

## INSIGHTS

# Monthly Futures Exchange Issuance Report: June 2015

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*This report summarizes material notices from CME Group and ICE Futures, with a particular focus on energy. It is not intended to be a comprehensive review of each and every notice issued by these Exchanges.*

**June Highlight** CME Group has released a Webinar on Block Trades summarizing the regulatory requirements in relation to block trades in eligible CME, CBOT, NYMEX, and COMEX products, including minimum block thresholds, pricing, reporting, and important requirements around the use of non-public information. Block trades "" large, privately negotiated trades that meet minimum quantity requirements "" can be traded by ECPs. Pricing must be fair and reasonable, as governed by four factors: the size of the trade; the prices and sizes of other transactions at the time; prices and sizes of other transactions in other markets; and the circumstances of the markets or parties. The trade price must be consistent with the minimum tick price for the market, and each leg/transaction must be executed at a single price. Much of the webinar focuses on reporting requirements, noting the seller is usually responsible for reporting unless the parties have agreed to a different arrangement or the deal is brokered, in which case the broker is responsible for reporting. Block trades generally must be reported within 5 or 15 minutes of execution. The timing is product specific, with softs, metals, and energy futures required to be reported within 5 minutes "" including Brent crude oil penultimate financial futures, Brent crude oil last day futures, light sweet crude, Gulf Coast sour crude, NY Harbor ULSD heating oil, Henry Hub natural gas, and RBOB gasoline futures. The webinar features examples of reporting in both brokered and non-brokered trades. The webinar also covers the disclosure of non-public information, which may be generated through the negotiation and solicitation of block trades. CME Group cautions that watching the webinar is not a substitute for familiarity with Rule 526 of the relevant exchange rules. The Webinar can be found at <http://www.cmegroup.com/education/block-trade-webinar.html>.

**Rule Changes and Other Advisory Notices**

**CME GROUP SPECIAL EXECUTIVE REPORT SER-7396** CME Group is amending various trading rules in connection with closing open outcry trading pits for all but the S&P 500 SPI futures pit. The changes will become effective July 6, 2015.

**CME GROUP MARKET REGULATION ADVISORY NOTICE RA1501-1** This notice supersedes RA1306-1 from August of 2013. It eliminates references to trading locations for futures spreads based on the July 2, 2015 closing of all CBOT open outcry futures trading.

**CME GROUP MARKET REGULATION ADVISORY NOTICE RA1504-3** This notice supersedes RA1308-3 from June of 2013. Beginning on July 6, 2015, in connection with the closing of all open outcry futures trading (excluding S&P 500), All-or-None transactions will be permissible only in certain products, as

