

## INSIGHTS

## Monthly Futures Exchange Issuance Report: December 2015

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**December's Highlight** On November 4, 2015, the Chairman of the CFTC, Timothy Massad, gave a speech to the Futures Industry Association Futures and Options Expo, in which he focused on the subject of swap data reporting. The Chairman noted the importance of data reporting to swap regulation generally and lauded the progress that has been made since Dodd-Frank. However, despite the significant progress in swap data reporting, the Chairman stressed that improvements to the reporting system are still necessary and that swap dealers need to improve the quality of their reporting, focusing on completeness and consistency. He stated that for "those industry participants who do not make timely, complete and accurate reporting,"<sup>1</sup> the CFTC will not hesitate to "carry out enforcement actions."<sup>2</sup> The Chairman noted in particular a recent fine of \$2.5 million dollars against a major global bank for repeated failures to comply with swap reporting obligations. Interestingly, in the weeks following the Chairman's speech on the importance of swap reporting, the futures exchanges saw a particularly high number of disciplinary actions regarding futures reporting violations. See below for more details on the various disciplinary actions from December 2015, including those related to reporting violations. A copy of the Chairman's speech can be found [here](#): **CME Group Rule Changes and Other Advisory Notices MARKET REGULATION ADVISORY NOTICE- RA1520-5** This Advisory Notice supersedes CME Group Market Regulation Advisory Notice RA1509-5 from June 29, 2015, and was issued based on a revision to CME, CBOT, NYMEX and COMEX Rule 536.B.2. which codifies that electronic order routing/front-end audit trail information must be provided to the CFTC pursuant to applicable CFTC recordkeeping provisions by an Exchange Clearing Member Firm ("CMF"<sup>3</sup>), notwithstanding that the Rule permits an Exchange Clearing Member Firm to delegate the archiving and retention requirements for such audit trail to another CMF or Equity Member Firm in circumstances where such other firm is a direct connect client. Any entities required to be certified by the Exchange to connect their order routing/front-end system to the CME Globex platform through the CME iLink<sup>®</sup> gateway between April 2, 2015, and April 1, 2016, must ensure full compliance with the modified requirements by April 1, 2016. **MARKET REGULATION ADVISORY NOTICE- RA1521-5** This Advisory Notice provides a reminder that each Exchange's Rule 508 ("Giving and Receiving of Gratuities"<sup>4</sup>) prohibits members, member firms and broker associations and employees of these individuals and entities from giving gifts or gratuities in excess of \$100 per year to any employee of another member, member firm or broker association. This rule is substantially

similar to the restrictions imposed under FINRA Rule 3220 ("Influencing or Rewarding Employees of Others"§). **MARKET SURVEILLANCE UPDATE- MSN12-16-15** In connection with NYMEX D4 Biodiesel RINs (Argus) 2016 Futures and D6 Ethanol RINs (Argus) 2016 Futures contracts on trade date Monday, December 21, 2015 (see SER-7525 published December 3, 2015), this update notes the corresponding spot month position limits (NYMEX Rule 559), single month and all month accountability levels (NYMEX Rule 560) and reportable levels (NYMEX Rule 561) for the new contracts. The spot month limits for the contracts shall take effect at the close of trading three business days prior to the last trading day of the contract. **SPECIAL EXECUTIVE REPORT-S-7534** Effective on Friday, December 18, 2015, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"§) will amend CME Chapter 101 ("Live Cattle Futures"§). The amendments will codify that all cattle delivered in satisfaction of delivery obligations attendant to all CME Live Cattle futures contract months with open interest must be born and raised exclusively in the U.S, which is all currently listed contract months through April 2017. **SPECIAL EXECUTIVE REPORT-S-7538** Pending all relevant regulatory review periods, effective December 18, 2015, the Swap Execution Facility Division of Chicago Mercantile Exchange Inc. ("CME SEF"§) will adopt amendments to the CME SEF Recordkeeping and Reporting Procedures and the CME SEF Rulebook. Specifically, CME SEF Rulebook is implementing new CME SEF Rule 123 ("Compliance with the Commodity Exchange Act"§), and amending CME SEF Rules 407 ("Investigation, Assignment for Hearing and Notice of Charges"§), 528 ("Swap Data Repository and Commission Reporting"§), and 536(A)(1) ("Recordkeeping Requirements for Globex or CME Direct, and Negotiated Trades"§). The amendments, which are described more thoroughly in the report, clarify requirements of CFTC Regulations Part 43 ("Real-Time Public Reporting"§) and 45 ("Swap Data Recordkeeping and Reporting Requirements"§). **SPECIAL EXECUTIVE REPORT-S-7540** The Exchange has approved the following list, described more thoroughly in the report, of restricted markets for the implementation of CME Rule 552 ("Dual Trading Restrictions"§): Eurodollar Options; Eurodollar Midcurve Options; and S&P 500® Index Options. The report also details the effective periods of the dual trading restrictions by contract month for restricted CME products. **SPECIAL EXECUTIVE REPORT-S-7541** Pending all relevant CFTC regulatory review periods, effective Monday, December 21, 2015, Chicago Mercantile Exchange Inc., The Board of Trade of the City of Chicago, Inc., New York Mercantile Exchange, Inc., and Commodity Exchange, Inc. (collectively, the "Exchanges"§) will adopt amendments to each Exchange's Rule 195 ("Market Maker and Incentive Programs"§). The amendments to Rule 195 consolidate and centralize certain generally applicable terms and conditions for participation in the Exchanges' market maker and incentive programs ("Program"§ or "Programs"§). **SPECIAL EXECUTIVE REPORT-S-7545** Market Regulation is pleased to announce that a new CME Group Webinar on Exchange for Related Position transactions ("EFRPs"§) is now available for viewing: <http://www.cmegroup.com/education/efrp-overview.html>. The Webinar provides a helpful summary of regulatory requirements in relation to EFRPs in CME, CBOT, NYMEX and COMEX products, including pricing, related position, prohibited transitory EFRPs, and recordkeeping. The full regulatory requirements related to CME Group EFRPs can also be accessed in the most recent Market Regulation Advisory Notice here <http://www.cmegroup.com/rulebook/rulebook-harmonization.html>. **ICE Futures U.S. Rule Changes & Other Advisory Notices NOTICE-12/04/15**

