

DISCIPLINARY NOTICE

October 12, 2017

CASE NUMBER 2016-082

SETTLEMENT OF CHARGES AGAINST MAREX FINANCIAL LIMITED

Exchange Rules:

Rule 4.02(l). 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]ngage in any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation, including, but not limited to:

(1) Entering an order or market message, or cause an order or market message to be entered, with:

(A) The intent to cancel the order before execution, or modify the order to avoid execution;

(B) The intent to overload, delay, or disrupt the systems of the Exchange or other market participants;

(C) The intent to disrupt the orderly conduct of trading, the fair execution of transactions or mislead other market participants, or

(D) Reckless disregard for the adverse impact of the order or market message.

(2) Knowingly entering any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly entering, or causing to be entered, bids or offers other than in good faith for the purpose of executing *bona fide* Transactions.

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:

An employee ("Employee") of Marex Financial Limited ("Marex" or the "Firm"), trading on behalf of himself and the Firm through a profit sharing arrangement, engaged in a pattern of trading activity from May 2016 to October 2016 in the Cocoa futures market, which created certain order book imbalances. The Employee manually entered a large order relative to market conditions to buy or sell on one side of the market and a small reserve quantity order relative to market conditions on the other side of the market to

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sell or buy. The large orders appeared to be placed with the intent to induce others into transacting against the small reserve quantity orders. Once the small reserve quantity order transacted, the Employee canceled the large orders placed on the opposite side of the market.

With respect to the larger orders that were entered and subsequently cancelled as described above, a subcommittee of the Exchange's Business Conduct Committee determined that, pursuant to Exchange Rule 4.01(a), which makes a firm responsible for the acts and omissions of its employees, Marex may have violated Exchange Rule 4.02(l)(1)(A) by entering orders with the intent to cancel such orders before execution; Exchange Rule 4.02(l)(1)(C) by entering orders with the intent to mislead market participants; and Exchange Rule 4.02(l)(2) by knowingly entering bids and offers other than in good faith for the purpose of executing *bona fide* transactions.

Penalty:

In accordance with the terms of settlement, in which Marex neither admitted nor denied the violations of Rules 4.02(i)(1)(A), 4.02(l)(1)(C) and 4.02(l)(2), Marex agreed to pay a monetary penalty of \$25,000.00, which includes disgorgement of estimated benefits from the activity of \$9,150.00. Marex also agreed to cease and desist from future violations of the foregoing Exchange rules.

In determining the appropriate penalty, the BCC Subcommittee reviewed the compliance policies and procedures in place at the Firm during the relevant time period and found that the Employee received training specific to spoofing and that the Firm had automated exception reports to identify spoofing in place. Further, the BCC Subcommittee found that after being alerted to the activity by the Exchange, the Firm took immediate action, terminating the employment of the Employee and disciplining his supervisor. However, the BCC Subcommittee found that one of the automated exception reports which may have identified the Employee's manual trading activity was inadvertently not enabled for the Cocoa futures market during the relevant time period.

Effective Date: October 12, 2017

FOR MORE INFORMATION

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