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Current and Former Precious Metals Traders Charged with Multi-Year Market Manipulation Racketeering Conspiracy

Two current precious metals traders and one former trader in the New York offices of a U.S. bank (Bank A) were charged in an indictment unsealed today for their alleged participation in a racketeering conspiracy and other federal crimes in connection with the manipulation of the markets for precious metals futures contracts, which spanned over eight years and involved thousands of unlawful trading sequences.

Charged in the indictment are:

- Gregg Smith, 55, of Scarsdale, New York. Smith was an executive director and trader on Bank A's precious metals desk in New York. He joined Bank A in May 2008 after it acquired another U.S. bank (Bank B).
- Michael Nowak, 45, of Montclair, New Jersey. Nowak was a managing director and ran Bank A's global precious metals desk. He joined Bank A in July 1996.
- Christopher Jordan, 47, of Mountainside, New Jersey. Jordan joined Bank A in March 2006 and was an executive director and trader on Bank A's precious metals desk in New York. Jordan left Bank A in December 2009 and worked as a precious metals trader at a Swiss bank (Bank C) in New York from March 2010 until August 2010. From June 2011 until October 2011, Jordan traded precious metals futures contracts as an employee of a financial service company (Company D) in New York.

"The defendants and others allegedly engaged in a massive, multiyear scheme to manipulate the market for precious metals futures contracts and defraud market participants," said Assistant Attorney General Brian A. Benczkowski. "These charges should leave no doubt that the Department is committed to prosecuting those who undermine the investing public's trust in the integrity of our commodities markets."

"Smith, Nowak, Jordan, and their co-conspirators allegedly engaged in a complex scheme to trade precious metals in a way that negatively affected the natural balance of supply-and-demand," said FBI Assistant Director in Charge William F. Sweeney Jr. of the FBI's New York Field Office. "Not only did their alleged behavior affect the markets for precious metals, but also correlated markets and the clients of the bank they represented. For as long as we continue to see this type of illegal activity in the marketplace, we'll remain dedicated to investigating and bringing to justice those who perpetrate these crimes."

Each of the three defendants was charged with one count of conspiracy to conduct the affairs of an enterprise involved in interstate or foreign commerce through a pattern of racketeering activity (more commonly referred to as RICO conspiracy); one count of conspiracy to commit wire fraud affecting a financial institution, bank fraud, commodities fraud, price manipulation and spoofing; one count of bank fraud and one count of wire fraud affecting a financial institution. In addition, Smith and Nowak were each charged with one count of attempted price manipulation, one count of commodities fraud and one count of spoofing.

Smith is expected to make an initial appearance in the Southern District of New York before U.S. Magistrate Judge Judith C. McCarthy, and Nowak and Jordan are expected to make their initial appearances in the District of New Jersey

before U.S. Magistrate Judge Michael A. Hammer. The case was indicted in the Northern District of Illinois and has been assigned to U.S. District Judge Edmond E. Chang.

As alleged in the indictment, between approximately May 2008 and August 2016, the defendants and their co-conspirators were members of Bank A's global precious metals trading desk in New York, London and Singapore with varying degrees of seniority and supervisory responsibility over others on the desk. As it relates to the RICO conspiracy, the defendants and their co-conspirators were allegedly members of an enterprise—namely, the precious metals desk at Bank A—and conducted the affairs of the desk through a pattern of racketeering activity, specifically, wire fraud affecting a financial institution and bank fraud.

The indictment alleges that the defendants engaged in widespread spoofing, market manipulation and fraud while working on the precious metals desk at Bank A through the placement of orders they intended to cancel before execution (Deceptive Orders) in an effort to create liquidity and drive prices toward orders they wanted to execute on the opposite side of the market. In thousands of sequences, the defendants and their co-conspirators allegedly placed Deceptive Orders for gold, silver, platinum and palladium futures contracts traded on the New York Mercantile Exchange Inc. (NYMEX) and Commodity Exchange Inc. (COMEX), which are commodities exchanges operated by CME Group Inc. By placing Deceptive Orders, the defendants and their co-conspirators allegedly intended to inject false and misleading information about the genuine supply and demand for precious metals futures contracts into the markets, and to deceive other participants in those markets into believing something untrue, namely that the visible order book accurately reflected market-based forces of supply and demand. This false and misleading information was intended to, and at times did, trick other market participants into reacting to the apparent change and imbalance in supply and demand by buying and selling precious metals futures contracts at quantities, prices and times that they otherwise likely would not have traded, the indictment alleges.

As also alleged in the indictment, the defendants and their co-conspirators defrauded Bank A's clients who had bought or sold "barrier options" by trading precious metals futures contracts in a manner that attempted to push the price towards a price level at which Bank A would make money on the option (barrier-running), or away from a price level at which Bank A would lose money on the option (barrier-defending). Namely, when barrier-running, the defendants and their co-conspirators would allegedly place orders for precious metals futures contracts in a way that was intended to deliberately trigger the barrier option held by Bank A. Conversely, when barrier-defending, the defendants and their co-conspirators would allegedly place orders for precious metals futures contracts in a way that was intended to deliberately avoid triggering the barrier option held by clients of Bank A.

The indictment also identifies two former Bank A precious metals traders, John Edmonds and Christian Trunz, as being among the defendant's co-conspirators. Edmonds worked at Bank A from 2004 to 2017 and was a trader on Bank A's precious metals desk, leaving as a vice president. On Oct. 9, 2018, Edmonds pleaded guilty in the District of Connecticut to an information charging him with one count of commodities fraud and one count of conspiracy to commit wire fraud, commodities fraud, price manipulation and spoofing. Trunz is a former precious metals trader at Bank A who worked at the bank from 2007 to August 20, 2019, leaving as an executive director. On Aug. 20, 2019, Trunz pleaded guilty in the Eastern District of New York to an information charging him with one count of conspiracy to engage in spoofing and one count of spoofing.

This case is the result of an ongoing investigation by the FBI's New York Field Office. The Commodity Futures Trading Commission's Division of Enforcement provided assistance in this case. Trial Attorneys Avi Perry and Matthew F. Sullivan of the Criminal Division's Fraud Section are prosecuting the case.

The charges in the indictment are merely allegations, and the defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Individuals who believe that they may be a victim in these cases should visit the Fraud Section's Victim Witness website for more information at <https://www.justice.gov/criminal-fraud/victim-witness-program>.

Attachment(s):

[Download u.s. v. smith - indictment.pdf](#)

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Topic(s):

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