

United States Court
Southern District of Texas
FILED

OCT 10 2018

David J. Bradley, Clerk of Court

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA

v.

YUCHUN (“BRUCE”) MAO,
Defendant.

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CRIMINAL NO.

18 CR 606

INDICTMENT

The Grand Jury charges that at all times relevant to this Indictment:

The Defendant

1. Defendant YUCHUN (“BRUCE”) MAO was employed as a trader at a proprietary trading firm with offices in, among other places, New York, New York, and Chicago, Illinois (hereinafter “Trading Firm A”).

2. MAO worked with two co-conspirators, CC-1 and CC-2, on a trading team (hereinafter, the “Trading Team”) at Trading Firm A that traded, among other things, futures contracts on the Chicago Mercantile Exchange (“CME”) and the Chicago Board of Trade (“CBOT”).

Relevant Definitions and Market Background

3. The CME Group Inc. (“CME Group”) was a commodities marketplace made up of several exchanges, including CME and the CBOT, which were based in Chicago, Illinois. At all relevant times, CME and CBOT were registered entities with the U.S. Commodity Futures Trading Commission (“CFTC”).

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. 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.

5. CME and CBOT utilized an electronic trading system called “Globex.” Globex was a global electronic trading platform operated by CME Group, which utilized computer servers located in Chicago and Aurora, 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 Dow futures contracts, E-Mini NASDAQ 100 (“E-Mini NASDAQ”) futures contracts, and E-Mini S&P 500 (“E-Mini S&P”) futures contracts.

6. CME and CBOT, 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.

7. E-Mini Dow was a stock market index futures contract that represented an agreement to buy or sell the future cash value of the Dow Jones Industrial Average, which was an index of 30 U.S. stocks, at a specified date, and traded on the CBOT.

8. E-Mini NASDAQ was a stock market index futures contract that represented an agreement to buy or sell the future cash value of the NASDAQ 100, which was an index of 100 U.S. stocks, at a specified date, and traded on the CME.

9. 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.

10. Victim 1 was a quantitative finance company with offices located in Houston, Texas, in the Southern District of Texas.

Count One
(Conspiracy to Commit Commodities Fraud)

11. The allegations set forth in paragraphs 1 through 10 are hereby re-alleged and incorporated by reference as though set forth in full herein.

12. Beginning in or around March 2012 and continuing through in or around March 2014, the exact dates being unknown to the Grand Jury, in the Southern District of Texas and elsewhere,

YUCHUN (“BRUCE”) MAO,

the defendant, CC-1, and CC-2, and others known and unknown to the Grand Jury, did willfully, that is, with the intent to further the objects of the conspiracy, knowingly combine, conspire, confederate, and agree with others known and unknown to the Grand Jury to commit commodities fraud, that is, to 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, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of a commodity for future delivery, that is,

E-Mini Dow futures contracts, E-Mini NASDAQ futures contracts, and E-Mini S&P futures contracts, in violation of Title 18, United States Code, Section 1348.

Purpose of the Conspiracy

13. It was the purpose of the conspiracy for MAO and his co-conspirators, including CC-1 and CC-2, to deceive other market participants by injecting materially false and misleading information into the E-Mini Dow, E-Mini NASDAQ, and E-Mini S&P futures contracts markets that indicated increased supply or demand in order to induce market participants to buy or to sell futures contracts at prices, quantities, and times that the market participants likely would not have otherwise, in order to make money and avoid losses for MAO, his co-conspirators, and Trading Firm A.

Manner and Means of the Conspiracy

14. It was part of the conspiracy that MAO and his co-conspirators, including CC-1 and CC-2, used the following manners and means:

a. During and in furtherance of the conspiracy, MAO and his co-conspirators, including CC-1 and CC-2, in order to make money for themselves and for Trading Firm A, and acting within the scope of their employment at Trading Firm A, placed and caused to be placed thousands of electronic trading orders to buy or to sell E-Mini Dow, E-Mini NASDAQ, and E-Mini S&P futures contracts that MAO and his co-conspirators intended, at the time the orders were placed, to cancel before execution (the “Fraudulent Orders”).

