

Index

```
Accommodation sales, 330
                                                            250, 251, 252, 253, 254, 255, 256, 261, 262, 263,
Agricultural swap, 158
                                                            264, 391, 392, 402, 405, 406, 407, 408, 409,
Algo bots
                                                            410, 465
  as automated trading systems (ATSs), 46
                                                         as algo bots, 46
  defined, 45
                                                         as black boxes, 15
Algorithm
                                                         as robots, 46
  defined, 14
                                                         defined, 45
  ubiquity, 15
                                                       Autonomous artificial agents, 43, 206, 236, 249,
algorithmic,
                                                            256, 260
  defined, 14
Algorithmic entities, 296
                                                       Bacon, Francis, 10
Algorithmic sales tactics, 230
                                                       Baker, Tom, 268, 294
Algorithmic trading robots, 235, 236
                                                       Banging (or marking) the close, 201, 270, 310, 326,
Allen, Colin, 257, 258
                                                            327, 331, 333
Andreessen, Marc, 2, 4
                                                         in securities, 334
Antidisruptive trading practices interpretive guid-
                                                       Basis swap, 158
     ance, 332
                                                       Beatles, 293
Artificial agents, 10, 14, 45, 264
                                                       Big data, 24
Artificial general intelligence (AGI), 22, 258
                                                       Binary option
                                                         defined, 155
Artificial intelligence (AI)
  as similar to electricity, 4
                                                       Bitcoin, 130, 131
  defined, 19, 20
                                                       Black boxes
  narrow, 21
                                                         machine learning, 28
Asimov, Isaac, 265
                                                       Bond
Asset-backed securities, 97
                                                         defined, 96
Associated persons (APs), 230, 231
                                                       Borges, Jorge Luis, 152
  as supervisors of salespeople, 230
                                                       Bot negotiators, 235
Associated persons (APs) of commodity pool oper-
                                                       Broker associations, 241, 249
     ators (CPOs) and commodity trading advisors
                                                       Bucket shops, 98, 99, 133, 161
     (CTAs), 222
                                                         forex, 142, 149
                                                       Buell, Samuel W., 299
Associated persons of futures commission
     merchants (APs of FCMs), 232
                                                       Bunge Global Markets, 322, 323
Attempted market manipulation, 284, 310, 311
                                                       Call option, 71
  prohibition, 324
Authorization of EU investment firms, 454
                                                       Calo, Ryan, 6, 10, 39, 43, 44, 271, 297, 427, 432, 433,
Automated software sales robots, 230
                                                            435, 436, 466
Automated trading systems (ATS), 7, 10, 11, 12, 13,
                                                       Cantwell, U.S. Senator Maria, 304, 305
     15, 17, 18, 29, 45, 46, 47, 176, 205, 217, 248, 249,
                                                       Cash market, 59
```



468

Cambridge University Press 978-1-107-16479-6 — Algo Bots and the Law Gregory Scopino Index More Information

> Credit derivatives, 77 CEA, 130 CFTC jurisdiction Credit spread, 158 over retail forex transactions, 149 Credit swap, 158 CFTC Reauthorization Act (CRA) of 2008, 145, 161 Cryptoasset, 131 CFTC Rule 180.1, 303, 304, 306, 307, 308, 311, 312, defined, 131 Cryptocurrency, 131 315, 317, 319 CFTC Staff Letter 12-14, 226 defined, 131 CFTC's exclusive jurisdiction, 129 Cuban, Mark, 237 Chatbots, 295 Culpable mental state requirement, 266, 272 Cheetahs Currency swap, 158 as nickname for HFT firms, 268 Chicago Board of Trade (CBOT), 99, 129 Debt index swap, 158 Chicago Board Options Exchange (CBOE), 131 Debt swap, 158 Chicago Mercantile Exchange (CME), 126, 131 Deceptive omissions, 316 Chilton (late CFTC Commissioner), Bart, Dellaert, Benedict G.C., 268, 294 268, 306 Dependent legal personhood, 260 Chopra, Samir, 260, 263 Derivative, 85 Civil monetary penalties, 298 defined, 57 Collateralized debt obligations (CDOs), 97 detailed definition, 86 Collateralized mortgage obligations, 97 excluded from definition, 87 Commodities legal definition, 83 statutory definition, 130 simple definition, 87 manipulation, 316 Derivatives Commodity, 57, 81, 102, 121 as gambling, 88 as insurance, 88 definition, 307 legal definition, 81 Over-the-counter (OTC), 450, 451 statutory definition, 130 Designated contract markets (DCMs), 58, 89, 97, Commodity Exchange Act (CEA), 10, 126 202, 209, 239 definition of commodity, 130 Dick, Philip K., 229 Commodity Futures Modernization Act (CFMA) Digital currency of 2000, 87, 133, 134 defined, 131 Commodity Futures Trading Commission Digital intermediaries, 258, 259, 260, 262, 264 (CFTC), 10 Digital option Commodity options, 134 defined, 155 Disruptive trading practices, 326, 327, 328 Commodity pools, 234 Do Androids Dream of Electric Sheep?, 266 defined, 224, 225, 226 Commodity pool operator (CPO), 219, 224 Dodd-Frank Act of 2010 defined, 226, 227 division of jurisdiction between CFTC and SEC, 153 Commodity Reauthorization Act (CRA) of 2008, 157 regulation of swaps, 152 Commodity swap, 158 relationship to the Shad-Johnson Accord, 153 Commodity trading advisors (CTAs), 219, 220, 221, totality of circumstances approach to futures contracts, 147 222, 224 software program salespeople, 222 Domingos, Pedro, 28 Compulsory registration, 249 Dormehl, Luke, 292 Computational ethics, 298 Duty to update information, 299 Computer algorithms, 223, 338 Contracts for difference (CFDs), 454 Easterbrook, Judge Frank H., 126, 136, 137, 139 defined, 156 Electronic money

