

Disciplinary Notice

Case Nos. 2019-019, 2019-045, & 2020-005: Settlement of Charges Against ARB Trading Group North LLC

Exchange Rules

Rule 4.02(l)(1)(A) - Trade Practice Violations

In connection with the placement of any order or execution of any Transaction, it shall be a violation of the Rules for any Person to . . . [enter] an order or market message, or cause an order or market message to be entered, with the intent to cancel the order before execution, or modify the order to avoid execution.

Rule 4.02(l)(1)(C) - Trade Practice Violations

In connection with the placement of any order or execution of any Transaction, it shall be a violation of the Rules for any Person to . . . [enter] an order or market message, or cause an order or market message to be entered, with the intent to disrupt the orderly conduct of trading, the fair execution of transactions or mislead other market participants.

Rule 4.02(l)(2) - Trade Practice Violations

In connection with the placement of any order or execution of any Transaction, it shall be a violation of the Rules for any Person to . . . knowingly [enter] any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly [enter], or causing to be entered, bids or offers other than in good faith for the purpose of executing bona fide Transactions.

Rule 4.04 - Conduct Detrimental to the Exchange

It shall be a violation of the Rules for any Person to fail to conform to, the Rules or the procedures of the Exchange or the Clearing Organization, or to engage in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange.

Rule 4.01(a) - Duty to Supervise

Every Person shall diligently supervise the Exchange-related activities of such Person's employees and agents. . . . Every Person shall also be responsible for the acts and omissions of such employees and agents.

Summary

A subcommittee of the Exchange's Business Conduct Committee ("BCC Subcommittee") found that through the actions of three employees at different times between May 2018 and June 2020 (the "Relevant Period"), ARB Trading Group North, LLC ("ARB") may have violated Exchange Rules 4.02(l)(1)(A), 4.02(l)(1)(C), 4.02(l)(2), and 4.04. The BCC Subcommittee found that during the Relevant

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Period, the three ARB traders appeared to have engaged in a pattern of placing orders at one or various price level(s) on one side of the orderbook while trading small-quantity orders on the opposite side. Instead of entering orders with the intent to trade, the ARB traders appeared to have entered multiple orders on one side of the orderbook to create false depth, put pressure on the market, and mislead market participants into trading against, or moving the market closer to, his opposing small-quantity orders.

Separately, the BCC Subcommittee determined that ARB may have violated Exchange Rule 4.01(a) by failing to have policies, procedures, and systems in place to train employees and monitor their trading activity on the Exchange during the Relevant Period.

Products

Canola
Cotton No. 2 Futures
Sugar No. 11 Futures

Customer Harm

No

Penalty

In accordance with the terms of settlement, in which ARB neither admitted nor denied the alleged rule violations, ARB agreed to pay a monetary penalty of \$75,000 and disgorge \$3,492 in profits.

Effective Date

September 30, 2020

Linked To

[2019-019 - Robin Mittal](#)
[2019-045 - Rajeev Kansal](#)
[2020-005 - Sumakanth Challa](#)

For More Information

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Key Information Documents for certain products covered by the EU Packaged Retail and Insurance-based Investment Products Regulation can be accessed on the relevant exchange website under the heading "Key information Documents (KIDS)," commencing January 1, 2019.