

**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**

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In the Matter of: )  
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BGC Financial, LP, )  
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Respondent. )  
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\_\_\_\_\_ )

CFTC Docket No. 19-48

**RECEIVED CFTC**



Office of Proceedings  
Proceedings Clerk

**8:32 pm, Sep 30, 2019**

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT, MAKING  
FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

**I. INTRODUCTION**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that from at least in or about January 2014 to at least December 2015 (“Relevant Period”), BGC Financial, LP (“BGC” or “Respondent”) violated Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 6b(a)(2), 9(1), 6c(a)(1)-(2) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019), of the Commission Regulations (“Regulations”) promulgated thereunder. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, except to the extent that Respondent admits those findings in connection with any agreement with the Office of the Attorney General for the State of New York (“NY OAG”), Respondent consents to the entry of this Order Instituting Proceedings Pursuant to Section 6(c) and (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledges service of this Order.<sup>1</sup>

<sup>1</sup> Respondent consents to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, and agrees that they shall be taken as true and correct and be given preclusive effect therein, without further proof. Respondent does not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondent does not

## II. FINDINGS

The Commission finds the following:

### A. SUMMARY

Throughout the Relevant Period, brokers employed by BGC on the emerging markets foreign exchange options (“EFX Options”) desk at BGC (“Brokers”) falsely represented to BGC clients (“Clients”) that certain bids and offers were executable when they were not executable, and also falsely represented to them that certain trades had occurred, when they had not, in fact, occurred. By such conduct, the Brokers intended to create an illusion of greater liquidity and, at times, tighter spreads on BGC’s trading platform for EFX Options, and induce Clients to transact in EFX Options via BGC’s platform at times and prices at which they otherwise might not have. The Brokers’ intentionally deceptive conduct violated Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Act, 7 U.S.C. §§ 6b(a)(2), 9(1), 6c(a)(1)-(2) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019). The Brokers engaged in the violations described herein within the scope of their employment with BGC. Accordingly, BGC is liable for these violations pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2019).

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In accepting Respondent’s Offer, the Commission recognizes the Respondent’s cooperation with the investigation by the Commission’s Division of Enforcement’s (“Division”) of this matter. The Commission notes that Respondent’s cooperation and remediation are reflected in the form of a reduced civil monetary penalty.

### B. RESPONDENT

BGC Financial, LP is a Delaware limited partnership headquartered in New York, New York, which provides voice and electronic brokerage services. BGC has been registered with the Commission as a futures commission merchant since 2009 (and previously from 1994 to 2006), and has applied for registration as an introducing broker, which is currently pending.

### C. FACTS

During the Relevant Period, BGC operated an electronic platform for foreign exchange (“FX”) options (the “Platform”). The Platform was used by both Brokers and Clients. The Platform provided Clients with a forum to post their executable bids and offers for various EFX Options and also allowed Brokers to post such bids and offers on a Client’s behalf. Activity on the Platform was visible to Clients and Brokers via an electronic screen.

Clients were able to see the best bid and offer for each option on their screens. The bids and offers were anonymous, except to the Brokers, who were able to see on their screens which Client posted each bid and offer.

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consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

A Client that wanted to hit or lift a particular bid or offer posted on the screen could simply click on it and enter the volume he or she wanted to trade at that level.<sup>2</sup> This action would result in a flash on the screen that was visible to all users, indicating that the bid or offer had been hit or lifted.<sup>3</sup>

During the Relevant Period, Brokers falsely communicated to Clients that certain bids and offers were executable when they were not. Specifically, Brokers would post bids and offers on the Platform, thereby representing to Clients that they were executable bids or offers for an option at a particular level, when, in fact, no trading institution had bid or offered the option at that level. (BGC, itself, did not act as a counterparty to EFX Options transactions.) This practice was referred to by Brokers as “flying” prices (i.e., bids and offers). During the Relevant Period, Brokers “flew” hundreds of thousands of bids and offers.

