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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THOMAS G. BRUTON
CLERK, U.S. DISTRICT COURT

UNITED STATES OF AMERICA)
) No. 18 CR 24
)
 v.)
) Violation: Title 7, United States Code
) Sections 6c(a)(5)(C) and 13(a)(2).
 JIONGSHENG ("JIM") ZHAO)

INFORMATION

JUDGE THARP
MAGISTRATE JUDGE COLE

The UNITED STATES OF AMERICA charges:

The Defendant

1. From at least 2012 through the present, Defendant JIONGSHENG "JIM" ZHAO was employed as a trader at Trading Firm A, which was a proprietary trading firm located in Sydney, Australia and elsewhere. At all times relevant to this Information, ZHAO acted within the scope of his authority and employment at Trading Firm A, and with the intent to benefit Trading Firm A.

2. As a trader at Trading Firm A, ZHAO traded futures contracts, including the E-mini S&P 500 ("E-Mini S&P") futures contract on the Chicago Mercantile Exchange ("CME"). ZHAO placed orders onto the CME electronically either from his home or from Trading Firm A's offices in Sydney, Australia.

E-Mini S&P 500 Futures Trading on the CME

3. The CME Group Inc. was a commodities marketplace made up of several exchanges, including the CME, which was based in Chicago, Illinois. At all relevant times, the CME was a registered entity, operating as a Designated Contract Market, and subject to regulation by the U.S. Commodity Futures Trading Commission ("CFTC"). Market participants trading on the CME were subject to its rules.

4. A futures contract was a standardized, legally binding agreement that, once executed, obligated the parties to the contract to buy or to sell a specific product or financial instrument in the future. That is, the buyer and seller of a futures contract agreed on a price today for a product or financial instrument to be delivered (by the seller), in exchange for money (to be provided by the buyer), on a future date.

5. Futures contracts were traded on markets designated and regulated by the CFTC, the federal agency established by federal statute to regulate, among many other things, transactions related to and involving the purchase and sale of futures contracts.

6. Globex was a global electronic trading platform operated by the CME Group, which utilized computer servers located in the Northern District of Illinois. Trading on Globex was conducted electronically using a visible “order book” that displayed quantities of anonymous orders (*i.e.*, offers to sell futures contracts and bids to buy futures contracts) at various price points, or “levels.” Globex allowed market participants to trade futures contracts either at the exchange itself or from a location virtually anywhere in the world. Through Globex, markets operated by the CME Group offered trading opportunities in various futures contracts, including E-Mini S&P futures contracts.

7. The CME, through the Globex system, allowed traders to place orders in the form of “bids” to buy or “offers” to sell a futures contract. An order was “filled” or “executed” when a buyer and seller bought and sold a particular contract.

8. E-Mini S&P was a stock market futures contract that represented an agreement to buy or sell the future cash value of the S&P 500, which was an index of 500 U.S. stocks, at a specified date, and traded on the CME.

ZHAO's Spoofing Conduct

9. It was part of ZHAO's spoofing conduct that, beginning in approximately July 2012 and continuing through approximately March 2016, ZHAO devised, implemented, and executed a trading strategy involving E-Mini S&P futures contracts in which ZHAO entered large-volume orders (the "Large Orders") that ZHAO intended, at the time he placed the orders, to cancel before they could be filled by other traders and which were transmitted to the Globex electronic trading platform that operated on a CME Group server.

10. It was further part of ZHAO's spoofing conduct that, at all relevant times, the Large Orders placed by ZHAO were material misrepresentations that falsely and fraudulently represented to market participants that ZHAO wanted to trade the Large Orders when, in truth and in fact, he did not because, at the time he placed these orders, he intended to cancel them before they could be executed.

11. It was further part of ZHAO's spoofing conduct that:

(a) the Large Orders placed by ZHAO were designed and intended to deceive other market participants by injecting materially false and misleading information into the E-Mini S&P futures contracts market about the existence of supply or demand for that futures contract;

(b) typically, at the time ZHAO placed a Large Order, he had already placed one or more smaller orders (the "Primary Orders") on the opposite side of the market as the Large Order;

(c) the Large Orders placed by ZHAO frequently, and fraudulently, induced other market participants to buy and sell E-Mini S&P futures contracts at prices, quantities, and times that they likely otherwise would not have, which often had the intended effect

of artificially driving up or down the price of those E-Mini S&P futures contracts in a direction favorable to ZHAO, causing ZHAO's Primary Orders to be filled, and to the detriment of other market participants; and

(d) after the Large Orders successfully caused at least one lot of the Primary Order placed by ZHAO to be filled, ZHAO canceled the Large Orders in an effort to ensure that they would not be filled in the market.

12. In was further part of ZHAO's spoofing conduct that, at all relevant times, ZHAO placed thousands of Large Orders for E-Mini S&P futures contracts in an effort to cause his Primary Orders to be filled at prices, quantities, and at times that they otherwise would not have.

13. It was further part of ZHAO's spoofing conduct that, at all relevant times, ZHAO placed Large Orders in order to make money and avoid losses for himself and Trading Firm A.

Count One
(Spoofing)

14. The allegations set forth in Paragraphs 1 through 13 of this Information are hereby re-alleged and incorporated by reference as though set forth in full herein.

15. On or about March 12, 2014, in the Northern District of Illinois, Eastern Division, and elsewhere,

JIONGSHENG ("JIM") ZHAO,

defendant herein, knowingly engaged in trading, a practice, and conduct, on and subject to the rules of CME Group markets, that was "spoofing," that is, bidding and offering with the intent, at the time the bid and offer was placed, to cancel the bid and offer before execution, by transmitting and causing to be transmitted, to a CME Group server, an E-Mini S&P futures contract order that ZHAO intended, at the time the order was placed, to cancel before execution, to wit, at approximately 10:52:22.441 PM Central Time, ZHAO placed an order to buy 201 E-mini S&P

500 futures contracts at a price of \$1,873.25 and approximate total value of \$18,826,162.50, with the intent to cancel the order before execution, and ZHAO then cancelled that order in full approximately 0.591 seconds later.

All in violation of Title 7, United States Code, Sections 6c(a)(5)(C) and 13(a)(2).

SANDRA MOSER
Acting Chief
Fraud Section, Criminal Division
U.S. Department of Justice

By: 
MATTHEW F. SULLIVAN
Trial Attorney

JUSTIN D. WEITZ
Assistant Chief