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**BY ELECTRONIC TRANSMISSION**

Submission No. 18-350
May 23, 2018

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

**Re: Amendments to ICE Futures U.S. Error Trade Policy**
**Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), ICE Futures U.S., Inc. ("IFUS" or "Exchange") hereby self-certifies the amendments to the Exchange's electronic trading system ("ETS") and Error Trade Policy, set forth in Appendix I to Chapter 4 of the Exchange's Rules. The amendments to the Error Trade Policy, set forth in Exhibit A, track a change to the ETS, which will allow an incoming limit order that is priced within the applicable Reasonability Limit ("RL") to match and trade against a resting order which had been priced within the RL that existed at the time such order was entered, but outside the RL at the time of the transaction.

The RL is intended to prevent "fat finger" type errors. The level for each product varies and is defined as the amount by which the price of an Exchange contract may increase or decrease in one trading sequence from the last traded price of that delivery or expiration month or the amount the price may change from a price determined by the ETS algorithm. Limit orders to sell at prices below the lower RL and limit orders to buy at prices above the upper RL at the time the order is entered will be rejected.

Limit orders submitted to the ETS are validated at time of entry against the applicable RL. Bids must be at or lower than upper RL and offers must be at or higher than lower RL. Those orders remain in the market even when market moves may result in the price of a resting order being outside of the current RL band. Currently, when an incoming order that is priced within the current RL band attempts to match with a resting order with a limit price outside the current RL, the ETS prevents the match by rejecting the incoming order, even though it is priced within the RL. While this condition occurs rather infrequently and only in thinly traded markets, it can create a condition where the affected market is not tradeable unless the Exchange acts to adjust the RL (even though there has been no fat finger type error and new orders are being entered within the current RL).

In order to eliminate such occurrences, the Exchange is implementing a change to the trading system that will allow an incoming limit order that is priced within the applicable RL band to match and trade against a resting order which had a price within the RL band that existed at the time it was entered but is now outside the current RL band. Consistent with the existing language of the Error Trade Policy, the Exchange's Market Supervision Department, will retain to authority, in its sole discretion, to adjust or cancel any trade that it deems to have been executed at an unreasonable price in accordance with the Error Trade Policy. An additional amendment to Error Trade Policy makes clear that No-Cancellation Ranges (NCRs) are posted on the Exchange's website.

The Exchange is not aware of any opposing views and certifies that the amendments to the ETS and Error Trade Policy, which will become effective on June 11, 2018, comply with the requirements of the Act and the rules and regulations promulgated thereunder. In particular, the amendments comply with Core Principle 9 (Execution of Transactions) and Core Principle 12 (Protection of Market participants). The amendments will prevent limit orders, which are entered at prices within the RL from being rejected by the ETS. This is consistent with the requirements for a competitive, open and efficient market. Further, the Exchange will continue to have the authority to adjust or cancel any trade that it deems inequitable or unreasonable. The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website, which may be accessed at (https://www.theice.com/futures-us/regulation#Rule-Filings).

If you have any questions or need further information, please contact me at 212-748-4021 or at jason.fusco@theice.com.

Sincerely,

Jason V. Fusco
Assistant General Counsel
Market Regulation

Enc.
cc: Division of Market Oversight

# EXHIBIT A

## APPENDIX I
## ERROR TRADE POLICY

**1. Regulatory Considerations**

The Exchange considers appropriate systems and controls to be important in reducing the likelihood of orders being entered in error, preventing the execution of trades at unrepresentative prices and reducing the market impact of such trades. Such systems and controls should be present at both the Exchange level (on the trading system itself and within the Exchange Regulations) and at the Clearing Member level. These include:

A. ETS configuration facilities:

i. price reasonability limits, set by the Exchange, which prevent ~~the execution of trades~~ entry of orders outside of these limits;
ii. volume reasonability limits, set by the Exchange, which prevent volumes above a certain level to be either designated for trading or traded;
iii. optional pre-confirmation messages which appear before the execution of all orders; and
iv. an option to designate the quantity that a user may wish to expose to the market at one time rather than trading the total quantity that is available to be traded at a specified price.

B. The Rules which provide the Exchange with absolute discretion to delete orders, adjust prices, cancel trades or suspend the market in the interests of maintaining a fair and orderly market.

C. Off-Exchange Transactions submitted to the Exchange through ICEBlock for clearing purposes will not be subject to this Error Trade Policy. Rather, those trades may be adjusted or cancelled by the submitting broker or by the Exchange upon mutual agreement of and per the instructions of the two counterparties.