This notice serves as a reminder that amendments to Sugar No. 11 Rule 11.00(d)(ii) become effective with respect to the March 2016 futures contract and all subsequent contract months. The notice includes the relevant text of the original Exchange Notice announcing these amendments (which was published in March 2013). **SEF NOTICE-12/16/15** ICE Swap Trade issued a circular to provide Market Participants additional information with respect to ICE Swap Trade, LLC's Rule 525(g) "Mid-Market Order" type. For the complete text of Rule 525(g), see the SEF Rulebook: [https://www.theice.com/publicdocs/swap\\_trade/Rulebook.pdf](https://www.theice.com/publicdocs/swap_trade/Rulebook.pdf). **ICE Futures Europe Rule Changes & Other Advisory Notices Circular 15/245** Members are advised that, further to Circular 15/238 dated 17 November 2015, announcing implementation of changes to 2017 and later USGC 3% HSFO derivative instruments (the "Affected Instruments") referencing the Platts US Gulf Coast 3% Sulphur fuel oil ("USGC 3%S FO") assessment, the purpose of this Circular is to set out additional detail in relation to those implementation measures by ICE Futures Europe ("the Exchange") and ICE Clear Europe ("the Clearing House") on 11 December 2015 and subsequently. The changes to the Affected Instruments are designed to reflect the Platts-announced change to a 3.5% Sulphur RMG 380 grade from 3 January 2017 and beyond. **Circular 15/248** The purpose of this Circular is to advise Members of the proposed Amendment to the following Rules: Section G: Trading; Section IIIII: ICE Futures Equity Related Securities Options Contracts; Section KKKKK: ICE Futures Equity Related Securities (Flexible) Options Contracts; Section MMMMM: ICE Futures Equity Shares (Denominated In Euro) Options Contracts; Section OOOOO: ICE Futures Equity Related Security Contracts; Section QQQQQ: ICE Futures Single Stock Futures Contracts and ICE Futures Dividend Adjusted Single Stock Futures Contracts (Cash Settlement); Section SSSSS: ICE Futures Single Stock Futures (Physical Delivery) Contracts; and Section UUUUU: ICE Futures Single Stock (Flexible) Futures Contracts and ICE Futures Dividend Adjusted Single Stock Futures Contracts. **Circular 15/252** The purpose of this Circular is to advise Members, further to the announcement of the launch of 29 Futures and Options Contracts by ICE Futures Europe ("the Exchange") in Circular 15/241 dated 25 November 2015, and the introduction of additional Equity Contracts announced in Circular 15/240 dated 25 November 2015, of the Block Trade minimum thresholds that shall apply. In summary, the Exchange has made the following revisions to the Guidance: Published the Contract Size and Block Trade minimum volume thresholds for the Bitumen contracts; and published Block Trade minimum volume thresholds for ICE WTE CAD denominated contracts. **Circular 15/254** The purpose of this Circular is to advise Members, further to the announcement of the launch of 17 Oil Futures contracts, 4 Oil Options contracts, 2 Coal Options and 6 Natural Gas Liquids Futures contracts by ICE Futures Europe ("the Exchange") in Circular 15/241 dated 25 November 2015, of the applicable position reporting thresholds. Additionally, the Exchange is taking this opportunity to update the Reportable Thresholds Table to include the Contract EU-Style Heating Oil vs Low Sulphur Gasoil Future ("EHL") which was amended in Circular 15/214 dated 13 October 2015. **Circular 15/258** The purpose of this Circular is to advise of revisions to the trading periods available in the UK Natural Gas Daily Futures Contract (NBD) with immediate effect. Under the revisions the following periods will be available: DA: Day-Ahead; BOW: Balance of Week; Saturday; Sunday; W/END: Weekend; WK/DY: Working Days Next Week; BOM: Balance of Month; 2 Months of Dailies. A facility will also be available enabling participants to spread between the UK Natural Gas Monthly Contract (M) and a Month

