

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

UNITED STATES OF AMERICA

v.

TOWER RESEARCH CAPITAL LLC,
Defendant.

§
§
§
§
§
§

CRIMINAL NO.

United States Courts
Southern District of Texas
FILED

NOV 06 2019

INFORMATION

The UNITED STATES OF AMERICA charges that:

David J. Bradley, Clerk of Court

COUNT ONE
(Commodities Fraud)

1. From approximately March 2012 until December 2013 (the “Relevant Period”), in the Southern District of Texas, Houston Division, and elsewhere,

TOWER RESEARCH CAPITAL LLC,

the defendant, did knowingly and with the intent to defraud, execute and attempt to execute a scheme and artifice to defraud a person in connection with a commodity for future delivery, that is, E-Mini S&P 500 futures contracts and E-Mini NASDAQ 100 futures contracts traded on the Chicago Mercantile Exchange (CME), and E-Mini Dow futures contracts traded on the Chicago Board of Trade (CBOT) (collectively, “E-Mini futures contracts”), in violation of Title 18, United States Code, Section 1348(1).

2. During the Relevant Period, three traders who were employees of TOWER RESEARCH CAPITAL and members of a trading team called the “Relay Team” engaged in a scheme to defraud in connection with the purchase and sale of commodities for future delivery, namely, E-Mini futures contracts. The three traders were Kamaldeep Gandhi, Krishna Mohan, and Yuchun (“Bruce”) Mao (collectively, the “Relay Traders”).

3. On thousands of occasions throughout the Relevant Period, the Relay Traders fraudulently placed orders to buy and sell E-Mini futures contracts with the intent to cancel those orders before execution, including in an attempt to profit by deceiving other market participants.

4. More specifically, the Relay Traders placed one or more orders for E-Mini futures contracts that they intended to execute (“Genuine Orders”). Often, the Genuine Orders were “iceberg” orders, meaning that other market participants could see only a portion of the order’s full size at any given time.

5. During the same trading sequences, the Relay Traders also placed one or more orders for E-Mini futures contracts that they intended to cancel before execution (“Deceptive Orders”) on the opposite side of the market from the Genuine Orders. The Deceptive Orders were not iceberg orders, and so the full order size was visible to other market participants.

6. By placing Deceptive Orders, the Relay Traders intended to, and did, inject false and misleading information about the genuine supply and demand for E-Mini futures contracts into the markets, and to deceive other participants in those markets into believing something untrue, namely that the visible order book accurately reflected market-based forces of supply and demand.

7. This false and misleading information was intended to, and at times did, trick other market participants into reacting to the apparent change and imbalance in supply and demand by buying and selling E-Mini futures contracts at quantities, prices, and times that they otherwise likely would not have traded.

8. By placing Deceptive Orders to *buy* E-Mini futures contracts, the Relay Traders intended to create the false impression in the market of increased demand in an effort to drive up the prices of those futures contracts.

9. By placing Deceptive Orders to *sell* E-Mini futures contracts, the Relay Traders intended to create the false impression in the market of increased supply in an effort to drive down the prices of those futures contracts.

10. In either situation, the Relay Traders placed Deceptive Orders with the intent to fraudulently and artificially move the price of a given E-Mini futures contract in a manner that would increase the likelihood that one or more of their own opposite-side Genuine Orders would be filled by other market participants, allowing the Relay Traders to generate trading profits and avoid losses for themselves and TOWER RESEARCH CAPITAL.

11. In total, during the Relevant Period, the Relay Traders' fraudulent and manipulative trading activity directly and proximately caused at least \$32,593,849 in actual losses to thousands of other participants in the markets for E-Mini futures contracts.

12. In placing Deceptive Orders to benefit their Genuine Orders, the Relay Traders were acting, at least in part, to benefit TOWER RESEARCH CAPITAL and within the scope of their employment as employees of TOWER RESEARCH CAPITAL.

All in violation of Title 18, United States Code, Section 1348(1).

ROBERT A. ZINK
Chief, Fraud Section
Criminal Division
United States Department of Justice

RYAN K. PATRICK
United States Attorney
Southern District of Texas

By: Matthew F. Sullivan
MATTHEW F. SULLIVAN
Trial Attorney

By: John R. Lewis
JOHN R. LEWIS
Assistant United States Attorney

AVI PERRY
Assistant Chief