ICE FUTURES U.S.
World Financial Center
One North End Avenue
New York, New York 10282

BY ELECTRONIC TRANSMISSION

Submission No. 11-3
January 26, 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.

In a Submission dated January 7, 2011 ("Submission No. 11-1"), the Exchange submitted amendments to Rule 27.11 and the Error Trade Policy which narrowed the price band outside of which market orders would not be executed and introduced a new Cascading Stop Mitigation functionality to mitigate the effect of the successive triggering of stop orders that could lead to short-term price spikes.

Market Orders

Rule 27.11(a)(iii) and Section 2.C of the Error Policy, as amended in Submission No. 11-1, provide for Market Orders which will not be executed outside of the Exchange-set No Cancellation Range ("NCR"). The NCR is a price band within which trades executed will not, under normal circumstances, be canceled or price adjusted. Prior to the Submission No. 11-1 amendments, Market Orders would not be executed outside of 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 RL is a wider price band than the NCR.

The Submission No. 11-1 amendments went into effect on January 11, 2011 for the Financial and Stock Index futures contracts, but, to date, have not gone into effect for the agricultural and Commodity Index futures contracts (see Supplemental Submission No. 11-1 dated January 18, 2011).

The new amendments to Rule 27.11(a)(iii) and Section 2.C of the Error Policy will provide for the price band, outside of which Market Orders will not be executed, to remain at the RL for agricultural and Commodity Index futures contracts and increase the price band for Financial and Stock Index futures contracts to 200% of the NCR.

Cascading Stop Mitigation

Rules 27.11(a)(v)(B)(a) and (C)(a), as amended in Submission No. 11-1, provide for a new Cascading Stop Mitigation functionality. Under the new functionality, upon the election of a Stop Order, the Exchange's electronic trading system ("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.

The Submission No. 11-1 amendments went into effect on January 11, 2011 for the Financial and Stock Index futures contracts, but, to date, have not gone into effect for the agricultural and Commodity Index futures contracts (see Supplemental Submission No. 11-1 dated January 18, 2011).

The new amendments to Rules 27.11(a)(v)(B)(a) and (C)(a) will limit the Cascading Stop Mitigation functionality to Stop Orders for Financial and Stock Index futures contracts only. In addition, a revision to the mathematical algorithm increases the temporary price range from 100% of the NCR to 200% of the NCR for the respective Financial and Stock Index futures contracts.

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 authorized by the President in accordance with Standing Resolution R-7. The amendments will go into effect on January 31, 2011. 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 in the Exchange's Agricultural and Commodity Index products will not trade outside of the Reasonability Limits and a market order in the Exchange's Financial and Stock Index products will not trade outside of 200% of the 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

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(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 in an Exchange Financial or Stock Index product 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.

* * *

(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 in an Exchange Financial or Stock Index product 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.

[REMAINDER OF RULE UNCHANGED]

APPENDIX I

ERROR TRADE POLICY

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2. Main Components of Policy

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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 <u>in agricultural and Commodity Index products will not be executed outside of the Reasonability Limit, and market orders in Financial and Stock Index products</u> will not be executed outside of <u>200% of</u> the No Cancellation Range.

[REMAINDER OF POLICY UNCHANGED]