ICE FUTURES U.S.

55 East 52nd Street
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BY ELECTRONIC TRANSMISSION

Submission No. 18-372
June 29, 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 Block Trade FAQ -
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), ICE Futures U.S., Inc. ("Exchange") hereby certifies an amendment to its Block Trade Frequently Asked Questions ("Block Trade FAQ"), as set forth in Exhibit A, which the Exchange is implementing by self-certification effective July 17, 2018. The amendments provide further guidance on the permissibility of multi-exchange inter-commodity strategies. Specifically, the amendments permit the execution of block trades in inter-commodity futures and options spreads where one leg includes an ICE Futures U.S. energy contract and another leg includes an ICE Futures Europe energy contract, provided that the sum of the quantities of the legs meets the MQR for the ICE Futures U.S. product.

The Exchange requests this amendment, as the energy products listed on ICE Futures U.S. and ICE Futures Europe are highly correlated and have multiple overlapping participants that currently engage in multi-exchange inter-commodity trading strategies in those products. The addition of this trading scenario is similar to the permissibility of multi-exchange block trades in sugar futures contracts under FAQ #20.

The Exchange certifies that the Block Trade FAQ complies with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that the Block Trade FAQ complies with Core Principles 2 (Compliance with Rules) and 9 (Execution of Transactions), and is made in furtherance of Core Principle 7 (Availability of Information). The Block Trade FAQ provides guidance regarding the interpretation of Exchange Rule 4.07 by answering frequently asked questions related to block transactions.

The Exchange is not aware of any substantive opposing views expressed by members or others with respect to the amendments and certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (https://www.theice.com/futures-us/regulation).

If you have any questions or need further information, please contact me at 312-836-6745 or at patrick.swartzer@theice.com.

Sincerely,

Patrick Swartzer
Manager
Market Regulation

Enc.
cc: Division of Market Oversight
New York Regional Office

EXHIBIT A

ICE FUTURES U.S.
BLOCK TRADE – FAQs

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14. May spreads or combination trades be executed as block trades?

Yes. Spreads and combinations may be executed as block trades provided the trade represents a unified strategy controlled by a single entity and executed for a single account or group of eligible accounts (see Question 17).

<u>Intra-commodity</u>

Intra-commodity futures spreads, intra-commodity options spreads may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the requisite minimum quantity requirements ("MQR").

For example, the MQR for the Henry Basis Future contract ("HEN") is 25 contracts. A 15 lot September 2012 / October 2012 HEN spread may be blocked as a block trade. Please note that the 15 September 2012 and 15 October 2012 *may be aggregated* to satisfy the 25 lot MQR.

<u>Inter-commodity</u>

Inter-commodity futures spreads, inter-commodity options spreads and inter-commodity combination transactions may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the largest MQR for the underlying products.

For example, the MQR for the MISO Indiana Real Time Financial Off-Peak futures contract ("CPO") is 10 contracts and the MQR for the NYISO Zone A Financial Off-Peak futures contract ("AOP") is 78 contracts. A 50 lot September 2012 CPO/ October 2012 AOP inter-commodity spread may be blocked as a block trade. Please note that the 50 September 2012 CPO and 50 October 2012 AOP *may be aggregated* to satisfy the largest MQR of 78 lots (AOP).

<u>Futures/Options Combination</u>

Inter-commodity and intra-commodity combination block trades may be executed in all products where the option contract is eligible for block execution.

In order for a combination to meet the requirements for block execution, *the sum of the quantities* of the options leg must satisfy the requisite MQR (please review the Intra/Inter Commodity language reflected above to determine the required

MQR). While the futures leg does *not* need to separately satisfy the requisite MQR, the futures leg *must* offset the net options position of the options leg(s). Please note that the futures leg cannot be greater or less than the number of contracts required to offset the net delta of the options leg(s).

For example, assume that a block combination trade for Henry Penultimate options ("PHE") and futures ("PHH") is agreed between two parties, consisting of 80 lots of December 2012 PHE $4.00 Calls and 16 November 2012 PHH futures contracts (a 20 delta). Since the MQR for options on Henry Penultimate (PHE) is 60 lots, the options quantity complies with the MQR for the options portion of the combination trade; given the options quantity of 80 lots and the 20 delta for the options, the future quantity of 16 lots is equal to the net delta of the options position (calculated by multiplying the options quantity by the delta, or 80 X .2000 = 16 lots), and therefore the futures quantity complies with the volume requirement for the futures position of the combination. If the futures quantity in this example were significantly larger or smaller than 16 lots, it would not comply with the volume requirement for the futures portion of a combination block trade.

Multi-Exchange Inter-Commodity Strategies

Inter-commodity futures and options spreads in energy contracts (Natural Gas, Power, Physical Environmental, Liquefied Natural Gas, and Oil) where one leg includes an ICE Futures U.S. contract and another leg includes an ICE Futures Europe contract may be executed as a block trade provided that the sum of the quantities of the legs meets the MQR for the ICE Futures U.S. product.

A strategy that includes an ICE Futures U.S. contract and a contract from an exchange other than ICE Futures Europe may not combine the quantities of the legs to meet the MQR. Instead, the block trade quantity must meet the MQR of the ICE Futures U.S. contract.

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