

DISCIPLINARY NOTICE

December 14, 2016

CASE NUMBERS 2015-088 & 2015-114 (2 of 4)

SETTLEMENT OF CHARGES AGAINST CLASSIC ENERGY LLC

Exchange Rules:

Rule 6.08(b)(i) - Order Ticket Requirements

Each Person who is a Futures Commission Merchant, an introducing broker or an equivalent foreign intermediary receiving a Customer's or Option Customer's order shall immediately upon receipt thereof prepare a written record of such order in non-erasable ink, including the account identification and order number, and shall record thereon, by time-stamp or other timing device, the date and time to the nearest minute, the order is received, and in addition, for Option Customer's orders the time, to the nearest minute, the order is transmitted for execution...

Rule 6.07 - General Record Requirements [Formerly Rule 6.07(b)]

Except as provided in subparagraph (c) of this rule or in an alternative compliance schedule approved under Commission Regulations, all Members, all non-members registered with the Commission as futures commission merchants and all non-members registered with the Commission as introducing brokers shall record and maintain all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction involving Exchange Futures or Options Contracts and related Cash Commodity or forward transactions, whether communicated by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device or other digital or electronic media.

Rule 4.07(b) - Block Trading

Block Trades may be executed in Exchange Futures and Options Contracts as determined by the Board and must meet the applicable minimum thresholds for such contracts as determined by the Board from time to time.

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.



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Rule 4.01 - Duty to Supervise

Every Person shall diligently supervise the Exchange-related activities of such Person's employees and shall be responsible for the acts and omissions of such employees.

Summary:

A subcommittee of the Exchange's Business Conduct Committee determined that Classic Energy LLC ("Classic") may have violated Exchange Rule 6.08(b)(i) in multiple instances by failing to comply with the recordkeeping requirements associated with handling customer orders; Exchange Rule 4.07(c) in multiple instances by misreporting the correct execution time of block trades; Exchange Rule 4.07(b) in one instance by submitting a block transaction below the Minimum Quantity Requirement (MQR) of the relevant contract; Exchange Rule 6.07 by failing to maintain oral records, and Exchange Rule 4.01 by failing to adequately supervise its brokers' block trade activity.

Penalty:

In accordance with the terms of settlement, in which Classic neither admitted nor denied the rule violations, Classic paid a monetary penalty of \$250,000.00 and agreed to cease and desist from future violations of 6.08(b)(i), 4.07(c), 4.07(b), and 6.07. Additionally, Classic agreed to add compliance staff and put appropriate measures in place to prevent future violations of Exchange Rules within 120 days of the below effective date, and agreed to cooperate with periodic ongoing audits of its compliance with Exchange Rules.

Effective Date: December 13, 2016

Linked to: 2015-114 - Classic Energy LLC, MDW Capital, LLC, Matthew Webb, and Lee Tippet

FOR MORE INFORMATION

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