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CFTC Orders Australian Swap Dealer to Pay \$500,000 for Supervision Failures

April 02, 2024

Washington, D.C. — The Commodity Futures Trading Commission today issued an order simultaneously filing and settling charges against **Australia and New Zealand Banking Group Ltd.** (ANZ), a financial services firm provisionally registered as a swap dealer for violating its supervision obligations for failing to ensure its spoofing surveillance tool was operating effectively. **ANZ admitted the facts in the order.**

The order requires ANZ to pay a \$500,000 civil monetary penalty and to cease and desist from violating the Commodity Exchange Act and CFTC regulations as charged.

Case Background

During the course of a CFTC investigation into ANZ’s trading activity, ANZ disclosed to CFTC staff that a surveillance tool ANZ used to monitor for spoofing activity by its traders was not operating effectively for futures data supplied by one vendor from November 2019 to June 2020 (First Gap Period) and then again from November 2020 to February 2021 (Second Gap Period). For both the First and Second Gap Periods, there was a mismatch between the time when the relevant data was ingested into the surveillance tool and the time when the tool was run. The surveillance tool was run against, among other things, trading in Eurodollar futures on the Chicago Mercantile Exchange, which ANZ used in part to hedge its various swap positions.

Specifically, during the two Gap Periods, the tool was run on a daily basis before certain data was ingested into the tool, and thus the tool failed to surveil any of the futures data from the vendor at issue. Moreover, even after discovering the First Gap Period and resetting the time so the tool would be run after the relevant data was received, ANZ did not put into place additional safeguards to prevent the timing issue from recurring. In fact, the issue did recur. The Second Gap Period was caused by the exact same problem as the First Gap Period, and lasted for approximately four additional months before ANZ discovered it.

As a result, thousands of orders were not timely surveilled for spoofing and ANZ should have, but did not receive a substantial number of surveillance alerts that would have been generated during the two Gap Periods.

In accepting ANZ’s offer, the CFTC recognized ANZ’s substantial cooperation with the Division of Enforcement’s investigation of this matter. The CFTC also acknowledged ANZ’s representations concerning its remediation in connection with this matter. Specifically, during the investigation, ANZ disclosed both Gap Periods to the CFTC. ANZ also represented that it corrected the timing mismatch as soon as it became aware of it, and following the Second Gap Period, installed additional safeguards to prevent a recurrence. The CFTC’s recognition of ANZ’s substantial cooperation and remediation is further reflected in the form of a reduced penalty.

The CFTC appreciates the assistance of the Australian Securities and Investments Commission and the Hong Kong Securities and Futures Commission.

The Division of Enforcement staff responsible for this matter are Devin Cain, Trevor Kokal, Jordon Grimm, Alejandra de Urioste, Lenel Hickson, Jr., and Manal Sultan, and former staff member Steven I. Ringer.

-CFTC-

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