b. At all times during and in furtherance of the conspiracy, MAO (i) was an employee of Trading Firm A, (ii) acted with the intent, at least in part, to benefit Trading Firm A, and (iii) acted within the scope of his authority and employment at Trading Firm A.

c. The Fraudulent Orders were placed on the CME and CBOT, through the CME Group's electronic trading platform.

d. In placing the Fraudulent Orders, MAO and his co-conspirators, including CC-1 and CC-2, intended to deceive other market participants by injecting materially false and misleading information into the markets for E-Mini Dow, E-Mini NASDAQ, and E-Mini S&P futures contracts that indicated increased supply or demand, all in order to induce market participants to buy or to sell futures contracts at prices, quantities, and times that the market participants likely would not have otherwise, in order make money and avoid losses for MAO, his co-conspirators, and Trading Firm A.

e. The Fraudulent Orders caused wire communications that traveled in interstate commerce because the conspirators executed such wire communications from locations outside of Illinois, which ultimately traveled to Trading Firm A's servers, and the CME's servers, located in the Northern District of Illinois. The information conveyed in these wires was then transmitted via interstate wire to market participants located in, among other places, the Southern District of Texas.

All in violation of Title 18, United States Code, Section 1349.

Counts Two and Three
(Commodities Fraud)

15. The allegations set forth in paragraphs 1 through 10 and 13 through 14 are hereby re-alleged and incorporated by reference as though set forth in full herein.

16. Beginning in or around March 2012 and continuing through in or around March 2014, the exact dates being unknown to the Grand Jury, in the Southern District of Texas and elsewhere,

YUCHUN (“BRUCE”) MAO,

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, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of a commodity for future delivery, that is, E-Mini Dow, E-Mini NASDAQ, and E-Mini S&P futures contracts.

17. On or about the dates set forth below, MAO knowingly executed the scheme and artifice by transmitting and causing to be transmitted to a CME Group server bids to buy and offers to sell E-Mini S&P futures contracts, with the intent, at the time each bid and offer was entered, to cancel it before it could be executed, which fraudulently represented the state of the market, so MAO could purchase and sell E-Mini S&P futures contracts at a below-market and above-market prices, as set forth below:

Count	Approx. Date	Approx. Time (Central Time)	Side	Approx. No. of Fraudulent Orders Placed	Approx. Total No. of Contracts in Orders	Approx. No. of Contracts Purchased
2	Nov. 25, 2013	10:18 a.m.	Sell	28 offers	400	300
3	Dec. 16, 2013	11:28 a.m.	Sell	28 offers	400	200

All in violation of Title 18, United States Code, Sections 1348 and 2.

Counts Four and Five
(Spoofing)

18. The allegations set forth in paragraphs 1 through 10 and 13 through 14 are hereby re-alleged and incorporated by reference as though set forth in full herein.

19. On or about the dates set forth below, in the Southern District of Texas and elsewhere,

YUCHUN (“BRUCE”) MAO,

the defendant, knowingly engaged in trading, 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 entered, to cancel the bid and offer before execution, by causing to be transmitted, to a CME Group server E-Mini S&P futures contract orders that he intended, at the time the orders were placed, to cancel before execution, as set forth below:

Count	Approx. Date	Approx. Time (Central Time)	Side	Approx. Price	Approx. No. of Fraudulent Orders Placed	Approx. Total No. of Contracts in Orders	Approx. Total Value of Orders
4	Nov. 25, 2013	10:18 a.m.	Sell	\$1,804.50	28 offers	400	\$36,090,000
5	Dec. 16, 2013	11:28 a.m.	Sell	\$1,780.25	28 offers	400	\$35,605,000

All in violation of Title 7, United States Code, Sections 6c(a)(5)(C) and 13(a)(2), and Title 18, United States Code, Section 2.

A TRUE BILL

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Original Signature on File

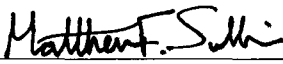
~~FOREPERSON~~

UNITED STATES OF AMERICA

SANDRA MOSER
Acting Chief, Fraud Section

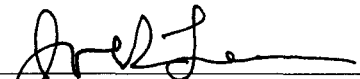
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