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New York, New York 10055

**BY ELECTRONIC TRANSMISSION**

Submission No. 17-113  
July 14, 2017

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

**Re: Weekly Notification of Rule Changes**  
**Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6 (d)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commodity Futures Trading Commission ("Commission") Regulation 40.6(d), ICE Futures U.S., Inc. ("Exchange") submits notification to the Commission that, during the week of July 10-14th, the Exchange amended the Rules and FAQs set forth in Exhibits A-C. All of the amendments relate to the integration of chapter 27 (Electronic Trading Rules) into Chapter 4 (Trading Rules) so that all rules related to trading are contained in a consolidated Chapter 4 as renumbered and attached as Exhibit A. Certain definitions previously located in chapter 27 have been moved into the Definitions chapter of the Rules and are contained in Exhibit B to this submission along with other rules in which cross-references have been updated. Finally, Exhibit C contains three FAQs in which the cross references to Chapter 4 have been updated.

If you have any questions or need further information, please contact me at 212-748-4083 or at [Audrey.hirschfeld@theice.com](mailto:Audrey.hirschfeld@theice.com).

Sincerely,

A handwritten signature in blue ink that reads "Audrey R. Hirschfeld".

Audrey R. Hirschfeld  
SVP and General Counsel

Enc.  
cc: Division of Market Oversight

## EXHIBIT A

[In the text below additions are underscored and deletions struck through]

### CHAPTER 4--TRADING

#### GENERAL TRADING RULES

##### **Rule 4.00. Compliance with Rules and Orders; Consent to Jurisdiction**

(a) Any Person initiating or executing a Transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

~~Rule 4.12 Duty to Furnish Information~~ (b) It shall be a violation of the Rules for any Person to furnish false information, or fail to furnish information when requested, to the Board or to any committee, subcommittee, officer or employee of the Exchange in the course of its, their, or his duties.

~~Rule 4.13 Compliance with Terms of Exchange Decisions and Orders~~ (c) It shall be a violation of the Rules for any Person to violate, or fail to comply with, the terms of any agreement with the Exchange or any order or decision of, or any suspension imposed by, the Exchange, the Board or any committee or subcommittee of the Exchange, including, without limitation, any Hearing, Arbitration or Appeals Panel;

##### **Rule 4.01. Duty to Supervise**

(a) Every Person shall diligently supervise the Exchange-related activities of such Person's employees and shall be responsible for the acts and omissions of such employees.

(b) Each Member and Member Firm which employs a Clerk must be present or have a Member who is either an associate of the Brokers Association or Member Firm that employs such Clerk present on the premises occupied by the Exchange at all times during which such Clerk is engaged in Exchange-related activities.

##### **Rule 4.02. Trade Practice Violations**

In connection with the placement of any order or execution of any Transaction, it shall be a violation of the Rules for any Person to:

- (a) Manipulate, or attempt to manipulate, the price of any Commodity traded on the Exchange;
- (b) Corner, or attempt to corner, any Commodity traded on the Exchange;
- (c) Execute a wash sale, accommodation Trade, fictitious sale or prearranged Trade;
- (d) Commit or attempt to commit fraudulent action on the Exchange or use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;

(e) Withhold or withdraw from the market any order or any part of an order for the convenience of another Person;

(f) Prearrange the execution of transactions in Exchange products for the purpose of passing or transferring equity between accounts;

(g) Engage in cross trading other than in accordance with the following procedures:

(1) Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications as defined in sub-paragraph (k) of this Rule.

(2) Orders on opposite sides of the market that are simultaneously placed for different beneficial accounts by a Person with discretion over both accounts must be entered into ETS as Crossing Order ("CO") which contains both the buy and sell orders.

(3) An order that allows for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order received by the same intermediary only as part of a CO which contains both the buy and sell orders.

(h) Engage in front running;

(i) Disclose or divulge the buy or sell order of another Person except (1) in furtherance of executing the order, (2) at the request of an authorized representative of the CFTC or (3) pursuant to sub-paragraph (k) of this Rule regarding certain pre-execution communications.

(j) knowingly enter, or cause to be entered, a Transaction in which the opposite side of a Customer order is executed for an account which is owned or controlled, or in which an ownership interest is held, by an intermediary handling the Customer order, or for the proprietary account of the employer of such an intermediary, without submitting to ETS a Crossing Order ("CO") consisting of both the Customer order and the order for such other account, provided, however, that any Transaction that is consummated without the knowledge of the intermediary shall not be considered to have violated this Rule.

(k) Engage in pre-execution communications, except in accordance with the following procedures:

(1) For the purposes of this Chapter, pre-execution communications shall mean communications between two (2) market participants for the purpose of discerning interest in the execution of a Transaction prior to the terms of an order being entered on the ETS and visible to all market participants on the electronic trading screen.

(2) A market participant may engage in pre-execution communications with regard to Transactions executed on ETS where a market participant wishes to be assured that another market participant will take the opposite side of an order under the following circumstances:

(A) If a Customer order is involved, the Customer has previously consented to such communications being made on its behalf;

(B) A party to pre-execution communications shall not disclose the details of such communications to any Person who is not a party to the communications;

- (C) A party to pre-execution communications shall not enter an order to take advantage of information conveyed during such communications, except in accordance with this Rule;
  - (D) Each order that results from pre-execution communications must be executed by entry into ETS of a CO consisting of both the buy and sell orders, and
  - (E) Once the terms of a CO have been agreed to, the parties may not delay entry of the CO and may not enter a Request for Quote (“RFQ”) until the CO is transacted.
- (I) Engage in any other manipulative or disruptive trading practices prohibited by the Act or by the Commission pursuant to Commission regulation, including, but not limited to:
- (1) Entering an order or market message, or cause an order or market message to be entered, with:
    - (A) The intent to cancel the order before execution, or modify the order to avoid execution;
    - (B) The intent to overload, delay, or disrupt the systems of the Exchange or other market participants;
    - (C) The intent to disrupt the orderly conduct of trading, the fair execution of transactions or mislead other market participants, or
    - (D) Reckless disregard for the adverse impact of the order or market message.
  - (2) Knowingly entering any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly entering, or causing to be entered, bids or offers other than in good faith for the purpose of executing *bona fide* Transactions.

**Rule 4.03. Dual Trading Violations**

(a) Prohibited Purchases. It shall be a violation of the Rules for any Person to purchase, on the ETS market, any Exchange Futures Contract or any Exchange Call Option or sell any Exchange Put Option for his own account or for any account in which he has any direct or indirect interest while holding an order of another Person for the same Commodity for the purchase of an Exchange Futures Contract or Exchange Call Option or sale of an Exchange Put Option, which is executable at the market price or at the price at which such purchase can be made for such Person’s own account or for the account in which he has an interest.

(b) Prohibited Sales. It shall be a violation of the Rules for any Person to sell, on the ETS market, any Exchange Futures Contract or any Exchange Call Option or buy any Exchange Put Option for his own account or for any account in which he has any direct or indirect interest while holding an order of another Person for the same Commodity for the sale of an Exchange Futures Contract or Exchange Call Option or purchase of an Exchange Put Option, which is executable at the market price or at the price at which such sale can be made for such Person’s own account or for the account in which he has an interest.

**Rule 4.04. Conduct Detrimental to the Exchange**

It shall be a violation of the Rules for any Person to fail to conform to, the Rules or the procedures of the Exchange or the Clearing Organization, or to engage in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange.

#### **Rule 4.05. Prohibition on Dissemination of False Information**

It shall be a violation of the Rules for any Person to disseminate any false, misleading or knowingly inaccurate information, including reports concerning crop or market information or conditions that affect or tend to affect the price of any Commodity traded on the Exchange.

#### **Rule 4.06. Exchange for Related Position**

(a) The following transactions shall be permitted by arrangement between the parties in accordance with the requirements of this Rule, each type of transaction being referred to as an Exchange for Related Position ("EFRP"):

(i) AA or EFP Transaction: A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding related cash position;

(ii) EFS or Exchange for Risk ("EFR"): A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding related OTC swap or other OTC instrument;

(iii) Exchange of Options for options ("EOO"): A privately negotiated and simultaneous exchange of an Exchange Option position for a corresponding related OTC option position or other OTC instrument with similar characteristics.

#### **(b) EFRP Transaction Requirements**

(i) An EFRP Transaction shall consist of two discrete but related simultaneous transactions in which one party must be the buyer of (or the holder of the long market exposure associated with) the related position and seller of the corresponding Exchange contract, and the other party to the EFRP Transaction must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Exchange contract. The related position must involve the commodity underlying the Exchange Futures Contract or Option (or any by-product or related product) in a quantity that is approximately equivalent to the quantity covered by the Exchange Futures Contract or Option. Exchange Traded Funds ("ETFs") are an acceptable cash or physical component of an EFP.

(ii) Each EFRP requires a bona fide transfer of ownership of the Cash Commodity between the parties or a bona fide, legally binding contract between the parties consistent with relevant market conventions for the particular related product transaction.

(iii) The execution of an EFRP transaction may not be contingent upon the execution of another EFRP or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

(iv) The accounts involved in the execution of an EFRP Transaction must be (A) independently controlled with different beneficial ownership; or (B) independently controlled accounts of separate legal entities with the same beneficial ownership; or (C) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units.

(v) The parties to an EFRP Transaction shall maintain all documents relevant to the Exchange contract and the related position including all documents customarily generated in accordance with the relevant market practices, including, as applicable, copies of the documents evidencing title to, or the contract or contracts to buy or sell, the Cash Commodity (or the by-product or related product) involved in such Transaction, and master swap agreements and any supplements thereto. Any such documents and information shall be furnished to the Exchange upon request. The carrying Clearing Member shall be responsible to provide such requested documents and information on a timely basis.

(vi) EFRP Transactions executed on the Last Trading Day for any delivery month in any Sugar No. 11 or Sugar No. 16 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(vii) EFPs which result in the parties immediately offsetting (i) a foreign currency cash transaction with the cash leg of a foreign currency EFP and (ii) an ICE Benchmark Administration (“IBA”) London Gold Auction (“Auction”) delivery obligation with the cash leg of a Gold Futures Daily Futures Contract EFP are permitted. Such transactions are not permitted for any other asset classes or Commodity Contracts.

**(A) Foreign Currency EFP Transactions**

The Exchange would expect to see confirmation statements issued by the bank/foreign exchange dealer party to the Transaction. These confirmation statements should be the type normally produced by the bank/foreign exchange dealer for confirmation of currency deals and must indicate, by name or account number, the identity of the counter party principal to the Transaction. However, in circumstances where the EFP Transaction is between a bank/foreign exchange dealer and a CTA, account controller, or other Person (“Account Controller”) facilitating, as principal, the cash/OTC component of the transaction, the confirmation statement issued by the bank/foreign exchange dealer or a written allocation instruction issued by the Account Controller as soon as practicable after the entire transaction is complete, must identify, at minimum, the name of the Account Controller, the name of the Carrying Clearing Member and the account number (or other account specific designation), but need not identify the customer of the Account Controller by name.

**(B) Daily Gold EFP Transactions**

The Exchange requires documentation to be furnished upon request evidencing the IBA matching of the parties in the Auction. Such documentation should indicate the date of the Auction, the date of delivery and amount of gold to be delivered. Documentation may be in the form of a standard confirmation statement issued by a party or may be furnished directly by IBA. A party should be able to demonstrate that it, or its Clearing Member, has the capability to settle transactions in the spot loco London gold market.

(viii) A Person providing inventory financing may enter into an AA/EFP Transaction in which there is a purchase of the storable agricultural, energy or metals commodity and the sale of an equivalent quantity of Exchange Futures Contracts and simultaneously grant to the same counterparty the nontransferable right, but not the obligation, to effectuate a second AA/EFP Transaction during a specified time period in the future which will have the effect of reversing the original AA/EFP Transaction.

**(c) Reporting Requirements**

The parties to an EFRP Transaction shall cause the Transaction to be identified and reported to the Exchange in accordance with such procedures as are determined by the Exchange from time to time.

(d) All Commodity Contracts effected as part of EFRP Transactions shall be cleared in the usual manner. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRPs submitted on behalf of their Customers.

**Rule 4.07. Block Trading**

(a) Privately negotiated Transactions may be entered into with respect to Commodity Contracts designated by the Exchange for such purpose (hereinafter referred to as “Block Trades”), provided that all of the following conditions are satisfied:

(i) Each party to a Block Trade must be an eligible contract participant as that term is defined in Section 1a(18) of the Act; provided that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act ("CTA"), including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act or CFTC regulations ("Exempt Investment Adviser"), with total assets under management exceeding US \$25 million, or by (B) a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation ("Foreign Adviser"), with total assets under management exceeding US \$50 million, the individual Customers need not so qualify.

(ii) Each buy or sell order underlying a Block Trade must:

(A) state explicitly that it is to be, or may be, executed by means of a Block Trade; and

(B) be for at least the applicable minimum threshold as specified by the Exchange; *provided that* only a CTA, including without limitation an Exempt Investment Adviser, with total assets under management exceeding US \$25 million or a Foreign Adviser with total assets under management exceeding US \$50 million, may satisfy this requirement by aggregating orders for different accounts.

(iii) The price at which a Block Trade is executed must be fair and reasonable in light of (A) the size of such Block Trade, (B) the price and size of other Trades in the same contract at the relevant time; and (C) the price and size of Trades in other relevant markets, at the relevant time.

(iv) Block Trades shall not set off conditional orders, including but not limited to, stop orders, limit orders or market-if-touched orders, or otherwise affect orders in the regular market.

(v) Block Trades executed on the Last Trading Day for any delivery month in Sugar No. 11 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(b) Block Trades may be executed in Exchange Futures and Options Contracts as determined by the Board and must meet the applicable minimum thresholds for such contracts as determined by the Board from time to time.

(c) The parties to a Block Trade shall cause the Transaction to be reported to the Exchange in accordance with such procedure as are determined by the Exchange from time to time.

(d) A Clearing Member carrying an account for which a Block Trade is executed is responsible for exercising due diligence to determine that the requirements of paragraph (a)(i) of this rule are satisfied.

(e) Block Trades may not be used to establish positions upon which a cash and carry exemption request made in accordance with Rule 6.29 is based.

## ACCESS

### **Rule 27.03.4.08. Access to ETS**

(a) All Clearing Members are eligible for Direct Access to the ETS upon execution of a Participant Agreement and such other agreements required by the Exchange.

(b) A Clearing Member may authorize any eligible Person to have Direct Access to the ETS. A Person is eligible for Direct Access to the ETS upon execution of a Participant Agreement and such other agreements required by the Exchange.

(c) Clearing Members and 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. 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 Person which a Clearing Member seeks to authorize if the Exchange determines that granting Direct Access to such Person 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.4.09. 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.

(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 27.04.4.10. Clearing Member Responsibilities**

(a) Each Clearing Member is responsible for the financial obligations 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 Trades allocated to such Clearing Member that have been executed (i) by a Person through Direct Access that has been authorized by such Clearing Member and (ii) by a Customer for which it provides Order Routing access. Except as provided in Rule 27.04.4.14, 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 as a result of the Clearing Member’s written notice to the Exchange revoking its authorization of such access.

(c) With respect to each Person for which it has authorized 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, including, but not limited to, assisting the Exchange in any investigation into potential violations of the Rules or of the Act, and requiring 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 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 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 such Person if the Clearing Member has reason to believe that their actions threaten the integrity or liquidity of any Exchange Contract, violate the Rules or the Act, or if they fail to cooperate in any investigation; and

(iv) 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 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 27.054.11. 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 27.038(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 27.0915.

(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 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 27.064.12. Revocation of Direct Access Authorization by Clearing Member**

A Clearing Member that authorizes Direct Access for a Person may revoke such authorization without prior notice to the Person. 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 in the system under the revoking Clearing Member's Mnemonic.

#### **Rule 27.074.13. eBadges and Responsible Individuals**

(a) Each Clearing Member and Person 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 27.084.14. 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, and any Order Routing provided to Customer shall automatically terminate on the effective date of the termination or suspension of such clearing privileges.

#### **Rule 27.094.15. Required Identifications**

(a) Each individual Person with Direct Access, employee of a Clearing Member or of a Person 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 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 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 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 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.

## ORDERS

### **Rule 27.104.16. Customer Disclosure Statement**

No Clearing Member or Member who is an FCM or introducing broker shall accept an order from, or on behalf of, a Customer for entry into ETS, unless such Customer is first provided with the Uniform Electronic Trading and Order Routing System Disclosure Statement required by the National Futures Association.

