

Disciplinary Notice

Case No. 2018-033: Settlement of Charges Against Merrill Lynch International

Exchange Rules

Rule 4.07(c) - Block Trading

The parties to a Block Trade shall cause the Transaction to be reported to the Exchange in accordance with such procedure as are determined by the Exchange from time to time.

ICE Futures U.S. Block Trade – FAQ #13 – Either party, or broker, may report a block trade. The party or broker submitting the block trade to the Exchange is responsible for reporting the time of execution (the time the parties agreed to the block transaction).

ICE Futures U.S. Block Trade – FAQ #9 – Block trades in the [MSCI Futures] contracts must be reported no later than 15 minutes of execution.

Rule 4.07(a)(ii)(A) - Block Trading

Each buy or sell order underlying at Block Trade must state explicitly that it is to be, or may be, executed by means of a Block Trade.

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 in various instances between June 2018 and September 2018, Merrill Lynch International ("MLI") may have violated the following Exchange Rules: Rule 4.07(c) by misreporting the execution time of block trades and submitting block trades beyond the 15-minute reporting window; Rule 4.07(a)(ii)(A) by failing to explicitly state that an order may be executed by means of a block trade; and Rule 4.01(a) by failing to supervise the Exchange-related activities of its employees. As a result of this disciplinary proceeding, MLI took remedial actions to prevent the reoccurrence of the aforementioned activity and cooperated with the Exchange's Market Regulation staff.

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Products

MSCI ACWI NTR Index Future
MSCI Emerging Markets Index Future
MSCI EAFE Index Future

Penalty

In accordance with the terms of settlement, in which MLI neither admitted nor denied the alleged rule violations, MLI agreed to pay a monetary penalty of \$200,000.

Effective Date

November 15, 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.