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**Settlement of Charges Against Cashcot Industries Pte Ltd and Abhishek Jain**

1 message

ICE <ICE@theice.com>  
Reply-To: ICE@theice.com  
To: garydewaal@gmail.com

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## DISCIPLINARY NOTICE

july 8, 2016

Matter: CASE numbers 2014-033 &amp; 2015-085

### SETTLEMENT OF CHARGES AGAINST CASHCOT INDUSTRIES PTE. LTD. & ABHISHEK JAIN

**Exchange Rules:****Former Rule 4.02(e)(i) - 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... make fictitious or trifling bids or offers

**Former Rule 4.02(e)(iv) [Current Rule 4.02(l)(2)] - 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... knowingly enter, or cause to be entered, bids or offers other than in good faith for the purpose of executing bona fide Transactions;

**Former Rule 4.02(h) [Current Rule 4.02(l)(1)(C) - 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 trading practice or conduct that is intended to disrupt the orderly execution of transactions, unduly influence market prices or mislead other market participants;

**Rule 4.02(k)(2)(C) - 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 pre-execution communications, except in accordance with the following procedures:

(2) A market participant may engage in pre-execution communications with regard to Transactions executed on ETS where a market participant wishes to be assured that another market participant will take the opposite side of an order under the following circumstances:

(C) A party to pre-execution communications shall not enter an order to take advantage of information conveyed during such communications, except in accordance with this Rule;

**Rule 4.01. Duty to Supervise**

Every Person shall diligently supervise the Exchange-related activities of such Person's employees and

shall be responsible for the acts and omissions of such employees.

### **Summary:**

Abhishek Jain (“Jain”), a trader employed by Cashcot Industries PTE. LTD (“Cashcot”), engaged in a pattern of trading activity on January 23, 2014, where he created order book imbalances in the Cotton No. 2 futures market (“CT”) by entering multiple 500-lot March 2014 (“H14”) CT orders at different price levels at the same time he was entering smaller orders on the opposite side of the H14 CT market. The 500 lot orders appeared to create market pressure and appeared to mislead market participants into trading opposite the small orders. Jain would subsequently cancel or amend the large orders shortly after the small orders transacted on the opposite side of the market.

With respect to the larger orders that were entered and subsequently cancelled as described above, a subcommittee of the Exchange’s Business Conduct Committee determined that Jain and Cashcot may have violated:

Former Exchange Rule 4.02(e)(i) by making fictitious or trifling bids and offer;

Former Exchange Rule 4.02(h) by engaging in conduct that is intended to disrupt the orderly execution of transactions, unduly influence market prices or mislead other market participants [currently Exchange Rule 4.02(l)(1)(C)]; and

Former Exchange Rule 4.02(e)(iv) by knowingly entering bids and offers other than in good faith for the purpose of executing bona fide transactions [currently Exchange Rule 4.02(l)(2)].

In a separate incident on July 28, 2014, Jain entered an order with benefit of information gained during a pre-execution communication. Jain had knowledge, through pre-execution communications, that the counterparty to an OTC swap transaction was going to hedge such transaction by selling March 2015 (“H15”) CT futures. Once the counterparty entered the order to sell H15 CT futures, Jain immediately entered an order to buy H15 CT futures, knowingly trading opposite the OTC counterparty in the futures market. A subcommittee of the Exchange’s Business Conduct Committee determined that Jain and Cashcot may have violated:

Exchange Rule 4.02(k)(2)(C) in one instance by entering an order to take advantage of information conveyed during a pre-execution communication; and

Exchange Rule 4.01 in one instance by failing to supervise the trading behavior of Cashcot’s traders.

### **Penalty:**

In accordance with the terms of settlement for both matters, in which Cashcot and Jain neither admitted nor denied the violations of the foregoing Rules, Cashcot agreed to pay a monetary penalty of \$80,000 and Cashcot and Jain both agreed to a six month denial of access to trade directly or indirectly in any of the Exchange’s markets; and further agreed to cease and desist from violating Rules 4.02(l)(1)(C), 4.02(l)(2), and 4.02(k)(2)(C).

**Effective Date:** July 6, 2016

### **FOR MORE INFORMATION**

Jason Fusco

[jason.fusco@theice.com](mailto:jason.fusco@theice.com) -or-  
(212) 748-4021

Conor Weber

[conor.weber@theice.com](mailto:conor.weber@theice.com)  
(312)836-6746



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