listed in the notice. **CME GROUP MARKET REGULATION ADVISORY NOTICE RA1507-5** This notice, which supersedes RA1505-5, provides an updated list of products subject to large trader reporting requirements under the CFTC Part 20 Regulations. **CME GROUP MARKET REGULATION ADVISORY NOTICE RA1508-5** This notice supersedes RA0906-5 from August of 2009. All CME S&P 500 Stock Price Index futures contracts, CBOT agricultural options contracts, and NYMEX and COMEX options contracts will have a post close session, lasting between three and five minutes, beginning July 6, 2015 in connection with the July 2, 2015 closing of all open outcry futures trading (excluding S&P 500). Rule 550 has been revised to reflect these changes. **CME GROUP MARKET REGULATION ADVISORY NOTICE RA1509-5** This notice supersedes RA1504-5 from April 2015. This notice reminds firms responsible for routing/front-end audit trails that Exchange Drop Copy messages or files do not meet the requirements of Rule 536.B.2. Entities will have until April 1, 2016 to recertify their trading systems to ensure full compliance with new regulations. **CME GROUP MARKET REGULATION ADVISORY NOTICE RA1510-4** This notice supersedes RA1509-4 from May of 2015. Effective July 5, 2015, COMEX will permit outright Copper futures trades executed in the nearby non-spot active month and the second active month to be executed as block trades pursuant to Rule 526. Such trades are permitted to be priced at the settlement price or any valid price increment ten ticks higher or lower than the settlement price. **CME GROUP MARKET REGULATION ADVISORY NOTICE RA1510-4R** This revised Advisory Notice supersedes NYMEX & COMEX Market Regulation Advisory Notice RA1510-4 from June 8, 2015. It is being issued to notify the marketplace that COMEX is postponing execution of Copper futures trades in the spot month on CME Globex for pricing at the settlement price up to and including on the last day of trading in the expiring contract month until Sunday, July 5, 2015, for trade date Monday, July 6, 2015. **CME GROUP MARKET SURVEILLANCE UPDATE MSN06-11-15** Beginning with the July 2015 contract month, NYMEX will increase the spot month limit for Crude Oil Bullet (WS) futures, E-mini Crude Oil (QM) futures, the Light Sweet Crude Oil European Financial (LC) options and Crude Oil Financial Calendar Spread (7A, 7B, 7C, 7M, and 7Z) options will increase to 3,000 futures contract equivalents. **CME GROUP MARKET SURVEILLANCE UPDATE MSN06-15-15** Effective Sunday, June 28, NYMEX plans to amend Chapter 7 of the NYMEX Rulebook ("Delivery Facilities and Procedures") in connection with the listing of the physically-delivered Zinc futures contract. The changes will be pending all relevant CFTC review periods and will be in effect for trade date June 29, 2015. **CME GROUP MARKET SURVEILLANCE UPDATE MSN06-15-15A** CME Group has updated Large Trader Requirements in connection with the listing of the physically-delivered Zinc futures contract (beginning on trade date June 29, 2015). **CME GROUP MARKET SURVEILLANCE UPDATE MSN06-18-15** CME delisted certain equity futures following the termination of trading and expiry of the June 2015 contract month. **CME GROUP MARKET SURVEILLANCE UPDATE MSN06-18-15A** CBOT delisted certain equity futures following the termination of trading and expiry of the June 2015 contract month. **ICE FUTURES U.S. - CFTC STAY OF EXCHANGE FILING** On May 11, 2015, ICE Futures U.S. filed a submission with the CFTC to increase spot month position limits and single and all-month combined accountability levels for eight financial power futures contracts, for effective date May 27, 2015. The CFTC has since announced a stay of the filing for 90 days, during which time the CFTC will provide a public comment period and will review the filing. During the period of the stay, the old position limits

