

Circular 19/153

Disciplinary Notice: Settlement of Disciplinary Proceedings against Goldman Sachs & Co. ("GSA")

Category

Membership

Attachments

None

ICE Futures Europe ("the Exchange") has proceeded with and settled disciplinary measures against Goldman Sachs & Co. ("GSA") in relation to disruptive, reckless and disorderly trading activity in the ICE Low Sulphur Gasoil Futures Contract on behalf of a client ("the Gasoil Contract").

Background

On 29 December 2017, the ICE Futures Europe Market Surveillance department ("Surveillance") and Market Supervision department ("Supervision") noted a spike in the price of the Feb18/Dec18 calendar spread in the Gasoil Contract before and during the settlement window on the final trading day of the calendar year.

During the course of the investigation which was subsequently undertaken by the Exchange, it was determined that the timing and quantity of the orders submitted by GSA on behalf of a client were disruptive, reckless and disorderly and that failings in GSA's pre- and post-trade systems and controls had also occurred.

Allegations

The Exchange alleged that GSA was in breach of Rules A.11.1(d), E.2.2(a)(xiii) and (xiv), and G.20, which provide the following:

A.11.1 *"Without prejudice and in addition to any other specific requirement in these Regulations regarding systems and controls, each Member and non-Member Sponsored Principal shall be responsible for making adequate arrangements, systems and controls to ensure that:*

(d) *all business conducted on the Market including individual transactions complies with the Member's and Responsible Individual's obligations under the Regulations;"*

E.2.2(a) *"No Member (or other person subject to the Regulations) shall in relation to Contracts or Corresponding Contracts entered into, or orders placed, on the Market or otherwise in accordance with the Regulations:-*

(xiii) *disrupt the orderly conduct of trading or the fair execution of transactions, or*

(xiv) *enter an order or market message or cause an order or market message to be entered with reckless disregard for the adverse impact of the order or market message."*

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 Compliance Officer in accordance with Rule E.3.7, that disciplinary proceedings be commenced with regard to the alleged breaches.

In accordance with Rule E.4.3A, GSA were given the opportunity to settle disciplinary proceedings at any stage with the Exchange. An agreement was reached and as per the same Rule, any terms of settlement agreed between the Compliance Officer and GSA were to be ratified by the Chair of the Authorisation, Rules and Conduct Committee ("the ARC"). Following such ratification these terms shall now take effect.

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Details of Settlement

The Exchange views that operating in accordance with the Rules at all times is of critical importance. GSA fully co-operated with the Exchange during the course of the investigation. When considering the settlement terms the Exchange takes into account both aggravating and mitigating factors. In agreeing to the settlement terms, the Exchange took note of remedial action taken by GSA in connection with the alleged breaches to ensure ongoing and future compliance with the Exchange's Rules.

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

- On the occasion described in this Circular, GSA had not acted in compliance with the Exchange's Rules, specifically Rules A.11.1(d), E.2.2(a)(xiii) and (xiv), and G.20.
- GSA has paid a total settlement amount of £125,000. This is inclusive of a discretionary 1/3 discount from £187,500.

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

Signed:



Laurence Walton
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