



Submission No. 18-257  
January 26, 2018

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: Listing of Crude Diff - Argus WTS vs WTI 1st Line Average Price Option  
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.2**

Dear Mr. Kirkpatrick:

Pursuant to Commission Regulation 40.2 ICE Futures U.S., Inc. ("Exchange" or "IFUS") submits, by written certification, the terms and conditions for 246 new futures and options contracts which will be listed for trade date February 19, 2018 and cleared by ICE Clear Europe. The products include the North American oil complex of futures and options on futures, including contracts on crude oil and refined products (related spreads and differentials), natural gas liquids and petrochemicals (collectively, "Oil Contracts"). The listing is part of a transition of trading and open interest in these products from ICE Futures Europe to ICE Futures US. All of the Oil Contracts are cash settled; they are currently cleared, and will remain cleared, at ICE Clear Europe, which is registered as a derivatives clearing organization and currently also clears the Exchange's Energy Contracts in power and gas.

The transition is planned to occur as follows: at the close of trading on Friday, February 16, ICE Futures Europe will cease allowing trading in these contracts; at the opening of trading on Sunday, February 18 (for trade date Monday, February 19), ICE Futures US will make the transitioning contracts available for trading. At that time, all open interest in the transitioning contracts will be deemed to be ICE Futures US open interest pursuant to the operation of the ICE Clear Europe rules. The terms and conditions specifications for the Oil Contracts are set forth in new Chapter 19 of the Exchange's Rules and Tables to Chapter 19, as well as in amendments to existing Rules 4.25, 4.34, 6.20, the Exchange Definitions chapter and other Exchange Notices, as described below.

**Rules 19.00-19.04.** These Rules (contained in Exhibit 1) establish the basic scope of Chapter 19, set forth defined terms used in the product specifications and contain the essential terms regarding options purchasers and grantors obligations, generally.

**Resolutions 1 and 2 to Chapter 19**

Resolution 1 is a Minimum Price Fluctuation Table for Oil Contracts and Table 2 is a Position Limits, Accountability and Reportable Levels Table for Oil Contracts. Both Tables mirror the corresponding table structure that has been used by the Exchange to specify this type of information for the Energy Contracts covered by Chapter 18 of the Exchange Rules. Both Tables are contained in Exhibit 3 to this submission and are maintained on the Exchange website.

The position limits and accountability level are further discussed in Appendix A along with an explanation of the methodology used to set them.

#### **Subchapter 19A--Outright Crude Oil and Refined Products -Future Contracts**

The Exchange is listing 26 new monthly cash settled outright crude oil futures contracts with terms as specified in Exhibit 2A. These contracts are based on prices published either by an index provider such as Argus or Platts or based on settlement prices published by other exchanges, such as ICE Futures Europe, NYMEX or NGX. The listing cycle for these contracts are up to 60 consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at levels that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A.

#### **Subchapter 19B--Crude Oil Cracks- Futures Contracts**

The Exchange is listing 14 new monthly cash settled crack futures contracts with terms as specified in Exhibit 2B. These contracts are based on the mathematical average of the price differential between two types of crude oil products. The prices used to determine the differentials for these contracts are based on indexes published by providers such as Argus or Platts, or on settlement prices published by other exchanges, such as ICE Futures Europe, NYMEX or NGX. The listing cycle for these contracts are up to 60 consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at levels that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A.

#### **Subchapter 19C--Crude Oil and Refined Products-Differential Futures Contracts**

The Exchange is listing 100 new monthly cash settled futures contracts based on the mathematical average of the price differential between two types of crude oil products, as specified in Exhibit 2C. The prices used to determine the differentials are published either by an index provider such as Argus or are settlement prices published by other exchanges, such as ICE Futures Europe or NGX. The listing cycle for these contracts are detailed in Subchapter 19C, and are up to 60 consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A

#### **Subchapter 19F--Crude Oil Options Contracts**

The Exchange is listing 25 new crude oil options contracts as set forth in Exhibit 2F. The new contracts are options on a futures contract which settle by exercise into a futures contract which is immediately cash-settled. The listing cycle for these contracts range between 36 and 72 consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A.

#### **Subchapter 19D-Natural Gas Liquids- Futures and Options Contracts**

The Exchange is listing 76 new cash settled NGL futures and options contracts based on the mathematical average of the Argus or OPIS assessment prices during the contract period for the corresponding commodity, as set forth in Exhibit 2D. The options on a futures contract settle by exercise into a futures contract which is immediately cash-settled. The listing cycle for these contracts range between 36 and 72

consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at levels that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A.

### **Subchapter 19G--Petrochemical Futures Contracts**

The Exchange is listing 6 new monthly cash settled outright petrochemical futures contracts based on the mathematical average of the Petrochem Wire assessment price during the contract period for the corresponding commodity, as set forth in Exhibit 2G. The listing cycle for these contracts are up to 36 consecutive monthly contract periods, or as otherwise determined by the Exchange. In accordance with part 150, the spot month position limits for the new cash-settled contracts are set at levels that minimize the potential for manipulation or distortion of the contract's or underlying commodity's price, as further detailed in Appendix A.

### **Other Related Rule Amendments Containing Terms and Conditions**

Exhibit 2 sets forth the Rules embodying most of the contract terms and conditions for each of the new Oil Contracts. Other terms and conditions are contained in amendments to existing Exchange rules and procedures, which are included within Exhibit 1, and summarized below:

Definitions: A new term "Oil Contract" has been added to the Definitions in chapter 1 of the Rules covering all contracts identified in new Chapter 19 of the Rules.

