

## Circular 25/085

### Disciplinary Notice: Settlement of Disciplinary Proceedings against Clarksons Futures Limited

#### Category

Disciplinary

#### Attachments

None

ICE Futures Europe (the “Exchange”) has proceeded with and settled disciplinary measures against Clarksons Futures Limited (“Clarksons”) following an investigation into Clarksons’ record-keeping practices and controls when undertaking Block Trades and suspected improper disclosures of details of Block Trades brokered by Clarksons in the Wet Freight market.

#### Background

An Exchange investigation found that, between September 2022 and December 2023, several Clarksons brokers disclosed details of Block Trades to market participants not party to the Block Trades, prior to details of the Block Trades being broadcast by the Exchange. The Exchange also found that Clarksons did not have adequate systems and controls in place during the relevant period to properly supervise and monitor its brokers’ activity in this regard and ensure compliance with Exchange Rules.

The Exchange’s investigation also found that Clarksons did not meet adequate standards in respect of its record keeping, with Clarksons unable to provide to the Exchange complete communication records for certain Block Trades reported to the Exchange in October 2022 and November 2022.

Lastly, the Exchange investigation found that certain Block Trades reported by Clarksons in August 2022 and February 2023 were reported to the Exchange with incorrect agreement times and were not reported within the required reporting window.

#### Allegations

The Exchange considered that Clarksons breached the following Exchange Rules and sections of the Trading Procedures and ICE Futures Europe Block Trades and Asset Allocation Policy during the relevant period:

##### **A.11 Systems and Controls**

*A.11.1 Without prejudice and in addition to any other specific requirement in these Regulations regarding systems and controls, each Member and non-Member Sponsored Principal shall be responsible for making adequate arrangements, systems and controls to ensure that:*

*(c) all of its Responsible Individuals and Member’s Representatives involved in the conduct of business on the Market are fit and proper, suitable, adequately trained and properly supervised;*

*(d) all business conducted on the Market including individual transactions complies with the Member’s and Responsible Individual’s obligations under the Regulations;*

##### **F.3 Transaction Records**

*(a) All Members shall keep proper and complete accounting and other records relating to all Contingent Agreements to Trade, bids, offers or orders in Block Transparency Auctions, details of transactions submitted to become ICE Futures Block Contracts, Contracts, Corresponding Contracts and Indirect Clearing Corresponding Contracts to which they are a party made on the Market or otherwise in accordance with the Regulations, whether for a Member’s own or a client’s account, and containing such details as the Directors or the Authorisation, Rules and Conduct Committee may from time to time prescribe. Separate accounts shall be kept in relation to each client and all orders and accounts shall be given a unique and clearly identifiable reference*

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**F.7.6 Submission of details of Contingent Agreement to Trade in respect of Block Trades**

*Members must submit details of a Contingent Agreement to Trade in respect of a Block Trade to the Exchange in accordance with the relevant Contingent Agreement to Trade and Trading Procedure 17.*

**Trading Procedures 3.1.4**

*Members shall ensure that any telephone line used for the receipt or giving of orders is tape recorded and the recordings kept for a minimum period of seven years, unless the Member can satisfy the Exchange that, given the nature and extent of its business conducted on the Exchange, compliance with these tape recording and storage obligations would be disproportionate and unduly burdensome*

**ICE Futures Europe Block Trades and Asset Allocation Policy (March and August 2023 versions) - Section 5: Prohibitions**

*iv) Once a Contingent Agreement to Trade has been reached, the details must not be disclosed to anyone except those party to the agreement prior to the details of the resultant Block Trade or Asset Allocation being broadcast by the Exchange*

**ICE Futures Europe Block Trades and Asset Allocation Policy (June 2022 version) - Section 9: Prohibitions**

*i) ...Details of a Block Trade or Asset Allocation order shall not be disclosed to any person who is not a party to the bilateral negotiations*

Accordingly, the Exchange commenced disciplinary proceedings pursuant to Exchange Rule E.4.

In accordance with Exchange Rule E.4.3A, Clarkson was given the opportunity to settle disciplinary proceedings at any stage with the Exchange. An agreement was reached and, as per the same Exchange Rule, any terms of settlement agreed between the Compliance Officer and Clarkson required ratification by the Chair of the Authorisation, Rules and Conduct Committee. Following such ratification these terms shall now take effect.

**Details of Settlement**

Clarkson cooperated with the Exchange throughout the investigation. In agreeing to the settlement terms, the Exchange took into account, amongst other things, the extensive remedial steps taken by Clarkson in connection with the alleged breaches to ensure future compliance with Exchange Rules.

As a result, the parties agreed a settlement in which Clarkson will pay a financial penalty of £108,500, reduced from £155,000 for early settlement.

The Exchange reminds Members that they should have in place effective systems and controls to ensure that proper record keeping is maintained in respect of trading activity and that such activity is properly monitored and supervised. This includes ensuring that staff only use approved communication applications, media and devices in accordance with internal policies and procedures, and that usage of applications such as WhatsApp is properly captured using recording software. The Exchange also takes seriously any activity which undermines the integrity of its market and reminds Members that details of a Contingent Agreement to Trade are non-public information and that such details must not be disclosed to anyone except those party to the agreement prior to the details of the resultant Block Trade being broadcast by the Exchange.

Please ensure that the appropriate members of staff within your organisation are advised of the content of this Disciplinary Notice.

**For more information, please contact:**

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