Titan REGULATION

Futures Markets Disciplinary Report February and March 2018

CME Group Exchanges

Rule 575 – Disruptive Practices Prohibited

COMEX 15-0292-BC-1, COMEX 15-0292-BC-2, COMEX 15-0292-BC-3

Between September 2015 and March 2016, Soars Capital Limited ("Soars Capital") engaged in a pattern of disruptive trading where layered orders would be entered and cancelled within various COMEX markets without the intent to trade. Soars Capital failed to answer the charges posed against it by the COMEX Business Conduct Committee in connection with these practices, resulting in an assumed admission to the charge. Additionally, Fung Hon Fang ("Fung") and Ho Kai Chak ("Ho") failed to appear at scheduled staff interviews in relation to these events. Soars Capital was fined $100,000; Fung and Ho were both permanently banned from any CME Group Exchange.

NYMEX 16-0441-BC

Between January 2016 and August 2016, Marc Sonnabend ("Sonnabend") engaged in a pattern of disruptive trading activity in various RBOB Gasoline Calendar Spreads. Sonnabend would enter large orders on one side of the market to encourage other market participants to fill the smaller orders he had placed on the other side of the market. After those orders had filled, Sonnabend would cancel his larger orders. Sonnabend was fined $65,000, ordered to pay disgorgement in the amount of $19,003, and banned from trading for six months.

Rule 534 – Wash Trades Prohibited

CME-16-0443-BC-1

On multiple dates between October 2015 and February 2016, Raymond Simpson ("Simpson") executed numerous transactions in various Live Cattle futures contracts markets between accounts over which he maintained control and where there was common beneficial ownership. Simpson placed opposing buy and sell orders with the intent of trading the orders against each other and freshening positions in each account. Additionally, Simpson used another individual's Tag50 User ID to place orders in an account over which Simpson had control. For these violations, Simpson was fined $25,000 and banned from trading for twenty-five days.

CBOT-16-0483-BC

On four trade dates during February 2016, a trader employed by the Tokyo branch of Sumitomo Mitsui Trust Bank, Limited ("SMTB") executed numerous transactions on Globex in various CBOT Treasury futures markets where the accounts on both sides of the transaction where beneficially owned by SMTB. These transactions were used to move positions between SMTB accounts, which the trader now understands should be effected via a back office transfer. For failing to diligently train and supervise its traders on Exchange rules, SMTB was fined $105,000.

Rule 538 – Related Position

CME-17-0658-BC-2

On several occasions between January 2016 and June 2016, Stone Ridge Asset Management ("SRAM") executed certain Exchange for Relation Position ("EFRP") transactions in E-mini NASDAQ 100 and E-mini S&P 500 futures contracts that were contingent on other transactions that were immediately offset without incurring material market risk. SRAM was fined $40,000.

Rule 432 – General Offenses

NYMEX 16-0404-BC

On December 22, 2015, an automated order routing system operated by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") misrouted a 937-lot unsupported customer order to Globex as market order instead of rejecting the order. The execution of that order resulted in a price spike of over 90 ticks in 22 milliseconds but did not result in a trading halt in the Heating Oil spread market. Merrill Lynch was found to have insufficient procedures or internal controls in place for orders of that type, namely custom algorithmic spread orders. Merrill Lynch was fined $80,000.

CME 16-0364-BC-2

Between October 2015 and November 2015, a trader then employed by Belvedere Trading LLC ("Belvedere") used the Tag 50 user ID registered to another Belvedere employee to enter layered orders in the E-mini S&P 500 contract market without the intent to trade. Belvedere failed to adequately supervise its employees for correct Tag 50 use and potential spoofing despite previous notice from the Exchange regarding potentially similar activity, and was fined $100,000.

Rule 526 – Block Trades

NYMEX 16-0503-BC, NYMEX 16-0504-BC

On multiple dates between January 2016 and March 2016, Peter Miller ("Miller") pre-hedged block trades involving Henry Hub Last-Day Financial Futures ("Financial Futures") by trading Henry Hub Natural Gas Futures ("Natural Gas") on Globex prior to consummating the block trade with the counterparty. After receiving the solicitation of a Financial Futures block trade, Miller would enter into a separate hedge transaction in Natural Gas futures on the opposite side of the market as the side of the block trade. Miller also engaged in a pattern of disruptive trading within various Natural Gas contracts where he would place an iceberg order with a small shown quantity opposite larger fully exposed orders to induce a fill on his iceberg order, after which the fully exposed order was cancelled. Miller was fined $35,000, ordered to pay disgorgement of $61,519, and issued a 10-day trading suspension.