> > defined, 130

Energy swap, 158

Equity index swap, 158

Eligible contract participant (ECP)

statutory definition, 149

Index

Contractual textualism, 140

Convertible virtual currency

Credit default swap (CDS), 77, 78, 158

defined, 131

single name, 160



Index 469

Equity swap, 158
European Commission, 449, 459
European Market Infrastructure Regulation (EMIR), 451
European Union, 448, 449, 455
Excluded commodity
definition, 130

Facebook, 295 Facebook Artificial Intelligence Research Group, 295 False reports, 319, 321, 325 Feeder funds as commodity pools, 227 Fictitious trades, 329 Financial Crisis, 449, 450 Financial futures, 115, 125 Financial futures contracts, 131 Financial Industry Regulatory Authority (FINRA), 263 Financial instrument as defined by EU law, 452 common definition, 56 Financial Stability Board, 449 Floor brokers, 242, 249, 250 Floor traders, 241, 249, 250 Floridi, Luciano, 2, 9, 20 Foreign exchange swap, 158 Forward defined, 136 Forward contract, 62, 68, 104, 114, 134, 143, 166 defined, 60, 138, 141, 142

Forward contract exclusion, 83, 103, 104, 110 as applied to swaps, 146 in the statutory definition of swap, 148 intent of parties to make or take delivery, 147 relevance of physical settlement, 146 three elements described, 147

Fraud, 290, 291, 299, 300 as broad catch-all, 200

on foreign currencies, 135

Fraud, 290, 291, 299, 300
as broad catch-all, 299
as committed by robots, 301
by commodity pool operators, commodity
trading advisors, & their associated
persons, 460
elements of offense, 301
history, 299
scienter requirement, 301
under negligence standard, 460
Fraud-based manipulation, 272, 302, 304, 306,
316, 327
Fraud-on-the-market legal theory, 310, 352

Fraudulently unbalanced communication, 301 functional morality, 257, 260 Fungibility, 143 Future delivery defined 102 Futures commission merchants (FCMs), 232 retail forex transactions, 150 Futures contract, 61, 68, 108, 112, 126, 141 actual delivery requirement, 144 common definition, 101 defined, 61, 111, 136, 138, 141, 142, 143, 144 dictionary definitions, 144 in foreign currencies, 135 legal definition, 83, 97 totality of circumstances test, 144, 145 Futures Trading Act of 1921, 109

G20 Pittsburgh summit, 449
Gapper, John, 223
Garrett, Ray
Former SEC Chair, 82
Gelber Group, 322, 323
Gensler, Gary (former CFTC Chair), 7, 306
Georgia Institute of Technology, 295
Giancarlo, J. Christopher (former CFTC Chair), 8, 12
GNMA options, 119, 122, 127, 128
Grain Futures Act of 1922, 98
Gramm, Wendy (former CFTC Chair), 145
Group of Twenty, 448, 449, 450, 451, 461
Guarantees of swaps
as fitting the definition of swap, 159

