No Spoofing. No Kidding?

January 8, 2015 | SEC,The GEE Blog

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Both the Securities and Exchange Commission and the Commodity Futures Trading Commission have, for years, banned the use of manipulative trading devices. Indeed, if you asked most average market participants, they would have told you that trading practices like layering and spoofing—putting on buy and sell orders in different order types that allow a trader to move the market price without actually trading, in order to sell high and buy low—were manipulative devices. And, yet, it has taken until now for the two largest commodity exchanges (the CME Group and the ICE Futures U.S. Exchange) to come out and ban such blatantly manipulative trading. In September 2014, the CME announced that it was specifically banning "disruptive market practices," including spoofing and quote stuffing. Then, this month, nearly a year after Michael Lewis' "Flash Boys" was first published, the ICE followed suit. Its comprehensive bulletin on such practices—entitled "Disruptive Market Practices"—can be found here. In its release, the CME suggested that the now-banned manipulative trading practices were previously covered by rules that prohibited trading practices that were "inconsistent with just and equitable practice of trade." However, many in the market disagree. Such individuals take the position that the exchanges actually had been turning a "blind eye toward such disruptive market practices" and even compensating the high frequency traders that perpetrated such practices as necessary "liquidity providers" to the exchanges. *See, e.g.*, Tyler Durden, " The ICE Just Banned Market Manipulative 'Momentum Ignition Trading'". Indeed, Durden, the pseudonymous author of "ZeroHedge," has been decrying these practices for years, certainly well before "Flash Boys" brought such trading to Main Street's attention. In any event, if you were in doubt before, don't be. It is illegal to manipulate the market. Really. They mean it this time.

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