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**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA  
SACRAMENTO DIVISION**

SECURITIES AND EXCHANGE  
COMMISSION,

*Plaintiff,*

v.

RYAN N. COLE,

*Defendant.*

**Case No. 25-cv-1038**

**COMPLAINT JURY**

**DEMAND**

1 Plaintiff Securities and Exchange Commission (the “SEC”) files this  
2 Complaint against Defendant Ryan N. Cole (“Cole”) and alleges as follows:

3 **SUMMARY OF THE ACTION**

4 1. While working as a trader for a financial firm (the “Firm”), Defendant  
5 Cole perpetrated a manipulative trading scheme known as spoofing. Cole placed  
6 fake—or spoof—orders to manipulate the prices of thinly traded options, and then  
7 he executed different orders at the resulting manipulated prices. By repeatedly  
8 engaging in this fraudulent conduct, Cole obtained approximately \$234,000 in ill-  
9 gotten gains from this scheme.

10 2. Cole’s spoofing scheme worked like this: he first placed orders for  
11 options that were thinly traded and had a large spread between the National Best  
12 Bid and the National Best Offer. Cole’s spoof orders were visible to the market,  
13 were priced either significantly lower than the current best offer or significantly  
14 higher than the current best bid. He sometimes placed spoof orders across  
15 neighboring options series referencing the same underlying security. By narrowing  
16 the spread between the National Best Bid and Offer across options series, Cole  
17 attracted the attention of other market participants to these thinly traded options.  
18 Cole’s spoof orders, however, were non-bona fide orders that he did not intend to  
19 execute—instead, they were designed to induce other market participants to trade  
20 these securities at manipulated prices, and Cole cancelled most of his spoof orders  
21 relatively quickly.

22 3. After these spoof orders shifted the market by narrowing the National  
23 Best Bid and Offer spread across neighboring option series, Cole placed coordinated  
24 immediate-or-cancel orders on the opposite side of the market within the newly  
25 established price range across options series, usually on a different exchange, some  
26 of which, due to the market attention drawn by his spoof orders, were executed. To  
27 facilitate desired executions across the neighboring options series in which he had  
28 placed spoof orders, Cole used the complex order book to place multi-leg immediate-

1 or-cancel orders. After his immediate-or-cancel orders were executed, Cole then  
2 cancelled his spoof orders, which had the effect of returning the National Best Bid  
3 and Offer spread to true market levels.

4 4. To close out his position, Cole then repeated these same steps on the  
5 opposite side of the market—first using a publicly viewable spoof order to set a new  
6 National Best Bid or National Best Offer and then submitting immediate-or-cancel  
7 orders to lock in his ill-gotten gains.

8 5. Through this scheme, Cole used spoof option orders—option orders  
9 that he never had any intention of executing—to artificially deflate or inflate the  
10 price of thinly traded options. He then profited by buying and selling those same  
11 options at artificial prices. This practice has long been recognized as an illegal,  
12 fraudulent scheme and a form of market manipulation.

13 6. Cole knew or was reckless in not knowing that this type of trading was  
14 illegal. As part of his job as a trader, he attended annual compliance trainings led  
15 by the Firm’s Chief Compliance Officer, including training on improper strategies  
16 such as spoofing.

17 7. Cole also took steps to conceal his spoofing from the Firm. When Firm  
18 senior management, including the Chief Compliance Officer, asked Cole about his  
19 daily trading activity, Cole provided false and misleading responses.

20 8. In early February 2022, the Firm’s Chief Compliance Officer asked  
21 Cole a series of questions about his trading that appeared to reflect spoofing activity  
22 and requested that Cole provide responses “with very specific detail.” Cole’s  
23 answers were short, non-responsive, and failed to address the indicia of spoofing  
24 that the Chief Compliance Officer raised.

25 9. Dissatisfied with Cole’s responses, the Firm terminated Cole’s  
26 employment.

27 10. By perpetrating the spoofing scheme and as alleged further in this  
28 Complaint, Cole violated, and unless enjoined will continue to violate, Sections

1 17(a)(1) and (3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C.  
2 §§ 77q(a)(1) and (3)], and Sections 9(a)(2) and 10(b) of the Securities Exchange Act  
3 of 1934 (“Exchange Act”) [15 U.S.C. §§ 78i(a)(2) and 78j(b)], and Rules 10b-5(a) and  
4 (c) thereunder [17 C.F.R. §§ 240.10b-5(a), (c)].

