CME Group

CHICAGO MERCANTILE EXCHANGE
NOTICE OF DISCIPLINARY ACTION

FILE NO.:   CME 12-8873-BC

MEMBER: **GSA Capital International Master Fund Limited**

CME RULE
VIOLATIONS: **Rule 534.   Wash Trades Prohibited**

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

Market Regulation Advisory Notice RA0913-5 FAQ (Excerpt)

Q11- Under what circumstances is trading with oneself on the electronic platform a violation of exchange rules regarding wash trading?

A11- Rule 534 provides that buy and sell orders for accounts with common beneficial ownership must be entered in good faith for the purpose of making bona fide transactions. Thus, it is a violation of Rule 534 for a market participant to enter an order on the electronic system that he knew or should have known would match with a resting order on the other side of the market for an account with common beneficial ownership. Generally, an unintentional and incidental matching of such buy and sell orders will not be considered a violation of Rule 534. However, active traders who frequently enter orders on opposing sides of the market which may have a tendency to cross are strongly encouraged to employ functionality designed to minimize or eliminate their buy and sell orders from matching with each other.

Q13- Is it considered a violation of Rule 534 if orders initiated for accounts with common beneficial ownership by one or more automated trading systems match against each other?

A13- If different automated trading algorithms for the same trading entity are operating in the same instrument and potentially may trade with one another, each such algorithm should be identified with a unique operator ID (also called a Tag 50 ID) tied to the individual or team of individuals that operate the system/algorithms. While it is not prohibited to run potentially conflicting algorithms simultaneously, if such trades cause price or volume aberrations, or occur frequently, the trading may be subject to particular scrutiny and may be deemed to violate Rule 534. Market participants are responsible for monitoring their automated trading systems and for employing trading algorithms that minimize the potential for the execution of transactions which are not exposed to market risk.

Rule 576.   Identification of Globex Terminal Operators

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.

Market Regulation Advisory Notice RA0908-5 (Excerpt)

If an ATS operator or an ATS Team is responsible for multiple trading models, algorithms, programs, or systems which trade the same product, and which potentially could trade opposite one another, then each model, algorithm, program, or system must be assigned a unique Tag 50 ID.

FINDINGS: Pursuant to an offer of settlement in which GSA Capital International Master Fund Limited ("The Fund") neither admitted nor denied the rule violations upon which the penalty is based, on January 21, 2014, a Panel of the CME Business Conduct Committee found that from January 2012 through March 2012, an automated trading system ("ATS") operated by The Fund's traders executed numerous transactions in the Mexican Peso futures market wherein orders for The Fund's accounts frequently matched, but did not cause price or volume aberrations.

The Panel found that the matches occurred as a result of The Fund employing two automated trading strategies that occasionally placed opposing orders on the CME Group Inc. Globex platform. Specifically, the ATS entered orders that The Fund should have known would match with resting orders on the other side of the market. These self-matches were incidental to The Fund's overall trading strategy and The Fund did not benefit from the trades.

The Panel found that The Fund did not employ a functionality designed to minimize matching, and further, The Fund did not adequately monitor the ATS or track executed self-matches. The Panel concluded that in so doing, The Fund violated CME Rule 534.

The Panel also found that The Fund employed multiple trading systems in the same product, which could potentially trade opposite each other, under one operator Tag50 ID. The Panel concluded that in doing so, The Fund violated Rule 576.

PENALTY: In accordance with the settlement offer and in consideration of The Fund's cooperation during the course of the investigation, and its enhanced procedures, the Panel ordered The Fund to pay a fine of $130,000.

**EFFECTIVE
DATE:**   January 23, 2014