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BY ELECTRONIC TRANSMISSION

Submission No. 11-86
December 20, 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: New Error Policy Guidelines for Electronic Option Trading and Amendments to Appendix 1 of Chapter 27 – 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, the Exchange's new Error Policy Guidelines for Electronic Option Trading ("Error Policy Guidelines"), attached as Exhibit A, and amendments to Sections 2(j) and 4 of Appendix I of Chapter 27, attached as Exhibit B. The operation and purpose of both the new Error Policy Guidelines and the amendments to Sections 2(j) and 4 of Appendix I of Chapter 27 is to provide greater certainty to market participants about how error trades of options contracts will be resolved and, in certain circumstances, to allow the Exchange to consider input from the parties to the option error trade in determining whether to adjust or cancel such trades.

The Exchange is going to issue a notice announcing the new Error Policy Guidelines, which are intended to provide market participants with a framework for how the Exchange's Electronic Error Trade Policy will be applied to resolve option error trades. Under the Error Policy Guidelines erroneous option trades will be resolved in one of three ways based upon the execution price of the subject error trade in relation to market value. The Error Policy Guidelines provide that an erroneous options trade:

(i) executed at a price that is within the No Cancellation Range (or "NCR") range will not be cancelled or adjusted;

(ii) executed at a price that is outside the Reasonability Limit (or "RL") Range will be cancelled; and

(iii) executed at a price that is outside the NCR but within the RL range is subject to review and potential cancellation or price adjustment by the Exchange (to a price equal to market value plus/minus the NCR for the option). When a trade is reviewed by the Exchange for adjustment or cancellation, the Exchange issues a WebICE Alert notifying the parties that the trade is under review. If both sides of the trade contact the Exchange within ten minutes of the WebICE Alert announcing that the trade is under investigation and request that the trade be cancelled rather than adjusted, the Exchange will bust the trade. Otherwise the trade will be adjusted.

Option trades executed in error which are priced within the NCR, those priced closest to or at market value, will not be adjusted or cancelled. Option error trades executed at prices outside of the RL, those priced sufficiently far away from market values, will be canceled. Option trades executed at prices outside of the NCR range, but inside the RL range, will be adjusted to a price equal to market value plus or minus the NCR. However, if all the parties to a trade agree to cancel the trade and contact the Exchange within ten minutes of the alert that the trade is under review to request such trade be cancelled, the Exchange will cancel the trade rather than adjust.

The Exchange is also amending Appendix I of Chapter 27, which is the Exchange's Electronic Error Policy. Section 2(j) sets forth the methodology for adjusting or canceling options trades which are not representative of market value. The amendment to Section 2(j) allows the Exchange to consider timely input from the parties to an alleged error trade when determining whether to adjust or a cancel such error trade. As stated in the Error Policy Guidelines, the Exchange will consider how the parties to such error trade may want the trade resolved either by adjustment or cancellation in instances where the Exchange may adjust the price of an option.

Section 4 of the Error Policy contains a chart listing the NCRs for the Exchange futures and options contracts traded on the Exchange's electronic trading platform. As set forth in Exhibit B, the amendments to Section 4 establish the NCR levels for low value options with a theoretical value between .01 and .20 for Sugar No. 11®, Cotton No. 2®, Coffee "C®", Cocoa, FCOJ and U.S. Dollar Index® and between .01 and .50 for Russell Index option contracts. The current NCR table provides that such low value options shall have an NCR of zero, and the Electronic Error Policy provides that in the event of a review of an option trade with an NCR of zero Market Supervision staff is authorized to utilize discretion to determine whether or not such trades will be adjusted and to determine the adjusted price in such cases without reference to a specific NCR value. The amendments set explicit, non-zero NCR levels for all such low value options and provide that such low value option trades are treated in the same manner as all other option trades. This provides market participants with greater certainty as to how errors involving low value options will be resolved.