### **Rule 27.114.17. Acceptable Orders**

(a) The following order types are supported by the ETS and shall be available in such futures and options contracts as determined by the Exchange from time to time (listed in alphabetical order):

(i) “Calendar Spread orders” – Calendar Spread orders are orders to purchase one (1) or more Exchange Futures Contracts and sell an equal number of Exchange Futures Contracts in the same Commodity at a stated price difference. All Exchange Futures Contracts comprising the Calendar Spread Order must be for the same Person. Calendar Spread orders may either trade against other matching Calendar Spread orders or may be traded against outright contracts. When traded against outright contracts, the outright contract prices are always used for each of the legs of the Calendar

Spread order. When traded against another Calendar Spread order, the prices of the legs of such Transactions will be generated by a Calendar Spread algorithm determined by the Exchange and the prices of the legs of such Transactions may exceed the daily price limit for the respective product.

(A) For ETS Calendar Spread orders for Cocoa, Coffee “C”<sup>®</sup>, Cotton No. 2<sup>®</sup>, FCOJ, Sugar No. 11<sup>®</sup>, Sugar No. 16, Corn, Wheat, Soybeans, Soybean Meal Soybean Oil, Credit Index, Energy and all physically settled Gold and Silver Contracts, a buy order is defined as purchasing the near month and selling the far month, and a sell order is defined as a selling the near month and purchasing the far month.

(B) For ETS Calendar Spread orders for Financial Contracts and Index Contracts, a buy order is defined as purchasing the far month and selling the near month, and a sell order is defined as selling the far month and purchasing the near month.

(ii) “Intercommodity Spread Orders” – Intercommodity Spread orders are orders to purchase one (1) or more Exchange Futures Contracts and sell an equal number of Exchange Futures Contracts in a different Commodity at a stated price difference. All Exchange Futures Contracts comprising the Intercommodity Spread Order must be for the same Person. Intercommodity Spread orders may only trade against other matching Intercommodity spread orders and the prices of the legs, which may exceed the daily price limit for the respective product, will be generated by an algorithm determined by the Exchange. An order to buy an Intercommodity Spread is defined as purchasing the first named commodity and selling the second named commodity, and an order to sell an Intercommodity Spread is defined as a selling the first named commodity and purchasing the second named commodity.

(iii) “Limit orders” – Limit orders are orders to buy or sell a stated quantity at a specified price, or at a better price, if obtainable. Unless otherwise specified, any residual volume from an incomplete limit order is retained in the central order book until the end of the day unless it is a GTC order, it is withdrawn or executed.

(iv) “Market orders” – Market orders are executed at the best price or prices available in the order book at the time the order is received by ETS until the order has been filled in its entirety. However, a market order in the Exchange’s Agricultural and Henry Hub products will not trade outside of the Reasonability Limits, a market order in all of the Exchange’s other Energy Contracts shall not trade outside 100% of the No Cancellation Range (“NCR”) and a market order in the Exchange’s Financial, Credit and Stock Index products will not trade outside of 200% of the NCR and any residual volume from an incomplete market order is canceled. Market orders are rejected if the market is not open.

(v) “Options Spread orders” – Options Spread orders are orders to effect one (1) Exchange Options Contract in conjunction with one (1) or more other Exchange Options Contracts(s) in the same commodity or to effect a Combination Transaction. All Exchange Options Contracts comprising the Options Spread Order must be for the same Person.

(A) A “Combination Transaction” shall mean two (2) or more Commodity Contracts traded simultaneously and comprised of an Exchange Options Position and a related Exchange Futures Position.

(B) Combination Transactions may only be executed when both the Exchange Futures Contract and its related Exchange Options Contract are listed for trading.

(C) All Commodity Contracts comprising the Combination Transaction must be for the same Person.

(D) The Exchange Futures Contract must be priced within its respective daily price limits.

(E) No Registered Operator, upon receiving separate orders for Exchange Futures Contracts and for Exchange Options contracts for the same or different customers, may combine and execute such orders as a Combination Transaction but must execute each order separately.

(F) The futures position must offset the net Options position of the Combination Transaction.

(G) The number of Exchange Futures Contracts should not exceed the number of Exchange Options Contracts for the Combination Transaction.

(vi) "Stop Orders" – Acceptable Types

(A) In the event that a particular Commodity Contract is subject to different NCRs based on the delivery months, the widest NCR that is listed for the particular Commodity Contract shall be applied for Stop Limit Orders and Stop Orders with Protection (collectively, "Stop Orders"), regardless of the delivery month specified in such order.

(B) "Stop-Limit Orders" – A Stop-Limit Order has two components: (1) the stop price and (2) the limit price. When a trade has occurred on ETS at or through the stop price, the order becomes executable and enters the market as a Limit order at the limit price. The order will be executed at all price levels from the stop price up to and including the limit price. If the order is not fully executed, the remaining quantity of the order will remain active in ETS at the limit price.

(a) With respect to Stop-Limit Orders for non-Calendar Spread Transactions, the allowable price range between the stop price and the limit price of a Stop-Limit Order will be restricted to 100% of the NCR for the specified Commodity Contract.

(b) With respect to Stop-Limit Orders for Calendar Spreads, the allowable price range between the stop price differential and the limit price differential of a Stop-Limit Order will be restricted to the range specified for the Commodity Contract as determined by the Exchange from time to time (the "Calendar Spread Stop-Limit Order Range").

(c) A buy Stop-Limit becomes executable when a trade occurs at or higher than the stop price. When entered, the stop price must be above the current best offer or, if no working offer, above the current anchor price. The limit price must be equal to or greater than the stop price.

(d) A sell Stop-Limit becomes executable when a trade occurs at or lower than the stop price. When entered, the stop price must be below the current best bid or, if no working bid, then below the current anchor price. The limit price must be equal to or less than the stop price.

(C) "Stop Orders with Protection" – A Stop Order with Protection has two components: (1) the stop price and (2) an Exchange set protection limit price. The Exchange set limit price is the NCR for the specified Commodity Contract from the stated stop price. When a trade has occurred on ETS at or through the stop price, the order becomes executable and enters the market as a Limit order at the Exchange set limit price. The order will be executed at all price levels from the stop price up to and including the limit price. If the order is not fully executed, the remaining quantity of the order will remain active in ETS at the limit price.

(a) A buy Stop will have as its Exchange set limit price the stated stop price plus the NCR for the specified Commodity Contract.

(b) A sell Stop will have as its Exchange set limit price the stated stop price minus the NCR for the specified Commodity Contract.

(c) For Commodity Contracts with daily price limits, the Exchange set limit price will not exceed the absolute maximum price permitted.

(d) A buy Stop for a Calendar Spread will have as its Exchange set limit price differential the stated stop price differential plus the Calendar Spread Stop-Limit Order Range then in effect for the specified Commodity Contract.

(e) A sell Stop for a Calendar Spread will have as its Exchange set limit price differential the stated stop price differential minus the Calendar Spread Stop-Limit Order Range then in effect for the specified Commodity Contract.

(vii) "Trade At Index Close orders" – Trade At Index Close ("TIC") orders are orders to buy or sell a stated quantity of an index-based futures contract at the end of the day Spot Index Value for the index upon which the futures contract is based, or up to a maximum number of minimum price fluctuations above or below the Spot Index Value. TIC orders may be submitted only for those Commodity Contracts and delivery months, during such time periods and for such maximum number of minimum price fluctuations above or below the Spot Index Value, as specified by the Exchange from time to time.

(viii) Trade at Morning Marker Price orders – Trade At Morning Marker Price ("TAMM") orders are orders to buy or sell a stated quantity at:

(A) the Trading Session's Morning Marker Price or up to two (2) minimum price fluctuations above or below the Trading Session's Morning Marker Price; or

(B) if a Calendar Spread, at the spread differential between the Trading Session's Morning Marker Prices of the two (2) delivery months or up to two (2) minimum price fluctuations above or below the spread differential between the Trading Session's Morning Marker Prices of the two (2) delivery months;

For purposes of this Rule, the Morning Marker Price for an Exchange Futures Contract month shall be determined by the Exchange following the same procedures used to calculate Daily Settlement Prices as provided in Rule 4.08 and using prices traded or, if not traded, bid and offered during the Morning Marker Period.

For purposes of this Rule, the Morning Marker Period for each Exchange Futures Contract shall commence at the same time as the floor trading session for the related Exchange Options Contract begins and shall last for two (2) minutes for Sugar No. 11, Coffee "C" and Cocoa Futures Contracts and for one (1) minute for Cotton No. 2 and FCOJ Futures Contracts.

TAMM orders may be submitted only for those Commodity Contracts and delivery months and during such time periods as specified by the Exchange from time to time. TAMM orders may result in transactions priced outside the daily price limits.

(ix) "Trade At Settlement orders" – Trade At Settlement ("TAS") orders are orders to buy or sell a stated quantity at:

(A) the Trading Session's Settlement Price or up to one hundred (100) minimum price fluctuations above or below the Trading Session's Settlement Price for Energy Futures Contracts or up to five (5) minimum price fluctuations above or below the Trading Session's Settlement Price; for all other Exchange Futures Contracts; or

(B) if a Calendar Spread, at the spread differential between the Trading Session's Settlement Prices of the two (2) delivery months up to one hundred (100) minimum price fluctuations above or below the spread differential between the Trading Session's Settlement Price of the two delivery months for Calendar Spreads involving Energy Futures Contracts or five (5) minimum price fluctuations above or below the spread differential between the Trading Session's Settlement Prices of the two (2) delivery months for all other Calendar Spreads; provided, however, that if either or both delivery months settles at a price that is limit up or limit down, then the price of the second leg of the Calendar Spread shall be determined by the Exchange on the basis of observed prices of Transactions involving such Calendar Spread executed during the settlement period or, in the absence of trades in such Calendar Spread during the settlement period by using the procedures used to determine Daily Settlement prices as provided in Rule 4.08.

TAS orders may be submitted only for those Commodity Contracts and delivery months and during such time periods as specified by the Exchange from time to time. TAS orders may result in transactions priced outside the daily price limits.

(b) An ETS order may contain one (1) or more of the following functionalities for such futures and options contracts as determined by the Exchange from time to time:

(i) "Reserve Quantity orders" - An ETS order may specify a maximum disclosure volume to be shown to the market for an order enabling the order to be released gradually without revealing the full size. The unrevealed part of the order is released only when the first part of such order is completely filled. When each portion of the order is released, it is placed in its entirety at the end of the order priority queue.

(ii) "Good After Logout orders" – Good After Logout ("GAL") orders remain in the ETS market even after the trader has logged out or the connection to the ETS platform is lost. However, all orders, including GAL orders, will be deleted when the system closes at the end of the trading session.

(iii) "Good 'Til Canceled orders" – Good 'Til Canceled ("GTC") orders are orders to buy or sell a stated quantity at a stated price which remain active in ETS until such orders are either executed, canceled by the trader or automatically canceled at the Commodity Contract's expiration. GTC orders retain their priority in the matching engine based on the date and time they were entered.

(iv) "Good 'Til Date orders" – Good 'Til Date ("GTD") orders are orders to buy or sell a stated quantity at a stated price which remain active in ETS until such orders are either executed, canceled by the trader or automatically canceled at the end of the trading session for the date specified. GTD orders retain their priority in the matching engine based on the date and time they were entered.

(v) "Good 'Til Date & Time orders" - Good 'Til Date & Time ("GTD&T") orders remain active in the ETS until the date and local time specified by the user, or until they are filled in their entirety or

cancelled by the user. GTD&T orders retain their priority in the matching engine based on the date and time they were entered.

#### **Rule 27.424.18. Order Entry**

(a) A Registered Operator entering an order, other than in a clerical capacity, on behalf of a Customer Account, other than an order for the Registered Operator's own account must have appropriate industry registration.

(b) A Registered Operator who is registered with the CFTC as a Floor Broker, associated person or in a comparable capacity under applicable law may enter discretionary or non-discretionary orders on behalf of any account of a Clearing Member with the prior approval of the Clearing Member. A Registered Operator who is registered as a Floor Broker may enter discretionary or non-discretionary orders on behalf of any Customer Account with the prior approval of such Customer.

(c) A Registered Operator who is not registered as a Floor Broker or an associated person, or in a comparable capacity under applicable law, may enter non-discretionary orders on behalf of a Customer Account. Such Registered Operator may enter discretionary or non-discretionary orders for the account of his or her employer or for his or her own account if he or she is authorized by his employer to do so and does not enter or handle Customer orders. A Registered Operator who is a clerk employed by a Floor Broker may not enter orders for an account in his or her own name or any account in which he or she has a direct or indirect interest.

(d) Registered Operators of a Floor Broker, who are not registered as associated persons with the CFTC, may enter orders on a non-discretionary basis from trading terminals located in the Floor Broker's booth on the Trading Floor using the Floor Broker's eBadge, the Registered Operator's Log-In ID and, if applicable, authorized trader ID.

(e) Orders for a Customer Account, other than an order entered by a Customer for its own account, may only be entered from:

(i) the Trading Floor of the Exchange by a Registered Operator in accordance with paragraphs (b) and (d) above; or

(ii) the premises of an entity appropriately registered to conduct Customer business by a Registered Operator who is also registered with such entity as an associated person or in a comparable capacity under applicable law.

(f) It shall be the duty of each Registered Operator to:

(i) submit orders that include his Log-In ID and, if applicable, authorized trader ID; and

(ii) input the price, quantity, Exchange Commodity Contract, expiration month, correct CTI code and appropriate account designation for each order.

(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 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, by the end of the Trading Session into ACT or such other system as may be designated by the Exchange from time to time.

(h) A Floor Broker receiving an order for electronic execution on the Trading Floor shall immediately upon receipt thereof prepare a written record of such order in non-erasable ink, including the account identification, order number, the notation "ETS", and shall record thereon, by time-stamp or other timing device, the date and time, to the nearest minute, the order is received on the Trading Floor, except that such written record shall not be required if, and to the extent that, such order is in the form of a written record containing all information (except for the time of report of execution) specified herein. Corrections or additions to the information recorded on the written record of the order shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information.

(i) With respect to orders received by a Registered Operator who is not a Floor Broker, or a Floor Broker's Registered Operator, which are immediately entered in ETS and for which a suspense account is not utilized, no separate record need be made. However, if a Registered Operator receives an order that is not immediately entered into ETS, an order ticket which includes the order instructions, account designation, date, time of receipt and any other information that is required by the Exchange must be made in accordance with Rule 6.08. The order must be entered into ETS when it becomes executable.

**Rule 27.12A4.19. 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 with Direct Access that has been authorized by the Clearing Member to have such a connection. Each Person 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 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

(i) 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 27.134.20. Revising Orders**

The price or volume of an ETS order that has not fully traded may be revised. If the volume is reduced, the time priority originally assigned to the order does not change. Revising the price or increasing the volume will change the order’s time priority in the queue to the time ETS receives the revision.

#### **Rule 27.144.21. Deactivating and Deleting Orders**

When a Registered Operator logs off, all of his ETS orders are deactivated except for orders designated as GAL or GTC. If for any reason the connection to ETS is lost, all orders entered from that location are deactivated except for orders designated as GAL or GTC.

## **TRADING**

#### **Rule 27.154.22. Pre-Trading Session**

(a) Prior to the opening of a trading session for an Exchange Commodity Contract, there will be a Pre-Trading Session designated by the Exchange during which time only Limit orders may be entered.

(b) Throughout the Pre-Trading Session, an Uncrossing Algorithm will run at regular intervals, which may vary by Commodity Contract, and will provide indicative opening prices to all Registered Operators logged on at that time.

**Rule ~~27-164~~.23. Opening Match**

(a) The period of time after the termination of the Pre-Trading Session and prior to the Open of trading, shall be referred to as the “Opening Match”. During the Opening Match, all Limit orders entered and designated as active during the Pre-Trading Session may be matched, as appropriate, resulting in executed Trades at the Opening Match price.

(b) The price level and quantity of contracts ¶traded during the Opening Match will be determined by an Uncrossing Algorithm determined by the Exchange. No new orders may be submitted during the Opening Match.

**Rule ~~27-174~~.24. Open and Close of Electronic Trading Session**

(a) The Open of an ETS Trading Session will be indicated by the display of the “open” indicator on ETS.

(b) The Close of an ETS Trading Session will be indicated by the display of the “closed” indicator on ETS.

**Rule ~~27-184~~.25. Trading Hours**

(a) The ETS trading hours shall be as specified by the Exchange from time to time. All times specified in this Rule for Energy Contracts shall refer to the prevailing time in New York City on the relevant day and shall be referred to as Eastern Prevailing Time or “EPT”.

