

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Hon.
	:	
v.	:	Criminal No. 23-
	:	
JEYAKUMAR NADARAJAH	:	<u>Counts 1–2</u>
	:	18 U.S.C. § 1343
	:	(Wire Fraud)
	:	
	:	<u>Counts 3–9</u>
	:	15 U.S.C. §§ 78j(b) and 78ff;
	:	17 C.F.R. § 240.10b-5
	:	(Securities Fraud)
	:	
	:	<u>Counts 10–16</u>
	:	15 U.S.C. §§ 78i(a)(2) & 78ff
	:	(Securities Manipulation)

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark, charges:

Overview

At all times relevant to this Indictment:

1. From in and around April 2018 to in and around May 2019, Defendant JEYAKUMAR NADARAJAH (“NADARAJAH”), as the Head of the U.S. Treasuries trading desk at an international financial institution (“Bank-1”) placed orders to spoof and layer in the U.S. Treasuries market with the intent to manipulate the prices of U.S. Treasuries, deceive and defraud other market participants in the U.S.

Treasuries market, and execute his own orders for U.S. Treasuries at favorable prices, all to the financial benefit of himself and Bank-1.

Relevant Individuals and Entities

2. NADARAJAH was employed as a Director at Bank-1. In that capacity, NADARAJAH was the Head of Bank-1's desk for trading U.S. Treasuries ("U.S.T. Desk") and traded U.S. Treasuries both on behalf of clients of Bank-1 and on behalf of Bank-1.

3. Bank-1 was an international financial institution with offices around the world, including in New York, New York, where the U.S.T. Desk was located and where NADARAJAH generally traded U.S. Treasuries.

4. Broker-1 provided, among other things, markets for trading U.S. Treasuries.

Market Background and Definitions

5. To raise capital to operate the federal government and finance the national debt, the U.S. Department of the Treasury ("Treasury") issued and sold marketable securities in the form of bills, notes, bonds, and certain related instruments at public auction (collectively, "U.S. Treasuries"). U.S. Treasuries were subject to fixed terms at fixed interest rates determined by the prevailing rates in the marketplace at the time of issuance. U.S. Treasuries were issued in different denominations, including the five-year U.S. Treasury note, ten-year U.S. Treasury note, and 30-year U.S. Treasury bond (collectively, "U.S. Treasuries Products"). After

the Treasury auctioned U.S. Treasuries Products, institutional and individual investors could buy and sell these securities in the secondary (or “cash”) market.

6. U.S. Treasuries Products were securities in all respects relevant to this Indictment and for purposes of Title 15, United States Code, Sections 15 U.S.C. §§ 78j(b) & 78i(a)(2).

7. Broker-1 provided, among other financial services, an electronic marketplace for trading U.S. Treasuries Products in the cash market. Broker-1’s servers for trading U.S. Treasury Products were located in and around Secaucus, New Jersey.

8. Individuals who sought to trade U.S. Treasuries Products on Broker-1 did so through a “Trader Identification” or user-id through which orders for U.S. Treasuries Products were placed, cancelled, and executed. Broker-1 anonymized the identity of the market participants trading U.S. Treasuries Products such that any market participant could not view the user-id associated with another trader.

9. NADARAJAH traded U.S. Treasuries Products on Broker-1 with the Trader Identification “BUTDUJNA2I.”

10. As Head of the U.S.T. Desk at Bank-1, NADARAJAH was a manual trader and decided himself whether and how to place his orders for U.S. Treasuries Products on Broker-1, as opposed to operating an automated or algorithmic trading strategy.

11. Broker-1 permitted, among other things, traders in the cash market for U.S. Treasuries Products to place orders to buy (“bid”) or sell (“offer”) a U.S. Treasury Product at a specific price and amount (“contracts” or “lots”). Broker-1 displayed such orders in a visible “order book” that aggregated the bids and offers at specific prices until such orders were either cancelled or executed. An order was “filled” or “executed” when a buyer’s bid price and a seller’s offer price matched for a U.S. Treasuries Product.

12. An “iceberg” order was a type of order that traders on Broker-1 could place either to buy or to sell U.S. Treasuries Products. With an iceberg order, a trader chose to display to other market participants in the order book only a pre-set number of lots in the overall order. If a trader filled the displayed quantity of lots, another order for the same number of lots and at the same price automatically replaced it in the order book. That process repeated itself until a trader either filled the overall number of lots in the order or cancelled it.

13. By contrast, a “fully displayed” order on Broker-1 displayed at once in the order book all the lots or contracts in an order. Those lots could be filled by other counterparties until cancelled.

