

## U.S. Futures Exchanges Disciplinary Actions Alert: March 2018

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*The Bracewell U.S. Futures Exchanges Disciplinary Actions Report is a monthly report that provides summaries of certain disciplinary notices by U.S. exchanges during the prior month. The report has a particular focus on notices potentially relevant to energy commodities and is not intended to be a comprehensive review of each and every notice issued. Instead, the report is intended to provide market participants, and compliance personnel in particular, with illustrative examples of rule violations and to bring to light enforcement trends across the exchanges. The disciplinary notices cited in this report can be found at [www.cmegroup.com](http://www.cmegroup.com), [www.theice.com/futures-us/notices](http://www.theice.com/futures-us/notices), and <https://www.nasdaqtrader.com/Trader.aspx?id=NDisciplinaryActions>.*

### CME

#### CME 13-9693-BC-3

*Misc.*

Violation of Rule 432.W – General Offenses (in part); Rule 433 – Strict Liability for the Acts of Agents; Rule 575.A – Disruptive Practices Prohibited

Pursuant to a settlement offer, a Panel of the Business Conduct Committee (“BCC Panel”) found that between September 2014 and February 2015, a trader employed by a member entity entered multiple large orders, or layers of orders at the same price, in the E-mini S&P 500 contract market without the intent to trade. Large orders were placed on one side of the market to induce trading of smaller orders on the other side of the market. The large orders were cancelled after the smaller orders were filled. The BCC Panel also found that the entity failed to properly supervise the trader and was strictly liable for its employee’s acts. \$130,000 fine and disgorgement of \$4,947 in profits. An individual employee of the entity previously agreed to a permanent ban from CME trading platforms and membership (see [U.S. Futures Exchanges Disciplinary Actions Alert: December 2017](#), citing CME 13-9693-BC-2).

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**CME 16-0364-BC-2**

*Misc.*

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

Pursuant to a settlement offer, a BCC Panel found that between October 1, 2015 and November 18, 2015, a trader employed by the same member entity cited in CME 13-9693-BC-3 entered orders in the E-mini S&P 500 contract market using Tag 50 user IDs registered to other employees without the intent to trade. The trader encouraged market participants to trade opposite smaller orders the trader placed on the opposite side of the order book. When the smaller orders were filled, the larger orders were cancelled by the trader. The BCC Panel also found that the entity failed to properly supervise (1) potential spoofing conducted by its employees, despite prior notice on unrelated, but similar activity; and (2) its employees' use of Tag 50 IDs to ensure that employees used their own unique IDs to access Globex. \$100,000 fine. Another individual employee of the entity previously agreed to pay \$100,000 and be suspended three months (see [U.S. Futures Exchanges Disciplinary Actions Alert: December 2017](#), citing CME 16-0364-BC-1).

**CBOT****CBOT 16-0483-BC**

*Pre-Arranged Trades*

Violation of Rule 432.W – General Offenses; Rule 534 – Wash Trades Prohibited

Pursuant to a settlement offer, a BCC Panel found that on four trade dates during February 2016, a trader employed by a non-member entity executed numerous transactions on Globex in various CBOT Treasury futures markets where the entity had common beneficial ownership of the accounts on both sides of the transaction. The purpose of the transactions was to move positions between the entity's accounts. The Panel found that the entity failed to diligently and properly train and supervise its trader. Following those transactions, the entity undertook remediation and training measures. \$105,000 fine.

**NYMEX****NYMEX 16-0541-BC**

*Block Trades*

Violation of Rule 432.W – General Offenses; Rule 526.F – Block Trades; MRAN RA 1604-5 (in part)

Pursuant to a settlement offer, a BCC Panel found that between May 1, 2016 and May 1, 2017, a non-member entity acting as a broker executed various block trades in Gasoil, Naptha, Fuel Oil and Argus Propane Far East Index contracts and frequently misreported the true and accurate execution times of the block trades. The Panel found that the entity failed to diligently supervise its employees or agents by failing to establish procedures to review block trades before and after submission to ensure that execution times were accurate. \$60,000 fine.

**NYMEX 17-0794-BC**

*Position Limits*

Violation of Rule 562 – Position Limit Violations

Pursuant to a settlement offer, a BCC Panel found that on September 26, 2017, a non-member entity held an intra-day long position of 1,570 October 2017 Henry Hub Natural Gas Futures contracts, which was 57% over the 1,000 lot standard expiration month position limit that was in effect. The

entity liquidated its overage, resulting in a profit of \$1,140.91. \$20,000 fine and disgorgement of \$1,140.91 in profits.

**NYMEX 17-0796-BC***Position Limits*

## Violation of Rule 562 – Position Limit Violations

Pursuant to a settlement offer, a BCC Panel found that on September 28, 2017, a non-member entity executed a 77 lot Trading-At-Settlement purchase for the October-November 2017 RBOB spread contract. This action created an intra-day long position of 1,077 October 2017 RBOB contracts, which was 77 contracts (7.70%) over the position limit then in effect. By reducing the entity's excess October 2017 RBOB position, the entity realized a profit of \$36,867.60. \$15,000 fine and disgorgement of \$36,867.60 in profits.

Josh Freda is a summer associate who contributed to this post.

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