During the Relevant Period, Brokers also falsely communicated fake trades to Clients—i.e., communicated that a trade had occurred, when, in fact, no trade had occurred. This practice was referred to by Brokers as “printing” a trade. Specifically, Brokers informed clients orally or through electronic communications that a trade had occurred at a particular level. Brokers printed these fake trades intending to induce other Clients to enter into genuine “follow-on” trades—i.e., trades at the level a Broker had falsely represented was trading. In some instances, Brokers printed trades by using a particular dormant Client account.

In addition, when Clients hit or lifted flown bids or offers for EFX Options on the Platform, the screen would flash, indicating that a trade had occurred, when, in fact, no trade had occurred—thereby potentially deceiving all Clients using the screen into believing that an actual trade had occurred. Brokers did not disclose to Clients when a trade that had flashed on the screen was the result of a flown price being hit or lifted.

When a Client hit or lifted a flown bid or offer, believing that the bid or offer had been posted by an actual counterparty that intended to trade, Brokers then sometimes searched for an actual counterparty, while communicating false reasons to that Client as to why the Client’s trade had not occurred immediately; and in the event an actual counterparty could not be found, Brokers communicated false reasons as to why the trade did not occur. During the Relevant Period, on thousands of occasions, the Brokers’ flown bids or offers were hit or lifted by Clients, effectively causing the “printing” of fake trades.

By flying prices and printing trades, these Brokers intended to create an illusion of greater liquidity and, at times, tighter spreads in EFX Options on the Platform, and induce Clients to transact in EFX Options via the Platform at times and prices at which they otherwise might not have.

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<sup>2</sup> Bids and offers for FX options are quoted in terms of an implied volatility level rather than a specific dollar amount.

<sup>3</sup> Once a bid or offer has been hit or lifted and the screen flashes, the parties to the trade learn each other’s identity and agree on certain secondary terms of the transaction, e.g., the spot price. These secondary terms are rarely disputed or negotiated. Once all of the terms are finalized, the EFX Option is submitted to the swap execution facility.

At times, Brokers acknowledged this conduct in electronic “chats,” often referring to a fake, printed, trade as a “printo.” For example, in a chat on or about January 27, 2014, a junior Broker on the desk (“Broker A”) inquired whether a trade that appeared on the screen was genuine or just a print, asking his colleague “**is this a printo?**” Another Broker on the desk (“Broker B”) confirmed that it was.

The Brokers also discussed concealing this conduct from Clients. In another chat, on or about February 9, 2015, Broker B warned Broker A that a particular Client routinely checked trade activity with the swap dealer repositories (“SDRs”) because knowing whether or not a Client checked the SDR would influence the excuse that the Brokers would give that Client as to why a “print” did not appear. A third Broker, suggested “**you can always [tell him that it] must not have fed in or some nonsense right.**” Broker B agreed and told his colleagues that this Client had recently asked him about a “printed” trade and he responded: “very weird must not have fed” at the price of the print.

### III. LEGAL DISCUSSION

#### A. BGC’s Violations of Section 4b(a)(2)(A)-(C)

Section 4b(a)(2) of the Act, 7 U.S.C. § 6b(a)(2) (2012), makes it unlawful “for any person, in or in connection with any order to make, or the making of, any . . . swap, that is made, or to be made, for or on behalf of, or with, any other person, other than on or subject to the rules of a designated contract market—(A) to cheat or defraud or attempt to cheat or defraud the other person; (B) willfully to make or cause to be made to the other person any false report or statement or willfully to enter or cause to be entered for the other person any false record; or (C) willfully to deceive or attempt to deceive the other person by any means whatsoever in regard to any order or contract or the disposition or execution of any order or contract, or in regard to any act of agency performed, with respect to any order or contract for or . . . with the other person.”

