Guidelines for Standards of Market Conduct

Below is a non-exhaustive list of behaviours that would constitute market abuse, which may have a negative impact on the fair and effective operation of the market

Market Abuse Behaviours

Manipulation of price of futures contract and Cornering

- **'Cornering'** – Directly or indirectly, or attempt to corner the market of any commodity which is the subject of a futures contract in such volume that the manipulator gains a monopoly over it.
- **'Bear raiding'** – An attempt to heavy selling or short sell futures contracts with the aim to drive the price down allowing the futures contracts to be bought back at a lower price and thus make a profit on the difference.

False Trading – False or Misleading Appearance

- **'Pre- arranged trading'** – A trade that purports to have been executed in the exchange's competitive trading system which is in fact pre-arranged by bilateral negotiation.
- **'Wash sales'** – A trader carries out a pre-arranged trade that is essentially fictitious either with himself, or by arrangement with another trader. The trade aim to "wash-out" previous trade(s) to eliminate any profit or loss between the parties which does not involve a change in the beneficial owner.
- **'Spoofing'**– Submitting and cancelling single or multiple bids or offers in order to create a misleading impression of market depth or create (or attempt to create) an artificial price movement.
- **'Layering'** – Submitting multiple bids or offers to create (or attempt to create) a misleading impression of buying or selling pressure in order to move the market price and allow the trader to buy or sell at a lower/higher price. The original 'layered' bids or offers are then cancelled.
- Any behaviour that misleads other market participants as to the supply of, demand for, or price of a financial instrument.
- Any behaviour which secures, or is likely to secure, the price of a financial instrument at an abnormal or artificial level.

Fraudulently inducing persons to trade in futures contracts

- Disseminating information (e.g. through the Bloomberg chat, the media) which is false, misleading or deceptive as to the supply of, demand for, or price of a financial instrument.
- Omitting to state or dishonest concealment of a material fact which is necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading. For example, notifying market participants that there is a report on the spread of diseases which destroys major coffee plantations around the world which will result in a shortage of coffee beans, thereby causing the coffee prices to rise. However, the material fact that the report was made 10 years ago and modern day coffee beans are immune to such diseases was not made known.

Employment of fraudulent or deceptive devices

- Employing any device, scheme or artifice to defraud
- Engaging in any act, practice or course of business which operates as a fraud or deception

Intending to overload, delay or disrupt the systems of the Exchange or other market participants

Using algorithmic or high-frequency trading which have the effect of:

- **'Quote stuffing practices'** – Overloading the trading system with bids and offers, disrupting or delaying the functioning of the trading system. Making it difficult for other participants to identify genuine orders on the trading system by overloading with excessive market data.

Intending to disrupt, or acting with reckless disregard, in relation to trading or the fair execution of transactions

- **'Front running'** – Trading with prior knowledge of market events/ price sensitive information or orders to trade. For example, upon receipt of a large order from the client, the broker holds the client's order until his/her own personal trades were executed.
- **'Banging the close'** – A manipulative or disruptive trading practice whereby a trader buys or sells a large number of futures contracts during the closing period of a futures contract (that is, the period during which the futures settlement price is determined) in order to benefit from an even larger position in an option, swap, or other derivative that is cash settled based on the futures settlement price on that day.

Further Guidance

Further information about what constitutes market manipulation can be found in the below exchange publications, laws and regulations:

- Securities And Futures Act section 206 and 208
- Asia Pacific Exchange rule 407, 410 and 411
- Shanghai International Energy Exchange Co., Ltd., on Administration of Abnormal Trading Behaviour Rules
- CME Market Regulation Advisory Notice Rule 575
- Market Abuse Regulation — MAR (FCA)
- Commodity Exchange Act section 9
- Intercontinental Exchange Europe section E, para 2

Please also note that broader regulatory obligations under regulations of other jurisdictions such as MiFID 2 may apply.

Training Materials

Several associations have produced online training courses to help with improving the knowledge and awareness of future trading and other relevant knowledge:

- Singapore Exchange on Investor Education and Professional trading development
- Thomson Reuters on Preventing Market Abuse and other courses
- The Futures Industry Association ("FIA") on Market misconduct and exchange rules and regulations