

INSIGHTS

U.S. Futures Exchanges Disciplinary Actions Report - August 2017

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The Bracewell U.S. Futures Exchanges Disciplinary Actions Report is a monthly report that provides summaries of certain disciplinary notices by U.S. exchanges during the prior month. The report has a particular focus on notices potentially relevant to energy commodities and is not intended to be a comprehensive review of each and every notice issued. Instead, the report is intended to provide market participants, and compliance personnel in particular, with illustrative examples of rule violations and to bring to light enforcement trends across the exchanges.

CBOT

CBOT 15-0231-BC

Disruptive Trading

Violation of Rule 575.A – Disruptive Practices Prohibited

Pursuant to a settlement offer, on August 9, 2017, a Panel of the Business Conduct Committee (“Panel”) found that on numerous occasions between August 1, 2015, and August 14, 2015, a non-member trader engaged in a pattern of activity in which she entered large manual orders in the November 2015 Soybean futures market without the intent to trade. She entered these large orders to entice market participants to trade opposite her smaller orders that were resting on the opposite side. After obtaining purchasers for her smaller orders, the trader would then cancel the resting large orders on the opposite side. \$10,000 fine, disgorgement of \$9,275, and 45-day suspension from date that the ordered monetary sanction is paid.

CME

CME 16-0450-BC

Disruptive Trading

Violation of Rule 575.A – Disruptive Practices Prohibited

Pursuant to a settlement offer, on August 9, 2017, a Panel found that on one or more occasions between December 2015 and February 2016, a non-member trader entered and canceled orders in the March 2016 E-mini S&P futures market on the Globex electronic trading platform during the pre-opening period for the purpose of identifying depth. The entry and cancellation of these orders caused fluctuations in the publicly displayed opening price. \$10,000 fine and 25-day suspension.

CME 17-0650-BC*Position Limits*

Violation of Rule 562 – Position Limit Violations (in part)

Pursuant to a settlement offer, on August 9, 2017, a Panel found that at the close of business on February 21, 2017, a non-member entity carried a net futures position that was 68.67% in excess of the spot month position limit in effect. On February 22, 2017, the entity liquidated its overage to bring its position into compliance and did not profit from such liquidation. \$25,000 fine.

CME 17-0687-BC*Position Limits*

Violation of Rule 562 – Position Limit Violations (in part)

Pursuant to a settlement offer, on August 9, 2017, a Panel found that at the close of business on April 12, 2017, a non-member entity held a position in April 2017 Feeder Cattle Futures that exceeded the spot month speculative position limit by 122 contracts, or approximately 40.67%. On April 13, 2017, the entity liquidated its overage to bring its position into compliance and did not profit from such liquidation. \$25,000 fine.

ICE**2014-033 and 2015-085***Misc.*

Violation of Rule 21.16(d) – Effective Date of Penalties

An entity was barred from directly or indirectly trading on any ICE Futures U.S., Inc. (“Exchange”) market for failing to make payment of a monetary penalty in accordance with the terms of settlement of a disciplinary action. The trading access denial shall continue until such time as the monetary penalty is paid in full.

2016-045*Disruptive Trading*

Violation of Rule 4.02 – Trade Practice Violations

A trader created numerous order book imbalances in the Sugar No. 11 futures market between April 2016 and August 2016 by entering a small order relative to market conditions to buy or sell on one side of the market and a large order to sell or buy on the opposite side of the market. In numerous instances, the small order transacted and the trader would cancel the larger order on the opposite side. With respect to the larger orders that were entered and subsequently cancelled as described above, an Exchange subcommittee determined that the trader may have violated Exchange Rule 4.02(l)(1)(A) by entering orders with the intent to cancel such orders before execution; Exchange Rule 4.02(l)(1)(C) by entering orders with the intent to mislead market participants; and Exchange Rule 4.02(l)(2) by knowingly entering bids and offers not in good faith or for the purpose of executing *bona fide* transactions. The trader amassed profits of \$17,785.60 from this activity. Pursuant to a settlement offer, the trader received a \$200,000 penalty, \$17,785.60 disgorgement, 150-day suspension and cease and desist.

2016-071*Disruptive Trading*

Violation of Rule 4.02 – Trade Practice Violations

A trader engaged in a pattern of trading activity from April 2016 to July 2016 that created order book imbalances in the Russell 2000 Index Mini futures market. The trader entered a large order relative to market conditions to buy or sell on one side of the market and a small order relative to market conditions on the other side of the market. He would then cancel the large orders shortly after the small orders transacted. With respect to the larger orders that were entered and subsequently canceled as described above, an Exchange subcommittee determined that the trader may have violated Exchange Rule 4.02(l)(1)(A) by entering orders with the intent to cancel such orders before execution; Exchange Rule 4.02(l)(1)(C) by entering orders with the intent to mislead market participants; and Exchange Rule 4.02(l)(2) by knowingly entering bids and offers other than in good faith for the purpose of executing *bona fide* transactions. \$30,000 penalty, 120-day suspension and cease and desist.

**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 [Ryan Eletto](#).