



**BY ELECTRONIC TRANSMISSION**

Submission No. 16-33  
March 25, 2016

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

**Re: Amendments to Chapter 27-Electronic Trading Rules-- Submission Pursuant to Commission Regulation 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Regulation 40.6(a) ICE Futures U.S., Inc. (“IFUS” or “Exchange”) submits by written certification amendments to Chapter 27 of the Rules (contained in Exhibit A) which will become effective on April 11, 2016.

Chapter 27 sets forth various rules regarding electronic trading. As described below, the amendments: (i) conform various rules to the processes, systems and agreements currently employed by the Exchange; (ii) delete rule provisions which have become obsolete; and (iii) replace the word “Customer” with the word “Person” throughout the Chapter to more appropriately identify the full array of participants with access to use the electronic trading system (“ETS”).

Exchange Rule 27.03 sets forth the requirements for access to trade on the ETS. The rule currently allows a Clearing Member to authorize its “Customers” to have direct access to the ETS. The definition of the term Customer, however, refers to a person for whom an account is carried by the relevant member. As such, it does not include the many other types of market participants routinely authorized to have direct access, such as brokers executing for customers, persons trading accounts pursuant to a power of attorney and employees of firms with direct access, who do not have their own accounts. The amendments address this situation by replacing the term “Customer” with the broader term “Person” in Rule 27.03 to cover participants who trade on the ETS but might not have their own account. Similar conforming

amendments are made to Rules 27.04 through 27.09 and 27.12A, all of which track the language of Rule 27.03.

Exchange Rule 27.19 sets forth the matching, allocation, acceptance and adjustment process for electronic trading. It establishes the time when a trade is deemed made, which clearing member is responsible for it, and the means by which a trade and the financial responsibility for it can be passed to another clearing member. The amendments change the trade allocation and acceptance process described in the Rule to conform with the current systems and practices in place. They provide that matched trades are transmitted to PTMS (the Post Trade Management System) and are automatically allocated to, and deemed accepted by, the Clearing Member that authorized direct access for the participant who executed the trade; such Clearing Member is also financially responsible for the trade pursuant to Exchange Rule 27.04. A Clearing Member seeking to give-up such a trade must allocate it using the ACT (Allocation, Claim Transaction) system, and financial liability for the trade will not shift to the receiving Clearing Member unless and until it affirmatively accepts the trade--which must be done no later than the end of the trading session.

The amendments to Rule 27.05 delete two obsolete provisions which refer to trading restrictions that are no longer relevant, and the amendments to Rule 27.12 (g) update references to the current ICE system application that is used to allocate trades from a suspense account. Finally, Rule 27.22, has been amended to delete reference to the specific Exchange department that will issue certain notifications affecting trades, in favor of simply indicating that such notices will be issued by the Exchange.

The Exchange certifies that the amendments comply with the Commodity Exchange Act, as amended, and the regulations thereunder, including Core Principles 2, 7 and 11 as discussed above. There were no substantive opposing views to the amendments. The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website at (<https://www.theice.com/futures-us/regulation#rule-filings>).

If you have any questions or need further information, please contact me at [Audrey.hirschfeld@theice.com](mailto:Audrey.hirschfeld@theice.com).

Sincerely,



Audrey R. Hirschfeld  
SVP and General Counsel

cc: Division of Market Oversight

## EXHIBIT A

[in the text additions are underscored and deletions overstruck]

### Rule 27.03. Access to ETS

(a) All Clearing Members are eligible for Direct Access to the ETS upon execution of a ~~[n-Electronic User]~~ Participant Agreement and such other agreements required by the Exchange.

(b) A Clearing Member may authorize any eligible Person ~~[its Customers]~~ to have Direct Access to the ETS. A Person is eligible for Direct Access to the ETS upon execution of a ~~[n-Electronic User]~~ Participant Agreement and such other agreements required by the Exchange ~~[, and upon the authorization of a Clearing Member]~~.

(c) Clearing Members and ~~[Customers]~~ Persons with Direct Access may connect to the ETS through Direct Access by using an application provided by WebICE or another independent software vendor (“ISV”) which has been approved and authorized by the Exchange, or by developing their own application program interface (“API”) which has been approved and authorized by the Exchange

(d) A Clearing Member may permit its Customers to connect to the ETS by Order Routing ~~[, provided the Clearing Member maintains appropriate controls designed to facilitate the Clearing Member’s management of financial risk]~~. A Customer that connects to the ETS by Order Routing does not itself have Direct Access.