## 5 JURISDICTION AND VENUE

6 11. The SEC brings this action, and this Court has subject matter  
7 jurisdiction over this action, pursuant to Sections 20(b), 20(d), and 22(a) of the  
8 Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)], and Sections 21(d), 21(e), and  
9 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Cole, directly or  
10 indirectly, made use of the mails, or the means and instrumentalities of interstate  
11 commerce, or the facilities of national securities exchanges, in connection with the  
12 transactions, acts, practices, and courses of business alleged in this complaint.

13 12. Venue is proper under Section 22(a) of the Securities Act [15 U.S.C.  
14 § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because the  
15 Defendant can be found within the Eastern District of California. He currently  
16 splits his time between Nevada and a residence in Folsom, California.

## 17 DEFENDANT

18 13. **Ryan N. Cole**, age 39, is a former day trader and has never held any  
19 securities licenses. Cole worked at the Firm from May 2018 through February 2022.

## 20 TERMS USED IN THIS COMPLAINT

21 14. *Options* are a contract that gives the owner the right, but not the  
22 obligation, to buy or sell a specific quantity of an asset at a specific price (“strike  
23 price”) on or before a specific date (“expiration”). Options for securities are  
24 frequently sold as one contract representing 100 shares of a stock.

25 15. *Option series* refers to the same type of options (e.g., a put or a call) for  
26 an underlying security with the same strike price and expiration.

27 16. *Spoofing* refers to a type of market manipulation scheme where a  
28 trader enters non-bona fide orders to create a false appearance of new or increased

1 trading interest in a security. Spoofers induce others to place orders priced at or  
2 better than the spoofer's non-bona fide orders. Spoofing creates artificial market  
3 conditions that benefit the spoofer's interests while harming other market  
4 participants.

5 17. *National Best Bid* is the highest reported price a buyer is willing to pay  
6 to buy a security.

7 18. *National Best Offer* is the lowest reported price that a seller is willing  
8 to accept to sell a security.

9 19. *NBBO*. The spread between the National Best Bid and National Best  
10 Offer is referred to as the "NBBO." The NBBO is publicly reported to the market  
11 and represents the tightest bid-ask spread for a particular security.

12 20. *Thinly traded securities* are securities that have low trading volume.  
13 As compared to more actively traded securities with greater trading volume, thinly  
14 traded securities often have fewer interested buyers and sellers and larger NBBO  
15 spreads. Thus, a small number of orders or trades can substantially impact the  
16 market prices of thinly traded securities, rendering them more susceptible to  
17 manipulation than securities that are more actively traded.

18 21. *Limit orders* can only be executed if the market price reaches the limit  
19 price. A buy limit order can only be executed at the limit price or lower, and a sell  
20 limit order can only be executed at the limit price or higher. While limit orders do  
21 not guarantee execution, they help ensure that an investor does not pay more than  
22 a pre-determined price.

23 22. *Day-limit orders* are limit orders to buy or sell a security at a specific  
24 price or better and which are automatically canceled if they remain unexecuted by  
25 the end of the trading day. While day-limit orders are open, they are publicly visible  
26 and can affect the NBBO.

27 23. *Immediate-or-cancel orders* are a type of limit order that must be  
28 executed immediately upon their placement. Any portion of an immediate-or-cancel

1 order that cannot be filled immediately will be cancelled. Given the nature of an  
2 immediate-or-cancel order, it does not affect the NBBO and is not publicly visible  
3 unless and until it is executed.

4 24. *Multi-leg orders* are a type of complex order for two or more different  
5 options series (“legs”).

6 25. *Complex Order Book* enables market participants to place multi-leg  
7 options orders.

## 8 **FACTS**

### 9 **I. The Firm Hired Cole and Warned Him Not to Spoof.**

10 26. In May 2018, the Firm hired Cole to trade an account funded by the  
11 Firm. Cole was paid an annual salary and was eligible for a performance-based  
12 bonus.

13 27. Starting in January 2019, and annually thereafter, Cole received  
14 training from the Firm’s Chief Compliance Officer on disruptive trading practices  
15 and improper order behavior. The Chief Compliance Officer explained that Cole and  
16 other employees were prohibited from spoofing, which the training materials  
17 described as entering orders without any intention of executing those orders for the  
18 purpose of driving the market price of a security up or down.

19 28. The Firm also explained to Cole that it monitored its traders’ activity  
20 for manipulative order behavior by reviewing, among other things, a trader’s  
21 cancellation ratio, pattern and practice of order placement, and a trader’s overall  
22 volume as a percentage of the market.

23 29. The Firm told Cole that engaging in improper order behavior could  
24 result in termination of his employment, legal action, and an industry bar.