of Dailies. **Circular 15/259** The purpose of this Circular is to advise Market Participants that the revised approach, as outlined in the Exchange's updated FAQ published with Circular 15/237 dated 17 November 2015, will be implemented to the ICE REMIT Transaction Reporting Facility as of 26 January 2016. **Circular 15/260** The Exchange wishes to inform Market Participants that it will assist them with their back loading obligations under the Regulation on Energy Market Integrity and Transparency ("REMIT"<sup>2</sup>) reporting. Market Participants should be aware that the Exchange will only report information that it has available to it in its systems. **Circular 15/281** The Exchange wishes to inform Market Participants using the ICE REMIT Transaction Reporting Facility that it intends to submit details of trades, pursuant to the back loading obligation, to ACER via its chosen RRM, ICE Trade Vault Europe, on Saturday 02 January 2016. Files containing the relevant records will be made available on the ICE Website with a Saturday 02 January 2016 submission date. This will allow Market Participants to distinguish them from the trade and orders records reported to ACER on a daily basis. **Circular 15/287** The purpose of this Circular is to advise Members of the introduction of additional Dividend Adjusted Single Stock Futures ("DASFs"<sup>2</sup>) and Single Stock Futures ("SSFs"<sup>2</sup>). On and from Monday 04 January 2016, the DASFs and SSFs based on Fiat Chrysler Automobiles and Ferrari will be made available for trading on ICE Block under the terms of the Contract Rules Section QQQQQ, RRRRR, UUUUU and VVVVV of the ICE Futures Europe Regulations on the company shares set out the Attachments to this Circular. The minimum volume threshold for Block Trades in these new DASFs and SSFs shall be set at 1 lot for outrights and 2 lots for strategy trades. **ICE Futures Canada Rule Changes & Other Advisory Notices Notice-12/03/15** This notice presents changes to minimum initial and maintenance margin requirements that apply to accounts held with FCMs. Non-participants holding hedge based positions may be granted a hedge exemption under Rule 4E.05. These minimum margin requirements are effective with the close of business on Friday, December 4, 2015. **Notice-12/30/15** This notice instructs Members to amend their ICE Futures Canada Rulebook on the basis set out in this Rule Amendment Notice. It notes that Members may wish to keep the Amendment Notice with the Rulebook. The Rules and Annexures are also available on the website at: <https://www.theice.com/futures-canada/regulation###rulebook>. **Disciplinary Actions ICE FUTURES ICE 2014-066** *Reporting Violation of Rule 403* "" Daily Reporting of Open Contracts. Allegedly, an entity may have violated ICE Clear U.S Rule 4.03(a) by reporting inaccurate open interest in the May 2014 Cocoa Futures Contract on April 14 and 15, 2014 which resulted in an overstatement of open interest for trade dates April 11 and 14, 2014. \$30,000 fine. **ICE 2014-157** *Reporting Violation of Rule 18.05(a)* "" Open Interest in Energy Contracts. Allegedly, an entity may have violated Exchange Rule 18.05(a) in multiple instances by incorrectly reporting open interest in the Henry Penultimate Fixed Price Future on the last trading day for the contract. \$10,000.00 fine. **ICE 2014-100A** *EFRP Violation of Rules 4.06(c)* "" Exchange for Related Position; and 4.01 "" Duty to Supervise. Allegedly, an entity may have violated Rule 4.06(c) by failing to properly report numerous Exchange for Physical ("EFP"<sup>2</sup>) transactions between June 1, 2012 and September 10, 2014, when an employee of the firm failed to utilize the Exchange's ICEBlock application as required by Exchange procedures instead of a different Exchange system and Rule 4.01 by failing to supervise the Exchange related activities of the firm's employees responsible for entering the EFP transactions. \$50,000 fine and \$21,278 in underpaid fees. **ICE 2011-043** *Misc. Violation of Rules 4.02(c)* "" Trade Practice