(e) The Exchange may refuse to grant Direct Access to any ~~[Customer]~~ Person which a Clearing Member seeks to authorize if the Exchange determines that granting Direct Access to such Person ~~[Customer]~~ is not consistent with the best interests of the Exchange. Any such refusal by the Exchange may be appealed by the Clearing Member and shall be considered by a panel of the Business Conduct Committee comprised of three members of the committee. Each panel shall determine the specific procedures to be applied, provided that the Clearing Member shall be afforded the opportunity to present such evidence as it deems relevant. Such a presentation shall be conducted informally with no transcript taken.

### Rule 27.03A. Access for Submitting Block Trades and Other Non-Competitive Transactions

(a) Block Trades, EFPs, EFSs and EOOs are non-competitive Transactions that may be executed in accordance with the Rules specifically applicable to them and submitted to the Exchange by the Customer or another Person authorized to do so by the Clearing Member carrying the account for which the Transactions are submitted (an “Authorized Person”).

(b) An Authorized Person must execute a Participant Agreement to Access the ETS to submit non-competitive trades permitted by the Exchange. ~~[who has not executed an Electronic User Participant Agreement shall have limited access to ETS for the sole purpose of submitting non-competitive Transactions permitted by the Exchange, provided that an ICEBlock Access and Use Agreement, or such~~

~~other agreement as the Exchange may require from time to time, has been duly executed by the Authorized Person.]~~

(c) Any Block Trade submitted to the ETS by an Authorized Person in accordance with this Rule that is not otherwise accepted by a Clearing Member shall be automatically cleared on the Trade date to the Clearing Member which authorized the submission of non-competitive trades by the relevant Authorized Person for the account to which the Authorized Person allocated such Block Trade.

#### **Rule 27.04. Clearing Member Responsibilities**

(a) Each Clearing Member is responsible for the financial obligations ~~[of each Customer for which it authorizes]~~ arising from Direct Access it authorizes for any Person and for each Customer for which it provides Order Routing access, with respect to all orders entered and Transactions executed under its Clearing Member Mnemonic.

(b) A Clearing Member is obligated to accept for clearance on the Trade date all ~~the~~ Trades ~~[executed and]~~ allocated to such Clearing Member that have been executed (i) by a Person through [by each Customer with] Direct Access that has been authorized by such Clearing Member [and for] and (ii) by a each] Customer for which it provides Order Routing access. Except as provided in Rule 27.08, a Clearing Member's obligation to accept such Trades for clearance shall remain in full force and effect until the Exchange terminates such Direct Access or Order Routing access and cancels all orders ~~[of the Customer with Direct Access or Customer for which it provides Order Routing]~~ as a result of the Clearing Member's written notice to the Exchange revoking ~~[such] its~~ authorization of such access.

(c) With respect to each ~~[Customer]~~ Person for which it has authorized [with] Direct Access or Customer for which it provides Order Routing access, the Clearing Member shall:

(i) take any and all actions requested or required by the Exchange with respect to such Person, ~~[Customer]~~, including, but not limited to, assisting the Exchange in any investigation into potential violations of the Rules or of the Act, and requiring ~~[such Customer]~~ them to produce documents, provide information, answer questions and/or to appear in connection with any investigation;

(ii) suspend or terminate the Direct Access if the Clearing Member has reason to believe that the ~~[Customer]~~ Person is enjoined by order, judgment or decree of any court of competent jurisdiction or of the CFTC or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any Commodity, security, option or similar instrument; or if ~~[the Customer]~~ a Person with Direct Access fails to have adequate systems and controls for risk management to monitor its orders and trades effected through Direct Access on a real time basis;

(iii) suspend or terminate ~~[the Customer]~~ such Person if the Clearing Member has reason to believe that their actions ~~[of the Customer]~~ threaten the integrity or liquidity of any Exchange Contract, violate the Rules or the Act, or if they [Customer] fail[s] to cooperate in any investigation; and

(v) independently maintain appropriate controls designed to facilitate the Clearing Member's management of financial risk and also utilize such controls designed to facilitate the Clearing Member's management of financial risk as may be provided by the Exchange from time to time.

(d) If a Clearing Member has actual or constructive notice of a violation or potential violation of the Rules or the Act in connection with the use of ETS by a Customer for which it provides Order Routing access or by a ~~[Customer]~~ Person with Direct Access which has been authorized by such Clearing Member, and the Clearing Member fails to take appropriate action, the Clearing Member may be found to have violated Rule 4.04 and subject to disciplinary action under the Rules.

