

Disciplinary Notice

Case No. 2020-014: Settlement of Charges Against Tanius Technology LLC

Exchange Rules

Rule 4.02(l)(1)(D) - 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 any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation, including, but not limited to entering an order or market message, or cause an order or market message to be entered, with reckless disregard for the adverse impact of the order or market message.

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

On December 14, 2021, a subcommittee of the Exchange's Business Conduct Committee ("BCC") determined that in several instances between March 2020 and April 2020, Tanius Technology LLC ("Tanius") may have violated Exchange Rules 4.02(l)(1)(D) and 4.01(a) by operating automated trading systems ("ATs") that malfunctioned in different Crude Diff - WTI 1st Line vs Brent 1st Line Future and Heating Oil Arb - Heating Oil 1st vs Low Sulphur Gasoil 1st Line Future (in Bbls) markets. The BCC found that the ATs entered and withdrew bids and offers at prices that inadvertently incrementally narrowed the bid/ask spreads and caused the orders to eventually converge. But for the use of the Exchange's Self Trade Prevention Functionality, some of the orders would have resulted in self-trades. The BCC further found that Tanius redeployed the malfunctioning ATs after becoming aware of the ATs problematic activity but before updates to the systems were implemented.

Products

Crude Diff - WTI 1st Line vs Brent 1st Line Future

Heating Oil Arb - Heating Oil 1st Line vs Low Sulphur Gasoil 1st Line Future (in Bbls)

Customer Harm

No

Penalty

In accordance with the terms of settlement, in which Tanius neither admitted nor denied the alleged rule violations, Tanius agreed to pay a monetary penalty of \$37,500.

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Effective Date

December 14, 2021

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, 2019.