

CIRCULAR
14/017 D01

12 March 2014

Category:

General

Attachments:

None

Summary of content:

Disciplinary Notice:
Settlement of
disciplinary
proceedings against
FCR concerning
failures to complete
close-out procedure by
10.00am Cut-Off time

**For more information
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[compliance-
europe@theice.com](mailto:compliance-europe@theice.com)**Disciplinary Notice: Settlement of disciplinary proceedings
against ABN AMRO Clearing Chicago LLC (“FCR”)**

The Exchange has settled summary disciplinary proceedings against ABN AMRO Clearing Chicago LLC (“FCR”) in relation to five breaches of the Exchange Regulations concerning completion of close out procedures by the 10.00am Cut-Off time.

Background

On five different occasions between July 2013 and October 2013, FCR failed to complete its close out procedure by the 10.00am Cut-Off time as required by the Exchange, resulting in the Exchange delaying the calculation of open interest and on two occasions, in the open interest being overstated.

An Investigation was launched requesting that FCR report back to the Exchange on the reasons behind each failure and the steps taken to prevent a recurrence. FCR noted the following, receipt of an incorrect position file; failure of IT services due to a third party service provider invoking Disaster Recovery (DR) procedures; insufficient processing capacity of third party DR servers following the DR event; human error; and incorrect client set up, as reasons for the failures.

In light of the seriousness of the incidents, the Exchange has reviewed FCR’s actions as well as FCR’s mitigations and received assurances of the management oversight and controls over this area. FCR has also apologised to the Exchange for this incident.

Allegations

In relation to the incidents described above, the Exchange alleged that FCR had breached the following Rule on each of the five occasions:

G.17.4(a), which states that

“Open interest at the close of business on a Trading Day for each sub-account will be calculated using the method set out above after a Cut-Off time on the subsequent Trading Day, and will include any settlements and position adjustments carried out before the Cut-Off time. The Cut-Off time will be notified by the Exchange to Members from time to time.”

The Exchange recommended to the Compliance officer that summary disciplinary proceedings be commenced in regard to the alleged breaches. FCR and the Exchange then entered into discussions with a view to agreeing a settlement of the matters.

Details of settlement

The Exchange views the correct and timely reporting of open interest by Members of critical importance, particularly on the expiry day of a Contract.


In agreeing settlement terms and considering the appropriate sanctions,

the Exchange took note of the substantive remedial action taken by FCR to upgrade its internal systems and processes which included the building of an independent redundant process for submitting closeouts to the Exchange which can be used in the event of a primary system failure, FCR's full assumption of responsibility for the breaches, the solemnity with which FCR's management regarded the breaches and the fact that no repeat occurrences have since been observed. The full and frank cooperation shown by FCR in this matter was also considered by the Exchange.

As a result both parties agreed a settlement on the following terms:

- FCR admits to the above mentioned breach of the Regulations on the five occasions; and
- FCR is to pay a total fine of £30,000 as a penalty for the said breaches. (This represents a discount for settlement and for the other mitigating factors mentioned above).

Signed:



Patrick Davis
Company Secretary