and accountability levels will apply. **ICE Futures Europe (Rule Changes & Other Advisory Notices) ICE FUTURES EUROPE CIRCULAR 15/116** ICE Futures Europe has received legal advice that it is exempt from obtaining a formal license or registration in order to offer access to its electronic trading screens to companies who themselves are licensed to carry on investment business in the British Virgin Islands. However, firms should seek their own legal advice regarding the appropriate authorization from the British Virgin Islands Financial Services Commission prior to applying for Membership on the Exchange or accessing the ICE Platform from the British Virgin Islands. **ICE FUTURES EUROPE CIRCULAR 15/125** ICE Futures Europe is amending regulations relating to the publication of Indicative Opening Prices and Volume in the Pre-Trading session. **ICE FUTURES EUROPE CIRCULAR 15/129** ICE Futures Europe is increasing the number of potential participants in the ICE Coal Options and Futures Liquidity Programme to 8 participants and the expiry date will be December 31, 2015. **ICE FUTURES EUROPE CIRCULARS 15/130, 15/135-145** 15/130- Extension of the ICE Coal Screen Liquidity Provider Programme until December 31, 2015. 15/135- Extension of the ICE UK Natural Gas Market Maker Programme until December 31, 2015. 15/136- Extension of the Market Maker Programmes for Equity Derivatives until September 30, 2015. 15/137- Extension of the Euribor and Short Sterling Packs and Bundles DMM Programmes until June 30, 2015. 15/138- Extension of the Eurodollar Futures Liquidity Provider Programme until September 30, 2015. 15/139- Extension of the ICE DTCC GCF Repo Index® Futures Designated Market Maker, Enhanced Liquidity Provider, and Lead Market Maker Programmes until September 30, 2015. 15/140- Extension of the European Government Bond Broker Wholesale Programme until December 31, 2015. 15/141- Extension of the STIR Futures DMM Programme until September 30, 2015. 15/142- Extension of the Interest Rate New Market Participant Programme until December 31, 2015. 15/143- Extension of the STIR Options DMM Programme until December 31, 2015. 15/144- Extension of the Interest Rate Options New Market Participant Programme until December 31, 2015. 15/145- Extension of the Short and Medium Gilt Futures DMM Programmes until December 31, 2015. **ICE FUTURES EUROPE CIRCULAR 15/134** ICE Futures Europe is amending the Block Trade minimum volume thresholds that apply to Ultra Long Gilt Futures and Medium Gilt Futures Contracts and is announcing the Block Trade minimum thresholds that will apply to the five new ICE Futures Eris Standard EUR Interest Rate Futures and five new ICE Futures Europe Eris Standard GBP Interest Rate Futures. **ICE Futures Canada (Rule Changes & Other Advisory Notices) ICE FUTURES CANADA RULE AMENDMENT NOTICE #94** ICE Futures Canada is amending Rule 8: Trading, to make some wording changes and to include a reference to Affiliated Entities in 8D.01. **ICE FUTURES CANADA RULE AMENDMENT NOTICE #95** ICE Futures Canada is amending Rule 8: Trading, to add a reference to "Good Til Date" in 8B.06. Disciplinary Actions. **Disciplinary Actions ICE FUTURES Igor Oystacher Disruptive Trading** Violation of Rule 4.04- Conduct Detrimental to the Exchange. Allegedly, Oystacher engaged in a pattern of trading activity where he would enter buy or sell orders on one side of the market at different price levels and subsequently cancel such orders in close time proximity to trades the Respondent executed on the opposite side of the market. While Oystacher did not financially gain from these actions, they did disrupt the marketplace. \$125,000 and cease and desist. **CME GROUP Tanyard Creek Capital LLC- CME 12-9086-BC Position Limit** Violation of Rule 562- Position Limit Violations. On April 9, 2015, Tanyard was

