

CIRCULAR

17 JULY 2017

CIRCULAR 17/103

DISCIPLINARY NOTICE: SETTLEMENT OF DISCIPLINARY PROCEEDINGS AGAINST CWT COMMODITIES (UK) LIMITED ("BPC")

CATEGORY

Membership

ATTACHMENTS

None

ICE Futures Europe ("the Exchange") has proceeded with disciplinary measures against CWT Commodities (UK) Limited ("BPC") in relation to its failure to operate in accordance with certain aspects of the Exchange's Grading and Warehousekeeping Procedures ("G&WPs"), in respect of the ICE Futures Robusta Coffee Futures Contract.

Background

The Exchange's Commodity Operations Department conducted an unannounced visit to a warehouse ("the Tilbury Warehouse") in May 2015, in order to inspect sampling procedures under the control of an ICE Futures Europe Nominated Warehousekeeper. The inspection uncovered a number of issues relating to sampling procedures. In their final report the Commodity Operations department identified 384 lots of Robusta Coffee that needed to be resampled. During this time the warehousekeeper had outsourced its logistical operations at the Tilbury Warehouse to BPC.

In light of the seriousness of the incidents, the Exchange has reviewed BPC's actions as well as BPC's mitigations and has received assurances of the management and oversight controls over this area.

Allegations

In relation to the incidents described above, the Exchange alleged that BPC, as the outsourcee operator, had in effect caused the principal warehousekeeper to be in breach of the following G&WPs;

C.3 (e) and (f), which states that

A Warehousekeeper:

"(e) should ensure that all Goods stored for potential delivery against the ICE Futures London Cocoa Futures Contract, ICE Futures Euro Cocoa Futures Contracts or ICE Futures Robusta Coffee Futures Contract are properly segregated and identified, and that proper action has been taken to protect such Goods against potential risks to their security and integrity;

(f) should organise and control its internal affairs in a responsible manner, keeping proper records, and should have adequate arrangements to ensure that persons employed by the Warehousekeeper to

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perform duties relating to the storage of Goods are suitable, adequately trained and properly supervised and that well-defined procedures exist for all relevant duties;

D.3.4.9 (b), which states that

“In respect of each sample drawn from a parcel or lot stored in bags:

The sample bag shall be sealed with the Warehousekeeper's seal and also if supervised the Supervision Company's seal. The following minimum details shall be marked on the bag:

- (i) the Warehousekeeper responsible for drawing the sample;
- (ii) Warrant number;
- (iii) port;
- (iv) Origin;
- (v) date on which the Robusta Coffee was landed; and
- (vi) the bar code issued by or recorded on Guardian in respect of the sample”

D.3.4.10 (a), which states that

“In respect of each sample drawn from a lot stored in FIBCs: (a) a grading sample of 1.5 kg minimum weight shall be drawn which; shall be representative of the lot as a whole, and shall be taken by means of one of the following procedures:

(iii) Sampling using a sampling iron

Sample material of 12.5 kg minimum weight (the bulk sample) which is representative of the lot as a whole shall be derived from Robusta Coffee drawn once the FIBCs are filled with Robusta Coffee and before they are sealed. Samples may be drawn from each FIBC by use of a sampling iron which is of sufficient length to reach the centre of the FIBC. Sampling must be on one side of the FIBC with a minimum of five incremental samples being drawn, such that each facing corner is sampled with one taken from the middle of the bag. A minimum of 1.25kg per FIBC shall be drawn. The sampling holes shall be immediately repaired such that neither the contents nor the FIBC are compromised.”

The Exchange in accordance with Rule E.3.7 compiled a written report to the Compliance Officer, whom at the time may, or may have not recommended to the Authorisation, Rules and Conduct Committee (“the ARC”) that disciplinary proceedings should be commenced.

Details of settlement

The Exchange views that operating in accordance with the G&WPs at all times is of critical importance. Whilst the alleged breaches were in effect caused by an outsourced operation in BPC, the Exchange retains the view that the principal warehousekeeper should take full responsibility in this matter.

In agreeing settlement terms and considering the appropriate sanctions the Exchange took note of remedial action taken by the principal warehousekeeper. The Exchange also considered any mitigating factors presented by BPC.

As a result the Exchange and BPC agreed a settlement on the following terms:

- The principal warehousekeeper admits overall responsibility to the above mentioned breaches of the G&WPs.

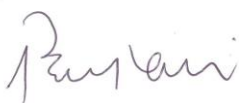
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- BPC is as of this Circular, to receive a **Written Warning** from the Exchange, in accordance with Rule E.3.8 (b) , for its failure to adhere to the G&WPs. As an Exchange Nominated Warehousekeeper itself, under Rule A.9.4, BPC is a person subject to the Regulations.

Please ensure that the appropriate members of staff within your organisation and customers are advised of the content of this Circular.

Signed:



Patrick Davis
Company Secretary

FOR MORE INFORMATION, PLEASE CONTACT:

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