

INSIGHTS

U.S. Futures Exchanges Disciplinary Actions Report - October 2016

November 22, 2016

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NYMEX

NYMEX 13-9490-BC-1

COMEX 13-9490-BC-1

Disruptive Trading

Violation of Rule 432– General Offenses (in part); Rule 433 – Strict Liability for the Acts of Agents.

Between March and July 2013, two traders, acting on behalf of a member firm, engaged in patterned activity in which they entered into “larger-sized” orders and then cancelled them seconds after the execution of smaller orders on the opposite side of the book in order to encourage other market participants to trade with the smaller-sized orders. Pursuant to a settlement offer, the member firm neither admitted nor denied the violations. \$78,558 NYMEX disgorgement; \$12,683 COMEX disgorgement.

NYMEX 13-9490-BC-2

COMEX 13-9490-BC-2

NYMEX 13-9490-BC-3

Disruptive Trading

Violation of Rule 432 – General Offenses (in part).

Between March and July 2013, non-members, acting on behalf of a member firm, engaged in patterned activity in which they entered into “larger-sized” orders and then cancelled them seconds after the execution of smaller orders on the opposite side of the book in order to encourage other market participants to trade with the smaller-sized orders. Pursuant to a settlement offer, the non-members neither admitted nor denied the violations. One non-member was ordered to pay a \$45,000 penalty and to serve a 20 business day suspension and the other non-member was ordered to pay a \$60,000 penalty and to serve a 10 business day suspension.

NYMEX 16-0438-BC

Position Limits

Violation of Rule 562 – Position Limits Violations.

At the close of business on a single day in April 2016, a non-member firm was 120.20% over the standard expiration month limit for May 2016 Henry Hub Natural Gas Futures. Pursuant to a settlement offer, the non-member firm neither admitted nor denied the violation. \$40,000

penalty.

NYMEX 16-0408-BC

Position Limits

Violation of Rule 562 – Position Limits Violations.

On a single day in March 2016, a non-member firm was 17.83% over the standard expiration month limit for April 2016 Light Sweet Crude Oil Futures. In addition, on a single day in April 2016, the non-member firm was 7.575% over the standard expiration month limit for May 2016 Henry Hub Natural Gas Look-Alike Last Day Financial Futures. Pursuant to a settlement offer, the non-member firm neither admitted nor denied the violation. \$35,000 penalty.

ICE

CIRCULAR 16/148

CIRCULAR 16/149

CIRCULAR 16/150

CIRCULAR 16/151

CIRCULAR 16/152

CIRCULAR 16/153

CIRCULAR 16/154

CIRCULAR 16/155

Misc.

Violation of Exchange Rule IIII.20(a)(i).

On several occasions between the third quarter of 2015 and the first quarter of 2016, several member entities failed to settle their ICE Futures Europe Equity Option Contracts by the required deadline. £1,000 penalty each.

CME

CME 14-0064-BC

Misc.

Violation of Rule 432 – General Offenses.

In November 2014, an incident occurred which created price and volume irregularities in many Eurodollar Pack Spread Futures instruments during a nine second period. The incident was found to have occurred as the result of an automated trading system that was not operating as it should as the result of “supervisory errors” on the part of the member firm operating the system. In June and October 2014, it was also found that other systems operated by the member firm experienced similar failures, though without significant market impact. The member firm, pursuant to a settlement offer, neither admitted nor denied the violation. \$205,000 penalty.

CME 12-9059-BC

CME 12-9059-BC-2

Misc.

Violation of Rule 432 – General Offenses (in part); Rule 532 – Disclosing Orders Prohibited (in part).

Between January 2011 and October 2012, a non-member disclosed non-public information related to his firm’s trading strategy and another non-member acted upon that non-public information, thereby establishing and then offsetting positions that resulted in a \$407,491

profit. The non-members, pursuant to settlement offers, neither admitted nor denied the violations. \$407,491 disgorgement and permanent ban each.

CME 15-0134-BC

CME 15-0134-BC-2

Pre-Arranged Trades

Violation of Rule 534 – Wash Trades Prohibited.

On a single day in May 2014, a non-member firm and a non-member individual, entered multiple matching buy and sell orders in futures contracts for accounts with common beneficial ownership on both sides of the market. The matching buy and sell orders were entered with the knowledge and intent that the orders would match opposite one another for the purpose of moving positions between accounts. The non-member firm and the non-member individual, pursuant to settlement offers, neither admitted nor denied the violation. The non-member firm was ordered to pay a \$35,000 penalty and the non-member individual was ordered to pay a \$10,000 penalty and to serve a 5 day suspension.

CME 14-9725-BC

Pre-Arranged Trades

Violation of Rule 432 – General Offenses (in part); Rule 534 – Wash Trades Prohibited.

On several occasions between September 2013 and January 2014, a non-member, with the reasonable expectation that he was acting to avoid taking a bona fide market position with market risk exposure, placed buy and sell orders with the same expiration months, strike prices, and trade prices. Between December 2013 and January 2014, the non-member, in order to avoid maintenance margin requirements, had sell side transactions misallocated. The non-member, pursuant to a settlement offer, neither admitted nor denied the violation. \$35,000 penalty; 5 business day suspension.

CBOT

CBOT 15-0260-BC

Pre-Arranged Trades

Violation of Rule 432 – General Offenses; Rule 534 – Wash Trades Prohibited.

In November 2015 an incident occurred which resulted in price and volume irregularities in the September 2015 Two-Year futures contract. The incident was found to have occurred as the result of error in the configuration of an automated trading system operated by a member firm, which then resulted in the system executing numerous self-matched trades in the September 2015 Two-Year futures contract in one account of the member firm. The member firm should have recognized and worked to minimize the incident. \$40,000 penalty.

CBOT 15-0170-BC

Disruptive Trading

Violation of Rule 432 – General Offenses (in part).

In April 2015, an automated trading system operated by a member firm entered, due to employee error, orders and modifications outside of regular trading hours, resulting in the dissemination of aberrant prices and irregularities during trading hours. \$75,000 penalty.

CBOT 12-9154-BC-2

Pre-Arranged Trades

Violation of Rule 539 – Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited (in part).

On multiple occasions between December 2012 and February 2013, traders of a member firm had pre-execution, transactions-specific communications with traders employed by a counterparty. \$75,000 penalty.

CBOT 13-9442-BC

Pre-Arranged Trades

Violation of Rule 432 – General Offenses.

Over a month-longer period in October and November 2012 and in order to move \$30,787,50 from an account owned by his employer to the account of another non-member, a non-member prearranged a series of 96 round turn transactions, 93 of which resulted in a profit to the non-member's account. \$100,000 penalty; \$30,787,50 restitution; permanent ban.

CBOT 13-9688-BC

Disruptive Trading

Violation of Rule 432 – General Offenses (in part).

Between July and November 2013, a non-member executed a strategy that encouraged other market participants to trade with his smaller resting orders by creating an illusion of buy/sell pressure imbalance. This appearance was created by the non-member placing a small order on one side of the market, entering into multiple large orders on the other side, and cancelling the large orders once the small orders were executed. The non-member, pursuant to a settlement offer, neither admitted nor denied the violation. \$75,000 penalty; 30 day suspension.

**If you have any questions about the information contained in this month's report, please contact: [David Perlman](#), [Michael Brooks](#), [Bob Pease](#), [Jennifer Gordon](#) or [Chelsea Carbone](#).