ICE Futures U.S.
20 July 2022

# Disciplinary Notice

## Case No. 2021-009: Settlement of Charges Against R.J. O'Brien (MENA) Capital Limited

### Exchange Rules

**Rule 4.02(e) - 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 withhold or withdraw from the market any order or any part of an order for the convenience of another Person.

**Rule 4.02(h) - 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 engage in front running.

> **Block Trade FAQ #24 - Is pre-hedging or anticipatory hedging of a block trade permitted?**
>
> Parties to a potential block trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own Customer order. In such instances, prior to the consummation of the block trade the intermediary is prohibited from offsetting the position established by the block trade in any account which is owned or controlled, or in which an ownership interest is held, or for the proprietary account of the employer of such intermediary. The intermediary may enter into transactions to offset the position only after the block has been consummated. It shall be a violation of Exchange Rule 4.02(h) for a Person to engage in the front running of a block trade when acting on material non-public information regarding an impending transaction by another person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty.
>
> The Exchange may proceed with enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a Customer order acts against its Customer's best interests.
>
> This guidance only applies in the context of pre-hedging of block trades. This guidance does not affect any requirement under the CEA or Commission Regulations.

**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 4.07(a)(ii)(A) - Block Trading**

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Privately negotiated Transactions may be entered into with respect to Commodity Contracts designated by the Exchange for such purpose (hereinafter referred to as "Block Trades"), provided that each buy or sell order underlying a Block Trade must state explicitly that it is to be, or may be, executed by means of a Block Trade.

**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.

**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. When transmitting a Customer's or Option Customer's order to the Floor of the Exchange, such Person must transmit the account identification to the Member receiving the order. Corrections or additions to the information recorded on the written record of the order shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information.

**Rule 4.01(b) - Duty to Supervise**
Each Firm shall establish, administer and enforce supervisory systems, policies and procedures, based on the nature and size of its Exchange-related activities, which are reasonably designed to achieve compliance with Exchange Rules.

## Summary

On July 20, 2022, a subcommittee of the Exchange's Business Conduct Committee ("BCC") determined that R.J. O'Brien (MENA) Capital Limited ("MENA") may have, in multiple instances between October 2020 and April 2021, violated Exchange Rule 4.02(e) by withholding customer orders and 4.02(h) and 4.04 by engaging in improper pre-hedging. In each instance, MENA, while acting in a broker/agency capacity, received a block trade order from a customer and then sought orders from other persons that were directionally opposite the original customer's position. Instead of matching the orders, MENA withheld the orders for itself and served as the counterparty to its customer and the other person in each of the block trades. By engaging in this activity, MENA pre-hedged the impending block trades it would execute with the customer and the other persons and collected discretionary mark-ups in each block trade that realized profits in the amount of $211,750.

Next, the BCC found that MENA may have violated the following Exchange Rules in multiple instances: 4.07(a)(ii)(A) by failing to meet the Exchange's private negotiation requirement for block trades; 4.07(c) by misreporting the execution time and submitting block trades beyond the 15-minute reporting window; and 6.08(b)(i) by failing to comply with order ticket requirements.

Lastly, the BCC found that MENA may have violated Exchange Rule 4.01(b) by failing to establish, administer and enforce supervisory systems, policies and procedures, which are reasonably designed to achieve compliance with the Exchange's rules on pre-hedging.

## Products

Propane, Argus Saudi CP Future
Propane, Argus Saudi CP Mini Future



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## Customer Harm
No

## Penalty
In accordance with the terms of settlement, in which MENA neither admitted nor denied the alleged rule violations, MENA agreed to pay a monetary penalty of $450,000 and disgorge $211,750 in profits.

## Effective Date
July 20, 2022

## Linked To
**2021-009 - Sayyed Hussain**
**2021-009 - Tanim Chowdhury**

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