

Loss Event

Deutsche Bank
EL0101 - Unauthorised Activity
US - United States

BL0202 - Global Markets
USD 30,000,000.00 | US Dollar
North America

Banking

Deutsche Bank fined USD 30 million by CFTC for using spoofing techniques to manipulate precious metals market

On 29 January 2018, the US Commodity Futures Trading Commission (CFTC) fined Deutsche Bank USD 30 million (EUR 24.1 million) over allegations of attempted manipulation of the precious metals market by some of its traders and its failure to diligently supervise its traders from engaging in such market manipulation. The fine related to two of Deutsche Bank's units, Deutsche Bank AG (DB AG) and Deutsche Bank Securities Inc (DBSI).

According to the CFTC, between February 2008 and September 2014, DB AG's precious metals traders in New York, London and Singapore placed spoof orders in order to create a false impression of buying or selling pressure on one side of the market.

The spoofing strategy involved placing bids or offers for precious metals futures contracts and cancelling them before they were executed. The spoof orders were placed after another smaller bid offer was placed on the other side of the market. The traders would then cancel the spoof orders, after the smaller orders were executed, or if the spoof orders were at too great a risk of being executed themselves. In addition to using this strategy individually, on at least one occasion, traders colluded with each other to use this strategy.

The regulator also found that on separate occasions between December 2009 and February 2012, DB AG's traders in Singapore manipulated the prices of the precious metals futures contracts to trigger customers' stop loss orders in order to make a profit on proprietary trading. On certain occasions, the manipulation of prices was coordinated with one or more traders.

Furthermore, DBSI failed to diligently supervise traders in order to detect specific instances of potential misconduct. For example, whilst DBSI had systems and policies in place to detect potential misconduct it failed to promote these policies and train its traders accordingly. In addition, although its electronic surveillance system identified hundreds of instances of potential spoofing and other misconduct, Deutsche Bank failed to follow up on most of these instances.

Deutsche Bank was fined USD 30 million and ordered to cease and desist from future violations of Commodity Exchange Act and Commission Regulations. The bank is also required to maintain and implement training programmes, systems and controls to detect and prevent spoofing by its staff. The CFTC said that the fine was substantially reduced in recognition of Deutsche Bank's significant cooperation and remediation.

On the same day, the CFTC also fined UBS USD 15 million and HSBC USD 1.6 million for similar violations.

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UBS fined USD 15 million by CFTC for using spoofing techniques to manipulate precious metals market, HSBC fined USD 1.6 million by CFTC for using spoofing techniques to manipulate precious metals market

Event

Published In Media 29 January 2018	Date of Occurrence - From 01 February 2008	Date of Occurrence - To 30 September 2014	Discovery Date	Date of Recognition/Settlement 29 January 2018
Loss Amount USD 30,000,000.00	Loss Amount EURO 24,129,300.00	Provision No		Boundary Risk Other Risk
Industry Event	Scenario SC0005 - Improper Business Practice	Product PD0303 - Commodities		Process PC0501 - Capture Transactions
Event Closed No	ORX Member Yes	Role of Firm LS0307 - Position Taking (Principal)		
Cause 1 CS0204 - Management / Control of Staff	Cause 2 CS0206 - Unauthorised Activity	Cause 3 CS0402 - Process Design		
Jurisdiction / Choice of Law LS0101 - United States of America	Counterparty LS0211 - Regulator	Environmental Volatility LS0406 - Not Identifiable		