

Derivatives Market Conduct 2024

Course Outline and Provider Qualifications

This course is intended to inform you of trading practices that may be considered violations of the Commodity Exchange Act (CEA), Commodity Futures Trading Commission (CFTC) regulations and/or the rules of futures self-regulatory organizations (SROs).

Introduction: Employer Liability / Exchange Jurisdiction

- I. General and Administrative Offenses
 - a. General Offenses – CME, ICE
 - b. Exchange Trade Practice Sanctions
 - c. Accessing the Markets – Trader Identification
 - d. Recordkeeping Systems
 - e. Messaging Violations
- II. Trade Practice Violations
 - a. Wash Sales
 - b. Disruptive Trade Practices
 - c. Orderly Execution During the Closing Period
 - d. Spoofing
 - e. Spoofing Techniques
 - f. Disruptive Trading Practices – CME, ICE
 - g. Supervisory Responsibilities
 - h. Indicative Opening Price & Indicative Opening Quantity
 - i. User Defined Spreads – CME
 - j. Trading at Settlement / Trading at Marker
 - k. Market Manipulation
 - l. Anti-Fraud and Anti-Manipulation
 - m. Insider Trading / Misappropriated Information
 - n. Deployment of Automated Trading Systems and High Frequency Trading

- III. Noncompetitive Trading
 - a. Buy and Sell Orders for Different Beneficial Owners
 - b. Pre-arranged Trading
 - c. Pre-execution Communications
 - d. Confidentiality and Unfair Advantage
 - e. Block Trades – Unfair Advantage
- IV. Recordkeeping and Reporting Violations
 - a. Position Limits
 - b. Options on Futures
- V. Disruptive Trading Cases
- VI. Assessment

Provider Qualifications - About the Authors

In its Interpretative Notice on Compliance Rule 2-9: Ethics Training Requirements, the National Futures Association states that 1) “Each Member should ensure that its selected provider is qualified and obtain proof that the provider has completed relevant proficiency testing and has three years of relevant industry experience, or similar experience;” and 2) that “Firms should only use providers that they reasonably in good faith believe are not subject to any investigations or bars from registration.” To address those requirements, Exchange Analytics presents the following information on the individuals who prepared this course material:

Marc Nagel serves as an advisor to Exchange Analytics and was the primary course author. Mr. Nagel retired as Chief Operating Officer and Chief Compliance Officer of a clearing Futures Commission Merchant. He serves on the Futures Commission Merchant Advisory Committee of the National Futures Association and on the Advisory Board of the IIT- Chicago Kent College of Law Futures and Derivatives Conference. Mr. Nagel is employed as a futures industry compliance consultant and expert witness.

He is a licensed CPA and attorney, admitted to the State of Illinois Supreme Court, the U.S. District Court for the Northern District of Illinois, and the U.S. Tax Court. Mr. Nagel is a registered Floor Broker and has held various Exchange memberships since 1979. Mr. Nagel received his BS in Accountancy and CPA from the University of Illinois and his JD from IIT/Chicago Kent College of Law. Mr. Nagel (NFA ID 0194163) is not subject to any investigations or bars from registration. He has no regulatory actions or other disciplinary history.

Joseph Adamczyk served as a co-author. Prior to his affiliation with Exchange Analytics, he served as the Chief Compliance Officer for Options Clearing Corporation (OCC). Mr. Adamczyk oversaw the firm’s compliance risk monitoring and governance programs, advised the board of directors and staff on compliance and regulatory requirements, and interacted with federal regulators on compliance, risk, and examination matters.

Before joining OCC, Mr. Adamczyk worked at CME Group where he served as the Managing Director & Associate General Counsel overseeing the company’s non-U.S. legal staff and activities. In this role, he interacted with regulators from around the globe. He also handled CME Group’s interactions with U.S. regulators and other authorities on cybersecurity and technology controls, requirements, cyber incident response, and examinations. At CME Group, Mr. Adamczyk also served as the Global Head of Investigations and Enforcement in the Market Regulation Department. In that role, he oversaw teams responsible for monitoring, investigating, and enforcing the CME Group exchanges’ trade practice rules and other requirements. Mr. Adamczyk received his MBA from the University of Chicago, law degree from Loyola University

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