(b) The time period during which daily Settlement Prices shall be determined is:

(i) for Cocoa Futures and Options Contracts, 11:48 AM – 11:50 AM;

(ii) for Coffee “C” Futures and Options Contracts, 1:23 PM – 1:25 PM;

(iii) for Cotton No. 2 and World Cotton Futures and Options Contracts, 2:14 PM – 2:15 PM;

(iv) for FCOJ Futures and Options Contracts, 1:29 PM – 1:30 PM;

(v) for Sugar No. 11 Futures and Options Contracts, 12:53 PM – 12:55 PM;

(vi) for Sugar No. 16 Futures Contracts, 12:59 PM – 1:00 PM;

(vii) for Financial Futures and Options Contracts, 2:59 PM – 3:00 PM, other than the Brazilian Real/US Dollar contract for which the period shall be 3:59-4:00 pm Sao Paolo, Brazil time;

(viii) for Commodity Price Index Futures and Options Contracts, 2:44 PM – 2:45 PM;

(ix) for Russell Stock Index Futures and Options Contracts, 4:14 PM – 4:15 PM, except that on the last Business Day of each month it shall be 3:59 to 4:00 PM;

- (x) for Cash-Settled Agricultural Futures and Options Contracts, 2:14 PM – 2:15 PM;
  - (xi) for Energy Futures and Options Contracts involving Power and Natural Gas, 2:28 PM-2:30 PM and for Environment products, 3:45-4:00 PM; and
  - (xii) for Eris CDX IG and Eris CDX HY Credit Futures Contracts, 4:30-4:35 PM.
  - (xiii) for 100oz Gold Futures, 33.2 oz. mini Gold Futures, Options on 100oz Gold Futures and Options on 33.2 oz. mini Gold Futures, between 1.29 and 1.30 p.m., and for Gold Daily Futures, between 3:00 and 3:05 pm London Time.
  - (xiv) for 5000 oz Silver Futures, 1000oz Silver Futures, Options on 5000 oz Silver Futures and Options on 1000 oz Silver Futures, 1:24pm – 1:25 pm;
  - (xv) for the NYSE Arca Gold Miners Index Futures Contracts, 3:59pm and 4pm NY Time;
  - (xvi) for all mini MSCI Index Futures and Options Contracts except for mini MSCI USA Index Futures, mini MSCI USA Growth Index Futures and mini MSCI USA Value Futures between 3:59pm and 4pm NY Time;
  - (xvii) for mini MSCI USA Index Futures, mini MSCI USA Growth Index Futures and mini MSCI USA Value Futures 4:15pm NY time;
- (c) On the Last Trading Day for each Exchange Futures Contract, the Trading Session will end:
- (i) for Sugar No. 16 Futures, at 12:45 PM;
  - (ii) for Cotton No. 2 and World Cotton at 2:20 PM;
  - (iii) for Coffee “C” at 1:25 PM;
  - (iv) for Cocoa, at 11:50 AM;
  - (v) for Sugar No. 11 Futures at 12:55 PM;
  - (vi) for FCOJ Futures, at noon;
  - (vii) for the USDX, ICE Futures EURO Index and Currency Futures, at 10:16 AM;
  - (viii) for Cash Settled Currency Futures Contracts, as specified for each contract in Rule 26.03;
  - (ix) for Russell Complex Futures, at 9:30 AM;
  - (x) for Cash-Settled Agricultural Futures Contracts, at 2:30 PM;
  - (xi) for Energy Futures Contracts, at the same time as the regular Trading Session; and
  - (xii) for Credit Index Futures Contracts, 4:30 EPT.
  - (xiii) for Gold Daily Futures Contracts, noon London time; and

(xiv) for all other Exchange Contracts, at the time specified in the chapter of the Rules setting forth the terms and conditions of such contract.

(d) On the Last Trading Day for each Exchange Options Contracts, the Trading Session will end at the following times:

(i) for Cocoa and Coffee “C” at 1:30 PM;

(ii) for Sugar No. 11 at 1:00 PM;

(iii) for Cotton No. 2 at 2:20 PM;

(iv) for USDX Options at 3:00 PM;

(v) for Russell 100 Index Mini and the Russell 2000 Index Mini Futures Contracts which (i) for the quarterly cycle, will cease trading at 9:30 AM, and for the non-quarterly expiration months, will cease trading at 4:15 PM;

(vi) for Options on Cash-Settled Agricultural Futures contracts will cease trading at 2:30 PM; and

(vii) Energy Options Contracts will cease trading at the times specified for each such Option in subchapter E of Chapter 18.

(viii) for all other Exchange Contracts, at the time specified in the chapter of the Rules setting forth the terms and conditions of such contract.

#### **Rule ~~27-194.26~~. 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 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~~4.27.0410 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]4.27-0410 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.

(e) All mechanical adjustments shall be made through PTMS. Any submission of a mechanical adjustment shall include all information required by PTMS to process such mechanical adjustment.

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

(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.

**Rule 27-204.27. Priority of Execution**

Orders received by a Registered Operator shall be entered into ETS in the sequence received. Orders that, by their terms, cannot be immediately entered into ETS must be so entered when the orders become executable in the sequence in which the orders were received.

**Rule 27-244.28. Interval Price Limits**

(i) Definitions: As used in this Rule 27]27]4.2633, the following terms shall have the meanings specified herein:

(A) Anchor Price: the price of the relevant contract month at the outset of an IPL Recalculation Period.

(B) IPL Amount: the maximum number of points, as determined by the Exchange, that a contract month is permitted to move above or below the Anchor Price during each IPL Recalculation Time for such contract month. The IPL Amount shall be added to and deducted from the Anchor Price to create a permitted price range applicable to such contract month for the current IPL Recalculation Time

(C) IPL Recalculation Time: the pre-set period of time, as determined by the Exchange, during which the intraday price range established in accordance with this Rule shall remain in effect. At the conclusion of each IPL Recalculation Time a new intraday price range shall be determined in accordance with this Rule.

(D) IPL Hold Period: the additional period of time, as determined by the Exchange, that the applicable intraday price range will remain in effect in the event that a trading hold has been triggered.

(ii) Interval price limits, which establish dynamic intraday price ranges outside of which trading in a particular contract month of an Exchange Futures Contract may not take place for a pre-set period of time, shall be applicable to those Exchange Futures Contracts and contract months as determined by the Exchange, in its discretion, from time to time. The Exchange shall specify, and may alter in its discretion, the IPL Amount, IPL Recalculation Time, and IPL Hold Period for each Exchange Futures Contracts.

(iii) In the event that a contract month seeks to trade at a price that would be outside the permitted price range calculated in accordance with this Rule, a trading hold shall be initiated for the applicable IPL.

Hold Period. Any buy (sell) order which attempts to execute a Trade or rest above (below) the permitted price range will trigger a trading hold for the applicable IPL Hold Period.

(iv) During an IPL Hold Period, the affected contract month shall continue to trade, but price movement shall be restricted to the price range that was in effect prior to the start of the IPL Hold Period. All resting Limit and Stop Orders will remain active in the ETS during an IPL Hold Period; no resting Limit or Stop Orders will be cancelled by the ETS.

(A) In the event that a Market or Limit Order triggers an IPL Hold Period, any unexecuted balance of such order will be cancelled. If the IPL Hold Period is triggered by a Stop-Limit Order or Stop Order with Protection, the unexecuted balance of such order will not be cancelled.

(B) In the event an IPL Hold Period is triggered, the ETS will temporarily reset the limit price of elected Stop Limit Orders and Stop Orders with Protection while the IPL Hold Period exists to the upper or lower end of the intraday price range, depending on the direction of the price movement. The limit price of Stop Orders to buy at prices above the price range will be reset to the high end of the range (in the case of an upward move); the limit price of Stop Orders to sell at prices below the price range will be reset to the low end of the range (in the case of a downward move). At the end of the IPL Hold Period, the limit price of any remaining unfilled order volume will be restored to its original limit price.

(C) A new Market Order or new Limit Order to buy at a price above the high end of the permitted price range (in the case of an upward move) or to sell at a price below the low end of the permitted price range (in the case of a downward move) will be rejected during the IPL Hold Period. If, at the time such Market Order or Limit Order is entered it is capable of being executed at a price that is within the permitted price range, it will be accepted and executed.

#### **Rule ~~27.224.29~~. 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:

(a) **Unrepresentative Price**

(i) If the Exchange determines that a Trade has taken place at an unrepresentative price, the Exchange, at its absolute discretion, may declare such Trade invalid. The Exchange may take into account such information as it deems appropriate when determining whether to invalidate a Trade, including, without limitation, the following:

(A) price movement in other delivery or expiration months of the same Exchange Commodity Contract;

(B) current market conditions, including levels of activity and volatility;

(C) time period between different quotes and between quoted and traded prices;

(D) market or other information regarding price movement in related Commodity Contracts;

(E) manifest error;

(F) proximity of the Trade to the close of the ETS trading session.

(b) Breach of Regulations and/or Rules

(i) If the Exchange determines that a Trade has been made in breach of CFTC Regulations or the Rules, the Exchange may declare the Trade invalid.

(c) Cancellation of a Trade

(i) An invalid Trade will be removed from PTMS, may be removed from the trading server and may be displayed on ETS as a cancelled Trade.

(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 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.

**Rule 27.234.30. Error Trades**

In order to ensure fair and orderly market conditions, the Exchange may cancel any order and may cancel any Trade executed in ETS pursuant to the Error Trade Policy contained in Appendix 1 to this Chapter.

**Rule 27.244.31. Errors and Omissions in Handling Orders**

(a) If a Registered Operator who inadvertently, through error or omission, fails to execute an order in ETS at the time it should have been executed, and the order cannot be executed at a price which is better than or equal to that which the order should have received, the Registered Operator may, upon discovery of such error or omission, execute such order at the best obtainable price on the ETS. Such order should be executed in the next available Exchange Trading Session for the applicable listed Exchange Commodity Contract, but, in any event, no later than the close of the next ETS Trading Session and shall be reported to the Customer at the price at which the order was actually executed.

(b) In no case may a Customer receive a price which is worse than that which the Customer should have received had the error not occurred. If such price is to the advantage of the Customer, the Customer shall receive the benefit thereof, if not, the Customer shall receive such monetary adjustment as will afford the Customer the equivalent of the price at which such order should and could have been executed.

**Rule 27.254.32. Misuse of ETS**

Misuse of ETS is strictly prohibited. It shall be a violation of the Rules for any Person to willfully or negligently engage in unauthorized access to ETS, to assist any Person in obtaining unauthorized access to ETS, to trade on ETS without the authorization of a Clearing Member, to alter the equipment associated with ETS, to interfere with the operation of ETS, to use or configure a component of ETS in a manner which does not conform to the Rules, to intercept or interfere with information provided on or through ETS, or in any way to use ETS in a manner contrary to the Rules.

**Rule 27.264.33. Termination of ETS Connection**



Subject to the limitations and requirements of Rule 21.02(f), the Vice President of Market Regulation or his delegate, shall have the right to summarily deny electronic trading access to any Clearing Member or Direct Access Member and shall have the right to direct a Clearing Member to immediately deny any Person access to ETS.

## SETTLEMENT AND CLEARING

### **Rule 4.0834. Settlement Prices**

(a) Settlement Prices for all Exchange Futures Contracts except for Cash-Settled US Agricultural Futures Contracts described in Chapter 14 of the Rules shall be determined in the manner specified in this Rule. All prices, bids and offers during the applicable closing period as defined in Rule ~~2714.27.1825~~(b) (the “close”) shall be used to determine the Settlement Price of a delivery or expiration month unless otherwise specified herein.

(b) Except as specified in paragraph (c) with respect to the Last Trading Day of certain Exchange Futures Contracts, the Settlement Price of each delivery or expiration month of an Exchange Futures Contract shall be determined as follows:

(i) For the delivery or expiration month with the highest open interest (the “Lead Month”), the Settlement Price shall be the weighted average of all prices for outright Trades traded during the close. When the average is a fraction, the weighted average shall be rounded to the nearest minimum permissible price fluctuation for all products other than the USDX, for which the weighted average shall be rounded to the nearest .001 of a USDX index point. For purposes of this Rule, weighted average shall mean the average by volume of all transactions executed in such month during the close.

(ii) The Settlement Price for all delivery or expiration months other than the Lead Month shall be either the weighted average or the prevailing differential depending on the nature of the trading volume in such delivery or expiration month during the close.

(iii) If no Trades have been executed during the close in a delivery or expiration month, the Settlement Price for such month shall be either the average of the bids and offers made during the close of each such month or the prevailing differential between such month and the nearest active delivery or expiration month during the trading day depending on the nature of the bids and offers and spread Trades involving such delivery or expiration month.

(iv) Notwithstanding subparagraphs (b)(i) through (iii) of this Rule, if the Exchange concludes that the Settlement Price determined in accordance with subparagraphs (c)(i) through (iii) of this Rule does not fairly represent the market value of the relevant delivery or expiration month relative to the Settlement Price of any other delivery or expiration month(s), or is inconsistent with market information known to the Exchange it may establish the Settlement Price of such delivery or expiration month at a level consistent with such other Settlement Price(s) or market information including the settlement prices for similar contracts trading on other markets, trading activity in the spot, OTC and swap markets, forward prices, pricing data obtained from OTC and swap market participants, and any other pricing data from sources deemed reliable by the Exchange.

(v) If, for any reason, the relevant index or other value on which final settlement of any Futures Contract is based is not published, or the Exchange believes there is an error in the calculation of the index or other value, or the Exchange is otherwise unable to issue a final Settlement Price on such day as specified in the Rules, then the Exchange may, in its discretion, either publish a final Settlement Price on such day using such pricing data as it deems reliable, or delay issuing a final Settlement Price and shall publish a final Settlement Price on the next Business Day or as soon thereafter as

practicable using such pricing data as it deems reliable, unless otherwise specified in the Rules of the relevant Exchange Futures Contract.

(c) On the Last Trading Day the Settlement Price shall be determined as follows:

(i) in the expiring Cocoa delivery month, the Settlement Price shall be determined by the differential between the value of the expiring delivery month and the value of the next delivery month for the last minute of trading.

(ii) in the expiring USDX contract month, the Settlement Price shall be determined as specified in Rule 15.06.

(iii) in any expiring Russell Complex Futures Contract, the Settlement Price shall be determined as specified in Rule 19.04, and

(iv) in any expiring cash settled Currency Futures Contract, the Settlement Price shall be determined as specified in Rule 26.04.

#### **Rule 4.0935. Settlement Premiums**

(a) Promptly after the close of trading in each Exchange Option Contract, except for Options on Cash-Settled US Agricultural Futures Contracts described in Chapter 14 of the Rules, the Exchange shall establish the Settlement Premium for each Striking Price of each Option Month of each Option listed for trading that has open interest. A Settlement Premium may be established for any Strike Price that has no open interest.

(b) Each such Settlement Premium shall be derived from available market information including, but not limited to, following:

(A) the weighted average price of all electronic Trades executed during the closing period which shall mean the average by volume of all electronic Trades executed during the closing period for all electronics Trades in a single Strike Price rounded to the nearest minimum permissible price fluctuation of such contract;

(B) bids and offers continuously made during the closing period on the ETS;

(C) the Option's intrinsic value;

(D) the implied volatility of the (1) corresponding Call or Put of the same Strike Price, (2) nearest active prices on the ETS of the particular contract, and (3) electronic Trades in that Strike Price executed during the day, including the volume of the electronic Trades, bids and offers used to calculate such implied volatility;

(E) the differential between the implied volatility of a Strike Price and the implied volatilities for Strike Prices of nearby contract months;

(F) the settlement price of the Underlying Futures Contract, and

(G) any other market information known to the Exchange.

(c) Notwithstanding the foregoing, if a Settlement Premium derived pursuant to the above methodology is inconsistent with trades, bids or offers in other Strike Prices during the closing period, or other relevant information, or if there is no relevant market activity, the Exchange may establish a Settlement Premium that best reflects market valuation at the time of the close.

#### **Rule 4.1036. Allocation of Trades**

It shall be a violation of the Rules for any Person to allocate Trades among accounts except in the sequence in which the orders for such accounts have been received. The sequence of time stamping of

orders when received by such Person shall be prima facie evidence of the sequence in which such orders were received. Trades executed for orders received at the same time shall be allocated on an equitable basis among the orders received; provided, however, that all orders received on the Trading Floor after the close on one (1) trading day and prior to the opening on the next trading day shall be considered as received at the same time.