**2. Main Components of Policy**

**A.** In normal circumstances, the Exchange will only adjust prices or cancel trades on the basis that the price traded is not representative of market value. Any trade where the only error is the number of contracts traded and not the price at which they are traded, will not be subject to cancellation. The Exchange will make the final decision on whether a trade price is adjusted, or a trade is cancelled or is allowed to stand. In determining whether a trade has taken place at an unrepresentative price, certain factors will be taken into account. They may include, but not be limited to:

- price movement in other delivery months of the same contract;
- current market conditions, including levels of activity and volatility;
- time period between different quotes and between quoted and traded prices;
- information regarding price movement in related contracts, the release of economic data or other relevant news just before or during electronic trading hours;
- manifest error;
- whether there is any indication that the trade in question triggered stops or resulted in the execution of spread trades;

- whether another market user or client relied on the price;
- any other factor which the Exchange, in its sole discretion, may deem relevant.

Price adjustments are limited to error trades executed in such futures and options contracts as determined by the Board from time to time.

It should be noted that the Exchange has the unilateral right to adjust a price or cancel any trade clearly executed in error where there has been no request from a market user, in the interest of maintaining a fair and orderly market. The Exchange aims to exercise this right promptly after the trade has been identified. The decision of the Exchange will be final.

**B**. The Exchange, when applicable, may set and vary price Reasonability Limits within the system for each Contract beyond which the ETS will not ~~execute~~ accept limit orders. These limits necessarily are flexible to take account of prevailing market conditions. The ETS incorporates price Reasonability Limits to prevent 'fat finger' type errors that cap the amount the price may change in one trading sequence from the anchor price. These limits are set by the Exchange and may be varied without notice according to market conditions. ~~Beyond these limits, the ETS will not execute orders unless the market moves to bring them within the Reasonability Limit.~~

Limit orders to sell at prices below the lower Reasonability Limit and limit orders to buy at prices above the upper Reasonability Limit will not be accepted by the ETS.

Any trade executed at a price outside of the No Cancellation Range, or for calendar spreads outside of the Calendar Spread Stop-Limit Order Ranges, ~~but within the price Reasonability Limits,~~ if identified to the Exchange within the designated time period, may be considered an alleged error trade.

The Reasonability Limits, No Cancelation Ranges and the Calendar Spread Stop-Limit Order Ranges applicable to each product traded on the ETS is listed in a table on the Exchange's web site.

Any trade which is alleged as an error trade and subsequently is cancelled due to the determination that it has been executed at an unrepresentative price may be investigated by the Exchange.

**C**. There is a defined No Cancellation Range for each Contract; or a defined Calendar Spread Stop-Limit Order Range for each calendar spread Contract. Trades executed within this price range will not, under normal circumstances, be cancelled or price adjusted. A component of market integrity is the assurance that once executed, except in exceptional circumstances, a trade will stand and not be subject to cancellation or price adjustment. Any trades that do not have an adverse effect on the market should not be able to be cancelled or price adjusted, even if executed in error.

The Exchange determines parameters above or below an Exchange set Anchor Price for each Contract within which a trade alleged as an error trade may not be cancelled or price adjusted. Such parameters are known as a 'No Cancellation Range'. The No Cancellation Range applicable to each product traded on the ETS is listed in a table on the Exchange's website.

The Anchor Price is set by the Exchange and is based on the front contract month, provided however, that, when the front month nears expiration, the Anchor Price will be based on the delivery month with the most open interest. The determination as to when to shift the Anchor Price based on open interest will be made by the Exchange. The Anchor Price may be the previous night's settlement price, the opening call price or the last traded price. The Anchor Price of the second contract month and successive months onward is achieved by applying spread differentials against the front month Anchor Price.

If a trade takes place within the No Cancellation Range and is alleged as an error, the trade will not be cancelled or price adjusted.

**D**. When applicable, trades executed ~~within the price Reasonability Limits but~~ outside of the defined No Cancellation Range may be reported to or considered by the Exchange as an error.

**E**. Market users have eight (8) minutes from the time of the original trade in which to allege a trade as having been executed in error.

**F.** The Exchange Market Supervision Official will notify the market immediately via an ETS broadcast message that an error has been alleged, giving details of the trade including contract month, price and volume. The Exchange will then notify users by the broadcast message facility whether the price is adjusted or the trade is cancelled or stands. The Exchange will then contact those parties involved in the trade to explain the Exchange's decision.

