

Disciplinary Notice

Case No. 2019-003: Permanent Ban on Zihao Chen

Exchange Rules

Rule 4.02(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 [e]xecute a wash sale, accommodation Trade, fictitious sale or prearranged Trade.

Rule 4.02(d) - 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 [c]ommit or attempt to commit fraudulent action on the Exchange or use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud.

Rule 4.02(f) - 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 [p]rearrange the execution of transactions in Exchange products for the purpose of passing or transferring equity between accounts.

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 21.04 - Power to Compel Testimony and Production of Documents

The President, the Board, the Chief Regulatory Officer, the Compliance staff, any committee or subcommittee and any panel of any committee or subcommittee, engaged in any investigation of, examination into, or hearing involving any matter pursuant to the Rules shall have the power to summon any Member, any employee of any Member and any non-member market participant to appear before him or it, to give testimony under oath or in any other manner required by him or it and to produce any documents, books or records. A Firm so summoned shall appear by a partner, officer or responsible employee fully acquainted with the relevant facts. If any Member, any employee of any Member, or non-member market participant fails to obey any such summons or to give any such testimony or to produce any such documents, books or records, such failure shall constitute a violation of this Rule and shall be reported to the Business Conduct Committee for appropriate action.

Rule 21.05 - Notice of Charges

In any case in which a subcommittee of the Business Conduct Committee refers a matter to a formal hearing, the Compliance staff shall serve a Notice of Charges ("Notice") on the Respondent . . .

Rule 21.06 - Answer; Request for Hearing; Failure to Answer or Deny Charges

(a) The Respondent shall serve on the Compliance staff and the Office of the General Counsel a written Answer to the Notice of Charges and a written request for a hearing on the charges within twenty (20) days of the date of service of the Notice of Charges.

[View All Notices](#) / [Contact Us](#) / [Media Inquiries](#)

- (b) The Respondent's failure to file an Answer within such twenty (20) days shall be deemed an admission of all of the allegations contained in the Notice.
- (c) The Respondent's failure to expressly deny a particular allegation contained in the Notice shall be deemed an admission of such allegation.
- (d) The Respondent's failure to request a hearing within such twenty (20) days shall be deemed a waiver of Respondent's right to a hearing.

Rule 21.10 - Hearing on Penalty in the Event of Failure to Deny Charges; Failure to Request Hearing Deemed Acceptance of Penalty

In the event the Respondent fails to file an Answer or admits the allegations or fails to deny the allegations in support of a charge of a Rule violation contained in the Notice, the Hearing Panel shall find the Respondent guilty of each such violation and may impose a penalty for each such violation subject to the limitations set forth in Rule 21.13(b)(v). The Hearing Panel shall promptly notify the Respondent of any such penalty and of the Respondent's right to a hearing on the penalty within ten (10) days, or such longer period as the Hearing Panel may determine, after the imposition of such penalty. Failure to request a hearing on the penalty in a timely manner shall be deemed to be acceptance of the penalty.

Summary

Pursuant to Exchange Rule 21.10, following Zihao Chen's ("Chen") failure to request a hearing and file an Answer to a Notice of Charges issued by the Exchange's Market Regulation Department, on October 11, 2021, a Hearing Panel of the Exchange's Business Conduct Committee ("Panel") found that, from June 2014 through August 2019 (the "Relevant Period"), Chen violated Exchange Rules 4.02(c), 4.02(d), 4.02(f), and 4.04. The Panel found that on multiple occasions during the Relevant Period, Chen traded for his personal account against the accounts of his employer over which he had trading authority for the purpose of passing equity to his personal account or for obtaining a beneficial price when offsetting positions in his personal account. Chen did so without his employer's knowledge and against his employer's company policy. When trading against his employer, Chen's most common method was to first establish a position in his personal account in the open market and then liquidate that position partially or in full against his employer's account. Chen generated a total profit of \$1,076,160 to the detriment of his employer.

The Panel also found that Chen violated Exchange Rule 21.04 by failing to provide testimony in response to the Exchange's summons. The Panel determined that Chen be permanently banned from access to the Exchange.

Product

Cotton No. 2

Customer Harm

No

[View All Notices](#) / [Contact Us](#) / [Media Inquiries](#)



Penalty

Chen is permanently banned from access to all ICE Futures U.S. electronic trading platforms, including ICE Block, and is directed to pay restitution to his employer in the amount of \$1,076,160.

Effective Date

November 5, 2021

For More Information

Jason Fusco

jason.fusco@ice.com

(212) 748-4021

-or-

Frances M. Mendieta

frances.mendieta@ice.com

(312) 836-6748

[View All Notices](#) / [Contact Us](#) / [Media Inquiries](#)

© 2020 Intercontinental Exchange, Inc. The following are trademarks of Intercontinental Exchange, Inc. and/or its affiliated companies: Intercontinental Exchange, ICE, New York Stock Exchange and NYSE. For more information regarding trademarks owned by Intercontinental Exchange, Inc. and/or its affiliated companies see: intercontinentalexchange.com/terms-of-use

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.