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World Financial Center
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BY ELECTRONIC TRANSMISSION

Submission No. 11-1
January 7, 2011

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

Re: Amendments to Rule 27.11 and Chapter 27, Appendix I Error Trade Policy - Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6

Dear Mr. Stawick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, and Commission Regulation 40.6, ICE Futures U.S., Inc. ("Exchange") submits, by written certification, amendments to Rule 27.11 and the Error Trade Policy (Chapter 27, Appendix I), attached as Exhibit A.

The purpose of the amendments to Rule 27.11 and to the Exchange's Error Trade Policy is to prevent the likelihood, or substantially reduce the effects, of short term price spikes that several Exchange markets have experienced.

Market Orders

Currently, Rule 27.11 provides for Market Orders which will not be executed outside the Exchange-set Reasonability Limit ("RL"). An RL represents a price band around the current market value of a commodity contract, and is intended to reduce the possibility of "fat finger" errors in order entry. Each time a new trade occurs in a contract, the RL band is updated around the new price. The amendments to Rule 27.11(a)(iii) narrow the price band outside of which a Market Order may be not executed to the Exchange-set No Cancellation Range ("NCR"). The NCR is a narrower price band within which trades executed will not, under normal circumstances, be canceled or price adjusted.

By narrowing the price band, a Market Order will be executed at a price or prices closer to the last traded price, *i.e.* the anchor price. For example, assume March 2011 Sugar No. 11 ("SBH") has an anchor price of 26.50, an NCR of 0.20 and an RL of 0.75. A Market Order to sell 50 lots in SBH is entered into the electronic trading system ("ETS"). There are resting bids at 26.48, 26.43, 26.40, 26.35 and 26.29. Under the current rule, the Market Order would be executed to fill all of the resting bids, a range of 2 through 21 points under the anchor price. Under the amendments, the Market Order would only be filled at the first four bids and not the last at 26.29, a range of 2 through 15 points under the anchor price. Any volume on the Market Order that is not executed will be canceled.

Cascading Stop Mitigation

Limit orders entering the market are permitted by ETS to be executed within the RL at that time. All system-based Stop Orders are stop limits, meaning they contain two prices - a stop price and a limit price. If the market trades at the stop price, the Stop Order is elected and may be filled at all price levels from the stop price to the limit price. The resulting trades may occur at a number of different prices, and each of these trades resets the RL for the contract. If certain of these trades elect other Stop Orders, the result can be a rapid price movement, greatly in excess of the original RL range. This is often referred to as a "Cascading Stop Effect". The movement is so fast that market participants are unable to enter the market until all elected stops have been submitted to the matching engine. A new Cascading Stop Mitigation functionality is being introduced to prevent such occurrences.

Under the new functionality, upon the election of a Stop Order, ETS, using a mathematical algorithm, will determine if a Cascading Stop event exists based upon the order book, and, if so, will determine the appropriate limit price for all Stop Orders that are elected during the event. This ETS-set limit price will apply to each Stop Order that is elected during the event and will be calculated using the last price traded prior to the beginning of the execution of the first Stop Order in the event plus (in the case of buy stops) or minus (in the case of sell stops) the NCR for the respective commodity contract. The ETS determined limit price will have two functions. Elected Stop Orders will not receive prices outside of the ETS-set limit price; and those Stop Orders with stop prices beyond the ETS-set limit price will not be elected. Only the execution of a limit or market order will allow ETS to reset the limit price for Stop Orders. In addition, any remaining unfilled volume on such an elected Stop Order will be canceled, and a notification of the cancellation will be sent by ETS.

For example, assume there are bids in SBH for 1 lot each at 26.50, 26.49, 26.48 . . . 26.20. The following Stop Orders are entered:

(a) sell 10 @ 26.50 stop with a limit of 26.30;
(b) sell 10 @ 26.48 " with a " of 26.30;
(c) sell 10 @ 26.45 " with a " of 26.27;
(d) sell 10 @ 26.40 " with a " of 26.25;
(e) sell 10 @ 26.37 " with a " of 26.15.

A limit order to sell 3 @ 26.48 is entered and lifts the bids at 26.50, 26.49 and 26.48. Stop Orders (a) and (b) are elected by the trades at 26.50 and 26.49. ETS now sets the lowest limit price for Stop Orders at 26.28 (26.48 – NCR of 0.20) to prevent the Cascading Stop Effect. ETS reviews the limit prices for elected Stop Orders to see if they are at, above or below the lowest limit price of 26.28. Both (a) and (b) have limit prices of 26.30; (a) trades against the bids at from 26.47 down to 26.38 and is completely filled; and (b) trades 8 lots against bids from 26.37 down to 26.30, with the unfilled 2 lots resting at 26.30.