Pursuant to Section 1a(47)(A)(i) of the Act, 7 U.S.C. § 1a(47)(A)(i) (2012), FX options are swaps and are, therefore, subject to the prohibitions of Section 4b(a)(2) (A)-(C) of the Act.

As described above, during the Relevant Period, Brokers employed by BGC communicated false information about swaps—specifically, false information about EFX Options bids, offers and executed trades—to market participants. Such information was material to market participants. The BGC Brokers knew or acted with reckless disregard that the information conveyed was false and they communicated it with the intent to deceive market participants. This conduct violated Section 4b(a)(2)(A)-(C) of the Act.

#### B. BGC’s Violations of Section 6(c)(1) of the Act and Regulation 180.1(a)

Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2012), makes it unlawful “for any person, directly or indirectly, to use or employ, or attempt to use or employ, in connection with any swap . . . any manipulative or deceptive device or contrivance, in contravention of [Regulation 180.1(a)].”

Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019), makes it “unlawful for any person, directly or indirectly, in connection with any swap . . . to intentionally or recklessly: (1) use or

employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; (2) make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; [or] (3) engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person.”

Pursuant to Section 1a(47)(A)(i) of the Act, FX options are swaps and are, therefore, subject to the prohibitions of Section 6(c)(1) of the Act and Regulation 180.1(a).

As described above, during the Relevant Period, brokers employed by BGC communicated false information about EFX Options bids, offers, and executed trades to market participants located in the United States and abroad. Such information was material to market participants. The Brokers knew or recklessly disregarded that the information conveyed was false and they communicated it with the intent to deceive market participants or with reckless disregard for the fact that it would deceive them. This conduct violated Section 6(c)(1) of the Act and Regulation 180.1(a).

#### **C. BGC’s Violations of Section 4c(a)(1)-(2)**

Section 4c(a)(1) of the Act, 7 U.S.C. § 6c(a)(1) (2012), makes it “unlawful for any person to offer to enter into, enter into, or confirm the execution of a ‘transaction’ . . . involving the purchase or sale of any . . . swap, if the transaction is used or may be used to (A) hedge any transaction in interstate commerce in the commodity or the product or byproduct of the commodity; [or] (B) determine the price basis of any such transaction in interstate commerce in the commodity.”

Section 4c(a)(2) of the Act, 7 U.S.C. § 6c(a)(2) (2012), defines “transaction,” as used in Section 4c(a)(1), to mean, among other things, “a transaction that— (A) . . . is a fictitious sale; or (B) is used to cause any price to be reported, registered, or recorded that is not a true and bona fide price.”

Pursuant to Section 1a(47)(A)(i) of the Act, FX options are swaps and are, therefore, subject to the prohibitions of Section 4c(a)(1) and (2) of the Act.

As described above, during the Relevant Period, Brokers employed by BGC entered into and confirmed, or caused the confirmation of, the execution of certain EFX Options transactions that were fictitious and were used to cause a price to be recorded on the Platform and communicated to Clients that was not a true and bona fide price. This conduct violated Section 4c(a)(1) and (2) of the Act.

#### **D. BGC Is Liable for the Acts of Its Agents**

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2019), provide that “[t]he act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust.” Pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g.,*

*Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988); *Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *CFTC v. Byrnes*, 58 F. Supp. 3d 319, 324 (S.D.N.Y. 2014).

The foregoing acts, omissions, and failures of the Brokers occurred within the scope of their employment, office, or agency with BGC; therefore, pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, BGC is liable for those acts constituting violations of the Act and Regulations.

#### **IV. FINDINGS OF VIOLATIONS**

Based on the foregoing, the Commission finds that, during the Relevant Period, BGC violated Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Act, 7 U.S.C. §§ 6b(a)(2), 9(1), 6c(a)(1)-(2) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019).