**G**. In order to assist the Exchange in determining whether the trade alleged as an error has taken place at an unrepresentative price, the Exchange may contact/consult Users and other market participants. The Exchange will not disclose to the parties to the alleged error trade the identity of their counterparty. The identities of the counterparties to the alleged error trade will not be disclosed to any market user the Exchange may consult with. The Exchange will take into account a variety of market factors in its determination, including whether consequential trades have resulted. Each error situation will be assessed on its individual circumstances. The Exchange will determine whether or not the price is adjusted or the trade will be cancelled.

**H.** If the Exchange determines that a futures or options trade price is to be adjusted, the adjusted price may be:

(1) outside the terms of the Limit Order for which the trade was executed, and, in such instances, the adjusted price shall be applied to the Limit Order despite being outside the order terms; or

(2) below the Stop Price of a buy Stop Order or above the Stop Price of a sell Stop Order, and, in such instances, the adjusted price shall be applied to the Stop Order despite the fact that the trade price sequence after any price adjustments would not have elected the Stop Order.

**I**. If the Exchange determines that a trade price is outside the No Cancellation Range for a futures contract, the trade price may be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the No Cancellation Range. The Exchange, at its discretion, may allow the trades to stand or cancel the trades rather than adjusting the price. The decision of the Exchange is final.

**J.** If the Exchange determines that the premium of an option trade is not representative of the market value for that option as determined by the Exchange at the time of execution, then the premium of such option trade may be adjusted to the value of the option at the time the trade under review occurred, plus or minus the No Cancellation Range. The Exchange, at its discretion, may allow the trades to stand or cancel the premium rather than adjusting the premium, and may consider timely input from the parties to an alleged error trade in making such a determination. The decision of the Exchange is final.

**K.** If the Exchange determines that the price differential of a spread is not representative of the market for that spread at the time of execution, then the differential of such spread may be adjusted to the price differential for that spread at the time the trade under review occurred, plus or minus the Calendar Spread Stop-Limit Order Range for that spread, or the spread/differential No Cancellation Ranges for

Energy products. The Exchange, at its discretion, may allow the trades to stand or cancel the trades rather than adjusting the price differential.

**L**. Where consequential trades based on the price of the alleged error trade are executed after the Market Supervision official has notified the market of the alleged error trade, and where the Exchange, after consultation, subsequently determines that the price of the alleged error trade is adjusted or the alleged error trade is cancelled, these consequential trades may have their prices adjusted, may be allowed to stand or may be cancelled at the discretion of the Exchange. The decision of the Exchange will be final. One of the factors taken into consideration by the Exchange will be whether the alleged error trade triggered contingent orders or resulted in the execution of spread trades or whether another market user or client relied on the price to execute consequential trades.

When resolving a situation involving consequential trades, the Exchange will consider these on a case by case basis, evaluating each situation on its individual circumstances and merits. When considering its approach, the Exchange will consider those consequential trades directly related to the error trade and consider reasonably any trades (specifically spread trades) which have been derived from the error itself and those executed as a result of it.

In circumstances where trades are executed as a consequence of the alleged error trade after the Exchange Market Supervision Official has notified the market of the alleged error trade, should the alleged error trade subsequently have its price adjusted or be cancelled, these consequential trades may have their prices adjusted, may be allowed to stand or may be cancelled at the discretion of the Exchange. The decision of the Exchange will be final.

**M.** The Exchange will make every attempt to ensure that a decision on whether an alleged error trade will have its price adjusted, will stand or be cancelled will be communicated to the market as soon as reasonably possible after the time of the original trade.

**N.** The Exchange has the unilateral right to cancel any order, adjust the price of a trade and cancel any trade which it considers to be at an unrepresentative price where there has been no referral or request from a market user. The Exchange reserves its right to consider each alleged error trade situation on its individual merits and may therefore amend these policies in light of the circumstances of each individual case. The decision of the Exchange is final.

**O.** Cancelled trades and prices that have been adjusted will be cancelled in the Exchange's official record of time and sales. Trades that are priced adjusted will be inserted in the official record of time and sales at the adjusted trade price.

## 3. Exchange Market Supervision Official – Contact with Responsible Individuals/Users

All requests to cancel orders or Trades must be directed to the Market Supervisor ***(212 748-3949)*** via the Responsible Individual responsible for the order(s). Any request for the removal of orders made to the Market Supervision Official by the Responsible Individual will be acted upon on a best efforts basis by the Market Supervision Official.