The trades that resulted from the execution of (a) and (b) elect Stop Orders (c) and (d). Again, ETS reviews the limit prices for elected Stop Orders to see if they are at, above or below the lowest limit price of 26.28. ETS will reset the limit prices of both (c) and (d) from 26.27 and 26.25, respectively, to 26.28; (c) trades against the remaining bids of 26.29 and 26.28 with the remainder of the limit order at 26.28 being canceled; and (d) is canceled in its entirety as the resting bid is at 26.27 below the limit price of 26.28. Since (e) was not elected, it remains in ETS at the stop price of 26.27 with a limit of 26.15.

Only the execution of a market or limit order will allow ETS to lift the ETS-set limit price and, if the execution of the market or limit order elects Stop Orders, then the process will begin again, and ETS will set the lowest or highest limit price.

Without the new functionality, all of the Stop Orders in the example would have been elected with the prices ranging from 26.50 - 26.15 and could potentially elect additional Stop Orders continuing the Cascading Stop Effect.

The Exchange certifies that the amendments comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder.

The amendments were adopted by the Exchange's Board of Directors at its meeting on December 9, 2010. The amendments will go into effect on January 11, 2011 for the Financial and Stock Index futures contracts; and, the amendments will go into effect on January 25, 2011 for the agricultural and Commodity Index futures contracts. No substantive opposing views were expressed by members or others with respect to the amendments.

If you have any questions or need further information, please contact me at 212-748-4084 or jill.fassler@theice.com.

Sincerely,

Jill S. Fassler
Vice President
Associate General Counsel

cc: Division of Market Oversight
New York Regional Office

EXHIBIT A

(In the text of the amendments below, additions are underlined and deletions are bracketed and lined out.)

Rule 27.11. Acceptable Orders

(a) An ETS order shall be in one of the following order types (listed in alphabetical order):

* * *

(iii) "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 will not trade outside of the [~~Reasonability Limits~~] No Cancellation Range ("NCR") and any residual volume from an incomplete market order is canceled. Market orders are rejected if the market is not open.

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(v) "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) Notwithstanding the above subparagraph (v)(B), in the event that the election of a Stop-Limit Order would elect other Stop Orders which could cause a rapid price movement and cascading election of other Stop Orders, ETS will reset the limit price of such other Stop Orders that are elected while the condition exists using a cascading stop algorithm. For a Stop-limit Order whose limit price has been adjusted by ETS, if such order is not fully executed, the remaining quantity of the order will be canceled.

(b) 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 [~~No Cancellation Range (~~]NCR[~~)~~] for the specified Commodity Contract.

([~~b~~]c) 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").

([e]d) 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~~]e) 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) Notwithstanding the above subparagraph (v)(C), in the event that the election of a Stop-Order with Protection would elect other Stop Orders which could cause a rapid price movement and cascading election of other Stop Orders, ETS will reset the limit price of such other Stop Orders that are elected while the condition exists using a cascading stop algorithm. For a Stop Order with Protection whose limit price has been adjusted by ETS, if such order is not fully executed, the remaining quantity of the order will be canceled.

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

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

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

([~~d~~]e) 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]f) 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.

[REMAINDER OF RULE UNCHANGED]

APPENDIX I

ERROR TRADE POLICY

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2. Main Components of Policy

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B. The Exchange sets and may vary price Reasonability Limits within the system for each Contract beyond which the ETS will not execute limit [~~or market 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.

[~~Futures~~] Limit orders to sell at prices below the lower Reasonability Limit and futures orders to buy at prices above the upper Reasonability Limit will not be accepted by the ETS, unless such orders are capable of being executed opposite previously resting orders at more favorable prices within the Reasonability Limits. In such instance, the order will automatically execute against the resting order unless the order was entered by a user of the WebICE interface. Users of the WebICE interface will be sent a pre-confirmation message indicating that the order is capable of being executed opposite resting orders at more favorable prices and that an affirmative response from the user is required before the order will be executed.

* * *

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.

Market orders will not be executed outside of the No Cancellation Range.

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 the table in Section 4.

[REMAINDER OF APPENDIX UNCHANGED]