#### **Rule 27.05. ETS Access From the Trading Floor**

(a) A Floor Member may have Direct Access from the Trading Floor, provided that a Clearing Member authorizes Direct Access of such Floor Member in accordance with Rule 27.03(b). A Floor Member shall execute such documents, register personnel and furnish such other information as the Exchange may require in connection therewith.

(i) A Floor Broker may authorize one (1) or more of his Clerks to enter orders for electronic execution from the Trading Floor by registering each Clerk with the Exchange and receiving from the Exchange a log-in identification for each Clerk. Each log-in identification shall be issued under the Floor Broker's eBadge. Clerks appropriately registered shall be deemed to be "Registered Operators" as such term is defined in Rule 27.09.

(ii) A Clerk may be a Registered Operator for only one (1) Floor Broker at any time. Notwithstanding the previous sentence, a Clerk may be a Registered Operator for more than one (1) Floor Broker as long as (A) all of the Floor Brokers only trade for their proprietary accounts and do not execute trades for any other Person, (B) all of the Floor Brokers are associated with each other and (C) the Clerk has and utilizes a separate log-in identification for each Floor Broker and such log-in identification contains the Floor Broker's eBadge for whom the Clerk is entering the Trade.

(iii) Until such time, as the Floor Broker terminates his registration of any Clerk as a Registered Operator under the Floor Broker's eBadge pursuant to subparagraph (a)(i) above and provides the Exchange with written notice of such termination, the Floor Broker will be responsible for any and all trades submitted to ETS by such Clerk.

~~(b) A Floor Broker may enter orders as follows: (i) for his proprietary accounts, orders may be placed in all Exchange Commodity Contracts, and (ii) for Customer accounts, orders may be placed only in the Exchange Commodity Contracts authorized by the Trading Membership or Trading Permit held by the Floor Member.~~

~~(c) Registered Operator may enter orders on a non-discretionary basis in any Exchange Commodity Contracts for the account of his employer, but may enter orders for the accounts of others only in those Exchange Commodity Contracts for which the employer is authorized.~~

(d) A Clearing Member is obligated to accept for clearance on the Trade date all Trades executed and allocated to such Clearing Member by each Floor Broker or his Registered Operator authorized by the Clearing Member to have Direct Access to ETS.

#### **Rule 27.06. Revocation of Direct Access Authorization by Clearing Member**

A Clearing Member that authorizes Direct Access for a Person [~~Customer~~] may revoke such authorization without prior notice to the Person [~~Customer~~]. Written notice of the revocation of such authorization shall be immediately provided to the Exchange, which shall thereby terminate the Direct Access that had been authorized by such Clearing Member and cancel all orders of the Person [~~Customer~~] in the system under the revoking Clearing Member's Mnemonic.

#### **Rule 27.07. eBadges and Responsible Individuals**

(a) Each Clearing Member and Person [~~Customer~~] with Direct Access (other than a Floor Broker) shall request one (1) or more eBadges as it deems necessary to accommodate the nature and volume of its business.

(b) At least one (1) Responsible Individual must be registered with the Exchange for each eBadge issued. The Exchange, in its sole discretion, may limit the number of, or require additional, eBadges and Responsible Individuals. Whenever a Responsible Individual is absent and therefore not able to be contacted, a Backup Responsible Individual must be registered with the Exchange to fulfill the role of a Responsible Individual.

(c) A Responsible Individual or, in his absence, a Backup Responsible Individual, must be reachable via telephone by the Exchange at all times that any of the eBadges as to which he is registered with the Exchange are in use.

(d) A Responsible Individual may be a trader or supervisor of other individuals who are traders.

#### **Rule 27.08. Effect of Termination or Suspension of Clearing Member**

If a Clearing Member terminates its Clearing Membership with the Exchange or has its Clearing Member privileges terminated or suspended by the Exchange or the Clearing Organization, the Direct Access of the Clearing Member, the Direct Access authorized by such Clearing Member to any Person [~~Customer~~], and any Order Routing provided to Customer shall automatically terminate on the effective date of the termination or suspension of such clearing privileges.

