

INSIGHTS

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

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NYMEX

NYMEX 16-0530-BC

Position Limits

Violation of Rule 562 – Position Limit Violations.

At the close of business on a single day in September 2016, a member firm held a short position which was 38.4% over the standard expiration month limit for October 2016 Henry Hub Natural Gas Futures contracts. Pursuant to a settlement offer, the member firm neither admitted nor denied the violation. \$40,000 penalty.

ICE

2015-114

Block Trades; Misc.

Violation of Exchange Rule 4.01 - Duty to Supervise; Rule 4.02(c) – Trade Practice Violations; Rule 4.02(d) – Trade Practice Violations; Rule 4.04 – Conduct Detrimental to the Exchange; Rule 4.07(c) – Block Trading; Rule 4.07(b) – Block Trading; Rule 6.07 – General Record Requirements; Rule 6.08(b)(i) – Order Ticket Requirements; Rule 27.09(b) – Required Identifications.

An individual executed twenty-five fictitious transactions and used a colleague's User ID in order to trade on the ETS. Another individual executed fifty-two fictitious transactions and allowed a colleague to use his User ID to trade on the ETS. One firm was found to have engaged in multiple instances of misreporting, failing to maintain accurate records, and failing to supervise its brokers. The other firm was found to have engaged in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange. Pursuant to settlements, the individuals and firms neither admitted nor denied the violations. \$100,000 penalty, cease and desist, and nine month suspension for individual who executed twenty-five fictitious transactions. \$503,627 penalty (which included \$303,627 disgorgement of profits), cease and desist, and five year suspension for individual who executed fifty-two fictitious transactions. Permanent ban for one firm. \$250,000 penalty, cease and desist, and commitment to enhance compliance measures for other firm.

2015-037

Misc.

Violation of Exchange Rule 4.04 – Conduct Detrimental to the Exchange.

By failing to monitor an automatic trading system it operated, a firm created a feedback loop due to the automatic trading system entering orders in back month futures and then quickly deleting those order and entering new orders in rapid reaction to the original orders. Between January and March 2015 the automatic trading system created this loop within one-thousandth of a second on numerous occasions. Pursuant to a settlement offer, the firm neither admitted nor denied the violation. \$20,000 penalty and cease and desist.

2016-047

Position Limits

Violation of Exchange Rule 6.20(c) - Position Limits, Conditional Limits and Position Accountability for Energy Contracts.

A firm held a position in excess of its conditional limit on one occasion. Pursuant to a settlement offer, the firm neither admitted nor denied the violation. \$55,477 penalty, additional \$18,477 disgorgement, and cease and desist.

2016-052

Position Limits

Violation of Exchange Rule 6.13(a) – Enforcement of Position Limits and Position Accountability Levels; Rule 6.18(b) – Position Limits and Position Accountability for Coffee "C" Contracts.

On a single day in June 2016, a firm exceeded the notice period position limit for July 2016 Coffee Futures by twenty-one contracts. The violation was self-reported. \$7,500 penalty, additional \$6,168 disgorgement, and cease and desist.

2016-084

Disruptive Trading

Violation of Exchange Rules 4.02(l)(1)(A), 4.02(l)(1)(C), and 4.02(l)(2) – Trade Practice Violations.

On a single day in August 2016, in order to mislead market participants by creating artificial pressure, an individual displayed orders on one side of the market and then, after receiving fills on either a pre-positioned iceberg order or a smaller displayed order that he placed on the opposite side of the market, cancelled the large displayed orders. Pursuant to a settlement offer, the individual neither admitted nor denied the violation. \$25,000 penalty, cease and desist, and fifteen day suspension.

CBOT

CBOT 15-0271-BC

Pre-Arranged Trades

Violation of Rule 538.C – Related Position; Rule 534 – Wash Trades Prohibited.

In order to transfer positions between subsidiaries, in December 2014 a member company executed two EFP transactions through two of its subsidiaries. The EFPs were non-bona fide because the transactions consisted of the coinciding exchange of futures positions without the exchange of related cash positions. Pursuant to a settlement offer, the member firm neither admitted nor denied the violation. \$25,000 penalty.

CBOT 16-0481-BC*Position Limits*

Violation of Rule 562 – Position Limit Violations.

At the close of business on a single day in June 2016, a member firm was 82.41% over the spot month position limit for July 2016 Soybean Oil futures contracts. The following day, within milliseconds of the opening of trading, the member firm liquidated its overage position. Pursuant to a settlement offer, the member firm neither admitted nor denied the violation. \$25,000 penalty. \$2,670 profit disgorgement.

**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](#).