found, in a written decision, to have exceeded the spot month speculative position limit of 950 contracts in October 2012 Lean Hog futures contracts on October 8, 2012, by 324 contracts. In a recent hearing, the appropriate monetary fine for this violation was discussed. In determining the amount of benefit Tanyard received as a result of the violation, the Panel considered only the 324 contracts that were in violation of the position limit. \$25,000 fine and \$7,128 disgorgement. **William O'Donnell - CME 13-9664-BC** *Pre-Arranged Trades* Violation of Rule 521. Allegedly, on June 14, 2013, O'Donnell executed a customer order that was not bid openly and competitively in the pit. O'Donnell noncompetitively executed contracts on the buy side opposite another broker within his broker association without openly bidding the order. \$15,000 fine and 15 business day suspension. **Aleksey Vsemirnov** "" **CME 12-8859-BC** *Pre-Arranged Trades* Violation of Rule 534- Wash Trades Prohibited & Rule 576- Identification of Globex Terminal Operators. Vsemirnov, while trading for the benefit of his personal account and the account of another non-member, allegedly executed numerous noncompetitive round-turn money pass transactions for the personal account opposite the non-member's account. The purpose was to transfer funds to his personal account. Also, Vsemirnov allegedly executed trades on Globex where the account over which he had control was on both sides of the transactions, resulting in no change in beneficial ownership. The purpose here was to move positions between accounts. Lastly, Vsemirnov allegedly allowed an employee to enter orders on Globex using his Tag 50 User ID. \$7,920 in restitution and barred from June 5, 2015 until three years from the date the restitution is paid. **NYMEX LCM Commodities, LLC - NYMEX 13-9261-BC** *Block Trades* Rule 526.F - Block Trades. During a time period from November 2012 through April 2013, LCM, a non-member, executed numerous block trades for customers in various Exchange contracts that were not reported within the required time limit following execution and failed to initially report accurate trade details for certain block trades to the Exchange. \$95,000 fine. **Harvest Energy, LTD - NYMEX 14-9937-BC-1** *Lack of Documentation* Rule 538.H - Documentation. On February 5, 2014, Harvest allegedly entered into an EFRP transaction that did not contain documentation of the corresponding simultaneous swap transaction, and therefore was not a bona fide EFRP. \$7,500 fine. **Raphael Kurlansik - NYMEX 14-9952-BC** *Spoofing* Rule 432 - General Offenses. On several trade dates in both June and July 2014, Kurlansik allegedly engaged in a pattern of activity in which he entered large manual orders in Heating Oil futures contracts without the intent to trade. Specifically, he entered these large orders to encourage market participants to trade opposite his smaller orders that were resting on the opposite side of the book. After receiving a fill on his resting smaller orders, Kurlansik would then cancel the large orders he had entered on the opposite side of the order book, within approximately one half of a second. \$35,000 fine and 10 business day suspension. **Simon Posen - NYMEX 13-9258-BC** *Spoofing* Rule 432 - General Offenses. On multiple trade dates from September 2013 through February 2014, Posen allegedly entered numerous orders in the Crude Oil futures contract without the intent to trade but rather to observe the market's reaction and to encourage market participants to trade opposite his smaller orders that were resting on the opposite side of the book. After receiving a fill on his smaller orders, Posen would cancel the resting orders he had entered on the opposite side of the order book, within one second. \$75,000 fine (in conjunction with COMEX 13-9258-BC; \$30,000 is allocated to NYMEX) and five week suspension. **Hayman Capital Management, LP - NYMEX 15-0071-BC** *Position Limit*

Violation of Rule 562- Position Limit Violations. Allegedly, on January 14, 2015, on the CME Globex platform, Hayman held a long position in February 2015 Crude Oil Futures contracts which was 1,3000 (43.33%) over the 3,000 lot standard expiration month limit. Subsequently, Hayman liquidated the overage position, resulting in profits of \$709,270.00. \$25,000 fine and disgorgement of \$709,270. **ICAP Corporates, LLC - NYMEX 12-8963-BC** *Block Trades* Violation of Rule 526- Block Trades and Legacy Rule 538- Exchange for Related Positions. From January 2012 through June 2013, ICAP allegedly executed multiple block trades for customers that were not reported to the Exchange within the applicable time limit following execution. Also, for some of the block trades, the time of execution was incorrectly reported. Finally, ICAP also reported certain Exchange for Swap transactions incorrectly as block trades. \$40,000 fine. **James C. Chi - NYMEX 14-9883-BC** *Misc.* Violation of Rule 524.A- Trading at Settlement. Allegedly, between May 7, 2014 and May 8, 2014, Chi entered three Trading at Settlement ("TAS") orders prior to the security status message stating that the product group had entered a pre-open state. \$15,000 fine. **Prosperity Steel United Singapore PTE Ltd. - NYMEX 14-9758-BC** *Position Limit* Violation of Rule 562. On February 24, 2014, Prosperity allegedly held a futures equivalent position of 1,510 short March 2014 Henry Hub Natural Gas Futures contracts, which was 510 contracts (51.0%) over the standard expiration month limit. Prosperity subsequently liquidated its overage position, resulting in profits of \$573,900. \$25,000 fine and disgorgement of \$573,900. **COMEX Simon Posen - COMEX 13-9258-BC** *Spoofing* Rule 432 - General Offenses. On multiple trade dates during the time period from September 2013 through February 2014, Posen allegedly entered numerous orders in the Gold futures contract without the intent to trade but rather to observe the market's reaction and to encourage market participants to trade opposite his smaller orders that were resting on the opposite side of the book. After receiving a fill on his smaller orders, Posen would cancel the resting orders he had entered on the opposite side of the order book, within one second. \$75,000 fine (in conjunction with NYMEX 13-9258-BC; \$45,000 is allocated to COMEX) and five week suspension. **Mirus Futures LLC - COMEX 14-9807-BC** *Misc.* Rule 432 - General Offenses. On January 6, 2014, Mirus allegedly failed to adequately monitor the operation of its trading platform (Zenfire), and connectivity of its trading system (Zenfire) with Globex. This failure resulted in unusually large and atypical trading activity by several of the Firm's customers and caused the mass entry of order messages by Zenfire, which resulted in a disruptive and rapid price movement in the February 2014 Gold Futures market and prompted a Velocity Logic event. \$200,000 fine. **Exane Derivatives - COMEX 13-9480-BC-2** *Lack of Documentation* Violation of Legacy Rule 538.H- Documentation. Exane allegedly entered into an EFRP transaction that did not contain documentation of the corresponding cash position. \$7,500 fine. **Himanshu Kalra - COMEX 12-9004-BC** *Spoofing* Violation of Rule 432- General Offenses. Allegedly, on multiple trade dates in 2012, Kalra engaged in a pattern of activity in which he repeatedly entered orders or layered multiple orders for Gold and Silver futures contracts without the intent to trade. These layered orders encouraged market participants to trade opposite his smaller orders that were resting on the opposite side of the book. After receiving fill of the smaller orders, Kalra would then cancel the resting order or layered orders on the opposite side. \$35,000 fine and 30 business day suspension. **CBOT UBS Securities LLC - CBOT 12-9036-BC** *Lack of Documentation* Violation of Rule 538.A- Nature of an EFRP. UBS allegedly, through an employee, entered into three EFRP