NYMEX 16-0541-BC

Between May 2016 and May 2017, Ginga Global Markets Pte Ltd. ("Ginga") was the executing broker for various block trades in Gasoil, Naptha, Fuel Oil, and Argus Propane Far East Index contracts and frequently misreported the accurate execution times of the block trades to the Exchange. Ginga failed to establish procedures to ensure correct submission of information regarding block trades to the Exchange by its employees or agents. Ginga was ordered to pay $60,000 in fines.

Rule 433 – Strict Liability for the Acts of Agents

CME 13-9693-BC-3

On multiple trade dates between September 2014 and February 2015, a trader then employed by Belvedere Trading LLC ("Belvedere") entered multiple layered orders in the E-mini S&P 500 contract market without the intent to trade. Belvedere failed to adequately supervise the trading activities of the trader, including in the period following notice from the Exchange. Belvedere was fined $130,000 and ordered to pay $4,947 in disgorgement of profits.

Rule 562 – Position Limit Violations

NYMEX 17-0794-BC

On September 26, 2017, Timoneer Energy Management LP ("Timoneer") held an intra-day long position of 1,570 October 2017 Henry Hub National Gas Futures, which was 570 contracts (57.00%) over the 1,000 lot standard expiration month position limit. In liquidating its overage, Timoneer realized a profit of $1,140.91. Timoneer was fined $20,000 and forced to disgorge profits.

NYMEX 17-0796-BC

On trade date September 28, 2017, Mercantile & Maritime Trading Ltd. ("MMT") executed a 77 lot Trading-At-Settlement purchase for the October-November 2017 RBOB spread contract which created an intra-day position of 1,077 long October 2017 RBOB contracts, a 77 contract (7.70%) excess over the standard position limit. In liquidating its overage, MMT realized a profit of $36,867.60. MMT was fined $15,000 and forced to disgorge profits.

ICE Futures U.S.

Trade Practice Violations (Rule 4.02)

Case Number 2016-077

Between August 2015 and November 2016, Stuart Satullo ("Satullo") entered and cancelled layered orders in the Cotton No. 2 futures market without the intent to trade. Satullo would enter a small, undisclosed volume order on one side of the market and a large, fully disclosed volume order on the opposing side; after the smaller order filled, Satullo would cancel the larger order. Satullo was fined $100,000 and ordered to serve a 10-day trading suspension.

Case Number 2017-026

In two instances on December 27, 2016, ECOM Agroindustrial Corp. Limited ("ECOM") executed wash sales in the Cotton No. 2 futures market. ECOM instructed its broker to execute trades between its account and the account of an affiliate, EISA Empresa Interagricola SA, for the purpose of transferring positions. ECOM was fined $20,000.

Case Number 2017-058

In twenty-seven instances between March 2017 and May 2017, Thibault Blehaut ("Blehaut") orchestrated a series of trades in Coffee "C" futures between an employer account in which he had trading discretion and his personal account. These trades affected the transfer of funds from the employer account to his personal account. Blehaut was fined $40,000 and ordered to serve a three-year trading ban. Prior to the settlement of this case, Blehaut voluntarily repaid his employer for the money that had been improperly transferred into his personal account; this fact was taken into account during deliberation of the appropriate sanction.

Reportable Positions and Daily Reports (Rule 6.15)

Case Number 2016-092

In numerous instances between January 2016 and July 2017, E D & F Man Capital Markets Inc. ("ED&F Man") failed to submit to the Exchange daily large trader reports on reportable customer positions and maintained futures positions for a customer that was in excess of position limits. Additionally, ED&F Man failed to establish an adequate procedure for identifying errors in its submissions of large trader positions. ED&F Man was fined $75,000 for these violations.

Position Limits (Rule 6.20)

Case Number 2016-076

National Trading II, LLC ("National Trading") held an intra-day position in the ONEOK Gas Transportation Basis Future in excess of applicable spot month position limits during the September 2016 expiration period. National Trading was fined $7,500 for this violation.