Violations; 4.02(e) - Trade Practice Violations; 4.04 "" Conduct Detrimental to the Exchange; 6.08(a)(i) "" Order Ticket Requirements; 6.41(a)(ii) "" Broker Associations; 21.04 "" Power to Compel Testimony and Production of Documents; 4.25(a) "" Reporting of Trades. Between March and July of 2011, three former floor brokers allegedly violated the Exchange Rules when Broker A withheld customer orders and engaged in several non-competitive transactions in Coffee "C" Options opposite Brokers B and C at prices that were favorable to Brokers B and C. Many of the transactions were not reported correctly to Exchange staff, resulting in incorrect trade quantities being disseminated. The BCC also concluded that Brokers B and C may have violated Exchange Rule 6.41(a)(i) by failing to report their broker association, and that Broker C may have violated Exchange Rule 21.04 by failing to appear for a scheduled interview. The Hearing Panel ordered that Broker A be denied access to all of the Exchange's markets for a period of 2 years, that he pay restitution in the amount of \$45,581.25 to the harmed customers. Broker B agreed to a denial of access to all Exchange markets for a period of 8 months. Broker C agreed to a denial of access to all Exchange markets for a period of 1 year.

**ICE 2013-125** *Misc. Violation of Rules 4.02(g) "" Trade Practice Violations; 27.09(a) "" Required Identifications.* Allegedly, an entity violated Exchange Rule 4.02(g) in several instances when employees of the firm traded funds they managed opposite each other in order to move positions from one fund to the other fund without using the Exchange's crossing order functionality; and Exchange Rule 27.09(a) in multiple instances when employees of the firm shared the unique identifications assigned to them to utilize the electronic trading system. \$50,000 fine.

**CME GROUP CME-13-9587-BC-2** *Misc. Violation of Rules 529 "" Withholding Orders Prohibited; 432 "" General Offenses (in part).* Between July 9, 2013, and May 7, 2014, a non-member individual allegedly withheld portions of customer orders in the Eurodollar options on futures pit for the benefit of obtaining fills on subsequent orders placed by the same customer. As a result, the full quantity was not executed openly and competitively in the pit. The Panel concluded that by netting and withholding portions of the customer orders, the non-member individual thereby violated CME Rule 529. Additionally, the Panel concluded that by failing to answer all questions during Market Regulation's investigation, the non-member individual violated CME Rule 432.L.2. \$30,000 fine and a 35 business day suspension.

**CME 13-9528-BC** *Reporting Violation of Rule 854 (Legacy) "" Concurrent Long and Short Positions (in part).* Allegedly, a member entity misreported the open interest positions in the July 2013 Lumber Futures contract for the customer origin. The Panel further found that on July 1, 2013, the member entity submitted an adjustment to correct the error, but submitted that adjustment 16 minutes late. As a result, open interest in the July 2013 Lumber futures contract was overstated by 101 contracts, or 6.26%, during the spot month delivery expiration period. \$25,000 fine.

**CME 13-9665-BC** *Pre-Arranged Trades Violation of Rules 532 "" Disclosing Orders Prohibited (in part); Rule 539 "" Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited (in part).* Allegedly, on three occasions between April 2013 and June 2013, a non-member individual, after having received customer orders to execute Eurodollar Option on Futures spread transactions, and prior to presenting the orders to the pit, disclosed the existence of the orders as well as side of market, size and/or price to another employee of an indirect wholly owned subsidiary. In each instance, the non-member individual then simultaneously placed both his customer's and the other employee's orders into the Eurodollar Options on Futures pit for

