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Hagens Berman CFTC Whistleblower Helps CFTC and DOJ Bring Charges Against Flash Crash Market Spoofing Fraudster

WHISTLEBLOWER'S CLAIM LEADS TO LEGAL ACTION AGAINST MARKET MANIPULATOR WHO PROFITED MORE THAN \$40 MILLION FROM MARKET FRAUD AND CONTRIBUTED TO THE MAY 6, 2010 FLASH CRASH

Apr. 21, 2015

SEATTLE – Both the U.S. Commodity Futures Trading Commission (CFTC) and the Department of Justice, in separate criminal and civil enforcement actions, today announced charges of [market manipulation](#) and spoofing against Nav Sarao Futures Limited PLC (Sarao Futures) and Navinder Singh Sarao (Sarao) in newly unsealed cases originally prompted by a whistleblower represented by attorneys at Hagens Berman.

According to the CFTC, the defendant charged in the case profited more than \$40 million from the market fraud and was a significant factor contributing to the May 6, 2010 Flash Crash, a cataclysmic event that caused the E-mini S&P market price to suffer a sharp decline.

The [whistleblower](#), represented by Hagens Berman (and who will remain anonymous), brought his concerns and original analysis to the CFTC after hundreds of hours spent analyzing data and other information. The investigation that followed his Dodd Frank Whistleblower complaint ultimately lead to the arrest of Sarao by British authorities, acting at the request of the U.S. Department of Justice.

These CFTC and DOJ actions concern manipulation of the E-mini S&P 500 futures contract (E-mini S&P).

“These actions brought by the CFTC and DOJ are game-changing. They are also the product of years of research and careful analysis from our client and significant time and resources put in by the incredible team of investigators who treated our client and his comprehensive analysis with the utmost respect,” said Shayne Stevenson, partner and head of the [whistleblower practice at Hagens Berman](#). “Our anonymous whistleblower client stands as a testament to the indispensable role whistleblowers play in detecting and reporting market manipulation and other forms of financial fraud.”

“It is our client’s hope that this case highlights the importance of blowing the whistle on market manipulation and helps deter others from engaging in unlawful behavior,” Stevenson added. “Our client is an incredible person and he has performed an incredible public service.”

According to the CFTC Complaint, the defendant engaged in a massive market manipulation to alter the price of the E-mini S&P for more than five years by utilizing a variety of spoofing tactics, including modifying a commonly used off-the-shelf trading platform to automatically simultaneously layer multiple large sell orders into the visible E-mini S&P central limit order book.

According to the CFTC, as futures prices moved, the algorithm modified the price of the sell orders to ensure that they remained at least three or four price levels from the best asking price – remaining visible to other traders, but staying safely away from the best asking price. The complaint states that the vast majority of the orders were canceled without transactions, causing massive disruption and manipulation. Defendant utilized the Layering Algorithm on more than 400 trading days.

According to the Complaint, defendant was exceptionally active in the E-mini S&P on May 6, 2010, the day of the Flash Crash. On the afternoon of that day, the E-mini S&P market price suffered a sharp decline, followed shortly thereafter by more drops in the prices of other major U.S. equities indices and individual equities. According to the Complaint, Defendant’s manipulative activities contributed to an extreme E-mini S&P order book imbalance that contributed to market conditions that led to the Flash Crash. “These orders represented approximately \$170 million to over \$200 million worth of persistent downward pressure on the E-mini S&P price and, over the next two hours, represented 20-29% of the entire sell-side of the Order Book,” the complaint states.

The Complaint further alleges that Defendant engaged in a variety of other manual spoofing techniques whereby Defendants allegedly would place and quickly cancel large orders with no intention of the orders resulting in transactions.

“We are highly confident that this case will inspire other whistleblowers to speak out against spoofing and other black-hat practices that should be brought to light,” Shayne Stevenson said. “It’s no secret that fraud is common in our markets, and the world needs more individuals like our whistleblower client who has pulled the curtain on this massive scheme.”

The whistleblower's attorney, Hagens Berman partner and head of whistleblower practice, Shayne Stevenson is available to speak regarding the implications of the case and other trends in whistleblower litigation. To schedule an interview, please contact the firm's media contact, [Ashley Klann](#) at 206-268-9363.

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About Hagens Berman

Hagens Berman Sobol Shapiro LLP is a national law firm representing whistleblowers, with offices in nine cities. The firm has been named to the National Law Journal's Plaintiffs' Hot List eight times for its landmark class-action, consumer-rights wins for plaintiffs. More about the law firm and its whistleblower practice can be found at www.hb-whistleblower.com. Follow the firm for updates and whistleblower news at [@HagensBerman](#).

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