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Department of Justice

U.S. Attorney's Office

Northern District of Illinois

FOR IMMEDIATE RELEASE

Tuesday, November 3, 2015

High-Frequency Trader Convicted of Disrupting Commodity Futures Market in First Federal Prosecution of "Spoofing"

CHICAGO — In the first federal prosecution of its kind, a high-frequency trader was convicted today of disrupting commodity futures prices in a \$1.4 million fraud scheme.

MICHAEL COSCIA, 53, used an automated trading technique to commit a crime known as "spoofing" to earn illegal profits from orders he placed through Chicago-based CME Group and London-based ICE Futures Europe. Coscia commissioned the design of two computer programs, known as algorithms, to implement his fraudulent strategy at his New Jersey trading firm.

The jury in federal court in Chicago deliberated for approximately one hour before convicting Coscia on all 12 counts, including 6 counts of commodities fraud and 6 counts of spoofing. Each count of commodities fraud carries a maximum sentence of 25 years in prison and a \$250,000 fine, while each count of spoofing carries a maximum sentence of ten years in prison and a \$1 million fine. U.S. District Judge Harry D. Leinenweber scheduled a sentencing hearing for March 17, 2016, at 9:45 a.m.

The indictment against Coscia, of Rumson, N.J., marked the first federal prosecution nationwide under the anti-spoofing provision that was added to the Commodity Exchange Act by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. The case was prosecuted by Assistant United States Attorneys Renato Mariotti and Sunil Harjani of the Securities and Commodities Fraud Section of the U.S. Attorney's Office in Chicago. The section, which was created in 2014, is dedicated to protecting markets

and preserving investors' confidence.

"The defendant's trading activities disrupted the markets in his favor and against legitimate traders and investors," said Zachary T. Fardon, United States Attorney for the Northern District of Illinois. "We have to have fairness and integrity in our markets. And enforcement, including federal criminal prosecutions, is an important tool to protecting those values. The jury's verdict exemplifies the reason we created the Securities and Commodities Fraud Section in Chicago, which will continue to criminally prosecute these types of violations."

Mr. Fardon announced the conviction along with Michael J. Anderson, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

High-frequency trading is a form of automated trading that uses computer algorithms for placing a high volume of trading orders in milliseconds. It is illegal for traders to engage in spoofing, which involves placing "bids" to buy or "offers" to sell a futures contract with the intent to cancel the bid or the offer before execution.

Evidence at the seven-day trial showed that Coscia engaged in spoofing in the markets of various commodities, including gold, soybean meal, soybean oil, high-grade copper, Euro FX and Pounds FX currency futures. In less than three months in 2011, Coscia illegally profited nearly \$1.4 million.

Coscia has been a registered commodities trader since 1988. In 2007, he formed Panther Energy Trading LLC in Red Bank, N.J.

Financial Fraud

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Updated November 3, 2015