

Circular 21/064

Disciplinary Notice: Settlement of Disciplinary Proceedings against ABN Amro Clearing Chicago LLC (“AACC”)

Category

Membership

Attachments

None

ICE Futures Europe (“**the Exchange**”) has proceeded with and settled disciplinary measures against AACC with respect to AACC’s failure to identify a pattern of disorderly trading, carried out by a Direct Electronic Access (“**DEA**”) Client of AACC (“**the AACC client firm**”).

Background

Between 7 January 2020 to 2 April 2020 the Exchange observed numerous instances of suspected disorderly trading by the AACC client firm on the ICE Brent Crude Futures, ICE WTI Crude Futures and the ICE Brent / WTI Crude Spread markets. On repeated occasions, the Exchange observed the entry by the AACC client firm of large orders, several hundreds of lots in size, into the order book; the AACC client firm typically traded in the opposite direction and then cancelled the large orders.

Following receipt of the Exchange’s notice of investigation, AACC ceased to provide the AACC client firm with DEA.

Allegations

The Exchange considers that the trading activity of the AACC client firm, set out above, amounted to disorderly trading in breach of Rule G.20 of the Exchange Rules:

G.20 DISORDERLY TRADING

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 alleged that, by failing to identify the disorderly trading activity, AACC breached Rule B.3A.3:

B.3A.3

DEA Providers must have in place effective systems and controls before they provide their clients with access to the Exchange. Such systems and controls must ensure that:

...

(c) trading by DEA clients is properly monitored; and

(d) appropriate risk controls prevent trading by DEA clients which:

...

(ii) may create, or contribute to, a disorderly market; or

(iii) may breach the Market Abuse Regulation or these Regulations.

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The Exchange recommended to the Compliance Officer, in accordance with Rule E.3.7, that disciplinary proceedings be commenced with regards to the alleged breaches.

In accordance with Rule E.4.3A, AACC was 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 AACC were to be ratified by the Chair of the ARC Committee. Following such ratification these terms shall now take effect.

Details of Settlement

The Exchange views that operating in accordance with the Rules at all times is of critical importance.

AACC fully cooperated 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 AACC in connection with the alleged breaches to ensure ongoing and future compliance with the Exchange's Rules.

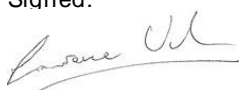
The Exchange would like to note that, as part of their systems and controls, Members must have an effective compliance function which provides appropriate oversight of trading activity. In respect of DEA Providers, this includes having effective oversight of the trading activity of DEA client firms.

As a result, AACC has agreed, without admitting or denying the alleged breaches, to settle the charge that AACC had not acted in compliance with the Exchange's Rules, specifically Rule B.3A.3, in respect of the matters described in this Circular, by:

- paying a total settlement amount of £30,000. This includes a discretionary 1/3 discount from £45,000 for early settlement: and
- agreeing not to provide DEA to the AACC client firm for a period of one year from the date of this Circular.

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

Signed:



Laurence Walton
Head of Regulation and Compliance

For more information, please contact:

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