



Futures Markets Disciplinary Report and CFTC Enforcement Decisions October 2017

CME Group Exchanges

Disruptive Practices Prohibited (Rule 575)

NYMEX 15-0198-BC

Between March 2015 and September 2015, Michael Schneider (“Schneider”) used a wash blocker to flip sides of the market, potentially preventing others from gaining order book priority. Specifically, Schneider would enter a resting order on one side of the market and then an aggressive order on the other side; a wash blocker would cause the resting order to be cancelled within the same millisecond of the aggressive order, which at times turned the market and traded immediately. Schneider was fined \$45,000 and ordered to serve a 10-day trading ban.

****Includes Advisory Notice:** <http://www.cmegroup.com/notices/disciplinary/2017/10/NYMEX-15-0198-BC-MICHAEL-SCHNEIDER.html#pageNumber=1>

COMEX 16-0513-BC-1

On multiple occasions between February 2016 and August 2016, one or more proprietary traders at Arab Global Commodities DMCC (“Arab Global”) entered and cancelled layered orders in the Copper futures market without the intent to trade. Specifically, one of Arab Global’s traders would enter a large order on one side of the market, and another trader would enter a small order on the order side of the market. Once the smaller order had traded the larger one would be cancelled. Arab Global was fined \$70,000 for failing to provide sufficient training regarding Exchange Rules and for failing to sufficiently monitor employee trading activity for potential violations.

COMEX 15-0350-BC

From November 19, 2015 to December 31, 2015, Xian Qun Tang (“Tang”) entered and cancelled layered orders in the Silver futures market without the intent to trade. Tang failed to answer the charge against him and was deemed to have admitted to the charge at hand and waived his right to a hearing. Tang was ordered to pay \$50,000 in fines and \$35,031.13 in disgorgement and permanently banned from trading.

COMEX 15-0261-BC-2

From July 2015 through September 2015, Antonia Simoes (“Simoes”) entered and cancelled layered orders without the intent to trade. Simoes failed to answer the charge against her and was deemed to

have admitted to the charge at hand and waived her right to a hearing. Simoes was ordered to pay \$50,000 in fines and permanently banned from trading.

CME 16-0395-BC

From September 2014 through March 2016, Zachary Abraham (“Abraham”) entered and cancelled layered orders in the E-Mini NASDAQ and E-Mini S&P 500 futures contract market without the intent to trade. Specifically, Abraham would enter a large order on one side out of the market and cancel those orders after resting iceberg orders on the other side of the market had partially or fully traded. Abraham was ordered to pay \$75,000 in fines and serve a three-week trading ban.

CME 16-0420-BC

From August 2015 through April 2016, Yongjoon Lee (“Lee”) entered and cancelled layered orders in the September 2015, December 2015, and June 2016 E-Mini futures contract markets without the intent to trade. Lee was ordered to pay \$35,000 in fines and serve a 30-day trading ban.

Wash Trades Prohibited (Rule 534)

COMEX 15-0193-BC

Between January 1, 2015 and February 5, 2016, two traders at Yongzhi Financial Investment Co. (“Yongzhi”) executed a series of wash trades in COMEX Copper Futures contracts between accounts wholly owned and controlled by Yongzhi. The firm was fined \$55,000.

CBOT 17-0654-BC

Between June 2016 and November 2016, Joshua Mathers (“Mathers”), acting as Risk Manager solely responsible for managing his employer’s positions, entered multiple matching buy and sell orders in Kansas City Hard Red Winter Wheat futures contracts for accounts with common beneficial ownership on both sides of the market. Mathers executed these matching trades with the knowledge and intent to transfer positions between accounts. Mathers was fined \$25,000 and ordered to serve a 5-day trading ban.

Related Position (Rule 538)

CBOT 16-0421-BC-2, CME 17-0568-BC

Between January 2016 and June 2016, Morgan Stanley & Co LLC (“Morgan Stanley”), acting as a broker, executed certain Exchange for Related Position (“EFRP”) transactions in U.S. Treasury, E-Mini NASDAQ 100, and E-Mini S&P 500 futures contracts that were contingent upon the execution of other EFRP transactions. Morgan Stanley executed the transactions without the inurrence of material market risk. Morgan Stanley was fined \$40,000 by the Chicago Board of Trade and \$70,000 by the Chicago Mercantile Exchange for the violations.

