

# Disciplinary Notice

## Case No. 2023-010: Settlement of Charges Against OTC Asia Commodities PTE Ltd

### Exchange Rules

#### 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.

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

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.

#### 6.07(a)(ii) - General Records Requirements

Each Person shall in accordance with the rules and regulations of, and in such manner and form and at such times as may be prescribed by, the CFTC, keep full, complete, and systematic records (including all pertinent data and memoranda) of all transactions relating to its business of dealing in commodity interests and related cash or forward transactions, which shall include all orders (filled, unfilled, or canceled), signature cards, street books, journals, ledgers, wire transfer records, canceled checks, copies of confirmations, copies of statements of purchase and sale, and all other records, which have been prepared in the course of its business of dealing in Commodity Contracts and related cash or forward transactions.

#### 6.07(a)(iii) - General Records Requirements

Each Person shall in accordance with the rules and regulations of, and in such manner and form and at such times as may be prescribed by, the CFTC, keep oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in a Commodity Contract and any related cash or forward transactions (but not oral communications that lead solely to the execution of a related cash or forward transaction), whether transmitted by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media.

#### 6.08(b)(i) - Order Ticket Requirements (legacy)

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.

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#### **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.

#### **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.

#### **21.04 - Power to Compel Testimony and Production of Documents**

The President, the Board, the Chief Regulatory Officer, the Market Regulation staff, any committee or subcommittee and any panel of any committee or subcommittee, engaged in any investigation of, examination into, or hearing involving any matter pursuant to the Rules shall have the power to summon any Person subject to Rule 4.00(a), to give testimony under oath or in any other manner required by them and to produce any documents, books or records. A Firm so summoned shall appear by a partner, officer or responsible employee fully acquainted with the relevant facts. If any Person subject to Rule 4.00(a) fails to obey any such summons or to give any such testimony, or fails to produce, in part or in full, any such documents, books or records in a timely fashion, or at all, such failure shall constitute a violation of this Rule and shall be reported to the BCC for appropriate action or shall be subject to a summary fine in accordance with Rule 21.02(e).

#### **Summary**

On April 17, 2024, a subcommittee of the Exchange's Business Conduct Committee ("BCC") determined that in numerous instances from May 2022 and August 2022 ("Relevant Period"), OTC Asia Commodities PTE Ltd ("OTC Asia") may have violated the following Exchange Rules for certain block trades: 4.07(c) by misreporting execution time and submitting trades beyond the 15-minute reporting window; 4.07(a)(ii)(A) by failing to comply with private negotiation requirements; 6.07(a)(ii) by failing to keep full, complete, and systematic records; 6.07(a)(iii) by failing to comply with general recordkeeping requirements; and legacy 6.08(b)(i) by failing to comply with order ticket requirements. The BCC further determined that, during the Relevant Period, OTC Asia may have additionally violated Rule 4.01(a) by failing to diligently supervise the block trade activities of its employees and Rule 4.01(b) by failing to establish, administer, and enforce supervisory systems, policies and procedures, which are reasonably designed to achieve compliance with Exchange Rules. Lastly, the BCC determined that OTC Asia may have violated Rule 21.04 by failing to respond to Exchange inquiries in a timely manner.

#### **Products**

Various Energy Contracts

#### **Customer Harm**

No

#### **Penalty**

In accordance with the terms of settlement, in which OTC Asia neither admitted nor denied the alleged rule violations, OTC Asia agreed to pay a monetary penalty of \$100,000.

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**Effective Date**

April 17, 2024

**For more information:**

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