### **Rule 27.09. Required Identifications**

(a) Each individual Person [~~Customer~~] with Direct Access, employee of a Clearing Member or of a Person [~~Customer~~] with Direct Access, automated trading system and Customer that connects to the ETS by Order Routing must have a unique identification assigned to them in accordance with the procedure adopted by the Exchange from time to time in order to utilize ETS. Each Person or automated trading system assigned a unique identification shall be referred to as a “Registered Operator”. The unique identification assigned to a Registered Operator may not be reassigned to another Registered Operator.

(b) Orders entered on the ETS must include the unique identification assigned to the Registered Operator. A Registered Operator is prohibited from allowing any other Person or automated trading system to use such unique identification to enter orders on the ETS. A Registered Operator may not enter orders on the ETS using a unique identification that has not been assigned to the Registered Operator.

(c) Each Clearing Member and Person [~~Customer~~] with Direct Access shall file with the Exchange, in a method and format prescribed by the Exchange, information regarding each Registered Operator for whom the Clearing Member and/or the Person [~~Customer~~] with Direct Access has authorized access to the ETS and who is either (i) a Member, (ii) an employee of a Member, Member Firm, Person [~~Customer~~] with Direct Access or Clearing Member, (iii) individuals or employees of firms who participate in an Exchange market maker, market specialist or fee program, or (iv) any other Registered Operator as determined by the Exchange. Said information shall be filed with the Exchange prior to the date the Registered Operator is given access to ETS. Each Clearing Member and Person [~~Customer~~] with Direct Access shall ensure the accuracy of the registration information on file with the Exchange regarding its Registered Operators.

(d) Each order entered through an eBadge must contain the unique identification assigned in accordance with paragraph (a) of this Rule that identifies the Registered Operator who entered the order. Each Registered Operator must utilize a client application that automatically populates the unique identification for every order.

(e) A Registered Operator shall be subject to the Rules, including, but not limited to, the Rules of this Chapter and Rules relating to order handling, trade practices and disciplinary proceedings. It shall be the duty of the Person who employs the Registered Operator to supervise the Registered Operator’s compliance with the Rules, and any violation thereof by such Registered Operator may be considered a violation by the employer.

### **Rule 27.12. Order Entry**

\*\*\*\*

(g) The account designation must be an account number, account name or other identifying notation that is uniquely tied to a specific account owner for whom the order is placed.

(i) A suspense account may be utilized at the time of order entry for bunched orders that are eligible for post-trade allocation and which are made, time-stamped and executed pursuant to and, in

accordance with, Rule 6.08 and CFTC Regulation 1.35(a-1) (5), provided that the appropriate account designation is entered [~~into TIPS~~] by the end of the Trading Session into ACT or such other system as may be designated by the Exchange from time to time.

(ii) A suspense account may be utilized at the time of order entry for any other order, provided, however, that a contemporaneous written order ticket containing the correct account designation is made, time-stamped and maintained in accordance with Rule 6.08 and the appropriate account designation is entered, [~~into PTMS~~] by the end of the Trading Session into ACT or such other system as may be designated by the Exchange from time to time.

### **Rule 27.12A. Audit Trail Requirements for Electronic Orders Submitted Through Direct Access or Order Routing Systems**

(a) Each Clearing Member connecting to the ETS by Direct Access is responsible for (1) maintaining or causing to be maintained, and producing upon request of the Exchange, the audit trail for all orders submitted to the Exchange through its Direct Access connection and any Order Routing system and (2) producing upon request of the Exchange audit trail records for each Person [~~Customer~~] with Direct Access that has been authorized by the Clearing Member to have such a connection. Each Person [~~Customer~~] connecting to the ETS by Direct Access is responsible for maintaining or causing to be maintained the audit trail for all orders submitted to the Exchange through its Direct Access connection.

(b) A Clearing Member or Person [~~Customer~~] with Direct Access that has arrangements for a third party to maintain audit trail information on its behalf shall remain responsible for compliance with this Rule.

(c) The audit trail for electronic orders must include, at a minimum, the following order data:

(i) date and times of (A) order entry, (B) order receipt and (C) all modification and cancellation messages submitted to ETS and responses to such messages. The times of order entry, order receipt, order modification and responses must reflect the highest level of precision provided by the API, but not less than one hundredth of a second and shall not be subject to modification or alteration by the Person entering the order; and

(ii) the following order details: (A) Exchange Commodity Contract; (B) expiration month; (C) buy/sell indicator; (D) futures or option indicator; (E) if option, put/call designation; (F) quantity; (G) if a reserve quantity order, the reserve quantity; (H) order type; (I) price; (K) stop price; (L) if option, strike price; (M) time-in-force; (N) Clearing Member ID; (O) account number; (P) customer type indicator; (Q) ETS log-in identification; (R) authorized trader tags (Tag numbers 116, 115 and 144); (S) client order identification; (T) Exchange order identification; and (U) order status.

