

9. Lao understands and agrees that it shall be a violation of this Agreement if Lao violates the Act and/or Regulations during the Agreement Period.

10. Lao understands and agrees that should the Division in its sole discretion determine that Lao failed to comply with any of the Prohibitions or Undertakings of this Agreement, the Division may recommend an enforcement action against Lao for violations of the Act and/or Regulations, including, but not limited to, the substantive offenses relating to the Investigation. In such circumstances, the Division will exercise its discretion whether to notify Lao or Lao's counsel of a recommended enforcement action and whether to provide an opportunity for Lao to make a submission consistent with the procedures set forth in Appendix A to Part 11 of the Regulations, 17 C.F.R. pt. 11, app. A. Moreover, nothing in this Agreement limits the Division's discretion to recommend to the Commission or the Commission's authority to bring an enforcement action against Lao for violations not arising from this Investigation or for future violations of the Act and/or Regulations, without notice, to protect the public interest.

11. Lao understands and agrees that in the event the Commission does bring an enforcement action against Lao following Lao's violation of this Agreement, any documents, statements, information, testimony, or evidence provided by Lao during the Proceedings and Other Proceedings, as well as any leads derived therefrom, may be used against Lao.

12. Lao understands and agrees that any enforcement action brought by the Commission following Lao's violation of the Agreement may be commenced against Lao, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such action, provided that, applying any and all previously executed tolling agreements, the action would not have been time-barred by the applicable statute of limitations if brought on the date of the execution of this Agreement. Lao will not assert any claim or defense based on the passage of time from the date of this Agreement to the commencement of any action or proceeding against Lao authorized, instituted, or brought by or on behalf of the Commission or to which the Commission is a party arising out of the Investigation, including any sanction or relief that may be imposed therein, regardless of whether such claim or defense is constitutional, statutory (including any statute of limitations), or equitable (including laches or other equitable doctrines). It is further understood and agreed that a separate tolling agreement is not required to give effect to this paragraph.

13. If Lao violates this Agreement, Lao agrees not to dispute, contest, or contradict the factual statements in Exhibit A as admissions pursuant to Federal Rule of Evidence 801(d)(2), or their admissibility, in any future action or proceeding against Lao or any action or proceeding to which the Commission is a party.

VI. Compliance with Agreement

14. Subject to the full, truthful, and continuing cooperation of Lao, as described above, and compliance with all Prohibitions and Undertakings in this Agreement, as described above, the Commission will not bring any enforcement action against Lao arising from the Investigation. This Agreement should not, however, be deemed an exoneration of Lao or be construed as a finding by the Commission or the Division that no violations of the Act and/or Commission Regulations have occurred.
15. Lao understands and agrees that this Agreement does not constitute a grant of immunity by the Commission, nor is it any other form of final disposition.
16. Lao understands and agrees that this Agreement does not bind any other federal or state authority or any self-regulatory organization. The Division may, at its discretion, issue a letter to other federal or state authorities or self-regulatory organizations detailing the cooperation of Lao during the Proceedings or Other Proceedings, upon Lao's written request.
17. This Agreement does not limit or otherwise affect any understandings or conditions in any agreements between Lao and any other federal or state authority or any self-regulatory organization, and any agreements between Lao and any other federal or state authority or any self-regulatory organization do not limit or otherwise affect the understandings and conditions set forth in this Agreement.
18. Lao understands and agrees that the Agreement only applies to enforcement actions arising from the Investigation and does not provide protection for any other violations or for any individual or entity other than Lao.

VII. Voluntary Agreement

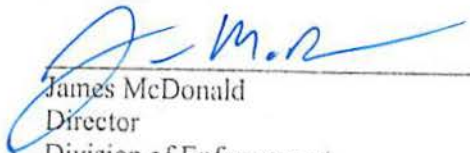
19. Lao's decision to enter into this Agreement is freely and voluntarily made and is not the result of force, threats, assurances, promises, or representations other than those contained in this Agreement.
20. Lao has read and understands this Agreement. Furthermore, Lao has reviewed all legal and factual aspects of this matter with Lao's attorney and is fully satisfied with that attorney's legal representation. Lao has thoroughly reviewed this Agreement with his attorney and has received satisfactory explanations concerning each paragraph of the Agreement. After conferring with his attorney and considering all available alternatives, Lao has made a knowing decision to enter into the Agreement.