****Includes explanation of rule:** <http://www.cmegroup.com/notices/disciplinary/2017/10/cbot-16-0421-bc-2-morgan-stanley.html#pageNumber=1>

General Offenses (Rule 432)

CME 14-994-BC-2

Between May 2014 and July 2014, Chenwei Zhu (“Zhu”) prearranged the execution of 13 round-turn transactions with Trader A for the purpose of transferring equity between accounts. Zhu and Trader A placed orders opposite each other for the same price, and often the same quantity, in illiquid back month FX contracts. The CME Business Conduct Committee determined that the trades were prearranged due to the following: Of the 188 orders placed by Trader A, the Globex match engine rejected 145 because they fell outside the existing price band. The resulting error code was sent only to Trader A; moments after Trader A received the error, Zhu modified his existing order to fall within the price band limits. Zhu was ordered to pay \$25,000 in fines and \$19,527.50 in disgorgement and to serve a 35-day trading suspension.

ICE Futures U.S.

Rule 4.02 Trade Practice Violations

2016-082

From May 2016 to October 2016, Jake Wiltshire, an employee of Marex Financial engaged in a pattern of trading activity that created certain order book imbalance in the Cocoa futures market. Wiltshire manually entered large orders relative to market conditions, and placed small reserve quantities on the other side of the market. The large orders induce others into transacting against the small reserve quantity. Once the small orders were filled, Wiltshire canceled the large orders. Wiltshire was ordered to serve a 360-day suspension, Marex financial agreed to pay a penalty of \$25,000, which included a disgorgement of \$9,150.

Titan Tip: Exchange monitoring systems are able to identify potentially manipulative behavior with increasing accuracy and reliability. The targeted trading practices are discovered and investigated and brought to the attention of the Business Conduct Committee (“BCC”) who enforce with impunity.

2017-006

During November and December 2016, Peace River Citrus and R. William Becker executed wash sales for the purpose of moving positions between accounts owned and controlled by the firm that could have been properly moved by a back-office transfer in accordance with Rule 4.37. Peace River and Becker agreed to pay a \$7,500 penalty.

2016-059

From January 1, 2016 and August 2, 2016, Christian Hofer entered orders on IFUS’ Electronic Trading System in the PJM Western Hub Real-Time Peak Daily Fixed Price Future contracts for the

purpose of testing connectivity and confirming his automated trading system was operating as designed. Hofer agreed to pay a fine of \$15,000.

Titan Tip: This type of trade practice violation has been enforced by different BCC's across exchanges. Firms testing that their automated trading system is properly connected or operating as expected may not do so by entering non-bona fide orders into the live market, the BCC views this activity as a manipulative practice because there is no intent to execute.

Rule 4.01 Duty to Supervise

2016-082

Please see the description of activity under the Rule 4.02 violation. Marex financial was also found to have violated its duty to supervise its own employees. Although the firm had trained its employees on spoofing and the restrictions surrounding those trading practices and created automated alerts/exception reports to alert the firm to such activity, the automated alerts were inadvertently turned off in the Cocoa futures during the relevant time period resulting in the failure to supervise charge.

2016-041

Between January 2016 and March 2017, IMC Chicago's automated trading system was caught in a feedback loop on numerous occasions. The firm successively entered orders in Cotton No. 2, Russell Complex and MSCI Complex futures and then rapidly reacted to the orders it had placed by deleting the orders and immediately entering new orders. IMC agreed to pay a monetary penalty of \$30,000.

CFTC Enforcement Decisions

pr7627-17

Between March and August 2016, Arab Global Commodities DMCC ("AGC") engaged in disruptive trading practices in Copper Futures contracts. One of AGC's employees, Trader A, would enter and cancel layered orders in the market without the intent to trade. Trader A was also found to have used another AGC trader's account to hide his "spoofing" practice, but was promptly terminated from AGC once the firm became aware of his misconduct. AGC was fined \$300,000 for the violation.

pr7626-17

From February 2005 to October 2009, Grace Elizabeth Reisinger ("Reisinger") and her firm, ROF Consulting, LLC ("ROF"), operated a fraudulent commodity pool scheme that solicited approx. \$4 million from pool participants. Reisinger was found to have made misrepresentations and omissions to these pool participants, including claims that the pool was exempt from CFTC registration. Reisinger also failed to issue the required monthly account statements and annual reports. Reisinger was permanently banned from trading in any commodity interest and fined approx. \$1.1 million in penalties and \$344,000 in disgorgement. As controlling person of ROF, Reisinger was also required to pay restitution of approx. \$498,000 and disgorgement of \$153,000.