(d) Orders that are eligible for post-execution allocation may be entered into ETS as long as the Person placing such orders, and the allocation of such orders comply with the requirements of Rule



6.08(c) (“Bunched Orders”). Bunched Orders may be entered using a suspense account number provided that, either

the orders are being placed by an Eligible Account Manager; or

(ii) a written, pre-determined allocation scheme(s) has been provided to the Futures Commission Merchant (“FCM”) carrying the account(s) prior to the time that such orders are entered into ETS; provided, however, that, if the allocation scheme(s) has not been submitted to the FCM, each specific account number must be entered into ETS at the time of order entry.

For all Bunched Orders executed on the ETS, the final specific account allocations must be submitted to the Exchange in accordance with the Rules.

(e) The electronic audit trail must be maintained for a minimum of five (5) years. Upon the request of the Exchange, each Clearing Member must have the ability to produce to the Exchange the audit trail data in a format prescribed by the Exchange.

#### **Rule 27.19. Order Execution**

(a) A Trade is executed in ETS when the following conditions occur:

(i) one order is a bid and the other is an offer;  
(ii) the two orders are for the same Exchange Commodity Contract and delivery or expiration month and, if an Option order, the same Strike Price and Option type, if available; and

(iii) the price of the bid (offer) equals or is greater (less) than the price of the offer (bid).

(b) All orders entered and activated are queued by the time of entry or amendment and matched on a first-in-first-out price and time priority basis.

(c) Details of each Trade made on ETS will be recorded by the Exchange, and confirmation of the Trade will be displayed on ETS for each Registered Operator who is a party to the Trade.

(d) Each ~~matched~~ executed Trade shall be transmitted to PTMS, at which time each side of the Trade will be allocated to, and deemed accepted by, the Clearing Member which authorized Direct Access or provided Order Routing access for their Trade side. Each such Clearing Member shall be financially liable for their Trade side in accordance with Rule 27.04 unless it is subsequently accepted by another Clearing Member through the ACT System. The allocation of a Trade side in ACT shall be made as soon as practicable after the Trade is executed, and the receiving Clearing Member shall become financially liable under Rule 27.04 upon affirmatively accepting the Trade in accordance with the procedures specified by the Exchange from time to time. Acceptance by the receiving Clearing Member shall take place as soon as practicable, but in no event later than the end of the Trading Session in which it was executed. ~~Executing Floor Brokers and Clearing Members will be able to view their matched Trades.~~

(i) ~~[A Trade allocated to a Clearing Member will be deemed accepted by such Clearing Member unless such Trade has been challenged by the end of the Trading Session the Trade was submitted for clearance.]~~

(ii) ~~[A Trade submitted to ETS by a Person with Direct Access that is not otherwise accepted by the Clearing Member to which it is allocated will automatically clear to the account of the Clearing Member which authorized Direct Access to the Customer.]~~

~~(iii)~~(e) All mechanical adjustments shall be made through ~~[TIPS/]~~ PTMS. Any ~~[Registered Operator submitting]~~ submission of a mechanical adjustment shall include all information required by ~~[TIPS/]~~ PTMS to process such mechanical adjustment.

~~(f)~~(f) Failure of ETS to broadcast any message in respect of a Trade made in ETS, an ~~[order book,]~~ order or any part thereof, shall not invalidate any Trade recorded by the Exchange.

~~(g)~~(g) In the event that ETS or any part of ETS fails, the Exchange's determination that a Trade has or has not been made on ETS shall be conclusive and binding. ~~[Such determination shall be made by Market Supervision.]~~

#### **Rule 27.22. Invalid Trades**

Notwithstanding the Reasonability Limits, where applicable, a Trade made or purported to be made on ETS may be declared invalid by the Exchange in the following circumstances:

\* \* \*

##### (d) Notification

(i) When a Trade is declared invalid by the Exchange and is removed from PTMS, the parties to the Trade will be notified ~~[by Market Supervision]~~ of that fact and a message will be broadcast on ETS announcing the Exchange Commodity Contract, delivery or expiration month and price level of the invalid Trade.