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# DISCIPLINARY NOTICE

JUNE 7, 2019

## CASE NO. 2016-063: SETTLEMENT OF CHARGES AGAINST MACQUARIE ENERGY LLC

### EXCHANGE RULES

#### Rule 4.02(a) - 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 [m]anipulate, or attempt to manipulate, the price of any Commodity traded on the Exchange.

#### Rule 4.02(l)(2) - 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 . . . knowingly [enter] any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly [enter], or [cause] to be entered, bids or offers other than in good faith for the purpose of executing bona fide Transactions.

#### 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 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 ("the BCC Subcommittee") determined that on various days between August 5 and August 18, 2016, Macquarie Energy LLC ("Macquarie"), through the activity of a former employee ("the former employee"), may have violated Exchange Rules

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4.02(a), 4.02(l)(2), and 4.04 by engaging in a manipulative and disruptive practice to cause market participants to trade at artificial prices that did not represent the true state of the market.

Specifically, the former employee entered offers in the ERCOT North 345 KV Real-Time *Off-Peak* Daily Fixed Price Future market (“Off-Peak Future”) at prices that fell close to the historical prices of the ERCOT North 345 KV Real-Time *Peak* Daily Future market (“Peak Future”). The manner in which the former employee entered these Off-Peak Future offers made it seem to other market participants that an advantageous buying opportunity was available in the Peak Future. As a result, in some instances, the former employee caused participants to believe they were transacting in the Peak Future, when in reality, they transacted in the Off-Peak Future, and subsequently to report the trades as an error, which resulted in significant price adjustments from the price at which they originally traded.

The former employee initiated this conduct after he unknowingly fell victim to the same circumstances he then caused to occur. The former employee intended to prove the point that he was dissatisfied with the price adjustment provided by ICE Operations in accordance with the Exchange’s Error Policy after executing a series of trades in a wrong market.

Separately, the BCC Subcommittee determined that Macquarie, while it had in place various compliance and supervisory processes and procedures, may have violated Exchange Rule 4.01(a) by failing to diligently supervise its former employee in a manner sufficient to ensure that he was acting in compliance with Exchange rules.

## PRODUCT

ERCOT North 345 KV Real-Time Off-Peak Daily Fixed Price Future

## PENALTY

In accordance with the terms of settlement, in which Macquarie neither admitted nor denied the rule violations, Macquarie agreed to pay a fine in the amount of \$250,000.

## EFFECTIVE DATE

June 7, 2019

## LINKED TO

[2016-063 - Johnathan Alexander](#)

## 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, 2018.