execution at the same price. \$30,000 fine and 10 day suspension. **CME 13-9323-BC-1** *Pre-Arranged Trades* Violation of Rule 534 "" Wash Trades Prohibited (in part). Allegedly on several occasions in February and December 2012, a non-member individual executed customer orders on the CME Globex trading platform in the expiring Live Cattle futures contract where there was common beneficial ownership on both sides of the transactions. On two occasions, the non-member individual entered opposing buy and sell orders, at the same price and for the same quantity, on behalf of different accounts owned by the same customer that traded against one another. In the remaining instances, the non-member individual entered customer orders on one side of the market that traded opposite opposing orders placed by a colleague for the same customer on the other side of the market. On each occasion, the orders traded entirely against opposing orders placed for an account with common beneficial ownership. non-member individual entered the orders for the purpose of freshening long futures position dates for customers, and he knew or reasonably should have known that the orders he placed would trade opposite orders placed for accounts with common beneficial ownership. \$15,000 fine and 15 day suspension. **CME 13-9323-BC-2** *Pre-Arranged Trades* Violation of Rule 534 "" Wash Trades Prohibited (in part). Allegedly on several occasions in December 2012, a non-member individual executed customer orders on the CME Globex trading platform in the expiring Live Cattle futures contract where there was common beneficial ownership on both sides of the transactions. In each instance, the non-member individual entered customer orders on one side of the market that traded opposite opposing orders placed by a colleague for the same customer on the other side of the market. The orders traded entirely against opposing orders placed for an account with common beneficial ownership. The non-member individual entered the orders for the purpose of freshening long futures position dates for customers, and he knew or reasonably should have known that the orders he placed would trade opposite orders placed for accounts with common beneficial ownership. \$10,000 fine and 15 day suspension. **CME 12-9055-BC** *Pre-Arranged Trades* Violation of Rule 534 "" Wash Trades Prohibited (in part). On August 14, 2012, a member individual allegedly executed two customer orders in the pit to buy and sell 250 expiring Live Cattle futures contracts for the same customer account. The purpose of the orders was to freshen long futures position dates. The member individual knew or reasonably should have known that the purpose of such offsetting orders was to avoid taking a bona fide market position exposed to market risk. \$20,000 fine, 10 day suspension. **CME 13-9587-BC** *Pre-Arranged Trades* Violation of Rules 521 "" Requirements for Open Outcry Trades (in part); 539 "" Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited (in part); 432 "" General Offenses (in part). Allegedly on more than one occasion between August 5, 2013, and July 31, 2015, a member individual, a broker in the Eurodollar options on futures pit, executed a portion of customer orders that was not bid openly and competitively in the pit. Specifically, after a customer entered both buy and sell orders for the same product and strategy, the member individual executed the smaller quantity of the opposing buy or sell order opposite the larger buy or sell order held by another broker from his group. Additionally, the member individual initially declined to answer all substantive questions during an interview in connection with Market Regulation's investigation, but afterwards the investigation concluded, the member individual answered all substantive questions in a subsequent interview. \$35,000 fine, 30 day suspension. **CME 14-9903-BC-5** *Lack of Documentation* Violation of Rule 538.H ""

Documentation (Legacy). On December 12, 2013, a member entity allegedly entered into a transitory EFRP transaction in CME foreign exchange ("FX") products that did not contain documentation of the corresponding cash position and, thus, was not a bona fide EFRP transaction. \$7,500 fine. **CME 14-9903-BC-4** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). On November 25, 2013, a non-member entity allegedly entered into two transitory EFRP transactions in CME foreign exchange ("FX") products (which was allowed at the time) that did not contain documentation of the corresponding cash positions and, thus, were not bona fide EFRP transactions. \$15,000 fine. **CME 14-9903-BC-3** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). On December 24, 2013, a non-member entity allegedly entered into two transitory EFRP transactions in CME foreign exchange ("FX") products that did not contain documentation of the corresponding cash positions and, thus, were not bona fide EFRP transactions. \$15,000 fine. **CME 14-9903-BC-2** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). On August 5, 2013 and November 11, 2013, a non-member entity allegedly entered into transitory EFRP transactions in CME foreign exchange ("FX") products that did not contain documentation of the corresponding cash positions and, thus, were not bona fide EFRP transactions. \$15,000 fine. **CME 14-9903-BC-1** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). Between August, 2013, and April, 2014, a member firm allegedly entered into multiple transitory EFRP transactions in CME foreign exchange ("FX") products that did not contain documentation of the corresponding cash positions and, thus, were not bona fide EFRP transactions. In addition, on June 13, 2014, the member firm allegedly entered into a transitory EFRP transaction in the Norwegian krona market that did not contain documentation of the corresponding cash position or documentation showing the quantity of the corresponding cash position and, thus, was also not a bona fide EFRP transaction. \$60,000 fine. **CME 14-0025-BC-2** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). On February 11, 2014, a non-member entity allegedly entered into a transitory EFRP transaction in CME foreign exchange ("FX") products that did not contain documentation of the corresponding cash position and, thus, was not a bona fide EFRP transaction. \$7,500 fine. **CME 14-0025-BC-1** *Lack of Documentation* Violation of Rule 538.H "" Documentation (Legacy). On February 11, 2014, a member entity allegedly entered into a transitory EFRP transaction in the Canadian dollar futures market that did not contain documentation of the corresponding cash position and, thus, was not a bona fide EFRP transaction. \$20,000 fine. **CME 13-9587-BC** *Pre-Arranged Trades* Violation of Rules 521 "" Requirements for Open Outcry Trades (in part); 539 "" Prearrange, Pre-negotiated and Noncompetitive Trades Prohibited (in part); 432 "" General Offenses (in part). On more than one occasion between August 5, 2013, and July 31, 2015, a member individual, a broker in the Eurodollar options on futures pit, allegedly executed a portion of customer orders that was not bid openly and competitively in the pit. Specifically, after a customer entered both buy and sell orders for the same product and strategy, the member individual executed the smaller quantity of the opposing buy or sell order opposite the larger buy or sell order held by another broker from his group. As a result, the full quantity of both orders was not executed openly and competitively in the pit. Additionally, the member individually allegedly initially declined to answer all substantive questions during an interview in connection with Market Regulation's investigation. After the investigation concluded, the member individual answered all