**Rule 4.4137. Transfer Transactions Not Required to Be Made Competitively**

(a) The following transfer Transactions need not be made competitively:

(i) transfers of open contracts on the books of a Clearing Member or from one (1) Clearing Member to another Clearing Member:

(A) made at the request of a client where no change in beneficial ownership is involved;

(B) to correct errors made in the clearing of a trade(s) provided that the transfer occurs within three Business Days after the date on which the error occurred and

(ii) transfers of open contracts following the close of trading on the Last Trading Day of a particular delivery month, as provided in paragraph (e) of this Rule.

Transfers referred to in subparagraph (a)(i)(A), which offset existing Positions in the spot month, may not occur (1) on or after the first (1<sup>st</sup>) notice day of the delivery month. Concurrent long and short positions that are held by the same beneficial owner on or after the first (1<sup>st</sup>) notice day of the delivery month must be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process, provided however that trades may be transferred for offset if the trade date of the position being transferred is the same as the transfer date. The receiving Firm has the responsibility to assure compliance with this Rule.

(b) Transfers of Futures Contracts made pursuant to subparagraphs (a)(i)(A) may be effected at (i) the prior day's Settlement Price, (ii) the current day's Settlement Price, or (iii) at the original market price. Transfers of Options Contracts made pursuant to subparagraphs (a)(i)(A) may be effected at either the original market Premium or a Premium of zero. For all such transfers, the transferee must carry the transferred contracts on his or its books at either the original dates or the transfer date.

(c) Notwithstanding the requirements of subparagraph (a)(i)(A), the Vice President of Market Regulation or his designee may approve a transfer that results in a change of beneficial ownership in the following circumstances:

(i) transfers made for the purpose of facilitating a restructuring or consolidation of a partnership, investment fund or commodity pool—so long as the managing partner or pool operator remains the same, the transfers do not result in the liquidation of any open Positions, and the pro rata allocation of positions in the new account do not result in more than a de minimis change in the value of the interest of any participant; and

(ii) transfers made as a result of, a merger, asset purchase, consolidation or similar non-recurring corporate transaction between two (2) or more entities.

For purposes of this Rule, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) transfers between Firms which are 100% owned by the same Person and (B) transfers between any Person and any entity owned 100% by such Person.

(d) Notwithstanding any other provision of this Rule, the President or his designee may, with the consent of the Clearing Member(s), authorize the transfer of existing Positions between accounts or between Clearing Members when the circumstances so require and such transfer is deemed: (i) to be in

the best interests of the marketplace; or (ii) to be the most appropriate means to remedy an error that results from the good faith acts or omissions of any party.

(e) After the close of trading on the Last Trading Day of any delivery month in any Cocoa, Coffee "C", Cotton No. 2, Financial, FCOJ, Sugar No. 11, Sugar No. 16, Gold Daily Contract and Precious Metal Contracts (but not later than 10:30 a.m. of the Last Trading Day for the Gold Daily Contract; and not later than 5:00 p.m. of the Last Trading Day for the Financial Contracts, Precious Metals Contracts, Cocoa, Coffee "C", Cotton No. 2 and FCOJ, and not later than 10:00 a.m. for Sugar No. 11 and Sugar No. 16 on the following Business Day), a Clearing Member carrying one (1) or more open contracts for that delivery month for its own account or the account of any other Person as the result of an error may transfer any or all of such contracts to any other account carried by such Clearing Member or to any other Clearing Member (together with any delivery documents evidencing an intention to deliver or receive with respect to such contracts); provided that:

(i) for any delivery month in Cocoa, Coffee "C" and Sugar No. 16, no Clearing Member may so transfer for its own account and/or the account of any other Person, in the aggregate, more than ten (10) contracts in such delivery month;

(ii) for any contract date in Gold Daily Contracts, and any delivery month in Cotton No. 2, a Financial Contract, Precious Metals, and FCOJ, no Clearing Member may so transfer for its own account or the account of any other Person, in the aggregate, more than twenty (20) contracts in such delivery month;

(iii) for any delivery month in Sugar No. 11, no Clearing Member may so transfer for its own account and/or the account of another Person, in the aggregate, more than eighty (80) contracts in such delivery month; and

(iv) If a Clearing Member transferring purchase contracts pursuant to this paragraph (e) shall have received a Multiple Delivery Notice with respect to such contracts and:

(A) if the transfer is made to one (1) or more of the Deliverers identified in such Multiple Delivery Notice, then, after the transfer has been effected, such Multiple Delivery Notice shall be deemed amended to reflect the deletion of the contracts so transferred; or

(B) if the transfer is to any other Person, then all of the rights and obligations of the transferor under the Multiple Delivery Notice with respect to the contracts transferred will become the rights and obligations of the transferee, and the transferee will immediately notify the Deliverer of the transfer, specifying the name and address of the transferee and identifying the contracts transferred.

#### **Rule 4.12. Duty to Furnish Information**

~~It shall be a violation of the Rules for any Person to furnish false information, or fail to furnish information when requested, to the Board or to any committee, subcommittee, officer or employee of the Exchange in the course of its, their, or his duties;~~

~~Adopted by the Board August 3, 2012; effective August 20, 2012.~~

#### **Rule 4.13. Compliance with Terms of Exchange Decisions and Orders**

~~It shall be a violation of the Rules for any Person to violate, or fail to comply with, the terms of any agreement with the Exchange or any order or decision of, or any suspension imposed by, the Exchange, the Board or any committee or subcommittee of the Exchange, including, without limitation, any Hearing, Arbitration or Appeals Panel;~~

## TRADING FLOOR RULES

### **Rule 4.1438. Discretionary Account**

(a) No Floor Broker shall execute any Transaction for any account over which the Floor Broker has discretionary trading authority to originate orders or execute Transactions. For the purposes of this Rule, discretion only as to time and price of a Transaction shall not be deemed to constitute a discretionary trading authority.

(b) The foregoing requirement shall not apply with respect to orders originated by a Floor Broker on behalf of any one (1) or all of the following:

- (i) members of the Floor Broker's immediate family;
- (ii) the proprietary accounts of Members.

provided that Customers' orders, including orders granting the Floor Broker discretion as to the price, time and contract month, are executed before the orders referred to in paragraphs (a) and (b).

(c) Orders referred to in paragraphs (a) and (b) may be placed with another Floor Broker for execution.

### **Rule 4.1539. Hours Exchange and Trading Floor is Open**

Unless otherwise provided in the Rules or by the Board, the Trading Floor shall be open for business daily, except on Saturdays, Sundays and Exchange Holidays, during such hours as the Board shall direct from time to time.

### **Rule 4.1640. Trading Floor Access; Trading Restrictions; and Authorized Representation**

(a) Access: Unless otherwise provided under the Rules, only the following individuals shall have access to the Trading Floor:

(i) A Member who has been granted floor trading privileges and wears his assigned Floor Broker identification badge in a prominent position at all times;

(ii) An employee of a Member who has been granted floor trading privileges duly registered as a Clerk by such Member, in accordance with procedures established by the Board, and wearing an authorized Exchange identification badge in a prominent position at all times while on the Trading Floor;

(iii) A guest of a Member who has been granted floor trading privileges wearing an authorized visitor's pass in a prominent position at all times while on the Trading Floor; provided, however, that such guest shall not be permitted to make any Transaction, enter any order or execute any Trade during the course of any visit to the Exchange or its premises; provided, however, that, if any Senior Vice President of the Exchange determines that the presence of such guest on the Trading Floor is not in the best interests of the Exchange, such Senior Vice President may deny access to such guest.

(iv) An Exchange employee wearing an authorized Exchange identification badge in a prominent position at all times while on the Trading Floor; and

(v) CFTC officials and staff upon request wearing an authorized CFTC or Exchange identification badge in a prominent position at all times;

(b) Trading Restrictions: No one shall execute or attempt to execute any Transaction on the Floor of this Exchange except a Floor Broker of the Exchange who has been granted floor trading privileges pursuant to the Rules.

(c) Member Responsibility: A Member shall be subject to disciplinary action for any violation of the Rules committed by such Member's employees or guests.

**Rule 4.4741. Clerk Qualification Requirements, Registration Procedures, and Trading Prohibitions**

The following Clerk qualification, registration procedures and trading prohibitions apply to all clerical staff of Members or Member Firms trading in Commodity Contracts on the Trading Floor of the Exchange:

(a)(i) Qualification Requirements: Unless otherwise provided under the Rules, clerical staff shall:

(A) include every Person a Member or Member Firm employs or wishes to employ on the Trading Floor of the Exchange, whether on a temporary or permanent basis, and regardless of whether such Person is a Member of another exchange;

(B) on an annual basis or as otherwise required by the Exchange, provide proof of employment by a Member or Member Firm for the previous year in a form acceptable to the Exchange;

(C) attend a Sexual Harassment Awareness Course sponsored by or acceptable to the Exchange as may be determined by the President, in his sole discretion; and

(D) not consist of any other Member whose rights and privileges of Membership are suspended or any individual who has been expelled from Membership, where such employment or registration is in contravention of any term or condition of such suspension or expulsion which the Exchange, the Board or any Committee may impose or to which the suspended Member or expelled Person may have agreed.

(ii) Additional Requirements for trade data entry Clerks: A Clerk who enters trade data shall:

(A) be registered with the Exchange by and for the Floor Broker for whom the Clerk enters the greatest number of transactions; provided, however, if a Clerk enters the greatest number of transactions for Floor Brokers associated with a Member Firm or Broker Association, the Clerk shall be registered by and for a Floor Broker associated with such Member Firm or Broker Association;

(B) only enter trade data for Members or Member Firms involving Exchange Transactions; and

(C) enter trade data for no more than fifteen (15) Floor Brokers on any Business Day.

(b) Registration Procedure: All clerical staff must file with the Exchange an application for Clerk registration in the form supplied by the Exchange and consent to such background investigation as may be required from time to time. All applicants must be approved by the Exchange before they will be permitted on the Trading Floor. Each applicant shall furnish such additional information as the Exchange may request regarding any matter revealed in the background investigation or the application for registration as a Clerk. Applicants shall also be required to disclose, among other things, whether the applicant:

(i) has ever been or is suspended or expelled from any commodity or securities exchange, clearing organization, registered futures association, the National Association of Securities Dealers, Inc., or any other self-regulatory organization or other business or professional association for violation of any rule of such organization; or

(ii) has been convicted of any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, commodity contract, security or option, or is or has been permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction or the CFTC from engaging in or continuing any conduct or practice in connection with the purchase or sale of commodities or securities or is or has been subject to an order of the CFTC denying trading privileges on any contract market to such Person, or suspending or expelling such Person from membership on any contract market, or has been convicted of any felony involving or arising from fraud or moral turpitude; or

- (iii) has a disciplinary record at any exchange; or
- (iv) has any unsatisfied debts to Members; or
- (v) had his Membership terminated pursuant to the sale of Membership provisions of Rule 21.36.

Every Clerk registered with the Exchange shall provide prompt written notice to the Managing Director or an officer of the Membership Department, if any of the events specified in paragraphs (b)(i) through (v) above occurs.

An application for registration as a Clerk, shall be presented to a subcommittee of the Business Conduct Committee if the application or background investigation discloses that any of the events contained in subparagraphs (b)(i) through (b)(v) of this Rule has occurred or otherwise discloses any information which the Exchange believes warrants further review. The subcommittee of the Business Conduct Committee shall determine whether to permit registration of the applicant, in accordance with the procedures specified in paragraph (d)(iv) of this Rule.

Members and Member Firms are required to advise the Exchange of any changes in status of registered clerical staff, including additions and deletions of clerical staff.

It shall be the responsibility of each Member and Member Firm employing clerical staff to assure that identification badges issued to clerical staff are withdrawn promptly upon termination of employment.

(c) Access Restrictions, Suspension and Termination of Registration: The President or any Vice President of the Exchange may restrict a Clerks' access to the Exchange's premises for a specified period of time, and suspend and/or terminate the registration of any Clerk if it determines, in its sole discretion, after notice and an opportunity to be heard, that the registration of such applicant or the continued registration of such Clerk is contrary to the best interests of the Exchange.

(d) Denial, Access Restriction, Suspension and Termination Procedures:

(i) Any action taken pursuant to paragraph (c) of this Rule shall be taken after notice to the applicant or Clerk against whom the action is taken and to the Member or Member Firm who or which seeks to register the applicant or has registered such Clerk on the Exchange and an opportunity for such applicant or Clerk to be heard.

(ii) The notice given to an applicant or Clerk shall state (A) the situation which it is believed may give rise to the need for action; and (B) the date, time and place of the hearing to be held before a subcommittee of the Business Conduct Committee.

(iii) A hearing conducted under this Rule shall be before a subcommittee of the Business Conduct Committee appointed in accordance with Rule 21.04(b). The subcommittee of the Business Conduct Committee shall determine the procedures to be followed, except that the following shall apply in every case: (A) the case in support of the action or proposed action against the applicant or Clerk shall be presented by the Compliance staff; (B) the applicant or Clerk shall be allowed to be represented by legal counsel or any other representative of his choosing and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses; (C) no formal rules of evidence shall apply, and the subcommittee of the Business Conduct Committee shall be free to accept or reject any and all evidence it considers proper; (D) a substantially verbatim record capable of being accurately transcribed shall be made of the hearing, provided, however that such record need not be transcribed unless the decision is appealed by the applicant or registrant to the CFTC; and (E) the notice of the hearing, any stenographic transcript of the hearing, the documentary evidence and any other material presented by either party with notice to the other shall constitute the record of the hearing.

(iv) Promptly following any hearing, the subcommittee of the Business Conduct Committee shall render a written decision based on the weight of the evidence contained in the record of the hearing

and shall provide a copy of the decision to the applicant or Clerk and the Member who or which sought to register or has registered such Person with the Exchange. The decision shall include: (A) a brief summary of the evidence produced at the hearing; (B) the findings and conclusions of the hearing body; and (C) a declaration of any action to be taken pursuant to the determination referred to in clause (B), hereof, the effective date and duration of such action and the date upon which such decision becomes final.

(v) Any action taken by the subcommittee of the Business Conduct Committee pursuant to paragraph (c) shall become effective and final fifteen (15) days after notice of the action taken is given to the applicant or Clerk. The decision of the subcommittee of the Business Committee shall constitute the final action of the Exchange.

(e) Trading Prohibitions: Unless otherwise provided under the Rules:

(i) The clerical staff of a Member may not trade in any Commodity Contract either in his own name or in any account in which he has a direct or indirect interest.

(ii) No Member shall execute an order for, accept for clearance, or maintain a Position in any Commodity Contract if such Member knows, or with the exercise of reasonable care should know, that such order, clearance, or Position is for the direct or indirect benefit of any clerical staff registered hereunder.

(iii) The foregoing trading prohibitions shall not apply to individual Members in good standing of this Exchange.

(v)].

#### **Rule 4.4842. Electronic Devices**

(a) For purposes of this Rule, the following definitions shall apply:

(i) "Electronic Device" shall mean any type of voice or data communications interface, including but not limited to a computer, headset, hand-held device, microphone, telephone or two-way radio.

(ii) "Electronic Information" shall mean the data made available to each Member or Member Firm by virtue of such Member's or Member Firm's access to any Electronic Device, including, without limitation, (A) the identity of other Persons transacting business on, with or through the Exchange and the price and quantity of pending or filled orders and (B) any database, software, programs, protocols, displays and manuals relating thereto, including the selection, arrangement and sequencing of the contents thereof.

(b) No Electronic Device may be used on the Trading Floor unless such device and/or use has been authorized by the Exchange and does not interfere with any Exchange system. The Exchange may, in its sole discretion, impose restrictions on the use of any authorized Electronic Device by a Member or Member Firm, and may limit, suspend or terminate any Person's right to use an authorized Electronic Device at any time, without prior notice and without any liability therefore. The Exchange shall have the right, at any time, to audit the use of any authorized Electronic Device by a Member or Member Firm.

(c) Cell phones, personal digital assistants and other similar devices with instant message ("IM") capabilities may be used only for non-business purposes and/or the placement of orders for the Member's own account, from areas outside of the trading ring.

(d) An order transmitted through IM may not be bid, offered or executed until a separate, written order ticket is prepared in accordance with Rule 6.08 and all such orders shall be subject to all applicable audit trail requirements. All IMs relating to any Transaction or order must be retained for a minimum of (5) years in accordance with Commission Regulations and are subject to review by the Market Regulation Department.



(e) No Electronic Device may be used by any Person except in accordance with this Rule and such terms and conditions of use as may be established from time by the Board, any committee appointed by the Board or Exchange staff empowered to establish and review terms and conditions of use. Each Member and Member Firm shall pay any fees and/or other charges assessed by the Exchange for the use of an Electronic Device.