### 25 **II. Cole Engaged in Manipulative Trading.**

26 30. Despite the Firm’s training, Cole engaged in spoofing on an almost  
27 daily basis from September 2020 through February 2022. Using accounts and assets  
28 belonging to the Firm, Cole entered options orders that he did not intend to execute

1 which allowed him to buy options at artificially low prices and sell at artificially  
2 high prices.

3 31. Cole generally spoofed thinly traded options with a large NBBO  
4 spread—a large difference between the National Best Bid and the National Best  
5 Offer. He first placed visible, day-limit orders on one side of the market, at a price  
6 near the middle of the NBBO. Cole entered similar orders simultaneously across  
7 different options series for the same stock. These limit orders shifted and narrowed  
8 the NBBOs across options series, creating a false appearance of new or increased  
9 trading interest in those options.

10 32. Cole then placed a flurry of immediate-or-cancel orders on the opposite  
11 side of the market within the new, narrower NBBO spreads. Unlike his day-limit  
12 orders, Cole's immediate-or-cancel orders did not impact the National Best Bid or  
13 the National Best Offer and those orders were not visible to the market unless and  
14 until they were executed. Cole repeatedly submitted immediate-or-cancel orders  
15 across related options series, hoping to buy at artificially lower prices or sell at  
16 artificially higher prices.

17 33. Once Cole's immediate-or-cancel orders were no longer being executed,  
18 he cancelled his non-bona fide day-limit orders. This usually triggered an  
19 immediate decrease in the National Best Bid (or increase in the National Best  
20 Offer) and a return to the true market NBBO.

21 34. Cole then repeated the same spoofing scheme on the other side of the  
22 market to lock in his profits.

23 35. Here is an example of how Cole's scheme worked. On February 1, 2022,  
24 Cole spoofed call options for the common stock of a company with a strike price of  
25 \$430 and an expiration date of March 4, 2022. Before Cole's manipulative trading,  
26 the National Best Bid for these options was \$0.50 and the National Best Offer was  
27 \$5.30. These options were thinly-traded, far out-of-the-money (the underlying  
28

1 security was trading around \$343 per share) and long-dated (set to expire in more  
2 than a month).

3 36. At 9:40:12 a.m., Cole placed a day-limit order to sell 11 contracts for  
4 these call options at a price of \$1.80, which was posted on a national exchange that  
5 Cole selected. This order was visible to the market, and it generated a new National  
6 Best Offer of \$1.80—down from \$5.30 before Cole’s spoof order.

7 37. Once the new NBBO range was set and reported, Cole then submitted  
8 immediate-or-cancel orders to buy one call option contract on an exchange that was  
9 different from the exchanges he had selected for his day-limit sell order.

10 38. At 9:42:11 a.m., one of Cole’s immediate-or-cancel buy orders executed  
11 at the price of \$1.40. He then placed immediate-or-cancel orders to buy 20 contracts  
12 of the same options. One of those 20-contract orders was executed at the price of  
13 \$1.50. Cole submitted more immediate-or-cancel buy orders for 20 contracts each,  
14 but no more orders were executed.

15 39. At 9:50:41 a.m., Cole cancelled his spoof day-limit sell order, and  
16 within seconds the National Best Offer rose from \$1.80 to \$4.80.

17 40. At this point, Cole had spent \$3,140 to purchase 21 contracts for these  
18 options.

19 41. To lock in his profits from this manipulation, Cole repeated the same  
20 spoofing scheme on the other side of the market. At 9:51:59 a.m., Cole placed a day-  
21 limit order to buy 11 of the same call option contracts at a price of \$1.60, which was  
22 posted on a national exchange that Cole selected. This order was visible to the  
23 market and increased the National Best Bid from \$0.10 to \$1.60.

24 42. At 9:53:13 a.m., Cole began to submit immediate-or-cancel orders to  
25 sell one call option contract on an exchange different from the one selected for his  
26 day-limit buy order. As soon as an order executed at a price of \$2.21, Cole submitted  
27 multiple immediate-or-cancel orders, each offering to sell 20 contracts. One order for  
28 20 contracts was ultimately executed at a price of \$2.12.

1 43. After entering four more immediate-or-cancel sell orders for 20  
2 contracts each, without receiving an execution, Cole canceled his spoof day-limit buy  
3 order at 9:55:01 a.m. Approximately two seconds later, the National Best Bid for  
4 those options fell from \$1.60 to \$0.50.