substantive questions in a subsequent interview. \$35,000 fine, 30 day suspension. **CME-13-9664-BC-4** *Misc. Violation of Rule 521 "" Requirements for Open Outcry Trades (in part)*. On June 14, 2013, a member individual allegedly executed a customer order that was not offered openly and competitively in the pit in accordance with CME Rules. Specifically, after receiving consecutive customer orders to sell 4,000 contracts and buy 4,000 contracts at a single price in the Eurodollar options on futures pit, the member individual allegedly executed 2,000 contracts on the sell side opposite another broker within his broker association that were not competitively offered and executed by open outcry. In addition, on October 2, 2013, the member individual allegedly executed a customer order that was not offered openly and competitively in the Eurodollar options on futures pit. Specifically, the member individual's broker association allegedly received consecutive customer orders to sell 1,000 contracts and buy 5,000 contracts at the same price in the pit. The member individual executed 1,000 contracts on the sell side opposite another broker within the same broker association that were not competitively offered and executed by open outcry. \$20,000 fine, 15 day suspension. **CME 13-9664-BC-3** *Pre-Arranged Trades Violation of Rules 521 "" Requirements for Open Outcry Trades (in part); 539 "" Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited (in part)*. On October 2, 2013, a member individual allegedly executed a portion of a customer order that was not bid openly and competitively in the pit in accordance with CME Rules. Specifically, the member individual's broker association allegedly received consecutive customer orders to sell 1,000 contracts and buy 5,000 contracts at the same price in the Eurodollar options on futures pit. Of the 2,500 contracts the member individual executed on the buy side, he executed 1,000 contracts opposite another broker within his broker association that were not competitively bid and executed by open outcry. \$15,000 fine, 5 day suspension. **NYMEX NYMEX 14-9723-BC** *Misc. Violation of Rule 432 "" General Offenses (in part)*. During the time period from September 2013 through December 2013, a non-member on multiple trade dates executed multiple transactions, some of which were round-turn transactions, between his personal trading account, another account over which he had trading authority ("secondary personal account"§), and the account he traded for his employer ("employer's account"§). The purpose of each of the round-turn transactions was to move money from the employer's account to the non-member's personal account and the second personal account. Furthermore, in the non-round turn transactions, the non-member traded ahead of the employer's account by entering orders for his personal account and the secondary account ahead of the employer's account and subsequently offsetting those trades opposite the employer's account, to the disadvantage of the employer's account. \$100,000 fine, \$216,955.80 restitution to his employer, 5 year suspension. **NYMEX 13-9416-BC-3** *Misc. Violation of Rule 432 "" General Offenses (in part)*. On February 26, 2015, a Panel of the New York Mercantile Exchange Probable Cause Committee charged a non-member with violating NYMEX Rules 432.G., 432.Q., 432.L.1., and 576 based on allegations that on multiple trade dates during the time period of November 2009 to November 2010 and during March 2013, the non-member executed 19 round-turn transactions, which resulted in the transfer of \$35,700 to the non-member's account from accounts owned by two others, as well as entered orders using a Tag50 assigned to other individuals. The non-member also failed to appear before Exchange staff for a scheduled interview. On September 8, 2015, a Hearing Panel Chair of the NYMEX Business