(f) In addition to the specific terms and conditions of use established for an Electronic Device pursuant to paragraph (e) above, the use of an Electronic Device that has been supplied by the Exchange to a Member or Member Firm for use on the Trading Floor shall be subject to the following terms and conditions:

(i) The Member or Member Firm shall properly secure and safeguard the Electronic Device so as to prevent damage, loss or theft, and shall be liable for any damage beyond normal wear and tear, until it is returned to the Exchange.

(ii) The Member or Member Firm shall implement appropriate procedures to ensure the only Persons authorized by the Member or Member Firm have access to and/or use of the Electronic Device.

(iii) Upon termination for any reason of a Member's or Member Firm's right to use an Electronic Device, it shall be returned to the Exchange in working condition. The Member or Member Firm shall pay to the Exchange the replacement cost for any Electronic Device that is lost, stolen, damaged or destroyed while in the Member's or Member Firm's possession or while it is otherwise responsible for the Electronic Device.

(iv) The Board and/or the relevant committee or Exchange staff responsible therefor may impose restrictions on the use of any Electronic Device by a Member or Member Firm without prior notice and without liability to any Person.

(v) Electronic Information that is disclosed to, or otherwise obtained by a Member or Member Firm while accessing an Electronic Device, shall be deemed to constitute a trade secret of the Exchange (or its licensors), as to which copyright and patent rights of the Exchange may also exist. The Member or Member Firm shall keep all such Electronic Information confidential, and shall utilize such Electronic Information solely for such Member's or Member Firm's own trading activities and the trading activities of Persons for whom the Member or Member Firm is authorized to act. All copies and expressions of such trade secrets, works, processes, and methods are the exclusive property of the Exchange, and shall be returned to the Exchange upon termination of such Member's or Member Firm's right to use the Electronic Device for any reason whatsoever. Each Member or Member Firm shall take all reasonable precautions to maintain the secrecy and confidentiality of such Electronic Information. Except as otherwise permitted elsewhere in the Rules, the Member or Member Firm shall not disclose and shall use reasonable efforts not to permit the disclosure of, any part of such Electronic Information to any other Person.

(vi) Except as authorized by the Board and/or the applicable committee or Exchange staff responsible for establishing the terms and conditions of use of any Electronic Device, a Member or Member Firm shall not make, and shall not permit others to make any alterations, additions, subtractions, upgrades or improvements to, or affix or attach any foreign object to, in or on, any Electronic Device.

(g) The Exchange accepts no responsibility for loss, theft or damage to any equipment or device authorized for use on Exchange premises.

## INSTANT MESSAGE (IM) POLICY

In conjunction with ICE Futures U.S., Inc. ("Exchange") Rule 4.18 – Electronic Devices, the following policy shall govern the use of Instant Message ("IM") on Electronic Devices on the Trading Floor by Members and their employees to communicate with other Exchange Members, clerks, Exchange employees or parties outside of the Exchange, including customers:

- The use of wireless communication devices is permitted on the Exchange's Trading Floor as long as the Member has received authorization from the Exchange's Department of Technology ("Department"). The Department will only approve those devices that receive live data feeds, enable two-way communication and have audit trail capability. Once authorization is received from the Department, the Member, when requested, must allow the Department and/or the Market Regulation Department to examine the wireless device to determine that it is being used appropriately.
- MEMBERS HAVE A DUTY TO SUPERVISE THEIR EMPLOYEES' IM USE AND ARE RESPONSIBLE FOR ENSURING THAT THEIR EMPLOYEES COMPLY WITH THE TERMS AND CONDITIONS OF THIS POLICY.
- **Each order transmitted by IM to the Trading Floor must have a separate order ticket prepared in accordance with Exchange Rule 6.08 before the order is bid, offered or executed. IMs are subject to all applicable audit trail requirements. AS SET FORTH BELOW, NEITHER THE EXCHANGE NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY PARTY FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES IN ANY WAY RELATING TO THE USE OF IM TO TRANSMIT ORDERS.**
- All IMs relating to any Transaction or order must be retained by the Member for a minimum of five (5) years in accordance with Commission Regulations and are subject to review by the Market Regulation Department or other authorized Exchange personnel.
- Material that is fraudulent, harassing, embarrassing, sexually explicit, profane, obscene, intimidating, defamatory, or otherwise unlawful may not be sent through IM.
- Disclosure of any Exchange confidential data or information to other parties via IM is strictly prohibited.
- Disclosure of any confidential or non-public information relating to customer orders is strictly prohibited as provided in Exchange Rule 4.02(k).
- The Member is fully responsible for his or her trading activity and communications, including but not limited to, compliance with all applicable laws, rules and regulations in addition to Exchange requirements. All violators of Exchange Rules and procedures will be subject to disciplinary action.
- **THE USE OF IM INVOLVES CERTAIN RISKS. BY USING IM TO COMMUNICATE THE USER IS AGREEING TO ASSUME ALL SUCH RISKS, AND ACKNOWLEDGES THAT THE EXCHANGE IS NOT ENDORSING OR RECOMMENDING THE USE OF IM. THE USER AGREES THAT NEITHER THE EXCHANGE NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY**

**PARTY FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES IN ANY WAY  
RELATING TO THE USE OF IM, REGARDLESS OF THE CAUSE OF ANY SUCH  
LOSS, DAMAGE, COST OR EXPENSE.**

## 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 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 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 Spot-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 and the Calendar Spread Spot-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 Spot-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.



## APPENDIX II EXCHANGE MESSAGING POLICY

### Introduction

The level of computer-generated order-flow on the Exchange has progressively increased since the Exchange's business became fully electronic. In some circumstances, inefficient and excessive messaging can slow the performance of the ETS and increase bandwidth and other operational requirements for Members. In order to address this concern, the Exchange implemented the Exchange Messaging Policy ("the Policy").

The Policy is designed to discourage inefficient and excessive messaging without compromising market liquidity and sets out certain messaging thresholds which it expects Firms with Direct Access not to exceed. Most trading activity for Firms with Direct Access operates well within the thresholds set out in this Policy. The Exchange will levy charges on those Firms with Direct Access whose system usage per Firm as configured on the ETS exceeds certain thresholds.

### Scope of Policy

This Policy applies to such Exchange contracts as shall be designated from time-to-time ("the Designated Contracts"). The initial Designated Contracts are Cocoa, Cotton No. 2<sup>®</sup>, Coffee "C"<sup>®</sup>, Sugar No. 11<sup>®</sup>, the Russell 2000 Index U.S. Dollar Index<sup>®</sup> and the Henry Hub futures contracts. The Policy will apply to those Firms with Direct Access who enter more than the number of messages specified in the chart below in any Designated Contract market on a particular trading day. For the purposes of the Policy, each order submission, revision, hold, cancel/replace and/or consummation constitutes a message.

<u>Designated Contracts</u>	<u>Message Threshold</u>
<u>Cocoa Futures</u>	<u>100,000</u>
<u>Cotton No. 2<sup>®</sup> Futures</u>	<u>100,000</u>
<u>Coffee "C"<sup>®</sup> Futures</u>	<u>100,000</u>
<u>Sugar No. 11<sup>®</sup> Futures</u>	<u>100,000</u>
<u>Russell 2000 Index Futures</u>	<u>100,000</u>
<u>U. S. Dollar Index<sup>®</sup> Futures</u>	<u>150,000</u>
<u>Henry Hub Futures</u>	<u>100,000</u>

### Weighted Volume Ratio

The Weighted Volume Ratio ("WVR") is defined as the total number of messages sent to the ETS multiplied by a price-based weighting scale divided by the total number of lots traded. The result is a figure for weighted messages per executed contract.

Each message is weighted as set out below.

	<u>Price-based weighting multiplier</u>		<u>Description</u>
	<u>Outrights</u>	<u>Spreads</u>	
<u>Price difference from best bid or offer</u>			
<u>None (best bid or offer)</u>	<u>0</u>	<u>0</u>	<u>If the price is the best bid or offer, it will not be counted</u>
<u>At market bid or offer</u>	<u>0</u>	<u>0</u>	<u>If the price equals the best bid or best offer, it will not be counted</u>

<u>1 tick off market</u>	<u>0.5</u>	<u>0.25</u>	<u>If the price is within one minimum price fluctuation (“tick”) of the best bid or best offer it will count as one half of a message for an outright market and one quarter of a message for a spread market</u>
<u>2 ticks off market</u>	<u>1.0</u>	<u>0.5</u>	<u>If the price is within two (2) ticks of the best bid or best offer it will count as one (1) message for an outright market and half (0.5) a message for a spread market</u>
<u>3 to 5 ticks off market</u>	<u>2.0</u>	<u>1.0</u>	<u>If the price is between three (3) and five (5) ticks from the best bid or best offer it will count as two (2) messages for an outright market and one (1) message for a spread market</u>
<u>More than 5 ticks off market</u>	<u>3.0</u>	<u>2.0</u>	<u>If the price is more than five (5) ticks from the best bid or best offer it will count as three (3) messages for an outright market and two (2) messages for a spread market</u>

**WVR Thresholds**

Firms with Direct Access who exceed a WVR of 100:1 in a Designated Contract on a particular trading day will receive an electronic notification.

Firms with Direct Access who exceed a WVR of 100:1 in any Designated Contract or spread market for seven (7) or more electronic trading days in any calendar month will be subject to a one thousand dollar (\$1,000) surcharge for that calendar month.

Firms with Direct Access who meet or exceed a WVR of 500:1 in any Designated Contract or spread market on any electronic trading day will be subject to a two thousand dollar (\$2,000) surcharge per day for every day that the WVR of 500:1 has been met or exceeded.

Firms with Direct Access may obtain information regarding their messaging at the ICE website, [www.theice.com](http://www.theice.com).

Firms with Direct Access who are enrolled in any official Exchange Market Maker Program will be monitored under the guidelines set forth in this Messaging Policy; however, such Market Makers may be exempted from the surcharges listed below with such exemption to be determined on a case-by-case basis according to specific circumstances, which include but are not limited to, the liquidity of the particular market and the volume and number of trades by such Market Maker in the particular market.

**Restriction or suspension of access**

In addition to the surcharges, the Exchange retains the right to restrict or suspend access to Exchange markets listed on the ETS should the Exchange determine that the message usage associated with any Firm with Direct Access becomes capable of impairing the orderly conduct of business. Such determination will be made by the Exchange in its absolute discretion and may be made at any time and, if necessary, any consequent restriction or suspension may be implemented immediately and without notice.

## APPENDIX III

### Self-Trade Prevention Functionality Policy

All market participants engaging in proprietary trading are required to implement procedures to protect against self-trading that violates the Exchange's wash trading prohibition set out in Rule 4.02(c).

The ICE Platform has functionality, called the "Self Trade Prevention Functionality" ("STPF") that can assist participants in preventing violations of wash trading prohibitions. As set out below, certain participant categories are required to utilize the STPF.

#### Description of Functionality

The STPF resides within the ICE trading engine and provides various automated configurations to prevent self-trading of orders entered by the same firm or related firms; under the same Authorized Trader ID or the same account; or within the same Authorized Group ID. The functionality has the ability to be applied at any of the following levels:

Company ID – At this level, STPF can be employed on an inter-company or intra-company basis. The inter-company STPF prevents self-trading by different companies with common ownership (ie, under a common parent company) whereas intra-company STPF prevents self-trading within a single company. Firms wishing to use this type of STPF must ensure that Company IDs, are properly populated for all orders.

Authorized Group ID – At this level, a company can create Group IDs for the purpose of preventing self-trading by members of a group (within a single entity or related entities) that have access to or knowledge of each other's orders. The Authorized Group ID (Fix Tag 144/right side) is created by the participant and is passed to the Exchange on each order message. Firms are responsible for ensuring that Authorized Group IDs are sufficiently comprehensive to include all relevant traders. Those firms that have traders utilizing WebICE IDs will need to provide the ICE User Administration team with the names and WebICE IDs of the users they want grouped together and the ICE User Administration team will create and assign the Authorized Group IDs as requested by the firm.

Authorized Trader ID – At this level, STPF prohibits self-trading under the same Authorized Trader ID. For WebICE users, this would be the unique User ID assigned by ICE. For orders submitted to the Exchange through a FIX connection, the Authorized Trader ID is submitted in Tag 116 to the right of the pipe delimitator.

Account – At this level, STPF prohibits self-trading for the same account. The account must be an exact match.

Note that STPF does not apply to derived orders from spreads or other strategies that trade across outright orders. Only outright-to-outright orders and spread to same spread orders will be prevented from self-trading.

The STPF permits selection of any one of the following actions to occur when the matching engine detects a potential self- trade:

Reject Taking Order (RTO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the incoming bid/offer (or "Taking Order") will be automatically rejected.

Reject Resting Order (RRO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the resting bid/offer (or “Resting Order”) will be automatically cancelled.

Reject Both Orders (RBO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, both the Taking Order and Resting Order will be automatically cancelled.

If the resting order has the top priority in the order book, and would result in a self-trade against the entire quantity of the inbound opposing order, then the appropriate RTO, RRO, or RBO functionality will be employed, and the relevant order (RTO; RRO) or orders (RBO) will be cancelled entirely. However, if the resting order is not the top priority order for the full volume of the inbound order, then any partial fills across unrelated parties will be permitted to occur prior to cancellation of the balance of the inbound order.

All prevention criteria configurations are set up by ICE User Administration upon request.

### **Mandatory Use of STPF**

The STPF has been implemented to assist firms and individuals conducting proprietary trading with their wash trade compliance procedures.

The use of STPF is mandatory at the Authorized Trader ID level for Proprietary Traders with direct market access who utilize algorithmic trading applications. For the purposes of this Policy, “Proprietary Trader” means: an entity (company or individual) that trades for its own account, and which does not trade for customer/client accounts.

The Exchange intends that the mandatory use of STPF at Authorized Trader ID level will be extended over time to cover all Proprietary Traders and commercial/merchant entities other than those which trade for customer/client accounts.

Those who are required to utilize STPF to prohibit self-trading under the same Authorized Trader ID level may not opt out or otherwise override the use of STPF at this level.

Other market participants are encouraged to utilize STPF at a level that is appropriate to the nature of their trading operations and organizational structure.

It is incumbent upon all market participants to be able to demonstrate compliance with the rules that prohibit wash trading. The failure to utilize the STPF will be deemed an aggravating factor if such market participant is found to have engaged in wash trading, that would have been prevented by the STPF.

Further information is set out in the FAQ on Self Trade Prevention Functionality, located at [https://www.theice.com/publicdocs/futures\\_us/Self Trade Prevention Functionality FAQ.pdf](https://www.theice.com/publicdocs/futures_us/Self_Trade_Prevention_Functionality_FAQ.pdf)

## EXHIBIT B

[In the text below additions are underscored and deletions struck through]

### DEFINITIONS

“Anchor Price” shall mean the price set by the Exchange from which Reasonability Limits, No Cancellation Ranges and Interval Price Limits are determined. The Anchor Price shall be based on the front 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 prior day’s settlement price, the price of the Opening Match or the last traded price of the front delivery or expiration month as determined by the Exchange. The Anchor Price of each successive expiration or delivery month is determined by applying spread differentials against the Anchor Price.

“eBadge” shall mean, in the case of a Clearing Member or Direct Access Member, the number(s) assigned by the Exchange to a Clearing Member or Direct Access Member which identifies such Person, and in the case of a Person who is a Floor Broker shall be the same as the numeric of the Floor Trading badge issued to such Floor Broker.

“Implied Matching Engine” means the system functionality which derives futures and options spread and outright prices, respectively, from outright and spread orders entered onto the ETS for the purpose of matching outright orders and legs of spread orders against each other.

“Market Supervision” shall mean the Department of the Exchange responsible for overseeing electronic trading.

“No Cancellation Range” shall mean the price range above and below the Anchor Price for each Exchange Commodity Contract within which a Trade alleged as an error Trade may not be cancelled.

“Order Routing” shall mean a connection to the ETS, other than Direct Access.

“Reasonability Limits” shall mean the amount by which the price of an Exchange Commodity 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 an ETS algorithm. Market Orders will not be permitted to result in Trades at prices that are outside of the Reasonability Limits, and Limit Orders to sell at prices below the lower Reasonability Limit and Limit Orders to buy at prices above the upper Reasonability Limit at the time the order is entered will be rejected.

“Responsible Individual” shall mean an individual who is registered with the Exchange as the individual with authority to modify or withdraw any order submitted under any of the eBadge(s) with respect to which such individual is registered, and who is able to immediately identify the source of any order submitted under such eBadge.