High-frequency algorithmic trading (HFAT), 454
High-frequency trading (HFT), 205
defined, 16, 17
High-frequency trading (HFT) firms, 268
Howey Test, 92, 93, 95
as applied in Forman case, 95
as applied to sugar futures contracts, 104, 106
reasoning, 139

Hazen, Thomas Lee, 86, 94

I, Robot, 265 Iksil, Bruno, 313, 314 Index participations (IPs), 126, 127, 128 Injunctions, 298 Insurable interest, 88 Insurance distinguished from derivatives, 88 Intelligence defined, 19 Intent, 276

Fraudulent omissions, 299, 301, 302, 310

Fraudulent conduct, 293



> Index 470 Interest rate swap, 74, 158 as fraud, 302 by false reports, 457 Internal Revenue Service (IRS), 131 Introducing brokers (IBs), 230, 232, 233 by false reports or rumors, 319 defined, 232 criminal prosecution, 328 Investment contracts market-power manipulation, 280 as securities, 92 prohibition, 324 Markets in Financial Instruments Directive JPMorgan & Chase, 313, 314, 315, 317 (MiFID II), 452, 453 Coverage of derivatives, 453 Kaplan, Jerry, 20, 234, 298 Coverage of High-Frequency Algorithmic Karnow, Curtis E.A., 433, 436, 438 Trading (HFAT), 454, 455 Markets in Financial Instruments Directive II Land Shark, 312 (MIFID II), 451 Legal personhood, 260, 271 Markets in Financial Instruments Regulation Leveraged (MiFIR), 451 defined, 149 Matched orders, 308 Leveraged, off-exchange retail commodity McCarthy, John, 19 transactions, 161 McPartland, John, 311 LIBOR scandal, 320, 321 Meister, David (former CFTC Enforcement Lin, Tom C.W., 446 Director), 306, 308, 318 Metal swap, 158 Lincoln, US Senator Blanche, 305 London Interbank Offered Rate (LIBOR), 320 Minsky, Marvin, 292 London Whale, 312, 313, 316 Misrepresentations, 300, 302, 318 LoPucki, Lynn, 14, 296, 297, 298 Mixed swap, 152 Lynch, Timothy E., 80 as defined by the Dodd-Frank Act of 2010, 153 Ma, Jack, 236 Mr. Spock, 278 Machine learning, 23, 24 as a black box, 28 Narrative Science, 292 as applied to self-driving cars, 27, 28 Narrow-based security index and security-based swaps (SBSs), 160 defined, 24, 25 explained, 26, 27 National Futures Association (NFA), 206 Madoff, Bernard, 201 Natural language processing (NLP) Manipulation-as-fraud legal theory, 302, 309, 310, as subcategory of machine learning, 28 312, 315, 316, 317 Negligence, 262, 274, 437, 440 Negligent fraud, 222, 275, 299, 300, 410, 460 Manipulative and deceptive devices, 307, 308, 309, as applied to robots, 302 310, 311, 312, 315, 316, 319, 408 Manipulative schemes, 310 Non bona fide prices, 330 Margined Noncompetitive trades, 329, 331 defined, 149 Market Abuse Regulation (MAR), 451, off-exchange leveraged retail commodity transactions 455, 456 as strict liability offense, 460 regulatory status, 162 false rumors as manipulation, 457 Off-exchange retail foreign currency manipulation as fraud, 457 (forex), 133 off-exchange retail forex transactions, 149 prohibition against layering, 459 rolling spot, 133 prohibition against marking or banging the O'Malia, Scott (former CFTC Commissioner), 312 prohibition against ping orders, 459 Open-market manipulation, 328 prohibition against quote stuffing, 459 Option defined, 70 prohibition against spoofing, 458, 459 legal definition, 83 Prohibition against wash trading, 460 Market manipulation on a futures contract, 72 as deception, 308 Options fraud, 300