#### **V. OFFER OF SETTLEMENT**

Respondent has submitted the Offer in which, without admitting or denying the findings and conclusions herein, except to the extent that it admits those findings in connection with any agreement with the NY OAG or any other governmental agency or office, Respondent:

- A. Acknowledges service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
  - 1. The filing and service of a complaint and notice of hearing;
  - 2. A hearing;
  - 3. All post-hearing procedures;
  - 4. Judicial review by any court;
  - 5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
  - 6. Any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012), and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2019), relating to, or arising from, this proceeding;
  - 7. Any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201-253, 110 Stat. 847, 857-74 (codified as amended at 28 U.S.C. § 2412 and in scattered

sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and

8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer; and
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Respondent violated Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Act, 7 U.S.C. §§ 6b(a)(2), 9(1), 6c(a)(1)-(2) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019);
  2. Orders Respondent to cease and desist from violating Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Act, and Regulation 180.1(a);
  3. Orders Respondent to pay a civil monetary penalty in the amount of fifteen million dollars (\$15,000,000) within ten days of the date of entry of this Order, plus post-judgment interest if applicable; provided however, that the civil monetary penalty will be credited, dollar for dollar, up to the amount of seven million five hundred thousand dollars (\$7,500,000) by the amount of payments made pursuant to an agreement between Respondent and the NY OAG, ("NY OAG Agreement");
  4. Orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order; and
- F. Represents that it will engage in remedial measures relating to its activities as an EFX Options broker and related supervision of employees engaged in such activities through, among other things:
1. Enhanced policies and procedures relating to ethical behavior, prohibited conduct, and escalation of potential misconduct;
  2. Updated routine and ongoing training concerning appropriate market conduct; and
  3. Improved monitoring of broker desks and communications surveillance systems and processes.

Upon consideration, the Commission has determined to accept the Offer.

## VI. ORDER

### Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondent and its successors and assigns shall cease and desist from violating Sections 4b(a)(2), 6(c)(1), and 4c(a)(1)-(2) of the Act, 7 U.S.C. §§ 6b(a)(2), 9(1), 6c(a)(1)-(2) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019).
- B. Respondent shall pay a civil monetary penalty in the amount of fifteen million dollars (\$15,000,000) (“CMP Obligation”), within ten days of the date of the entry of this Order. If the CMP Obligation is not paid in full within ten days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

The CMP Obligation will be credited, dollar for dollar, up to the amount of seven million five hundred thousand dollars (\$7,500,000), by the amount of any payment made pursuant to the NY OAG Agreement. Respondent shall provide (to the persons and addresses listed below) proof of any payment under the NY OAG Agreement, including the case name(s) and number(s) in connection with which such payment has been made, and the amount by which the CMP Obligation is to be reduced, within ten days of making such payment.

Respondent shall pay the CMP Obligation and any post-judgment interest by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326  
Commodity Futures Trading Commission  
Division of Enforcement  
6500 S. MacArthur Blvd.  
HQ Room 181  
Oklahoma City, OK 73169  
(405) 954-6569 office  
(405) 954-1620 fax  
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondent shall contact Marie Thorne or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.



C. Respondent and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. Public Statements: Respondent agrees that neither it nor any of its successors and assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents and its successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.
2. Cooperation, in General: Respondent shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, in this action, and in any current or future Commission investigation or action related thereto. Respondent shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, the subject matter of this action. Respondent's cooperation shall continue for a period of five years from the date of the entry of this Order. As part of such cooperation, Respondent agrees to comply fully, promptly, and truthfully with any inquiries or requests for information, including, but not limited to, requests:
  - a. for authentication of documents;
  - b. for any documents within Respondent's actual or constructive possession, custody, or control, including for inspection and copying of documents (subject to assertions of applicable privileges);
  - c. to urge its current (as of the time of the request) agents and employees to testify completely and truthfully in any investigation, civil litigation, or administrative matter related to, or arising from, this action (subject to assertions of applicable privileges, including of Fifth Amendment rights);
  - d. to produce any current (as of the time of the request) officer, director, or employee of Respondent, regardless of the employee's location, to appear for interviews, depositions, and to provide testimony or assistance in any investigation, civil litigation, or administrative matter related to, or arising from, the subject matters underlying the instant violations (subject to assertions of applicable privileges, including of Fifth Amendment rights); and
  - e. for assistance in locating and contacting any former (as of the time of the request) officer, director, or employee of Respondent.

3. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission of any partial payment of Respondent's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
4. Change of Address/Phone: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Order, Respondent shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten calendar days of the change.
5. Remediation: As set forth above, Respondent represents that it will engage in remedial measures to implement and strengthen its internal controls and procedures related to its activities as an EFX Options broker and supervision of its employees engaged in such activities. Respondent shall not use or employ any fraud, deception, concealment, suppression, false pretense, or fictitious or pretended purchase or sale related to any EFX Options bid, offer, or trade. To the extent it has not already done so, Respondent shall implement reasonable policies and procedures and provide training to its employees on its FX Options desks, and implement reasonable and practicable means by which to monitor brokers on its EFX Options desk, in order to seek to: (1) ensure transparency in all FX Options bids and offers communicated to the financial markets or to customers of Respondent, by clearly distinguishing between a bid or an offer that, at the time of posting, is specifically authorized by a financial institution as an immediately executable bid or offer, and a bid or an offer that, at the time of posting, is based on any other general market information and is not expressly authorized by a specific financial institution as an immediately executable bid or offer; and (2) ensure that Respondent's FX Options brokers do not announce fake trades to the financial markets or to customers of Respondent..
6. Monitorship: Respondent agrees to retain, at its own cost and expense, an Independent Monitor acceptable to, and for the benefit of, the Division, to monitor, assess, and provide the Division with periodic reports, as set forth below, detailing Respondent's compliance with the requirements set forth in Paragraph VI.C.5 of this Order:<sup>4</sup>
  - a. The Independent Monitor must have sufficient knowledge of the FX Options market, or equivalent and comparable knowledge of financial products, to understand, monitor, and assess the policies, procedures, and practices of Respondent, in accordance with this Order. Furthermore, the Independent Monitor must, in the view of the Division, be sufficiently

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<sup>4</sup> The Division shall confer with the NY OAG regarding Independent Monitor matters to ensure consistency between this Order and the NY OAG Agreement. It is understood that the NY OAG and the Division will agree as to the appointment of a single Independent Monitor, who will have responsibility for the tasks outlined herein as well as any supplementary tasks outlined in the NY OAG Agreement.

impartial, distinct, and independent from Respondent and its directors, officers, employees, counsel, and other representatives;

- b. Respondent shall have the right to recommend an Independent Monitor to the Division. However, as set forth below, in the event that Respondent fails to timely propose to the Division an acceptable Independent Monitor, the Division will provide Respondent with a list of potential Independent Monitors acceptable to the Division, from which Respondent shall choose an Independent Monitor and retain the same within sixty days;
  - i. Within sixty days of the date of entry of the Order, Respondent shall recommend to the Division up to three potential Independent Monitors. The Division, in its sole discretion, shall either accept or reject the proposed Independent Monitor(s); If the Division accepts one or more proposed Independent Monitors, Respondent will have sixty days to choose one and retain the same;
  - ii. In the event the Division rejects the proposed Independent Monitors, Respondent shall have an additional sixty days to recommend up to three other potential Independent Monitors. In the event that the Division rejects the additional proposed Independent Monitor(s), or Respondent fails to timely provide the Division with a list of acceptable proposed Independent Monitors, the Division will provide Respondent with a list of three potential Independent Monitors acceptable to the Division, from which Respondent shall choose an Independent Monitor and shall retain the same within sixty days; and
  - iii. Although, the Division shall not be a party to the agreement(s) between the Independent Monitor and Respondent, respectively, any agreement between the Independent Monitor and Respondent must include language that the Independent Monitor agrees to provide its services for the benefit of the Division, that any and all reports and information provided by the Independent Monitor to the Division shall be deemed the property of the Division, and that the Independent Monitor shall abide by any specific request by the Division for confidential treatment of any communication between the Division and the Independent Monitor;
- c. The Independent Monitor shall have reasonable access to Respondent's books, records, computer systems, and employees to conduct up to three audits (subject to the terms of Paragraph g. below) as reasonably necessary to assess compliance with the requirements set forth in Paragraph VI.C.5 of this Order;
- d. The Independent Monitor shall have the right to discuss the facts and circumstances of the Division's findings with the Division, and the