5 44. In summary, between around 9:40 and 9:55 a.m. on February 1, 2022,  
6 Cole bought 21 contracts for these options at \$3,140 and then sold the 21 contracts  
7 for \$4,461—locking in an illicit profit of \$1,321 in around 15 minutes. Note that  
8 Cole’s profit for this window was actually higher because while Cole was engaging  
9 in spoofing on the March 4, 2022 \$430 call option series, he was placing related  
10 spoofing orders on the \$435 and \$440 call options series for the same underlying  
11 stock, manipulating those prices, and reaping additional illicit profits of around  
12 \$4,600.

### 13 **III. Cole Tried to Conceal His Scheme and Was Terminated.**

14 45. The Firm required Cole to submit daily reports of his trading activity  
15 via firm-wide emails. In those reports, Cole identified his successful trades and  
16 described strategies he was purportedly executing. However, Cole did not disclose  
17 his spoofing strategy or any part of that strategy, including (i) the placement of  
18 opposite-side trades on different exchanges, (ii) the extremely high cancellation  
19 rates of his visible day-limit orders, (iii) the low execution rates of his visible day-  
20 limit orders, (iv) the impact on the NBBO from placing and canceling visible day-  
21 limit orders, and (v) the single-contract, immediate-or-cancel orders followed by  
22 higher contract-volume orders (as in the example above, where single-contract  
23 orders were followed by 20-contract orders).

24 46. On at least two separate occasions, members of the Firm’s senior  
25 management, including the Firm’s Chief Compliance Officer, questioned Cole  
26 directly about his “methodology” and the trading “strategies” he was employing. In  
27 response, Cole supplied false and misleading statements.  
28

1           47. On November 8, 2021, for example, the Firm’s Chief Compliance  
2 Officer told Cole that the Firm sought “a better understanding of the strategy,” and  
3 asked for “a description of the selection process, specific strategy, along with the  
4 intended outcome” for each of Cole’s “current positions.” The Chief Compliance  
5 Officer explained that this information was being requested “to confirm  
6 compliance.” Cole submitted a list of strategies he was purportedly using, including  
7 trading based on such themes as COVID-19 and Bitcoin, trading based on  
8 information obtained from news services, and price-based “momentum” trading.  
9 However, nowhere in his response did Cole disclose his spoofing strategy nor any  
10 key components of that strategy.

11           48. On February 2, 2022, the Chief Compliance Officer reviewed Cole’s  
12 trading activity and told him that his “order placement, cancellations and  
13 executions [we]re extremely concerning” and that Cole’s approach was “not  
14 consistent” with the strategies that Cole had earlier described to the Chief  
15 Compliance Officer.

16           49. The Chief Compliance Officer then asked Cole to provide written  
17 answers to a series of trading questions “with very specific detail.”

18           50. The Chief Compliance Officer’s questions reflected concerns of  
19 potential spoofing activity, including (i) whether or not Cole believed his trading  
20 was “impacting the market,” (ii) why Cole was “loading up on a term structure and  
21 canceling,” and (iii) whether Cole’s orders were “entered with the intent to be  
22 executed,” given that his “execution ratio” for certain orders reflected “little to no  
23 likelihood” of execution.

24           51. Despite the Chief Compliance Officer’s stated concerns and requests  
25 for very specific detail, Cole’s answers were short and non-responsive. For example,  
26 in response to a question on the market impact of his orders, Cole responded that  
27 “all activity in the market has some way of impacting price.”  
28

1 52. Dissatisfied with Cole's responses, the Firm's Chief Compliance Officer  
2 recommended that the Firm terminate Cole.

3 53. A week later, on February 9, 2022, the Firm terminated Cole's  
4 employment.

5 **FIRST CLAIM FOR RELIEF**

6 **Fraud in Violation of Sections 17(a)(1) and (3) of the Securities Act**

7 54. The SEC realleges and incorporates by reference each and every  
8 allegation in paragraphs 1 through 53, inclusive, as if they were fully set forth  
9 herein.

10 55. As set forth above, Defendant Cole engaged in a scheme to  
11 fraudulently manipulate the prices of thinly traded options by placing spoof orders  
12 that he had no intention of executing. Cole then profited from his scheme by  
13 executing orders at the resulting manipulated prices. He knew, or was reckless or  
14 negligent in not knowing, that this type of trading was illegal because, among other  
15 things, he attended annual compliance trainings that warned him against spoofing.  
16 Cole acted with *scienter* and took steps to conceal his spoofing from the Firm.

17 56. By virtue of the foregoing, Cole, directly or indirectly, in the offer or  
18 sale of securities, and by the use of the means of instruments of transportation or  
19 communication in interstate commerce or the mails:

- 20 a) Knowingly or recklessly employed one or more devices, schemes or  
21 artifices to defraud; and  
22 b) Knowingly, recklessly, or negligently engaged in one or more  
23 transactions, practices or courses of business which operated or  
24 would operate as a fraud or deceit upon the purchaser.