VIII. Entirety of Agreement

- 21. This Agreement constitutes the entire agreement between the Commission and Lao, and supersedes all prior understandings, if any, whether oral or written, relating to the subject matter herein.
- 22. This Agreement cannot be modified except in writing, signed by Lao and an authorized representative of the Commission.
- 23. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring the Commission or Lao by virtue of the authorship of any of the provisions of the Agreement.
- 24. This Agreement may be executed by the parties to it in counterparts, with each counterpart constituting the entire Agreement.

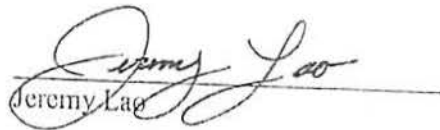
* * *

6/28/17
Date


James McDonald
Director
Division of Enforcement
U.S. COMMODITY FUTURES TRADING
COMMISSION

AGREED AND CONSENTED TO:

June 12 2017
Date


Jeremy Lao

I am counsel for Jeremy Lao in this matter. I have carefully reviewed this Agreement with Lao. To my knowledge, the decision of Lao to enter into this Agreement is informed and voluntary.

6/13/17
Date

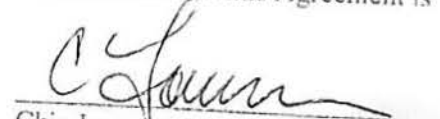

Chip Loewenson
250 West 55th Street
New York, NY 10019-9601
(212) 468-8000

EXHIBIT A

Statement of Facts

1. Lao worked for Citigroup Global Markets Inc. ("Citigroup") from 2005 to 2015 trading, among other things, U.S. futures and swaps contracts on multiple desks at Citigroup.
2. In either 2008 or 2009, the head of North American rates trading at Citigroup taught Lao how to get orders filled at favorable prices, in a timely manner—specifically, by placing large orders on the opposite side of the market from smaller orders that Lao wanted to trade and quickly cancelling the large orders before they were executed. In these scenarios, the large orders were entered with the intent to cancel before execution. At the time, Lao was assisting a senior trader in market making for Treasury inflation-protected securities.
3. From at least July 16, 2011 through 2012, Lao employed this trading strategy approximately eighty times. Each time, Lao entered a large brief order on the opposite side of the same or correlated market as the smaller order he wanted to trade. Lao understood it was important to cancel the large order quickly, typically in less than one second and sometimes in one to two seconds. Lao believed that the large brief orders caused algorithmic traders to react to the imbalance in the order book and transact on his smaller orders on the other side of the market. Lao engaged in spoofing (*i.e.*, bidding or offering with the intent to cancel the bid or offer before execution) to get his smaller orders on the opposite side of the same or correlated market filled (and filled more quickly) at the prices he wanted. He found that getting his smaller orders filled in this manner was effective and easy to do.
4. In or around 2012, Lao engaged in the trading strategy described above in conjunction with a more senior trader. In that instance, the senior trader entered and quickly canceled large orders on one side of the futures market to induce other market participants to transact on Lao's smaller resting futures orders on the opposite side. While neither spoke specifically about what they were doing, Lao understood that the senior trader's intent was to cancel his large orders prior to execution to get Lao's smaller resting orders filled (and filled more quickly) at the prices they wanted.
5. Lao believes that the only reasons traders trading in the Treasury markets for Citigroup would enter and quickly cancel large orders are accident/mistake, change of mind, or spoofing. Lao would not place and quickly cancel large orders simply to gather information about the market, and he was unaware of any other traders at Citigroup placing and quickly cancelling large orders simply to gather information about the market.

* * *