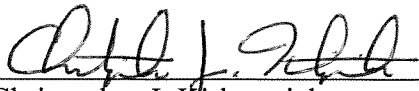
Division may disclose to the Independent Monitor those portions of its investigation that may assist the Independent Monitor in reviewing and monitoring Respondent's policies and procedures in accordance with this Order. The Independent Monitor is also permitted to communicate at any time with the Division concerning its monitorship, review, findings, assessments, and reports. The Independent Monitor shall abide by any specific request by the Division for confidential treatment of any communication between the Division and the Independent Monitor;

- e. The Independent Monitor shall immediately inform the Division in writing if the Independent Monitor determines that, during the course of its monitorship, Respondent has used or employed any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale related to any EFX Options bid, offer, or trade, and may also advise the Division in writing, in advance of a scheduled report, if it believes Respondent is otherwise not complying with the provisions of this Order;
- f. The Independent Monitor shall, where appropriate, propose internal controls and ethics and compliance programs in accordance with Paragraph VI.C.5 of this Order. If Respondent chooses not to adopt the Independent Monitor's recommendations within a reasonable period of time, the Independent Monitor shall report that fact to the Division, along with Respondent's stated reason for not adopting the same;
- g. The Independent Monitor shall provide the Division with periodic reports detailing compliance by Respondent with the requirements set forth in Paragraph VI.C.5 of this Order;
  - i. The Independent Monitor's reports shall be in writing and shall set forth in detail the manner and form of compliance with Paragraph VI.C.5 of this Order;
  - ii. The initial report shall be submitted to the Division within ninety days of the retention of the Independent Monitor;
  - iii. Thereafter, a report shall be submitted to the Division every six months for a twelve month period;
  - iv. Additionally, where the circumstances warrant, the Division may require the Independent Monitor to file an interim report upon thirty days' notice. If the Division requires the Independent Monitor to file any such interim report, the Independent Monitor (i) may conduct such additional audits as necessary to assess compliance with the requirements set forth in Paragraph VI.C.5 of this Order, and (ii) shall file the interim report with notice to the designated representative of Respondent; and

- v. A copy of each report shall be provided by the Independent Monitor to the designated representatives of Respondent for review, no later than ten days prior to the due date to the Division. During that review period, Respondent shall have the opportunity to respond to any findings specifically designated as such by the Independent Monitor. Thereafter, Respondent shall provide the Division with a certification affirming its compliance with the requirements set forth in Paragraph VI.C.5 of this Order. These certifications shall be in writing and signed by authorized agents of Respondent; and
  
- h. The duration of the Independent Monitor's engagement as contemplated above (the "Monitorship Period") shall be for a period of twelve months from the date of submission of the initial compliance report to the Division. If Respondent has not satisfied its obligations under Paragraph VI.C.5 of this Order after such twelve month period, the Monitorship Period shall be extended and shall continue until such time that there is satisfaction of such obligations. In the event of such an extension, the Independent Monitor may conduct such additional periodic audits as necessary to assess compliance with Paragraph VI.C.5 of this Order. In no event shall the Monitorship Period exceed a total period of twenty-four months from the date of submission of the initial compliance report.

**The provisions of this Order shall be effective as of this date.**

By the Commission.



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Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission

Dated: September 30, 2019