

CIRCULAR
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Category:

General

Attachments:

None

Summary of content:

Disciplinary Notice:
Summary disciplinary
proceedings against
Goldman Sachs
relating to disorderly
trading

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Disciplinary Notice:**Summary disciplinary proceedings against Goldman Sachs International**

The Exchange has proceeded with summary disciplinary proceedings against Goldman Sachs International ("GSF") in relation to a breach of the Exchange Regulations concerning disorderly trading.

Background

On 28 January 2011 the Exchange's monitoring detected six notable "price spikes" in the April11 Brent/WTI spread, between 14:26 hours and 14:31 hours UK time. These were investigated and found to be the result of a limit order and several large market orders placed in quick succession by a GSF trader.

The Exchange issued a Routine Enquiry letter asking for a full explanation for the trading behaviour.

On 14 February 2011, GSF responded to the Routine Enquiry letter. On 22 February 2011, the Exchange wrote to GSF to inform them that the matter would be referred to its Authorisation, Rules and Conduct Committee ("the Committee").

At the Committee meeting held on 10 March 2011, the Committee requested that the Exchange obtain further information on the placement of the orders concerned from GSF, in the form of any telephone/IM conversations and trade confirmations.

The Exchange requested and obtained the relevant material from GSF which was presented to the Committee meeting on 2 June 2011.

Allegations

In relation to the events described above, the Exchange alleged that GSF had breached the following Rule:

G.20

It shall be an offence for a trader or Member to engage in disorderly trading whether by high or low ticking, aggressive bidding or offering, or otherwise.

The Exchange recommended to the Committee that summary disciplinary proceedings be commenced in regard to the above mentioned allegations. The Committee subsequently considered the matter in accordance with Summary Enforcement Rule E.7.

Details of Sanctions

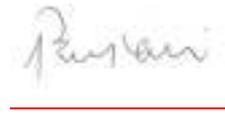
The orderliness of the market is dependent on responsible and informed trading behaviour by Members and their clients. The Committee considered the behaviour of GSF and its client to be a clear case of

disorderly trading, in that the distorting price impact of the placement of such large orders in close proximity was not considered.

Having examined the instant messenger logs of the communication between the GSF trader and their client, the Committee found no evidence of intentional manipulation of the market; nevertheless it considered the breach to be of a serious nature. It considered both GSF and its client to be at fault in the matter, and reminded GSF of its responsibility for the behaviour of its clients as a Member of the Exchange.

The Committee concluded that a financial penalty of £25,000 be imposed on GSF, and emphasised that all Members have a responsibility to trade in an orderly fashion at all times, whether on their own behalf or on behalf of a client. GSF has provided the Exchange with full cooperation throughout its enquiries.

Signed:



Patrick Davis
Company Secretary