“Price/Time Matching Algorithm” is generally used during an ETS trading session. When used, it matches orders on the basis of a price and time priority algorithm. The “best” price order always has the highest priority, for buy orders that means those orders that have the highest price and for sell orders that means those orders that have the lowest price. If more than one order is in the market at a specific price, the highest priority is given to the order that arrived at ETS first.

"Uncrossing Algorithm" is generally used during the Pre-Trading Session in accordance with Rules [27]427.1522 and [27]427.1623. It cycles through all orders submitted during the Pre-Trading Session identifying the best bid and best offer and produces matches where there is price crossing. All orders that are traded, whether fully or partially, as part of the Uncrossing Algorithm, trade at the same trade price.

#### **Rule 6.04. Settlement Price Determination in Physical Emergencies**

When a Physical Emergency is declared in accordance with Rule 6.02, the following shall apply with respect to determining the Settlement Price:

(a) With respect to Exchange Futures Contracts,

(i) if the trading hours have been extended, Settlement Prices will be determined in accordance with Rule 4.3408(b)(i) through (b)(iv); in the event that the weighted average of traded prices are used pursuant to Rule 4.3408(b)(i) and (ii), the prices from the last one (1) or two (2) minutes of the extended trading hours depending on the convention specified in Rule 27.18(b) for the contract, shall be used; or

(ii) if electronic trading does not resume, Settlement Prices will be determined in accordance with Rule 4.3408(b)(i) through (b)(iv); in the event that the weighted average of traded prices are used pursuant to Rule 4.3408(b)(i) and (ii), the prices from the last one (1) or two (2) minutes, depending on the convention specified in Rule 27.18-4.25(b) for the contract, shall be used.

(b) With respect to all Exchange Options Contracts, if the trading hours have been extended or if the market does not reopen for trading, the Settlement Price will be determined using the Settlement Price of the corresponding Exchange Futures Contract and standard option valuation models.

(c) If a Physical Emergency occurs prior to the end of trading for an expiring Exchange Contract on the Last Trading Day.

(i) with respect to any Exchange Financial, Index, Credit Index and all cash-settled futures contracts, if trading does not resume, the expiration process shall proceed in accordance with the Rules.

(ii) with respect to physically settled Exchange agricultural, environmental, gold and silver futures contracts, if trading in the expiring futures contract does not resume with more than two (2) hours remaining before the time specified in Rule 4.25-27.18:

**Remainder of Rule Unchanged**

#### **Rule 6.41. Broker Associations**

(a) The term "Associated Brokers" shall mean two (2) or more Members with floor trading privileges on the Exchange, at least one (1) of whom is handling Customer orders, who in the same market:

(i) engage in floor brokerage activity on behalf of the same employer;

(ii) have an employer and employee relationship which relates to floor brokerage activity;

(iii) share profits and/or losses associated with their brokerage or trading activity; or

(iv) regularly share a deck of orders.

For purposes of this definition the term "regularly share a deck of orders" shall mean that a Member with floor trading privileges, directly or indirectly discloses, or gives access to, two (2) or more Customer orders to another Member with floor trading privileges during the trading day; provided, however, that in the Financial and Index Contracts, the term "regularly share a deck of orders" shall mean that a Member with floor trading privileges directly or indirectly discloses, or gives access to, five (5) or more Customer orders to another Member with floor trading privileges, during the trading day.

(b) Not later than five (5) Business Days after the establishment of a broker association by formal agreement or otherwise, each broker association shall register with the Membership Department on such form as prescribed by the Exchange. Thereafter, the broker association shall provide the Exchange with all information which supersedes, modifies and/or amends the information in such notice, including the date of cessation of the broker association, as soon as practicable but in no event later than five (5) Business Days after the new information becomes effective. The information to be provided to the Exchange shall include:

(i) the name of the broker association;

(ii) the names of each Person or entity who is a member or otherwise has any direct beneficial interest in the broker association, whether or not such Person is a member of the Exchange;

(iii) all identifying badge symbols and/or numbers of the members belonging to the broker association;

(iv) account numbers for all accounts of any member of the broker association, accounts in which any member(s) of the broker association has any financial interest and any proprietary or customer accounts controlled by any member(s) of the broker association;

(v) identification of all other broker associations with which each member of the broker association is associated;

(vi) the legal form of the broker association;

(vii) the name of at least one (1) Member (who shall be a principal of the association) authorized to represent the broker association in connection with its registration requirements; and

(viii) such other information as the Exchange may require.

(c) A Member may file a request for Interpretation with the Vice-President of Market Regulation or his designee on a form prescribed by the Exchange, no later than five (5) Business Days after the establishment of any arrangement within the meaning of paragraph (a) hereof, for a determination as to whether registration as a broker association under paragraph (c) is required. A written determination shall be issued in response to the request.

(d) No member of a broker association may accept or execute an order unless his relationship to the broker association is registered with the Exchange in accordance with this Rule.

(e) All Transactions executed between members of a broker association must be executed pursuant to Rule ~~4.02(g) 27.21~~, provided, however, only the selling Floor Broker shall be responsible for complying with Rule ~~4.02(g) 27.21~~.

#### **Rule 8.08. Price Fluctuations**

(a) All bids and offers to buy or sell Coffee "C" Futures Contracts shall be quoted per pound in cents and decimal fractions of a cent. No Transactions, except AA or EFS Transactions as provided in Rules 4.12 and 4.13, 4.06 shall be permitted at a price which is not a multiple of five one-hundredths of one cent per pound.

(b) The Board may, without previous notice, prescribe, modify, or suspend maximum permissible price fluctuations for Transactions in Coffee "C" Futures Contracts.

**Rule 8.11. Delivery Notices**

(a) A Clearing Member with an open short Position wishing to make delivery of Coffee under a Coffee "C" Futures Contract shall present to the Clearing Organization a notice of intention to deliver Coffee in the form prescribed by the Exchange (the "Delivery Notice").

(b) All Delivery Notices:

- (1) shall be for one (1) or more Lots;
- (2) shall be issued no earlier than seven (7) Business Days prior to the first (1<sup>st</sup>) Business Day of the delivery month and no later than the Last Notice Day;
- (3) shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue;
- (4) shall state the amount and description of the Coffee tendered and bear a price per pound equal to the Settlement Price on the Business Day preceding the date of issue of the Notice; and
- (5) shall entitle the holder thereof to sample the Coffee referred to in the Delivery Notice.
- (6) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule ~~4.11~~4.37 (e):

Remainder of Rue Unchanged

**Rule 9.05. Notice of Delivery or Demand for Cocoa Issuance of Notice**

(a) A Clearing Member with an open short Position wishing to make delivery of Cocoa under an Exchange Futures Contract shall present a Delivery Notice to the Clearing Organization as specified in paragraph (b) hereof.

(b) Every Delivery Notice:

- (i) Shall be issued ten (10) full Business Days in advance of the Business Day designated for delivery;
- (ii) Shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue, or in the case of a partial Business Day, by 1:00 pm of such day;
- (iii) Shall be for ten (10) metric tons of Cocoa;
- (iv) Shall state the Growth of Cocoa and the Description of such Growth, and the delivery must consist of Cocoa of one (1) Growth and Description of such Growth only;
- (v) Shall state from which Port the Cocoa will be delivered;
- (vi) Notwithstanding the foregoing provisions of this paragraph (b), if a Clearing Member transfers any contracts after the close of trading in accordance with Rule ~~4.12~~4.37(e):

Remainder of Rue Unchanged



#### **Rule 10.53. Price Fluctuation Limitations**

- (a) Transactions in Cotton No. 2 Options shall not be subject to price fluctuation limitations.
- (b) For the purposes of this Rule, the term "Lead Month" shall mean the futures contract month carrying the most open interest; provided, however, that if the regular option contract on such futures contract month has expired then such futures contract month is not eligible to be the Lead Month.
- (c) If, during the trading day, the Lead Month is at limit bid or limit offer and the Exchange determines that the Monthly Options contract for which the Lead Month is the Underlying Futures Contract is trading at a synthetic price that is equal to two (2) times the daily price limit currently in effect for the Lead Month, trading in all Options contracts shall be halted for the remainder of the trading day.
- (d) The decision by the Exchange that the Options contract is trading at a synthetic price that is equal to two (2) times the daily price limit currently in effect for the Lead Month shall be final.
- (e) All Options trades executed prior to the Exchange halting Options trading for the day shall be valid trades.
- (f) Notwithstanding the above provisions, on the Last Trading Day of an expiring Options contract, trading in the expiring Options contract will not be halted under this Rule but shall continue until the time specified in Exchange Rule 4.25 27.18(d).

#### **Rule 11.06. Last Trading Day**

- (a) The Last Trading Day for each delivery month in the Sugar No. 11 Futures Contract shall be the last full trading day of the month preceding the delivery month; provided however, for the January futures delivery month, the Last Trading Day shall be the second (2<sup>nd</sup>) Business Day prior to the preceding December 24<sup>th</sup>.
- (b) After the close of business on the Last Trading Day of any delivery month:
  - (i) Each Member holding one (1) or more open sales contracts for that month shall issue a "Memo of Deliverer" to the Clearing Organization, by 5:00 p.m., stating for each open sales contract the growth of the sugar (one (1) growth or description only for each sales contract) and the delivery port, provided, however, that a minimum of eighty (80) contracts shall be stated for each port designated in the Memo of Deliverer.
  - (ii) Notwithstanding any Rule to the contrary, after the close of trading on the Last Trading Day of any sugar delivery month, a Clearing Member shall not carry for its own account or the account of any other Person a number of open sales contracts less than eighty (80) in any such delivery month. In any case where a Clearing Member carries, for the account of any other Person, a number of open sales contracts which is less than eighty (80) on the Last Trading Day, the Clearing Member shall, in such manner as it deems appropriate, buy or sell the minimum number of contracts necessary, so that the contracts in such account equal at least eighty (80) or the account is liquidated.
  - (iii) Each Member holding one (1) or more open purchase contracts for that month shall issue a "Memo of Receiver" to the Clearing Organization, by 5:00 p.m., stating the total number of open purchase contracts for that month (which number shall conform to the unliquidated position on said Member's books) which it will be receiving.
  - (iv) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule 4.11 4.37(e):

Remainder of Rue Unchanged

**Rule 13.13. Delivery Notices**

(a) The following terms, as used in this Chapter 13, shall have the meanings indicated unless the context requires otherwise:

(1) "Certificate of Registration" shall mean an electronic record created on eCOPS<sup>®</sup> in accordance with eCOPS procedures which signifies that an EWR has been registered with the Exchange in accordance with the Rules and that the tank facility has met the performance bond and insurance requirements as provided in Licensing Rule 7.64.

(2) "Date of Delivery" shall mean the date five (5) Business Days following the issue of the Delivery Notice, except as the Rules may otherwise provide.

(3) "Delivery Notice" shall mean the notice of intention to deliver one (1) or more FCOJ contracts issued to the Clearing Organization by a Clearing Member carrying a short position, in the form, and by the times, specified by the Exchange.

(4) "Delivery Worksheet" shall mean an electronic record created on eCOPS on the day the Delivery Notice is issued, which shall be maintained and updated, as applicable, during the five (5) Business Days until the Date of Delivery, as further described in Rule 13.16.

(5) "EWR" shall mean the electronic warehouse receipt record created on eCOPS by a tank facility concerning FCOJ that is stored in such facility.

(6) "Exchange Invoice" shall mean an electronic record created on eCOPS from data contained on the Delivery Notice and Delivery Worksheet, showing the amount to be paid by the Receiver for the delivery of FCOJ identified in such invoice.

(7) "Notice of Transfer" shall mean an electronic record created on eCOPS that changes the holder of title of an EWR from a Clearing Member to the Clearing Organization or from the Clearing Organization to a Clearing Member in connection with a delivery of FCOJ.

(b) Every Delivery Notice:

(1) shall be in a form acceptable to the Clearing Organization and shall be issued on the fifth (5<sup>th</sup>) Business Day prior to the Date of Delivery;

(2) may be tendered on and after the first (1<sup>st</sup>) Business Day of a maturing month;

(3) must be submitted to the Clearing Organization prior to 5:00 pm on the Business Day prior to the date of issue;

(4) shall be for fifteen thousand (15,000) pounds of solids showing the facility from which the FCOJ will be delivered and a price per pound equal to the Settlement Price on the Business Day preceding the date of issue of the Delivery Notice; and

(5) shall be for tank delivery only.

(6) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule 4.11(e) 4.37(e):

Remainder of Rue Unchanged

#### **Rule 14.06A Settlement Price**

The Exchange shall publish a Settlement Price on each Business Day which shall be set at the value of the corresponding month of the corresponding CBOT physical delivery futures contract on such day, or as otherwise specified by the Exchange. If there is no trading in such corresponding CBOT contract, or if the Exchange determines that the CBOT price does not fairly represent the market value of the relevant contract month or is inconsistent with market information known to the Exchange, the Exchange will calculate the Settlement Price in the manner specified in Rule ~~4.34~~ 4.08 with respect to other Exchange Futures Contracts. All settlements must be made through the Clearing Organization.

#### **Rule 21.02. Compliance Staff — Powers and Duties**

\* \* \*

(e) Notwithstanding the provisions of paragraph (d) of this Rule, the Vice President or his designee may issue a warning letter or impose a summary fine of no more than ten thousand dollars (\$10,000) upon a Member or other market participant in any case in which it is concluded that there may have been a violation of:

- (i) any record keeping rule;
- (ii) Rule 4.02(g)(2) or (g)(3);
- (iii) Rule 4.02(k)(2)(E)
- (iv) Rule 4.07 (a), (b) or (c);
- (v) Rule 6.15(a), (b), (d)(1), (d)(2), (d)(3) or (d)(4);
- (vi) Rule 2.22 or Rule 18.05(a) or (d);
- (vii) Rule ~~27.05~~ 4.11(a)(i);
- (viii) paragraph (a), (b) or (c) of Rule ~~27.09~~ 4.15;
- (ix) Rule 21.04, by failing to produce documents, books or records, within the time period prescribed by the Exchange; or
- (x) ~~27.12A~~ 4.19(a) through (e).

The authority to impose such a warning letter or summary fine does not limit the Vice President's authority to refer the matter to the BCC instead of imposing such sanction. A summary fine imposed in accordance with this paragraph shall become final and effective and payment shall become effective fifteen (15) calendar days after receipt. A Member or non-member market participant may present evidence to the Market Regulation Department and request the summary fine be rescinded or reduced during the fifteen (15) calendar day period until the fine has become effective. The decision to cancel, modify or affirm a summary fine imposed in accordance with this paragraph shall be made at the sole and absolute discretion of the Vice President or his designee.

(f) The Vice President or his delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any Person be denied access to the Trading Floor, any or all Exchange Markets and/or denied access to the Exchange's electronic trading system for a period not to exceed 60 days. Notice shall promptly be given to the Person subject to the access denial. Such notice shall state the reasons for the denial, the effective date, time and the duration of the denial and advise the Person of his right to an expedited hearing before the Exchange's Business conduct Committee in accordance with the procedures

set forth in Rule 21.03(f) by filing a request with the Vice President within 10 Business Days after receiving the notice.

### **Rule 21.03. The Business Conduct Committee**

(a) The Business Conduct Committee shall have the power to direct that an investigation of any suspected violation of the Rules be conducted by the Compliance staff, pursuant to Rule 21.02, shall have the authority to hear any summary denial of access pursuant to Rule 21.02, and shall have the authority to hear actions to register, suspend or terminate Clerks pursuant to Rule ~~4.17~~ 4.41.

