

INSIGHTS

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

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NYMEX

NYMEX 16-0355-BC

EFRP

Violation of Rule 432.X – General Offenses.

In June 2015 a member company executed two EFRP transactions on two dates with the intent that they be block trades. Because there were no corresponding related positions, the EFRP transactions were non-bona fide. Pursuant to a settlement offer, the member neither admitted nor denied the violation. \$15,000 penalty.

NYMEX 16-0374-BC

EFRP

Violation of Rule 432.X – General Offenses.

On a single day in July 2015 a non-member company executed one EFRP transaction that, because there was no corresponding related position, was found to be non-bona fide. Pursuant to a settlement offer, the non-member neither admitted nor denied the violation. \$15,000 penalty.

NYMEX 15-0177-BC

Pre-Arranged Trades

Violation of Rule 432.G – General Offenses, Rule 534 – Wash Trades Prohibited.

In order to transfer funds between accounts under his ownership and control, in late 2014 and early 2015 a non-member individual entered into a series of Crude Oil options wash trades. Pursuant to a settlement offer, the non-member neither admitted nor denied the violation. \$20,000 penalty and ten day suspension.

NYMEX 15-0207-BC-1

EFRP

Violation of Rule 538.C – Exchange for Related Positions – Related Position.

In September 2014 a member entered into multiple EFRP transactions that were later found to not be bona fide EFRP transactions as they did not involve the transfer of ownership of the cash

commodity underlying the Exchange contract or a by-product, related product, or OTC instrument. Pursuant to a settlement offer, the non-member neither admitted nor denied the violation. \$17,500 penalty.

NYMEX 15-0207-BC-2

EFRP

Violation of Rule 538 – Exchange for Related Position – Related Position.

In September 2014 a member entered into an EFRP transaction that was later found to not be a bona fide EFRP transaction as it did not involve the transfer of ownership of the cash commodity underlying the Exchange contract or a by-product, related product, or OTC instrument. Pursuant to a settlement offer, the non-member neither admitted nor denied the violation. \$15,000 penalty.

ICE

2013-152

Pre-Arranged Trades

Violation of Rule 4.02(c) – Trade Practice Violations; Rule 4.02(f) - Trade Practice Violations; Rule 4.04 – Conduct Detrimental to the Exchange.

On several occasions in 2013, two individuals entered into prearranged Cotton Futures Contracts transactions for the purpose of transferring a total of \$2,005.00 between their accounts. Permanent ban from trading on the Exchange.

2012-071

Pre-Arranged Trades

Violation of Rule 4.04 – Conduct Detrimental to the Exchange.

On multiple occasions in 2012, three individuals entered into prearranged Coffee, Cotton or Cocoa Futures Contracts transactions for the purpose of transferring a total of \$20,842.50 between their accounts. Permanent ban from trading on the Exchange for each individual; \$100,000 penalty for one trader and \$25,000 penalty each for two traders.

CME

CME 15-0151-BC-2

EFRP

Violation of 538.A. – Nature of an EFRP; Market Regulation Advisory Notice Exchange for Related Positions Rule 538.

In June 2014 a non-member firm entered into an EFRP involving S&P 500 futures and SPY contracts. At the same time the EFRP was executed, the firm sold SPY contracts and bought SPX option combos with the same counterparty. Thus, the SPY contracts used as the related position in the EFRP were immediately offset. Therefore, the simultaneous execution of the two sets of transactions failed to expose the firm to market risk and thus the EFRP was transitory and therefore not bona fide. \$15,000 penalty.

CME 14-0026-BC

Pre-Arranged Trades

Violation of Rule 534 – Wash Trades Prohibited.

Between January and October 2014, a member executed double butterfly strategies for accounts he controlled and then placed opposing orders in order to transfer positions from one account to another. The member, pursuant to a settlement offer, neither admitted nor denied the violation. \$55,000 penalty and ten business day suspension.

CBOT

CBOT 12-9154-BC-2

Pre-Arranged Trades

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

On numerous occasions in October and November 2012, a non-member individual entered into over 240 prearranged trades constituting almost one hundred round turn transactions for the purpose of transferring \$30,787.50 of another market participant's account equity into his person account. By failing to answer the charges against him at a BCC hearing, the individual was found to have admitted the charges. \$100,000 fine (\$30,787.50 of which allocated to restitution); permanent ban.

CBOT 13-9442-BC

Pre-Arranged Trades

Violation of Rule 539.A – Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited (in part).

On several occasions between December 2012 and February 2013, traders employed by a non-member entity and its counterparty engaged in detailed pre-execution communications about the specific details of a futures transactions. According to the CBOT Notice of Disciplinary Action, "While pre-execution communications are allowed in the execution of off-exchange privately-negotiated transactions such as swap agreements, the Panel found that the communications, which specified details such as the contract, side of the market, time of execution, price and quantity to be executed, related to the execution of Soybean futures transactions on Globex." \$75,000 fine.

**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](#).