25 57. By virtue of the foregoing, Cole violated and, unless restrained and  
26 enjoined, will again violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C.  
27 §§ 77q(a)(1) and (3)].  
28

1 **SECOND CLAIM FOR RELIEF**

2 **Fraud in Violation of Section 10(b) of the Exchange Act and**  
3 **Rules 10b-5(a) and (c) thereunder**

4 58. The SEC realleges and incorporates by reference each and every  
5 allegation in paragraphs 1 through 53, inclusive, as if they were fully set forth  
6 herein.

7 59. As set forth above, Defendant Cole engaged in a scheme to  
8 fraudulently manipulate the prices of thinly traded options by placing spoof orders  
9 that he had no intention of executing. Cole then profited from his scheme by  
10 executing orders at the resulting manipulated prices. He knew, or was reckless in  
11 not knowing, that this type of trading was illegal because, among other things, he  
12 attended annual compliance trainings that warned him against spoofing. Cole acted  
13 with *scienter* and took steps to conceal his spoofing from the Firm.

14 60. By virtue of the foregoing, Cole directly or indirectly, in connection  
15 with the purchase or sale of a security, by use of the means or instruments of  
16 interstate commerce, or of the mails, or the facilities of a national securities  
17 exchange, knowingly or recklessly:

- 18 a) Employed one or more devices, schemes, or artifices to defraud; and  
19 b) Engaged in acts, practices, or courses of business which operated or  
20 would operate as a fraud or deceit upon others.

21 61. By virtue of the foregoing, Cole violated and, unless restrained and  
22 enjoined, will again violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]  
23 and Rules 10b-5(a) and (c) [17 C.F.R. §§ 240.10b-5(a), (c)] thereunder.

24 **THIRD CLAIM FOR RELIEF**

25 **Violation of Section 9(a)(2) of the Exchange Act**

26 62. The SEC realleges and incorporates by reference each and every  
27 allegation in paragraphs 1 through 53, inclusive, as if they were fully set forth  
28 herein.



1 (the “Exchange Act”) [15 U.S.C. § 78i(a)(2)], by using any means or  
2 instrumentality of interstate commerce, or of the mails, or of any  
3 facility of any national securities exchange, in connection with the  
4 purchase or sale of any security to effect a series of transactions in  
5 any security registered on a national securities exchange, any  
6 security not so registered, or in connection with any security-based  
7 swap or security-based swap agreement with respect to such  
8 security creating actual or apparent active trading in such security,  
9 or raising or depressing the price of such security, for the purpose of  
10 inducing the purchase or sale of such security by others;

11 e) Permanently restrains and enjoins Cole from violating, directly or  
12 indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the  
13 “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5(a) and (c)  
14 promulgated thereunder [17 C.F.R. § 240.10b-5(a) and (c)], by using  
15 any means or instrumentality of interstate commerce, or of the  
16 mails, or of any facility of any national securities exchange, in  
17 connection with the purchase or sale of any security; to employ any  
18 device, scheme, or artifice to defraud, or to engage in any act,  
19 practice, or course of business which operates or would operate as a  
20 fraud or deceit upon any person.

21 f) Permanently restrains and enjoins Cole from violating Sections  
22 17(a)(1) and (3) of the Securities Act of 1933 (the “Securities Act”)  
23 [15 U.S.C. § 77q(a)(1) and (3)] in the offer or sale of any security by  
24 the use of any means or instruments of transportation or  
25 communication in interstate commerce or by use of the mails,  
26 directly or indirectly; to employ any device, scheme, or artifice to  
27 defraud or to engage in any transaction, practice, or course of  
28

1 business which operates or would operate as a fraud or deceit upon  
2 the purchaser;

- 3 g) Enjoins Cole, for a period of five years, from, directly or indirectly,  
4 opening, maintaining or trading in any brokerage account(s) in his  
5 name, the names of any immediate family members, the names of  
6 any company over which he has any control or the names of any  
7 third party individual(s), without providing the relevant broker-  
8 dealer(s) a copy of the complaint and final judgment entered  
9 against him in this action, pursuant to Section 20(b) of the  
10 Securities Act [15 U.S.C. § 77t(b)] and Section 21(d)(5) of the  
11 Exchange Act [15 U.S.C. §§ 78u(d)(5)]; and  
12 h) Grants such other and further relief as the Court may deem just  
13 and proper.

14 **JURY DEMAND**

15 Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiff  
16 demands that this case be tried before a jury.

17  
18 DATE: August 11, 2025

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