

INSIGHTS

## U.S. Futures Exchanges Disciplinary Actions Report - August 2016

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### ICE

#### **2015-051**

##### *Block Trades*

Violation of Rule 6.08(b)(i) - Order Ticket Requirements, Rule 4.07(c) - Block Trading, and Rule 4.01 - Duty to Supervise.

On multiple occasions, an entity allegedly failed to comply with the recordkeeping requirements when handling customer orders, misreported the correct execution time of block trades as well as submitted a block trade beyond the 15-minute reporting period, and failed to adequately supervise its brokers' block trade activity. \$15,000 fine and cease and desist.

### CME

#### **CME 13-9366-BC**

##### *Misc.*

Violation of Rule 432.X. - General Offenses (in part); Rule 532 - Disclosing Orders Prohibited (in part); Rule 536 - Recordkeeping Requirements for Pit, Globex and Negotiated Trades, (A)(2)(a). Individual Member Orders (in part) and D. Customer Type Indicator (CTI) Codes (in part).

On at least one occasion between January 2013 and March 2014, a member improperly used non-public order information, failed to comply with recordkeeping requirements, and aided and abetted another offense in violation of Exchange rules and regulations. The Business Conduct Committee found that the individual failed to answer the charges against him and subsequently admitted the charges and waived his right to a hearing and was found guilty at a later penalty hearing. \$60,000 penalty; \$42,500 disgorgement of profits; and seven year suspension.

#### **CME 13-9382-BC**

##### *Disruptive Trading*

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

Between December 2012 and February 2013, a non-member individual created the appearance of an imbalance in buy/sell pressure by entering into larger-sized orders on one side of the market and smaller-sized orders on the other and then cancelling the large resting orders in order to motivate trading in his smaller-sized orders. \$90,000 fine and two week suspension.

**CME 14-9709-BC-3***Lack of Documentation*

Violation of Rule 538.H - Documentation (Legacy).

A non-member firm did not maintain documentation related to the cash positions of six transitory EFPs in CME FX products executed on three separate dates over a six-month period. The Business Conduct Committee found that the firm failed to answer the charge and therefore admitted the charge, waived its right to a hearing, and was found guilty. \$30,000 fine and three year suspension.

**CME 14-9755-BC***Misc.*

Violation of Rule 432.X - General Offenses (in part); Rule 531.A - Trading Against Customers' Orders Prohibited (General Prohibition); Rule 532 - Disclosing Orders Prohibited (in part); Rule 536 - Recordkeeping Requirements for Pit, Globex and Negotiated Trades, (A)(2)(a). Individual Member Orders (in part) and D. Customer Type Indicator (CTI) Codes (in part); Rule 501 - Employees of Members (in part). On at least one occasion between January 2013 and March 2014, a member used non-public information to place orders; while in possession of a customer order, knowingly took, indirectly, the opposite side of such order for his own account; failed to record the order instructions and the time of placement after entering an order with another member; remunerated his electronic execution clerk in a manner that was not limited to a salary and normal bonus; and aided or abetted other violations. The Business Conduct Committee found that the individual failed to answer the charges against him and therefore admitted the charges, waived his right to a hearing, and was found guilty. \$85,000 penalty; \$126,545 disgorgement of profits; and eight year suspension.

**CME 14-9869-BC***Spoofing*

Violation of Rule 432.B.2, Q, T - General Offenses (in part).

Between February 2013 and February 2014, a non-member individual allegedly engaged in activity meant to motivate other participants to trade opposite his smaller orders that were resting on the opposite side of the book. He did this by entering into multiple, layered orders for E-mini NASDAQ 100 Futures contracts and then cancelling his resting layered orders once the smaller orders of other participants began trading. \$65,000 fine (\$35,000 of which allocated to CME); three week suspension.

**CBOT****CBOT 14-9869-BC***Spoofing*

Violation of Rule 432 B.2, Q, T - General Offenses (in part).

Same facts as CME 14-9869-BC, above. \$65,000 fine (\$30,000 of which allocated to CME); three week suspension.

**CBOT 15-0205-BC-2***EFRP*

Violation of Rule 538.A – Nature of an EFRP (LEGACY).

In March 2013, an a non-member entity entered into an Exchange for Options (“EOO”) transaction, where the related position consisted of three OTC swaption contracts that were settled the same day without market risk. Therefore, the EOO was a transitory EFRP, which is prohibited in agricultural products. \$15,000 fine.

**CBOT 15-0163-BC**

*Misc.*

Violation of Rule 432.B.1, L.1, T - General Offenses.

Over a two week period in March 2015, an individual member artificially and temporarily inflated the value of his account by altering the quantity and prices of an order of the June 2015 Ten-Year Note 100 Puts placed at the beginning of the period. By not appearing before Exchange staff for two scheduled interviews, the Business Conduct Committee found that individual admitted the charges and waived his right to a hearing. \$50,000 fine; 5 year bar.

\*\*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](#).