

INSIGHTS

Monthly Futures Exchange Issuance Report: September 2015

October 20, 2015

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September's Highlight September saw a handful of settlements of ICE Futures enforcement actions related to position limit violations under Rule 6.20(b). The settlements of these actions included monetary fines, disgorgement of profits, and cease and desist orders. Of note, an action related to a single, self-reported violation of the applicable spot month position limit under Rule 6.20(b) resulted in a \$35,000 fine and a cease and desist order. These settlements serve as reminders that position limits are tracked intra-day and to the single lot, and exceeding a position limit is a per se violation absent an exemption. **CME Group Rule Changes and Other Advisory Notices MARKET SURVEILLANCE UPDATE- MSN09-02-15** In connection with the listing of three new European-style Light Louisiana Sweet ("LLS"☐) Crude Oil Average Option contracts on September 14, 2015, the terms and conditions for the contracts were updated in the NYMEX Position Limit, Position Accountability and Reportable Level Table located in Chapter 5 of the NYMEX Rulebook. **MARKET SURVEILLANCE UPDATE- MSN09-24-15** The CFTC has announced that no action relief will be issued on the OCR regulations. Thus, the CME Exchange Rule 561 amendments related to the CFTC OCR requirements will also be delayed in accordance with the new effective date for the CFTC's OCR requirements. **SPECIAL EXECUTIVE REPORT S-7459R** CME, CBOT, NYMEX, and COMEX adopted amendments to Rule 701- Declarations of Force Majeure and CBOT Rule 703.C.G(8)- Regular Warehouses and Shipping Stations- Load-Out. The first amendment adds the Chief Regulatory Office to the list of individuals authorized to declare force majeure. The second amendment moves the force majeure provision of Rule 703.C so that it applies only to circumstances where a majority of the shipping stations are unable to load out. **SPECIAL EXECUTIVE REPORT S-7460** CME, CBOT, NYMEX, and COMEX adopted amendments to Rule 415- Information-Sharing Agreements. The amendment clarifies the types of entities with whom CME Group Inc. may enter into information-sharing agreements and further updates the text of the rule to reflect CFTC Regulation 38.159. **ICE Futures U.S. Rule Changes & Other Advisory Notices 9-14-15 NOTICE** ICE Futures U.S. is amending Rule 6.15, in conjunction with the CFTC implementation of its Ownership and Control Reporting ("OCR"☐) rules, to require the same ownership and control information be submitted to the Exchange.

ICE Futures Europe Rule Changes & Other Advisory Notices CIRCULAR 15/183 ICE Futures Europe and ICE Clear Europe announced the EMIR Trade Reporting Service in December of 2013. Further to that announcement, the Exchange and the Clearing House are rolling out Level 2 validations on October 30, 2015, which will reject records that do not meet the prescribed format or content set out in the EMIR Validation Table published by ESMA.

CIRCULAR 15/184 The Exchange has updated the REMIT Transaction Reporting FAQ initially published with Circular 15/153 in July 2015. **CIRCULAR 15/191** This Circular provides reminders regarding the new Regulation on Energy Market Integrity and Transparency ("REMIT"²), including obligations imposed by the regulation. Further, the Circular explains that certain test materials are available to Market Participants. REMIT Phase 1 reporting commences on

October 7, 2015. **CIRCULAR 15/195** ICE Futures Europe has proposed changes, to go into effect in November of 2015, to Section TTT Part II C: Differentials "" Crude Oil and Refined Products.

CIRCULAR 15/198 ICE Futures Europe has proposed changes to its regulations on Block Trades and Basis Trading, to go into effect in October of 2015. **CIRCULAR 15/203** ICE Futures Europe is

introducing an ICE International Coal Futures Liquidity Programme. The Programme will run from October 1, 2015 until September 20, 2016. **ICE Futures Canada Rule Changes & Other**