Index 471

Order stuffing, 269	Scienter, 222, 267, 271, 276, 277, 301
Over-the-counter (OTC) derivatives, 76	SEC Rule 10b-5, 302, 305, 306, 307, 308, 309, 310
	311, 315, 316, 317, 318
Paperback Writer, 293	SEC vs. W.J. Howey & Co, 92
Partnoy, Frank, 84	Securities Act of 1933, 91
Ponzi schemes, 133, 290, 297, 298, 310	Securities and Exchange Commission (SEC), 120
forex, 133	Securities Exchange Act of 1934, 91
Ponzi, Charles, 291	Securities manipulation, 309, 310
Prearranged trades, 329	Security, 126
Price manipulation, 268, 272, 280, 283, 304,	definition, 90
316, 327	examples of items considered securities, 92
claims, 278, 321	Exchange Act of 1934 definition, 91
elements of a claim, 282, 284	Securities Act of 1933 definition, 91
Principals, 230, 231, 263	statutory definitions compared, 91
Principles-based regulation, 129	Security future
Put option, 71	defined, 151
Tat option, /T	Security futures
Quant	joint CFTC-SEC regulation of, 151
defined, 18	Security-based swaps (SBSs), 152
Quants, quant traders, 17	as defined by the Dodd-Frank Act of 2010, 153
Quill, 292, 293	defined, 160
Quote stuffing, 269	security-based swap agreement, 159
240te stamme, 209	Self-driving car
Rate collar 158	
Rate collar, 158 Rate floor, 158	as example of machine learning, 27 Shad-Johnson Accord, 124, 127
Reasonable person standard, 274	prohibition of security futures, 151
Reasonableness, 274	Simon, Herbert A., 24
Reckless market manipulation by false reports, 324	Software programs
Reckless, fraud-based manipulation, 302	as salespeople, 228
Recklessness, 275, 276	Software robots, 175, 234, 279, 291, 293, 295
Registration requirements, 264	Software sales robots, 228, 234, 293, 296
for intermediaries, 233	Spambots, 228
Retail commodity transactions	Specific intent, 272, 277, 278, 304
actual delivery interpreted, 163	Spoofing, 201, 269, 273, 321, 326, 327, 328, 331
actual delivery requirement, 162	as causing non bona-fide prices to be
defined, 161, 162	reported, 321
Retail customer	as false orders or false reports, 322
defined, 149	as fraud, 321
Retail foreign exchange dealer (RFED), 150	criminal prosecution, 328
Retail forex fraud, 145	illegal in the EU, 455
Retail forex transaction	Spot market, 59, 103
defined, 149	regulation of, 102
Rigged prices, 308	Spot retail commodity transactions, 161
Robo-advisors, 223, 294	Star Trek, 279
Robo-calls, 230	Stock index futures, 124
Robopsychologist, 265	Strict liability, 207, 273, 274
Rolling spot commodity transactions	claims, 267, 273
as analogous to contracts for difference, 157	Substance over form doctrine, 137
	Swap, 72,
Sales Pitch, 229	and the forward contract exclusion, 146
Sales robots, 229	as a series of futures contracts, 151
Sarao, Navinder Singh, 456	as covering commodity options, 154
Scheherazade, 292, 293	as defined by a contract subject to a future
Schmidt, Eric, 23	contingency, 155



472 Index

Swap (cont.) as defined by the Dodd-Frank Act, 146, 158 as defined by the Dodd-Frank Act of 2010, 153 definition as covering credit default swaps, 160 defined as not being limited to commodities, 154 definition as covering guarantees of swaps, 159 definition as excluding stock options and options on futures, 160 definition as it relates to rolling spot transactions, 157 definition as it relates to security-based swap agreements, 159 definition as relating to commercial and consumer transactions, 156 definition as relating to contracts for difference (CFDs), 156 exclusions from the definition, 160 legal definition, 84 legislative history of Dodd-Frank Act definition, 146 statutory definition, 159 statutory definition as applied to options, 152 statutory definition as covering some binary/ digital options, 155 statutory definition as excluding futures contracts, securities, and security-based swaps, 160 statutory definition as it relates to insurance, 155 statutory definition, broad scope illustrated, 155 the Dodd-Frank Act definition of (parsed), 154 Swap execution facilities (SEFs), 239 Swaps Dodd-Frank Act regulatory approach, 152

Synthetic intellects, 234, 265

Transferable security EU definition, 452, 453 Treasury Amendment, 132 "fix", 133 Turing, Alan, 2, 432, 436, 438, 446, 447 Ubiquitous computing, 25 United Housing Foundation, Inc. v. Forman, 94 Unreasonableness, 274 Violating bids and offers, 326, 331, 332 Virtual currencies, 130 as commodities, 130 Virtual currency, 131 defined, 131 Virtue ethics, 258 Vulcan mind meld, 279 Wall Street Transparency and Accountability Act of 2010, 152 Wallach, Wendell, 257, 258 Wash sales, 329, in securities, 308 Wash trading / wash selling, 201, 326, 328, 331 elements of offense, 330 in securities, 330 White, Laurence F., 260, 263 Winship, Verity, 85

Title VII of the Dodd-Frank Act of 2010, 152

instruments, 152

Total return swap, 158

Zelener fix, 145 Zelener, Michael, 134