

## Disciplinary Notice

### Case No. 2017-024: Settlement of Charges Against Dunn Capital Management

#### Exchange Rules

##### **Rule 4.02(I)(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(I)(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 [cause] 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 4.15(b) - Required Identifications**

Orders entered on the ETS must include the unique identification assigned to the Registered Operator. A Registered Operator is prohibited from allowing any other Person or automated trading system to use such unique identification to enter orders on the ETS. A Registered Operator may not enter orders on the ETS using a unique identification that has not been assigned to the Registered Operator.

##### **Rule 4.01(a) - Duty to Supervise**

Every Person shall diligently supervise the Exchange-related activities of such Person's employees and agents. For purposes of this Rule, the term "agent" includes any Exchange-related activities associated with automated trading systems that generate, submit and/or cancel messages without human intervention. 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") determined that on various days between September 2016 and May 2017, Dunn Capital Management ("Dunn Capital"), through the activity of a former employee, may have violated Exchange Rules 4.02(I)(1)(A), 4.02(I)(2),

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4.04, and 4.15(b). Specifically, the former employee, while sometimes using the trader ID of a colleague instead of his own, appeared to have entered and cancelled orders during the pre-open of various markets without the intent to trade, but instead with the intent to determine the effect these orders would have on the Indicative Opening Price. Separately, the BCC Subcommittee determined that Dunn Capital may have violated Exchange Rule 4.01(a) by failing to supervise the Exchange-related activities of the former employee. Dunn Capital did not profit from the former employee's activity.

## Products

Sugar No. 11 Futures  
Cocoa Futures

## Penalty

In accordance with the terms of settlement, in which Dunn Capital neither admitted nor denied the alleged rule violations, Dunn Capital agreed to pay a monetary penalty of \$40,000.

## Effective Date

November 13, 2019

## 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.