Advisory Notices RULE AMENDMENT NOTICE #97 ICE Futures Canada has amended Rule 8B.07- Opening Orders and the Opening Match. The amendments are effective as of September 4, 2015. The amendment changed the timing of the Uncrossing Algorithm run from one minute intervals to "regular"² intervals and added that the run will provide both prices "and volumes"²

for futures to all Users logged on at that time. **RULE AMENDMENT NOTICE #98** ICE Futures Canada has amended Rule 14- Milling Wheat, Rule 15- Canola, Rule 16- Durum Wheat, Rule 17- Barley, and Rule 25- Schedule of Fees. The updated Rules are available at

<http://www.theice.com/futures-canada/regulation##rulebook>. **9-18-15 NOTICE** This notice reminds market participants that amendments have been made to Rule 12, pertaining to the bidding requirements for long position holders intending to utilize the Bona Fide Hedging Transaction exemption. Under the new amendments, a participant holding a long position that exceeds the spec limits and who is relying on the exemption, may, at its option, bid at port/terminal locations in Western Canada or in the IFCA delivery regions in addition to the other bidding requirements specific in the original Rule. **Disciplinary Actions ICE FUTURES 2014-**

028 Position Limits Violation of Rule 6.20(b)- Position Limits, Conditional Limits and Position Accountability for Energy Contracts. Allegedly, an entity inadvertently held intraday positions in excess of applicable spot month position limits for the Henry LD1 Fixed Price Futures Contract during June 2013 and February 2014 expirations. \$28,127.50 penalty including disgorgement of \$13,127.50, and cease and desist. **2013-042 Misc.** Violation of Rule 4.02(c)- Trade Practice Violations. An employee allegedly transacted an accommodation trade (buy and sell) that enabled the counterparty to the transaction to correct an erroneous allocation and move a position from one proprietary account to another, both belonging to the counterparty. \$7,500

and cease and desist. **2014-025 Misc.** Violation of Rule 4.04- Conduct Detrimental to the Exchange. Allegedly, an employee of a firm engaged in conduct or practices inconsistent with just and equitable principles of trade by participating in an order that was entered on the basis of information received during a pre-execution communication. \$20,000 and cease and desist. **2014-129 Block Trades** Violation of Rule 6.08(b)(i)- Order Ticket Requirements 4.07(c)- Block Trading, 4.01- Duty to Supervise. Allegedly, in one instance an entity failed to comply with the recordkeeping requirements associated with handling customer orders and in several instances misreported the execution time of block trades. The entity failed to adequately supervise its brokers. \$27,500 and cease and desist. **2014-111 Position Limits** Violation of Rule 6.20(b)- Position Limits, Conditional Limits and Position Accountability for Energy Contracts. An entity allegedly held a position in excess of the applicable spot month position limit on one occasion. The position in excess was self-reported. \$35,000 and cease and desist. **2013-00209 & 2014-068 Position Limits** Violation of Rule 6.20(b)- Position Limits, Conditional Limits and Position Accountability for Energy Contracts. An entity allegedly held a position in excess of the applicable spot month position limit on two occasions. \$34,247.50, including \$6,747.50 in disgorgement, and cease and desist. **2013-042 Prearranged Trades** Violation of Rule 4.02(c)- Trade Practice Violations. Allegedly, an employee brokered a block trade that was an accommodation trade (buy and sell) that enabled the counterparty to the transaction to correct an erroneous allocation and move a position from one proprietary account to another, both belonging to the counterparty. \$7,500 and cease and desist. **2014-057 Block Trades** Violation of Rule 4.07(b)- Block Trading, Rule 4.07(c)- Block Trading, and Rule 6.08(b)(i)- Order Tickets. Allegedly, an entity reported certain block trades to the Exchange outside of the applicable reporting window, reported one block trade that was below the minimum size requirements, and failed to properly stamp order tickets. \$25,000 penalty. **CME GROUP None NYMEX NYMEX 14-9836-BC Misc.** Violation of Rule 432- General Offenses. An individual allegedly executed multiple round turn transactions on the CME Globex platform, on three different trade dates, between an account he traded for his employer and two accounts over which he had trading discretion. These round turn transactions transferred \$45,030 from his employer's account to the two discretionary trading accounts. One year suspension. **COMEX None CBOT None NEW PRODUCT LISTINGS None** **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*. 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.