Conduct Committee ("BCC") entered an order finding that the non-member failed to answer the charges against him and was deemed to have admitted the charges issued and waived his right to a hearing on the merits of the charges. \$85,000 fine, permanently banned. **NYMEX 14-9829-BC** *Block Trade* Violation of Rule 526 "" Block Trades; NYMEX/COMEX Market Regulation Advisory Notice RA 1318-4 and RA 1327-4 (in relevant part). On three dates, September 25, 2013, January 30, 2014, and February 7, 2014, specifically, a member entity allegedly pre-hedged nine block trades by trading on Globex prior to consummating the block trade with counterparty. Specifically, after receiving the solicitation of a block trade but prior to consummating the block trade with counter-party, the member entity allegedly entered into a separate hedge transaction in the same product as the requested block trade, on the opposite side of the market the member entity took upon the subsequent consummation of the block trade. By entering into the hedge transaction and establishing the price of the hedge transaction prior to consummating the block trade, the member entity was able to guarantee itself a profit upon the subsequent execution of the block trade. As a result of pre-hedging these block trades, the member entity realized a profit in the amount of \$114,060. \$75,000 fine, \$114,060 profit disgorgement. **NYMEX 15-0175-BC** *Position Limit* Violation of Rule 562 "" Position Limit Violations. At the opening of trading for trade date June 1, 2015, a non-member entity allegedly held a futures equivalent position of 484 short June 2015 NYISO Zone G Peak LBMP Futures ("JUN15KG") contracts, which was 54 contracts (12.56%) over the standard expiration month limit, which was then in effect. Within a very short time period of the overage on June 1, 2015, the non-member entity liquidated its overage position, resulting in profits of \$64,800. \$15,000 fine, \$64,800 profit disgorgement. **NYMEX 14-0065-BC-1** *EFRP* Violation of Rules 538 "" Exchange for Related Positions; 538.C. "" Related Position. On August 4, 2014, August 8, 2014, August 12, 2014, and August 29, 2014, a non-member entity allegedly entered into EFRP transactions which did not involve the transfer of ownership of the cash commodity underlying the Exchange contract or a by-product, related product, or OTC instrument, between the non-member entity and its counter-parties. Therefore, they were not bona fide EFRP transactions. \$30,000 fine. **NYMEX 14-0065-BC-2** *EFRP* Violation of Rules 538 "" Exchange for Related Positions; 538.C. "" Related Position. On August 5, 2014, a non-member entity allegedly entered into an EFRP transaction which did not involve the transfer of ownership of the cash commodity underlying the Exchange contract or a by-product, related product, or OTC instrument, between the non-member entity and its counter-party. Therefore, it was not a bona fide EFRP. \$15,000 fine. **NYMEX 14-0065-BC-3** *EFRP* Violation of Rules 538 "" Exchange for Related Positions; 538.C. "" Related Position. On August 5, 2014 and August 12, 2014, a non-member entity allegedly entered into transactions which did not involve the transfer of ownership of the cash commodity underlying the Exchange contract or a by-product, related product, or OTC instrument, between the non-member entity and its counter-party and in the course of entering into those transactions, designated the subject transactions as Exchange for Related Positions, or EFRPs. The non-member entity, however, did not execute a bona fide EFRP transaction on either August 5, 2014 or August 12, 2014. \$20,000 fine. **NYMEX 14-0065-BC-4** *EFRP* Violation of Rules 538 "" Exchange for Related Positions; 538.C. "" Related Position. On August 4, 2014, a non-member entity allegedly entered into an EFRP transaction which did not involve the transfer of ownership of the cash commodity underlying the Exchange contract or a

by-product, related product, or OTC instrument, between the non-member entity and its counter-party. Therefore, it was not a bona fide EFRP. \$15,000 fine. **COMEX 14-9912-BC** *Block Trades* Violation of Rules 526 "" Block Trades; 432.W. "" General Offenses (in part); and NYMEX/COMEX Market Regulation Advisory Notice[1] RA 1321-4 (in relevant part). On several trade dates during the period October 17, 2013 through March 12, 2014, a non-member allegedly pre-hedged block trades by trading on Globex prior to consummating the block trade with the counterparty. Specifically, after receiving the solicitation of a block trade, but, prior to consummating the block trade with the counterparty, the non-member entity entered into a separate hedge transaction on the opposite side of the market in the same product as the requested block trade. As a result of this activity, a profit was realized in the amount of \$65,320. In addition, the non-member entity reported certain of these block trades late. In addition, in connection with this activity, the non-member entity allegedly failed to diligently supervise its traders in a manner sufficient to ensure that their activity was consistent with the provisions of Market Regulation Advisory Notice RA 1321-4[2], which relates to the use of nonpublic information regarding block trades. \$175,000 fine, \$65,320 profit disgorgement.