transactions that did not contain documentation of the corresponding cash positions. \$35,000 fine. **UBS Securities LLC - CBOT 14-0027-BC** *Lack of Documentation* Violation of Legacy Rule 538.A- Nature of an EFRP. UBS executed an EFRP transaction that was given up for clearing to UBS for a customer. UBS failed to accurately identify the EFRP traction on the monthly account statements delivered to its customer. \$2,500 fine. **Stephan Duggan "" CBOT 12-9134-BC** *Spoofing* Violation of Rule 432- General Offenses. Allegedly, Duggan engaged into a pattern of activity wherein he entered orders in Soybean and Wheat futures without the intent to trade. Duggan would place small orders to sell (buy) in the futures contract market on the CME Globex platform and then subsequently enter multiple larger-sized buy (sell) orders at various book levels at or near the best bid (offer) to create the appearance of an imbalance in buy/sell pressure. Once the small orders began trading, Duggan cancelled the larger-sized orders. The purpose of these actions was allegedly to induce other market participants to trade against the small resting orders on the other side of the books. Two year suspension (taking into account disciplinary history and financial condition). **Aleksey Vsemirnov "" CBOT 12-8859-BC** *Pre-Arranged Trades* Violation of Rule 432- General Offenses, Rule 534-Wash Trades Prohibited, & Rule 576- Identification of Globex Terminal Operators. Same conduct as CME 12-9134-BC, above. \$5,353.50 in restitution and barred from June 5, 2015 until three years from the date the restitution is paid. **NEW PRODUCT LISTINGS ICE FUTURES U.S. ~None~ ICE FUTURES EUROPE** ICE Futures Europe is launching five new Eris Standard EUR Interest Rate Futures and five new Eris Standard GBP Interest Rate Futures beginning on trade date June 29, 2015. ICE Futures Europe is introducing four annual expiries for the FTSE 100 Dividend Index-RDSA Withholding Futures Contract: Dec. 2018, Dec. 2019, Dec. 2020, and Dec. 2021. ICE Futures Europe introduced additional Dividend Adjusted Single Stock Futures on ICE Block, noting that U.S. persons are not currently permitted to engage in DASF transactions. \*\*If you have any questions about the information contained in this month's report, please contact: [David Perlman](#), [Michael Brooks](#), [Bob Pease](#), or [Jennifer Lias](#).