Rule 4.25 Trading Hours: The Rule has been amended to specify the time period during which daily Settlement Prices will be determined for futures. This period will be the same time specified for the Exchange's Power and Gas contracts. The amendments also specify the time that the trading session will end on the last trading day of an expiring contract. Trading in Futures contracts will end at the same time that the regular trading session ends, and trading in options will end at the time specified in the applicable Chapter 19 Rule.

Rule 4.34 Settlement Prices: This rule has been amended to indicate that the settlement procedures set forth in the Rule apply to Oil Contracts unless different procedures are specified in the terms of a particular Oil Contract.

Rule 6.20 Position Limits: The rule has been amended to add Oil Contracts and references to Table 2 to Chapter 19, which sets forth the specific position limit and accountability levels for each contract. In addition, subparagraph (i) has been added specifying that spot month position limits for Oil Contracts are effective on the last trading day of a contract and two business days preceding the last trading day, or as otherwise determined by the Exchange to account for holidays.

No Cancellation Ranges and Reasonability Levels: These levels are established pursuant to the Exchange's Error Trade Policy (Appendix I to Chapter 4 of the Rules) and published on the Exchange's website in a Notice to market participants. The form of Notice is included in Exhibit 3.

Interval Price Limits: Interval Price Limits established pursuant to existing Rule 4.28 will be notified to market participants via updates to existing Notices setting forth a table with the applicable hold periods for all Exchange contracts. A copy of this Notice is attached in Exhibit 3.

## Certifications

The Exchange is not aware of any substantive opposing views to the listing of the Oil Contracts, all of which currently trade on the Exchange's affiliated exchange. The Exchange certifies that the rules and amendments comply with the requirements of the Commodity Exchange Act, as amended (the "Act") and the rules and regulations promulgated thereunder. The Exchange has reviewed the designated contract market core principles ("Core Principles") as set forth in the Act and has determined that the listing of the contracts complies with the following relevant Core Principles:

**COMPLIANCE WITH RULES (Principle 2):** The terms and conditions of the new Oil Contracts are set forth in new Chapter 19, Resolutions 1 and 2 of Chapter 19, and certain related amendments to existing rules and notices, and will be enforced by the Exchange. In addition, trading of the contracts is subject to all relevant Exchange rules which are enforced by the Market Regulation Department.

**CONTRACTS NOT READILY SUBJECT TO MANIPULATION (Principle 3):** The Oil Contracts are all cash -settled and not readily subject to manipulation. They are based on established and liquid underlying cash markets and have been listed and actively traded on ICE Futures Europe for many years. In addition, trading of the contracts will be monitored by the Market Regulation Department.

**PREVENTION OF MARKET DISRUPTION, PROTECTION OF MARKETS AND MARKET PARTICIPANTS (Principles 4 and 12):** All contracts listed for trading by the Exchange are subject to prohibitions against abusive trading practices as set forth in Chapter 4 of the Rules. The Exchange's Market Regulation Department actively monitors all Exchange markets to detect and sanction abusive practices. In addition, the contracts have interval price limits which act to temper the rate of price moves during a trading session.

**POSITION LIMITS OR ACCOUNTABILITY (Principle 5):** Positions in the Oil Contracts will be subject to position limits and accountability levels set by the Exchange. Such limits have been set at levels intended to minimize the potential for manipulation or distortion of the contract's or the underlying commodity's price. Additionally, each settlement price index is a reliable indicator of market values and is commonly used as a reference index by industry market participants. A Cash Market Analysis supportive of the position limits is attached hereto as Appendix A.

**AVAILABILITY OF GENERAL INFORMATION/ DAILY PUBLICATION OF TRADING INFORMATION (Principle 7):** Prior to the commencement of trading, the terms and conditions for the Oil Contracts will be available on the Exchange's website. In addition, the Exchange will publish on a daily basis the settlement prices, volume, open interest and the opening and closing ranges for actively traded contracts.

**DAILY PUBLICATION OF TRADING INFORMATION (Principle 8):** The Exchange will publish on its website and distribute through quote vendors contract trading volume, open interest levels, and daily price information as it does for other futures contracts.

**EXECUTION OF TRANSACTIONS (Principle 9):** The new contracts will be listed on the Exchange's electronic trading system which provides a competitive, centralized market for transparent execution of transactions. In addition, the Exchange will permit certain noncompetitive transactions pursuant to existing Exchange Rules which have been previously submitted to the Commission.

**RECORDKEEPING AND TRADE INFORMATION (Principle 10):** The Exchange has rules and procedures in place to provide for the recording and storage of the requisite trade information sufficient for the Market Regulation Department to detect and prosecute customer and market abuses.

**FINANCIAL INTEGRITY OF CONTRACTS (Principle 11):** The Oil Contracts will be cleared by ICE Clear Europe, a registered DCO subject to Commission regulation, and carried by registered futures commission merchants qualified to handle customer business.

**DISCIPLINARY PROCEDURES (Principle 13):** Pursuant to Chapter 21 of the Rules which sets forth the Exchange's disciplinary procedures, and Rule 4.00 setting forth the Exchange's jurisdiction over all market participants, the Market Regulation Department and the Business Conduct Committee have the authority to sanction, suspend or expel members and market participants that violate Exchange rules.

**DISPUTE RESOLUTION (Principle 14):** Market participants may arbitrate claims arising from trading of the Oil Contracts in accordance with Chapter 20 of the Rules. Such arbitration is mandatory for claims by customers against Exchange Members and for claims by Exchange Members against each other. Non-members with claims arising from trading of the Oil Contracts may also opt for Exchange arbitration.

The Exchange further certifies that, concurrent with this filing, a copy of this submission was posted on the Exchange's website and may be accessed at (<https://www.theice.com/futures-us/regulation>).

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jason V. Fusco". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jason V. Fusco  
Assistant General Counsel  
Market Regulation

Enc.  
cc: Division of Market Oversight