

INSIGHTS

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

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COMEX

COMEX 14-0050-BC

Disruptive Trading

Violation of Rule 575.A and Rule 575.D – Disruptive Practices Prohibited.

Between November 2014 and March 2015, a member trader, with no intent to trade, entered or layered orders in futures contracts in order to motivate other market participants to trade opposite the member's smaller resting orders, which the member would cancel within moments after receiving a fill on those smaller orders. During this same period, the member created alternating buy-side and sell-side market imbalances by entering orders on one side of the market and smaller orders on the opposite side, thereby encouraging other participants to trade the member's smaller orders. Pursuant to a settlement offer, the member neither admitted nor denied the violations. \$90,000 penalty and four week suspension.

NYMEX

NYMEX 16-0435-BC-1

NYMEX 16-0435-BC-2

EFRP

Violation of Rule 538.C, G., – Exchange for Related Positions, and Rule 191102.F – Termination of Trading.

On a single day in October 2015, a member firm and a non-member firm executed two EFRP transactions that were found to be non-bona fide as they were executed in order to avoid risk and were contingent upon each other. Additionally, the member firm's execution of the EFRPs established a new position of contracts after the termination of trading in the contract. Pursuant to settlement offers, the firms neither admitted nor denied the violations. \$20,000 penalty for the member firm and \$15,000 penalty for the non-member firm.

NYMEX 15-0183-BC

Misc.

Violation of Rule 524.A.2 – Trading at Settlement ("TAS") Transactions (in part).

On a single day in July 2015 and prior to receiving a security status message that the product group had entered a pre-open state, an automated trading system of a member firm entered multiple Trading at Settlement orders. Pursuant to a settlement offer, the member firm neither admitted nor denied the violation. \$15,000 penalty.

NYMEX 13-9336-BC

Pre-Arranged Trades

Violation of Rule 534 – Wash Trades Prohibited, Rule 432.Q, W. – General Offenses, Market Regulation Advisory Notice CME Group RA0913-5 Wash Trades Prohibited (in relevant part).

In August 2012, a member firm's automated trading system malfunctioned and executed self-matched calendar spreads in one contract. An identical malfunction occurred after the error was discovered and price and volume aberrations were created as the member firm did not fully test the system before relaunching it. \$40,000 penalty.

ICE

2014-128

Block Trades

Violation of Exchange Rule 6.08(b)(i) - Order Ticket Requirements; Rule 6.07(b) - General Record Requirements; Rule 4.07(c) - Block Trading; Rule 4.01 - Duty to Supervise.

By misreporting on multiple occasions execution times of block trades and then submitting block trades to the Exchange beyond the reporting period, a firm was found to have not complied with recordkeeping requirements. \$65,000 penalty and cease and desist.

CME

CME 14-0092-BC

Disruptive Trading

Violation of Rule 432.Q – General Offenses.

Between December 2014 and January 2015, a member firm engaged in activity whereby the automated trading system of the firm caused bid and offer price aberrations by submitting quotes with incrementally widening spreads between the bid and offer prices, which were quoted to the market. Although the firm altered the system to address and correct the issue, it failed to include the fix in later updates, and therefore the issue was repeated. Pursuant to a settlement offer, the member firm neither admitted nor denied the violation. \$42,500 penalty.

CME 14-9944-BC

Pre-Arranged Trades

Violation of Rule 432.G – General Offenses (in part).

Between May and July 2014, a non-member individual prearranged the execution of option instruments in order to transfer equity between accounts. The non-member failed to answer the charges and was subsequently deemed to have admitted the charges. \$50,000 penalty, permanent ban.

CME 14-0022-BC*Pre-Arranged Trades*

Violation of Rule 432.B.1, C., G., and L.1 – General Offenses (in part).

Between September and November 2014, a non-member individual prearranged the execution of futures transactions in order to transfer equity between accounts. The non-member failed to answer the charges and was subsequently deemed to have admitted the charges. \$75,000 penalty, permanent ban.

CBOT**CBOT 15-0086-BC****CBOT 15-0086-BC-2***EFRP*

Violation of Rule 538.A – Nature of an EFRP (legacy); Rule 534 – Wash Trades Prohibited.

In November 2013, in order to transfer positions between accounts with common beneficial ownership, two related non-member firms executed two simultaneous Exchange for Physical (“EFP”) transactions opposite each other. The transactions caused an exchange of futures positions, without the exchange of related cash positions. Pursuant to settlement offers, the non-member firms neither admitted nor denied the violations. \$15,000 penalty for each firm.

**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](#).