**COMEX 14-9854-BC-1** *Pre-Arranged Trades* Violation of Rules 432 "" General Offenses; 534 "" Wash Trades Prohibited. On March 3, 2014, and March 7, 2014, a non-member entity allegedly entered a series of wash trades in the May 2014 Copper Futures contract between accounts with the same beneficial owner. The Non-member entity failed to diligently supervise its traders in a manner sufficient to ensure that they were familiar with Exchange rules. \$50,000 fine. **COMEX 14-9854-BC-2** *Pre-Arranged Trades* Violation of Rule 534 "" Wash Trades Prohibited. On March 3, 2014, and March 7, 2014, a non-member individual and a non-member entity allegedly entered a series of wash trades in the May 2014 Copper Futures contract between accounts with the same beneficial owner. \$10,000 fine. **COMEX 14-9854-BC-3** *Pre-Arranged Trades* Violation of Rule 534 "" Wash Trades Prohibited. On March 3, 2014, and March 7, 2014, a non-member individual and a non-member entity allegedly entered a series of wash trades in the May 2014 Copper Futures contract between accounts with the same beneficial owner. \$10,000 fine. **CBOT 14-9831-BC** *Pre-Arranged Trades; Lack of Documentation* Violation of Rules 534 "" Wash Trades Prohibited; 538.A "" Nature of an EFRP (Legacy); 538.H "" Documentation (Legacy). On August 5, 2013, August 8, 2013, and November 25, 2013, a non-member entity allegedly improperly entered into Exchange for Physical ("EFP") transactions in the Corn futures market. Specifically, the non-member entity entered into EFP transactions where it maintained ownership and control of the accounts, through different subsidiaries, on both sides of the transactions. The EFPs were erroneously executed to offset positions between the two non-member entity subsidiary accounts. Further, on November 25, 2013, the non-member entity allegedly entered into an EFP transaction that consisted of a simultaneous exchange of a future position without an exchange of a related cash position. Thus, the transaction was not bona fide. Lastly, on August 5, 2013, August 8, 2013, and November 25, 2013, the non-member entity allegedly entered into EFP transactions that did not contain sufficient documentation of the corresponding cash positions. \$35,000 fine. **CBOT-14-9707-BC** *Pre-Arranged Trades* Violation of Rules 432 "" General Offenses (in part); 534 "" Wash Trades Prohibited; 576 "" Identification of Globex Terminal Operators. On multiple dates between December 2012 and June 2014, a non-member entity's traders allegedly executed numerous

transactions for their client over several days in the E-mini Dow calendar spread wherein orders for the non-member entity accounts self-matched. The matching buy and sell orders were entered with the knowledge and intent that the orders would match opposite one another. The purpose of these transactions was to roll positions from one contract month to the next. The non-member entity also allegedly failed to diligently supervise its traders in a manner sufficient to ensure that their conduct was consistent with Exchange rules. Additionally, during this time period, the non-member entity allegedly failed to assign unique Tag50 user IDs to its employees. Following this occurrence, the non-member entity undertook remedial measures and training. \$90,000 fine. **CBOT-10-04523-BC** Misc. Violation of Rules 521 "" Requirements for Open Outcry Trades; 432 "" General Offenses (in part) (Legacy); 539 "" Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited (in part). On one or more occasions from April 9, 2009, through May 7, 2010, a member individual allegedly engaged in trades as a local, and one trade as a broker, in the Corn futures pit that were not competitively executed by open outcry, and realized \$1,787.50 in profits as a result of such trades as a local. \$1,787.50 in disgorgement, 30 day suspension. **NEW PRODUCT LISTINGS** ICE Futures U.S. will introduce 50 new financial power and physical environmental futures contracts for trading on Monday, December 14, 2015. These new energy contracts will be cash or physically settled and cleared at ICE Clear Europe. On December 14, 2015, ICE Futures U.S. listed two additional California Carbon Allowance ("CCA"<sup>2</sup>) futures contracts, against which Vintage 2019, Vintage 2020 and earlier allowances may be delivered. Most contract specifications for the new Vintage 2019 and Vintage 2020 futures contracts, such as the contract size, listing cycle and minimum price fluctuation match those for the existing CCA futures contracts listed by the Exchange (Vintages 2013-2018). \*\*If you have any questions about the information contained in this month's report, please contact: **David Perlman, Michael Brooks, Bob Pease, Jennifer Lias or Chelsea Carbone.**