14. “Spoofing” was the act or practice of bidding or offering with the intent, at the time the bid or offer was placed, to cancel the bid or offer before it was executed to give the false appearance of genuine supply or demand to other market participants.

15. "Layering" was the act or practice of placing two or more spoof orders, often at different times and at different prices in the order book, to give the false appearance of genuine supply or demand to other market participants.

16. Both Broker-1 and Bank-1 prohibited spoofing and layering in U.S. Treasuries Products.

NADARAJAH's Spoofing and Layering Scheme

17. NADARAJAH knew that spoofing constituted market manipulation, could give a false impression of supply and demand to other market participants trading U.S. Treasuries Products, and was a prohibited practice at Bank-1.

18. NADARAJAH also knew that layering was also a form of market manipulation that involved efforts to move prices in a certain direction.

19. Nonetheless, NADARAJAH engaged in and executed a spoofing and layering scheme in the cash market for U.S. Treasuries Products at Bank-1.

20. To carry out the scheme, NADARAJAH placed the following orders in U.S. Treasuries Products:

- a. NADARAJAH placed one or more orders for a U.S. Treasury Product that he intended to execute ("Genuine Orders"). NADARAJAH placed one or more Genuine Orders usually as iceberg orders, so that only a portion of the Genuine Order's full quantity was displayed at any given time in the order book.
- b. In the same trading sequence, NADARAJAH engaged in the act of spoofing and layering by placing opposite the Genuine Orders one or

more orders that he did not intend to execute at the time the order was placed (“Spoof Orders”). For example, if NADARAJAH placed a Genuine Order to buy, he placed one or more Spoof Orders to sell. NADARAJAH generally placed one or more Spoof Orders as fully displayed orders, so that the full quantity of each Spoof Order was displayed at once in the order book.

- c. After filling his Genuine Orders in whole or in part, NADARAJAH quickly cancelled the Spoof Order(s) to attempt to avoid filling those orders, as he intended at the time of placing those orders.

21. NADARAJAH placed one or more Spoof Orders on both the bid and offer side in the cash market for U.S. Treasuries Products, depending on the placement on his Genuine Orders.

22. By placing one or more Spoof Orders to buy U.S. Treasuries Products, NADARAJAH intended to inject false and misleading information about genuine demand into the market and to manipulate and artificially increase the market prices of those products. In this way, NADARAJAH intended that one or more Spoof Orders to buy would fraudulently induce other market participants to fill his Genuine Orders to sell at artificial and manipulated prices.

23. By placing one or more Spoof Orders to sell U.S. Treasuries products, NADARAJAH intended to inject false and misleading information about genuine supply into the market and to manipulate and artificially decrease the market prices of those products. In this way, NADARAJAH intended that one or more Spoof Orders

to sell would fraudulently induce other market participants to fill his Genuine Orders to buy at artificial and manipulated prices.

24. NADARAJAH caused Spoof Orders in U.S. Treasuries Products to be transmitted electronically via interstate wire communications from Bank-1's U.S.T. Desk located in and around New York, New York to Broker-1's servers located in and around Secaucus, New Jersey.

COUNTS ONE – TWO

(Wire Fraud — 18 U.S.C. § 1343)

25. The Grand Jury realleges and incorporates by reference paragraphs 1 through 24 of this Indictment.

26. From in and around April 2018 to in and around May 2019, in the District of New Jersey, and elsewhere, defendant

JEYAKUMAR NADARAJAH

did knowingly and with the intent to defraud, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice to defraud, as set forth below:

Count	On or about Date and Time (Eastern Time)	Security	Description of Interstate Wire Communication
1	May 8, 2019 at approximately 8:43:23.271440 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 800 lots (part of a group of 3 Spoof Orders to sell a total of 2,200 lots)
2	May 8, 2019 at approximately 8:44:04.212999 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 444 lots (part of 7 Spoof Orders to sell a total of 1,893 lots)

COUNTS THREE – NINE

(Securities Fraud – 15 U.S.C. §§ 78j(b) & 78ff; 17 C.F.R. § 240.10b-5)

27. The Grand Jury realleges and incorporates by reference paragraphs 1 through 24 of this Indictment.

28. From in and around April 2018 to in and around May 2019, in the District of New Jersey, and elsewhere, defendant

JEYAKUMAR NADARAJAH

did unlawfully, willfully, and knowingly, directly and indirectly, by the use of the means and instrumentalities of interstate commerce, and the mails and of the facilities of national securities exchanges, in connection with the purchase and sale of securities, use and employ manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons, as set forth below:

Count	On or about Date and Time (Eastern Time)	Security	Description of Interstate Wire Communication
3	May 3, 2019 at approximately 9:30:59.442637 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of a group of 10 Spoof Orders to sell a total of 2,183 lots)
4	May 8, 2019 at approximately 8:43:23.271440 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 800 lots (part of a group of 3 Spoof Orders to sell a total of 2,200 lots)
5	May 8, 2019 at approximately 8:44:04.212999 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 444 lots (part of 7 Spoof Orders to sell a total of 1,893 lots)
6	May 8, 2019 at approximately 1:03:01.586820 p.m.	10-Year U.S. Treasury	Placement of a Spoof Order to buy 333 lots (part of 3 Spoof Orders to buy a total of 977 lots)
7	May 9, 2019 at approximately 9:30:43.197671 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 200 lots (part of 2 Spoof Orders to sell a total of 300 lots)
8	May 9, 2019 at approximately 10:04:54.140045 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of 12 Spoof Orders to sell a total of 3,054 lots)
9	May 10, 2019 at approximately 11:23:41.590994 a.m.	5-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of 7 Spoof Orders to sell a total of 2,532 lots)

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, Title 17, Code of Federal Regulations, Section 240.10b-5.

COUNTS TEN – SIXTEEN

(Securities Manipulation – 15 U.S.C. §§ 78i(a)(2) & 78ff)

29. The Grand Jury realleges and incorporates by reference paragraphs 1 through 24 of this Indictment.

30. From in and around April 2018 to in and around May 2019, in the District of New Jersey, and elsewhere, defendant

JEYAKUMAR NADARAJAH

knowingly and willfully, using a means and instrumentality of interstate commerce, effected a series of transactions in a security creating actual and apparent active trading in such security, and raising and depressing the price of such security, for the purpose of inducing the purchase and sale of such security by others, as set forth below:

Count	On or about Date and Time (Eastern Time)	Security	Description of Interstate Wire Communication
10	May 3, 2019 at approximately 9:30:59.442637 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of a group of 10 Spoof Orders to sell a total of 2,183 lots)
11	May 8, 2019 at approximately 8:43:23.271440 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 800 lots (part of a group of 3 Spoof Orders to sell a total of 2,200 lots)
12	May 8, 2019 at approximately 8:44:04.212999 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 444 lots (part of 7 Spoof Orders to sell a total of 1,893 lots)
13	May 8, 2019 at approximately 1:03:01.586820 p.m.	10-Year U.S. Treasury	Placement of a Spoof Order to buy 333 lots (part of 3 Spoof Orders to buy a total of 977 lots)
14	May 9, 2019 at approximately 9:30:43.197671 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 200 lots (part of 2 Spoof Orders to sell a total of 300 lots)
15	May 9, 2019 at approximately 10:04:54.140045 a.m.	10-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of 12 Spoof Orders to sell a total of 3,054 lots)
16	May 10, 2019 at approximately 11:23:41.590994 a.m.	5-Year U.S. Treasury	Placement of a Spoof Order to sell 400 lots (part of 7 Spoof Orders to sell a total of 2,532 lots)

All in violation of Title 15, United States Code, Sections 78i(a)(2) and 78ff.

FORFEITURE ALLEGATIONS

31. The allegations in Counts One through Sixteen of this Indictment are realleged here for the purpose of noticing forfeiture.

32. As the result of committing the offenses charged in Count One through Count Sixteen of this Indictment, the defendant, JEYAKUMAR NADARAJAH, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses charged in Count One through Count Sixteen of this Indictment, and all property traceable to such property.

SUBSTITUTE ASSETS PROVISION

33. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third person;
- c. Has been placed beyond the jurisdiction of the Court;
- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be subdivided without difficulty;

the United States shall be entitled, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek

forfeiture of any other property of the defendant up to the value of the above
forfeitable property.

A TRUE BILL

REDACTED

FOREPERSON /

Philip R. Sellinger

PHILIP R. SELLINGER
United States Attorney
District of New Jersey

Glenn S. Leon for OL

GLENN S. LEON

Chief

United States Department of Justice
Criminal Division, Fraud Section

CASE NUMBER: 23-

United States District Court
District of New Jersey

UNITED STATES OF AMERICA

v.

JEYAKUMAR NADARAJAH

INDICTMENT FOR

18 U.S.C. § 1343
15 U.S.C. §§ 78j(b) and 78ff;
17 C.F.R. § 240.10b-5
15 U.S.C. §§ 78i(a)(2) & 78ff

A True Bill
REDACTED
foreperson

PHILIP R. SELLINGER
UNITED STATES ATTORNEY
DISTRICT OF NEW JERSEY
GLENN S. LEON
CHIEF, FRAUD SECTION
UNITED STATES DEPARTMENT OF JUSTICE

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