Remainder of Rue Unchanged

### **31.1 Delivery Notices**

- (a) A Clearing Member with an open short Position wishing to make delivery of gold under a Futures Contract shall present to the Clearing Organization a notice of intention to deliver gold in the form prescribed by the Exchange (the "Delivery Notice").
- (b) All Delivery Notices:
  - (1) shall be for one (1) or more minimum trading units;
  - (2) shall be issued no earlier than two Business Days prior to the first (1<sup>st</sup>) Business Day of the delivery month and no later than two Business Days prior to the last day of trading (the "Last Notice Day");
  - (3) shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue;
  - (4) shall state an amount and description of the gold tendered and bear a price per troy ounce equal to the settlement price on the Business Day preceding the date of issue of the Delivery Notice.
  - (5) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule ~~4.37~~(e):

Remainder of Rue Unchanged

### **33.8 Delivery Notices**

- (a) A Clearing Member with an open short Position wishing to make delivery of gold under a Futures Contract shall present to the Clearing Organization a notice of intention to deliver gold in the form prescribed by the Exchange (the "Delivery Notice").
- (b) All Delivery Notices:

- (1) shall be for one (1) or more minimum trading units;
- (2) shall be issued no earlier than two Business Days prior to the first (1st) Business Day of the delivery month and no later than two Business Days prior to the last day of trading (the "Last Notice Day");
- (3) shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue;
- (4) shall state an amount and description of the gold tendered and bear a price per troy ounce equal to the settlement price on the Business Day preceding the date of issue of the Delivery Notice.
- (5) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule 4.37 ~~44~~(e):

Remainder of Rue Unchanged

#### **34.8 Delivery Notices**

- (a) A Clearing Member with an open short Position wishing to make delivery of silver under a Futures Contract shall present to the Clearing Organization a notice of intention to deliver silver in the form prescribed by the Exchange (the "Delivery Notice").
- (b) All Delivery Notices:
  - (1) shall be for one (1) or more minimum trading units;
  - (2) shall be issued no earlier than two Business Days prior to the first (1st) Business Day of the delivery month and no later than two Business Days prior to the last day of trading (the "Last Notice Day");
  - (3) shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue;
  - (4) shall state an amount and description of the silver tendered and bear a price per troy ounce equal to the settlement price on the Business Day preceding the date of issue of the Delivery Notice.
  - (5) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule 4.37 ~~44~~(e):

Remainder of Rue Unchanged

### 36.8 Delivery Notices

- (a) A Clearing Member with an open short Position wishing to make delivery of silver under a Futures Contract shall present to the Clearing Organization a notice of intention to deliver silver in the form prescribed by the Exchange (the "Delivery Notice").
- (b) All Delivery Notices:
- (1) shall be for one (1) or more minimum trading units;
  - (2) shall be issued no earlier than two Business Days prior to the first (1<sup>st</sup>) Business Day of the delivery month and no later than two Business Days prior to the last day of trading (the "Last Notice Day");
  - (3) shall be presented to the Clearing Organization by the Clearing Member making delivery not later than the time specified by the Clearing Organization on the Business Day preceding the date of issue;
  - (4) shall state an amount and description of the silver tendered and bear a price per troy ounce equal to the settlement price on the Business Day preceding the date of issue of the Delivery Notice.
  - (5) Notwithstanding the foregoing provisions of this paragraph (b), if a Member transfers any contracts after the close of trading in accordance with Rule 4.37 ~~44~~(e):

Remainder of Rue Unchanged

### R-2 Delegation of Presidential Authority

WHEREAS, the Board of Directors has appointed the President; and

WHEREAS, the President has requested approval of certain delegations of authority;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the following delegations of the authority of the President:

1. In the absence or inability of the President to act, the President's authority to approve substitute guarantees pursuant to Membership Rule 2.16(e), to extend the period of time within which a member-elect must obtain a Membership pursuant to Membership Rule 2.27(a), and to approve a security deposit pursuant to Membership Rules 2.23 (h) and 2.26(b) in order to permit the transfer of a Membership prior to completion of the claims notice period under the Rules, is hereby delegated to the Senior Vice President/General Counsel, and in the absence or inability of said Senior Vice President/General Counsel to act, to any other Senior Vice President.

2. In the absence or inability of the President to act, the President's authority to authorize the transfer of open contracts pursuant to ~~Floor~~ Trading Rule 4.37~~44~~ and to review and approve certain Clerk registration applications pursuant to ~~Floor~~ Trading Rule 4.41 ~~33~~, is hereby delegated to the Senior Vice President/General Counsel, and in the absence or inability of said Senior Vice President/General Counsel to act, to any other Senior Vice President.

Remainder of Rue Unchanged

**R-4 Sexual Harassment Awareness Course Attendance**

WHEREAS, Membership Rule 2.18 and Floor Trading Rule 4.41 ~~33~~ provide that in order to retain floor trading privileges and Clerk registration, a Person must attend a Sexual Harassment Awareness Course within a specific period of time otherwise their privileges and registration would be suspended until such time as the Member or Clerk complies with the requirement; and

WHEREAS, the President is authorized to extend the period of time a Person has to satisfy this requirement; and

WHEREAS, a significant number of Clerks have failed to satisfy this requirement; and

WHEREAS, the Board wishes to provide an incentive for Members and Clerks who have failed to satisfy this requirement to do so while continuing to have access to the Trading Floor;

NOW, THEREFORE, BE IT RESOLVED, that effective June 10, 2004 any Member or Clerk who is granted an extension of time to satisfy the requirement to attend a Sexual Harassment Awareness Course shall pay a fee of \$100 for each week of such extension that he wishes to gain access to the Trading Floor.

**EXHIBIT C**

**[In the text below additions are underscored and deletions struck through]**



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**Wash Trade**

**FAQ**

~~February 2016~~

July 2017

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**1. Who is considered a market participant?**

For the sole purpose of this FAQ, a market participant is defined as any person initiating or executing a transaction directly or through an intermediary, and any person for whose benefit such a transaction has been initiated or executed. A market participant also includes any individual or firm that is involved with the placement, negotiation or execution of a transaction such as a floor, firm or voice broker.

**2. What is a wash trade?**

A wash trade is a transaction or a series of transactions executed in the same Commodity Contract and delivery month or Option series at the same, or a similar, price or premium for accounts of the same Principal.

The term “Principal” as used herein shall mean an individual or entity with a beneficial interest in an account.

The term “same Principal” as used herein shall mean accounts that are owned by the same person, entity, or a parent and its 100% wholly owned subsidiaries, or subsidiaries that are wholly owned by the same parent and *shall also include accounts that have common ownership that is less than 100%*.

A wash trade occurs when there is an act of entering into, or purporting to enter into, transactions with no intent to obtain a bona fide market position or activity that gives the false appearance of an executed transaction(s), but does not subject the Principal to any market risk or change in position or aid in price discovery. Such trades are prohibited by the Commodity Exchange Act, and Exchange Rule 4.02(c) which prohibits the execution of wash trades. Any market participant who initiates, places, accepts or accommodates a transaction in a manner such that the participant(s) knew or should have known it would result in a wash trade will be in violation of Exchange Rule 4.02(c)<sup>1</sup>.

In addition, if it is determined that simultaneous buy and sell orders are for different Principals such orders must be executed in accordance with Exchange Rule 4.02(g). This Rule, however, prohibits market participants from contemporaneously entering both buy and sell orders for the same Commodity Contract in the same delivery month or Option series via a Crossing Order (“CO”) unless such orders are for different Principals.

**3. Can a market participant who receives simultaneous buy and sell orders for the same Principal accept them? Is there a duty to ask if the orders are for different Principals?**

Upon the receipt of simultaneous buy and sell orders, a market participant should determine if such orders are for the same Principal. If the market participant learns that the orders are for an omnibus account, the market participant, then, should determine if the orders are for different Principals whose accounts are within the omnibus account. If the orders are not for different Principals, they may not be accepted.

If such orders trade opposite one another and are ultimately for the same Principal, any of the market participants involved that knew or should have known that the activity would result in a wash trade(s) may be in violation of Exchange Rule 4.02(c).

**4. Why must a market participant receiving simultaneous buy and sell orders inquire if the orders are for different Principals?**

The CFTC has held that a market participant (including account executives and 3<sup>rd</sup> party brokers) may not knowingly participate in the execution of wash trades and, therefore, has an independent duty to inquire about the propriety of buy and sell orders placed for simultaneous execution. (See, *In the Matter of Three*

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<sup>1</sup> Formerly ICE Futures U.S. Rule 2.29(k)

*Eight Corporation*). There may be circumstances which would require a market participant to go beyond mere acceptance of the assertion made by the party placing the orders and take additional steps to ensure that the orders in question do not violate the prohibition on wash trades.

**5. What should a market participant do if he cannot determine if simultaneous buy and sell orders are for the same or different Principals?**

The market participant should refuse to accept the orders. However, if the orders are accepted, and assuming the market participants have no knowledge of improper customer intent, regulatory risk may be mitigated by taking steps to ensure that they are not executed opposite each other, such as by ensuring that one order is entered and executed prior to the entry and execution of the second order.

In either case, the market participant should report the situation to the Market Regulation Department.

**6. If simultaneous buy and sell orders for the same Principal are entered for a legitimate purpose, how should a market participant execute the orders to ensure compliance with Exchange rules?**

If a market participant receives simultaneous buy and sell orders for the same Principal for execution on the Electronic Trading System ("ETS"), records of such orders (i.e. paper tickets, emails or IMs) must be generated upon receipt and maintained, and must include order details and evidence the time of receipt by means of an electronic time-stamp or other automated timing device. One of the orders should then be entered on the ETS and executed in full prior to the entry of the second order. A record of the second order including time of placement will be required because it was not entered on the ETS immediately upon receipt. This again will ensure that the orders are not executed opposite each other and will provide a clear audit trail with respect to the entry and execution of the orders. For additional guidance on the appropriate recordkeeping requirements, please refer to Exchange Rules 6.07 and 6.08.

Simply ensuring that there is a delay between the entry of the buy and sell orders may not, depending on the terms of the orders and market conditions, preclude the orders from trading in whole or in part against each other. To the extent that the orders trade opposite each other, or are executed at nearly the same price the result would be a transaction that incurred no market risk or change in position and, therefore, may be deemed a violation of Rule 4.02(c) irrespective of the fact that the orders were entered at different times.

**7. Is it acceptable to place simultaneous buy and sell orders for the same Principal with the same market participant for execution on a discretionary ("DRT") basis?**

If the market participant placing the orders does so simultaneously or nearly simultaneously and execution of the orders results in a wash trade or if both orders are executed opposite the same third party, it is possible that the party placing the order, any party transmitting the order, the market participant executing the order and the accommodator(s) will be the subject of an enforcement action brought by either the CFTC or the Exchange for engaging in an illegal wash trade.

Depending upon the circumstances, the placement of buy and sell order for the same Principal along with giving the executing market participant discretion over price and/or time, may be viewed as an implicit request to negate the customer's market risk by directly or indirectly executing the orders against each other. The fact that the trade is not prearranged and is executed competitively may not protect the parties from liability if the execution of the orders produces a wash result.

**8. Is it acceptable to place a buy order(s) with one market participant for execution and place a simultaneous sell order(s) for an account with the same Principal to a different market participant for execution?**

The potential for liability in this situation is significant. If the orders trade against each other in whole or in part, or if both orders are executed opposite the same third party, an inference may be drawn that there was intent to execute a prohibited wash trade. The fact that the trade is not prearranged and is executed

competitively on the ETS may not protect the parties from liability if the execution of the orders produces a wash result.

**9. Under what circumstances does trading opposite your own orders on the trading platform violate Exchange rules regarding wash trades?**

Market participants are prohibited from entering both buying and selling orders for the same Commodity Contract for future delivery in the same delivery month or Option series unless such orders are for different Principals. It is a violation of Exchange Rule 4.02(c) for a market participant to enter an order on the ETS that he knew or should have known would trade against a resting order on the other side of the market for the same Principal.

**10. Does the Exchange provide market participants any wash trade prevention features and is it mandatory for certain market participants?**

In December 2013, the Exchange introduced the Self Trade Prevention Functionality (“STPF”) policy. STPF functionality resides within ICE’s trading engine and provides various automated configurations to prevent self-trading of orders entered by the same direct market access (“DMA”) firm or related DMA firms. The STPF functionality is customizable based on each market participant’s needs and therefore can be implemented at the following levels: Authorized Trader ID, Company ID, Authorized Group ID or Account ID.

Currently, proprietary traders with DMA access who utilize algorithmic trading applications are required to utilize STPF to prohibit self-trading at any of the various levels noted above. Proprietary Traders are defined as any entities or individuals that trade for their own account, or their company’s account.

For additional STPF information please refer to the Exchange’s [STPF FAQ](#).

**11. Is it a violation of Rule 4.02(c) if independently initiated buy and sell orders inadvertently match against each other when placed by different independent decision-makers associated with the same Principal?**

If buy and sell orders which are placed by independent decision makers for accounts that reflect the trading of separate business units of the same Principal coincidentally match each other when executed, it would not be considered a violation of Rule 4.02(c) provided that the orders were entered without prearrangement, neither person had knowledge of the other party’s order and the orders were not otherwise intended to match with each other. For these types of transactions, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had a bona fide business purpose for each party to the trade.

The Exchange will deem a market participant to be in violation of Rule 4.02(c), if buy and sell orders for accounts with the same Principal were matched opposite each other for the purpose of transferring/moving positions amongst accounts. Any market participant involved in the initiation, placement, negotiation, execution or accommodation of a transaction that knew or should have known it was done for such purpose may be in violation of Exchange Rule 4.02(c). Market participants should be aware that the Exchange does allow the transferring of an open position(s) that involves no change in beneficial ownership, provided it complies with Exchange Rule 4.3744, Transfer Transactions Not Required to Be Made Competitively.

**12. Is it a violation of Rule 4.02(c) if independently initiated orders placed by different proprietary traders or Automated Trading Systems (“ATS”) within the same market participant match against each other?**

The Exchange recognizes that certain market participants have various proprietary trading operations composed of individual traders or a team of traders who, through fully independent trading decisions, manually place orders or operate ATS’s. These strategies, although for the same Principal, may coincidentally match with each other when executed. If, however, the orders were entered without

prearrangement and were not otherwise intended to match with each other and did not cause price or volume aberrations, such trades are not considered to be in violation of Rule 4.02(c), provided that the Market Participants can demonstrate such independence.

Market participants should have and enforce policies to preclude affiliated traders who enter orders for the same Principal and have access to, or knowledge of each other's orders from trading opposite each other. Additionally, market participants are also responsible for monitoring their ATS's and for employing trading algorithms that minimize the potential for the execution of transactions that do not involve a change in ownership.

- 13. If orders entered for a single ATS or various ATS's controlled by the same individual trader or for the same team of traders ultimately match opposite one another, would the Exchange consider the trade to be a wash trade?**

In these scenarios, such trades may be considered to be in violation of Rule 4.02(c) or other Exchange rules, such as Rule 4.04, if they occur on more than an infrequent basis. It is recommended in this circumstance that the market participant employ functionality that will minimize the potential for the ATS's buy and sell orders to match with each other.

Market participants should also ensure that each strategy's Authorized Trader ID's ("ATID") are appropriately registered to the individual or group of individuals that operate the ATS. If multiple ATS strategies are operated/ controlled by the same individual or team, submit orders in the same instrument and may potentially trade opposite themselves, each strategy should have its own unique ATID.

- 14. Under what circumstances does unintentional or incidental matching of buy and sell orders from the same Principal violate Rule 4.02(c) or other Exchange rules such as Rule 4.04?**

Unintentional and incidental matching of buy and sell orders for the same Principal generally will not be considered a violation unless such activity causes price or volume aberrations, or occurs other than on an incidental basis. The frequency of incidental self-matching for the same Principal in any circumstance will be evaluated in the context of the activity of the trader, trading group, or algorithm(s), and relative to the activity in the instrument traded. More than de minimis self-trading in this context will result in additional regulatory scrutiny and may be deemed to violate the prohibition on wash trades.

As such, market participants are responsible for monitoring their trading, whether that trading is manual or automated, and are strongly encouraged to adjust their trading strategies or employ functionality designed to minimize or eliminate their buy and sell orders from matching with activity opposite other proprietary traders, ATS's or independent decision makers associated with the same Principal.

- 15. Does the wash trade prohibition only apply to transactions entered or executed on the ETS?**

No. The Exchange prohibits wash trading for all trade types, including but not limited to Block Trades and Exchange for Related Positions ("EFRP's"). However, some exclusion may apply for Off-Exchange transactions which are detailed below:

- 1) **Block Trades** - The Exchange permits block trades in all futures and options contracts between accounts of affiliated parties, and would not deem a wash trade to have occurred provided that it can be demonstrated that each block trade meets the following requirements:
  - i. the block trade price must be executed at a fair and reasonable market price;
  - ii. each party must have a separate and independent legal bona fide business purpose for engaging in the trades; and
  - iii. each party's decision to enter into the block trade must be made by a separate and independent decision-maker.
- 2) **EFRP's** - The accounts involved in the execution of an EFRP transaction must be:

- i. Independently controlled with different beneficial ownership; or
- ii. Independently controlled accounts of separate legal entities with the same beneficial ownership; or
- iii. Independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units.

“Independently controlled” means that the parties have separate accounts with separate operations (whose positions, even when exactly opposite, cannot be offset except by trading on the electronic platform) and that there is independent control of decision making with respect to transactions for such accounts.

If the Block or EFRP trade(s) do not meet all of the requirements set forth above, the transaction may constitute an illegal Wash trade prohibited by Rule 4.02(c). Please refer to IFUS’ [Block Trade FAQ](#) and [EFRP FAQs](#) for additional guidance.

**16. Are there unique considerations with respect to Rule 4.02(c) in the context of exchange-sponsored volume incentive programs?**

Market participants who participate in exchange-sponsored programs with incentives tied in whole or in part to meeting specific volume thresholds should take proactive steps to prevent transactions between accounts of the same Principal and utilize the STPF offered by the Exchange.



## **Pre-Execution Communications FAQ**

**August 2016**

**July 2017**

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## **PRE-EXECUTION COMMUNICATIONS FAQ**

ICE Futures U.S. Inc. Rules permit pre-execution communications in all Exchange products, subject to the provisions of Rules 4.02(i)<sup>2</sup> and 4.02(k)<sup>3</sup>. This document is intended to provide information on the permission required to allow pre-execution communication on behalf of a customer, and on how orders resulting from pre-execution communication must be executed on the electronic trading system (“ETS”). (Please note that requirements vary depending on the product).

### **Required Permission and restrictions for Pre-Execution Communications**

1. Is a customer’s consent to pre-execution communications necessary?

Yes. If a Person is acting on behalf of another, i.e. a Customer, such Person must obtain the Customer’s consent prior to engaging in pre-execution communications. Records evidencing that such consent was obtained should be available for production upon request of the Exchange. Such consent may be in the form of blanket consent from a customer acknowledging its consent for the broker to engage in pre-execution communications on its behalf and would be considered in force until revoked by such customer.

2. May a Person involved in pre-execution communications disclose the details of those communications to other parties?

No. Pre-execution communications are confidential and may not be disclosed to anyone else.

3. If a Person has participated in a pre-execution communication where non-public information has been disclosed about an order or a potential order, may such Person subsequently enter an order into the market to take advantage of the non-public information derived during the communication?

No.

### **Execution of orders resulting from Pre-Execution Communication**

4. How are orders resulting from Pre-Execution Communications required to be executed?

Such orders must be executed by submission of a Crossing Order (“CO”) into the ETS. The CO must contain the quantity and price at which the cross trade execution is sought. Entry of the CO will trigger a Request For Quote (“RFQ”) message for the respective future, option or combination, which will automatically be exposed to the market for the prescribed time period before the ETS will seek to execute the CO.

5. Is a CO or a Request for Quote (“RFQ”) required to be submitted prior to engaging in pre-

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<sup>2</sup> Formerly Exchange Rule 27.21

<sup>3</sup> Formerly Exchange Rule 27.22

execution communications?

No. Only after the market participants have agreed to the execution of a crossing transaction as a result of pre-execution communications, must a CO be submitted. The ETS will create the RFQ automatically from the submitted CO.

6. Is the price or quantity of the orders on the CO displayed to the marketplace in the resulting RFQ?

No. The price of the orders will not be displayed, but the quantity will be displayed.

7. Is there any information in the RFQ that identifies that a CO may be forthcoming?

No. The purpose of the RFQ is to notify all market participants that there is interest in executing a trade or strategy.

8. After submitting a CO, how much time will elapse before the CO is automatically activated?

Five (5) seconds will elapse after submission of the CO before the CO is automatically activated.

9. Once the CO has been activated, are the buy and sell orders automatically executed against each other?

No. Once activated, the CO will be evaluated against the best prices in the limit order book. If the CO price improves the best bid and the best offer in the order book or if there is no bid/offer, 100% of the CO quantity will match at the CO price immediately upon activation. If the CO price improves the best bid but there is a better offer or offers, the buy side of the CO will be executed first against such better offer or offers and then subsequently against the sell side of the CO if any residual quantity on the buy side remains. Similarly if the CO price improves the best offer but there is a better bid or bids, the sell side of the CO will be executed first against such better bid or bids and then subsequently against the buy side of the CO if any residual quantity on the sell side remains.

10. What priority will the CO have in the order book?

For purposes of determining priority in the order book, the CO will be considered to have been entered at the time the CO is submitted to ETS.

11. What happens if there are unfilled quantities of the CO after the CO has been matched?

Any remaining volume of the CO will be cancelled by ETS.

12. Are there any alternative methods of complying with the requirements of Rule 4.02(k) other than through the entry of a CO?

No.

13. Once the CO is submitted and quotes are made, may the submitter of the CO trade opposite the



bids or offers entered in response to the RFQ?

Yes. However, the parties to the CO cannot enter bids or offers that would improve the bids or offers made in the corresponding market during the respective 5 second crossing window. This would violate the provisions of Rule 4.02(k)(2)(C) which prohibit the parties to pre-execution communications from entering orders that take advantage of information obtained through the pre-execution communication, such as the price at which the CO will execute.

14. Once the CO is submitted and active, may the parties to the CO submit any RFQs?

No. The parties to the CO (including the submitter of the CO in the case of a broker) may not submit any RFQs until the CO has transacted.

15. Once the CO is submitted and quotes are made, may the submitter of the CO change the CO?

No. The submitter of the CO cannot change the originally submitted CO and may not submit another CO until the original CO is transacted. Further, the parties to the CO cannot enter bids or offers that would improve the bids or offers made in the corresponding market during the respective 5 second crossing window.

16. Once a transaction is agreed upon via pre-execution communications, how much time does the submitter have before the submitter must enter the CO?

None. Once a transaction has been agreed upon, the submitter must immediately enter the CO.

17. May a submitter specify a "Reserve Quantity" on a CO?

No.

#### **Transactions with no Pre-Execution Communications**

18. Is it permissible to contact other market participants to obtain general market color without engaging in pre-execution communications?

Yes. Communications to obtain general market color or simply to obtain a quote are permissible provided there is no express or obviously implied arrangement to execute a specified trade and no non-public information is communicated regarding an order or potential order.

19. If an order has been submitted to ETS, are there any restrictions on communicating with potential counterparties?

With a resting order exposed on ETS, it is permissible to contact potential counterparties to solicit interest in trading against the order. In any such communications, no non-public information (i.e. information not represented in the terms of the order exposed to the market) may be disclosed. For example, if the represented offer is for 250 contracts, it would be a violation of the Rules to disclose that there are an additional 500 contracts to sell because that information has not been disclosed to the market.

20. What are the requirements for handling simultaneous buy and sell orders for different beneficial owners that do not involve pre-execution communications?

Independently initiated orders that are on opposite sides of the market for different beneficial account owners and are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications and that each of the orders is entered immediately upon receipt.

In accordance with Rule 4.02(i) ("Cross Trades"), opposite orders that are for different beneficial accounts and are simultaneously placed by or for a party with discretion over both accounts must have a Crossing Order ("CO") which contains both the buy and sell orders entered into ETS.

An order for that allows for price and time discretion may be executed opposite a second order only by entering a CO into the ETS.

21. If there have been no pre-execution communications, is it permissible for a firm to knowingly trade for its proprietary account against a Customer order entered by the firm?

Yes, provided that in accordance with Rule 4.02(i) ("Cross Trades"), the Customer's order and the proprietary order have been exposed on the ETS by the submission of a CO.



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# **SELF - TRADE PREVENTION FUNCTIONALITY (STPF)**

**FAQs**

**~~October, 2014~~**

**July 2017**

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## 1) What is Self -Trade Prevention Functionality (STPF)?

STPF resides within the ICE trading engine and provides various automated configurations to prevent self-trading of orders entered by the same direct market access (DMA) firm or related DMA firms; under the same Authorized Trader ID or the same account ID; or within the same Authorized Group ID. Further description of the STPF is contained within the Self-Trade Prevention Policy in the ICE Futures US Rulebook in Appendix III of Chapter 4.27.

The functionality has the ability to be applied at any of the following levels:

Authorized Trader ID – At this level, STPF prohibits self-trading under the same Authorized Trader ID. For WebICE users, this would be the unique User ID assigned by ICE. For orders submitted to the Exchange through a FIX connection, the Authorized Trader ID is submitted in Tag 116 to the right of the pipe delimiter.

Company ID – At this level, STPF can be employed on an inter-company or intra-company basis. The inter-company STPF prevents self-trading by different companies with common ownership (common parent company) whereas intra-company STPF prevents self-trading within a single company. Firms wishing to use this type of STPF must ensure that Company IDs, are properly populated for all orders.

Authorized Group ID – At this level, a company can create Group IDs for the purpose of preventing self-trading by members of a group (within a single entity or related entities) that have access to or knowledge of each other's orders. The Authorized Group ID (Fix Tag 144/right side) is created by the participant and is passed to the Exchange on each order message. Firms are responsible for ensuring that Authorized Group IDs are sufficiently comprehensive to include all relevant traders. Those firms that have traders utilizing WebICE IDs will need to provide the ICE User Administration team with the names and WebICE IDs of the users they want grouped together, and the ICE User Administration team will create and assign the Authorized Group IDs as requested by the firm.

**Note:** In the past Fix Tag 144 (right side of pipe) Authorized Group ID. has been used for a slightly different purpose in identifying the routing of an order, it is now being repurposed for use by companies that wish to utilize the STPF at the Authorized Group level. Companies using Authorized Group IDs will be required to populate Tag 144 right with an alpha-numeric identifier that indicates the unique Authorized Group ID it has assigned to its trader or group of traders within the company. Companies using the Authorized Group ID STPF will have to ensure that this is the only information being submitted under Tag 144 right. Any use of Tag 144 Right for other purposes, that is not an identified group of traders, could result in unintended blocking of orders submitted by traders who share a common Tag 144 right.

Account ID – At this level, STPF prohibits self-trading for the same account. The account must be an exact match.

The STPF permits selection of any one of the following actions to occur when the matching engine detects a potential self- trade:

Reject Taking Order (RTO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the incoming bid/offer (or “Taking Order”) will be automatically rejected.

Reject Resting Order (RRO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the resting bid/offer (or “Resting Order”) will be automatically cancelled.

Reject Both Orders (RBO) – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, both the Taking Order and Resting Order will be automatically cancelled.

## **2) Who is required to use the STPF?**

Proprietary Traders with direct market access who utilize algorithmic trading applications will be required to utilize STPF to prohibit self-trading at the Authorized Trader ID, Authorized Group ID or Company level. Proprietary Traders are defined as any entities or individuals that trade for their own account, or their company’s account. The Exchange may make the STPF mandatory for other Proprietary Traders at a future date.

Those who are required to utilize STPF cannot opt out or otherwise override the use of the STPF. Furthermore, entities within the scope of the term “Proprietary Trader” are encouraged to utilize the elements of STPF at a level that is appropriate to the nature of their trading operations and organizational structure.

Note, while firms and individuals that trade for client accounts, or for managed client money are not required to use the STPF, the functionality is available and may be utilized by all DMA firms.

## **3) How is the STPF set-up and administered?**

Participants are required to contact ICE User Administration at [iceuseradministration@theice.com](mailto:iceuseradministration@theice.com) to set up the self-trade prevention functions.

## **4) Will the use of the STPF create any delay while checking for potentially matching orders?**

No. Since the functionality operates at the trading engine level, there is no latency introduced, regardless of whether the functionality is active or not.

**5) Will the STPF prevent outright orders from matching spread orders?**

No, the STPF does not apply to derived orders from spreads or other strategies that trade against outright orders. Only outright-to-outright orders and spread to same spread orders will be prevented from self-trading.

**6) How do I assign Authorized Group IDs for groups of WebICE users that share an order book or otherwise have knowledge of each other's orders?**

Firms should email the ICE User Administration team at [iceuseradministration@theice.com](mailto:iceuseradministration@theice.com) with the names and WebICE IDs of the users they want grouped together, and the Administration team will create and assign the Authorized Trader Group IDs as requested by the Firm.

**7) Will the self-trade prevention functionality pertain to orders entered as Crossing Orders (COs) or permitted, off-exchange transactions entered through ICEBlock?**

No, the self trade prevention functionality is only applicable to orders that are entered separately and directly in the electronic central limit order book market. However, the Exchange will continue to review transactions resulting from COs and off-exchange transactions for evidence of wash trading.

**8) Will a modification of the terms of an existing order be recognized and treated as a new order for purposes of the self trade prevention functionality?**

Yes. For example, assume the self trade prevention is set to prevent orders for the same account from matching. Also assume an order to buy 1 August WTI @ 95.20 is submitted for account #123 and an hour later, an order to sell 1 August WTI @ 95.25 is submitted for account #123. If the price of the Buy order is later modified to 95.25, the system will recognize the price modification as a new bid. If such modification results in the new bid matching the existing offer for account #123, the functionality will prohibit those orders from matching. In this scenario, the modified bid is treated as the Taking Order for purposes of determining which order will be cancelled by the system.

**9) If a bid/offer is submitted to the trading engine at the same price as a resting offer/bid that would result in a self trade if matched, would one or both of the orders be automatically cancelled?**

If the resting order has the top priority in the order book, and would result in a self-trade against the entire quantity of the inbound opposing order, then the appropriate RTO, RRO, or RBO functionality will be employed, and the relevant order (RTO; RRO) or orders (RBO) will be cancelled entirely. However, if the resting order is not the top priority order for the full volume of the inbound order, then any partial fills against unrelated parties will be permitted to occur prior to cancellation of the balance of the inbound order.

For example:

Assume best bids are: \$39.50 (10) – oldest in FIFO queue – Authorized Trader JSMITH  
\$39.50 (5) – second oldest in FIFO queue – Authorized Trader JDOE

Scenario 1:

JDOE enters an order to sell 5 at \$39.50. This order is accepted, as it will trade entirely with JSMITH's buy order. JDOE's buy order remains in the order book, at the same FIFO priority.

Scenario 2:

JDOE enters an order to sell 12 at \$39.50. The STPF functionality is employed (RTO, RRO, or RBO), because a portion of the sell order would otherwise cross with JDOE's buy order.

The specific outcomes would be as follows:

RTO: 10 lots of the sell order from JDOE would execute vs JSMITH and the 2-lot balance would be rejected. Buy order from JDOE remains in the order book, at the same FIFO priority.

RRO: 10 lots of the sell order from JDOE would execute vs JSMITH. The entire resting JDOE buy order of 5 contracts would be cancelled and the 2-lot balance of the JDOE sell order would rest in the book.

RBO: 10 lots of the sell order from JDOE would execute vs JSMITH, and then both the entire resting bid of 5 lots (JDOE) and the remaining 2 lot offer (JDOE) would be withdrawn.

**10) Are the RTO, RRO and RBO available for all future and option orders?**

No. The choice of RTO, RRO & RBO alternatives is available for futures orders only. For **Option** markets, RTO is employed regardless if STPF is set to RRO or RBO. However, options will honor the granularity of prevention (Authorized Trader; Authorized Group; Account; Company) as defined by the company

**11) Will a firm conducting proprietary trading be required to utilize STPF if it has its own internal system?**

Yes, Proprietary Traders (as defined) with direct market access are required to use STPF regardless of any internal systems they may have. Additionally, firms

may continue to employ their own internal systems for preventing self-trading activity, if they choose.

**12) Will I be provided a report of my firm's orders that were cancelled due to the STPF?**

The Exchange is not providing any STPF reporting at this time. However, firms should continue to monitor their order activity and identify ways to reduce self-trading activity in compliance with Exchange rules. Users will receive order cancellation notifications when their orders are cancelled as a result of the STPF. Examples of this notification are below:

- |     |   |
|-----|---|
| RTO | Trader receives the STPF rejection notice regarding their new (taking) order. If the resting order is from a different trader, that trader does not receive a separate notice that their order caused a new order to be rejected.             |
| RRO | Trader receives the STPF removal notice regarding their existing (resting) order. If the new (taking) order is from a different trader, that trader does not receive a separate notice that their order caused a resting order to be removed. |
| RBO | Trader receives a STPF rejection notice on the new (taking) order, and a STPF removal notice for the existing (resting) order. If the orders are from different traders, each one only receives the notice that is applicable to their order. |

**13) Can different STPF controls be applied within the same company, e.g. at the Authorized Trader Level and at the Authorized Group level, or RTO for one trader and RRO for another trader?**

No. Once activated, STPF will apply broadly across the entire company. The STPF level chosen will apply globally to all ICE markets and ICE Exchanges on which a company is active and cannot be varied by Exchange or Market, and cannot be turned on and off by Market or Exchange. Furthermore, it is not possible to limit application of STPF to a sub-list of accounts, Authorized Trader IDs, or Authorized Group IDs. Therefore, it is important that DMA companies consider the implications of setting up STPF with a given set of parameters, before making that selection.