In addition, the amendments to Section 4 also adjust the NCR for certain non-low value Sugar No. 11®, Cotton No. 2®, Coffee "C®", Cocoa, FCOJ and U.S. Dollar Index options to levels which the Exchange has determined are more appropriate based upon current market conditions and experience to date.

The Exchange certifies that new Error Policy Guidelines and the amendments to Section 2(j) and 4 of Appendix I to Chapter 27 comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated thereunder. In particular, the Error Policy Guidelines and the amendments comply with Core Principle 9 (Execution of Transactions) and Core Principle 4 (Monitoring of Trading). The Exchange monitors trading in real time to identify trades which are not representative of market value and will adjust or cancel such trades to preserve and foster a competitive, open and efficient market.

The Error Policy Guidelines and the amendments to Section 2(j) and 4 of Appendix I of Chapter 27 were adopted by the Exchange's Board of Directors on December 15, 2011 and will become effective on January 6, 2011.

The Exchange further certifies that, concurrent with this filing, a notice of pending certification was posted on the Exchange's website as well as a copy of this submission, which may be accessed at (https://www.theice.com/notices/RegulatoryFilings.shtml).

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

Sincerely,

Jason V. Fusco
Assistant General Counsel
Market Regulation

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

EXHIBIT A

[redacted]

Error Policy Guidelines For Electronic Option Trading

This document is intended to provide information on current IFUS Rules and policies related to the Error Policy with regards to the No Cancellation Range and Reasonability limits on **option trades** done on the electronic trading system. Actual Rules can be found on the web in the Electronic Trading Rule chapter, at: https://www.theice.com/publicdocs/rulebooks/futures_us/27_Electronic_Trading_Rules.pdf.

The Use of No Cancellation Range and Reasonability Limit Ranges:

The IFUS Error Policy contained in our Electronic Trading Rules defines two different metrics that are used by Exchange staff in reviewing option trades that are identified as potentially having been executed away from fair value: a No Cancellation Range ("NCR") and a Reasonability Limit ("RL"). The NCR generally describes a range around fair value (referred to in the Rules as "Theoretical Value" for an option strike) within which a trade will not be subject to cancellation or price adjustment by the Exchange. The RL generally describes a wider range around the Theoretical Value outside of which orders will not be accepted and no single order will trade.

Under the Error Policy Rule, the Exchange will not under normal circumstances cancel or price adjust any option trade that is executed at a price that is within the NCR range for the Theoretical Value of the contract. (The NCR range is the determined as the Theoretical Value for the contract plus and minus the NCR for the contract.) Option trades executed at a price that is outside the NCR range are subject to review and potential cancellation or price adjustment.

In the course of such review of option trades by Market Supervision staff, the following guidelines will be applied:

1. Any option trades done at a price that is outside the RL of the option contract will be busted.

2. Any option trade done at a price that is outside the NCR range for the contract and within the RL is subject to review and potential cancellation or price adjustment. When any option trade is reviewed by the Exchange for potential price adjustment or cancellation based on it being done at an unrepresentative value, the Exchange issues a Web ICE Alert notifying the market that the trade is under investigation. When the review of the trade is complete a second Alert is issued notifying the market of the outcome of the review: whether the trade stands, is cancelled or is adjusted to a new price.

[redacted]

If parties to an option trade under review would prefer that the trade be busted rather than adjusted they must contact Market Supervision within 10 minutes of publication of the WebICE alert announcing that the trade is under investigation to request cancellation. If all parties to the trade request cancellation rather than adjustment the trade will be cancelled. Otherwise the Exchange will adjust the price of the trade.

Example trade:

Cocoa Mar12 2400 Calls have a Theoretical Value of 250. The NCR for a Cocoa option with that Theoretical Value is currently 25 points; the NCR range for a Cocoa option with a Theoretical Value of 250 is 225 to 275 (calculated as T.V. plus and minus NCR, see chart for NCR ranges). The RL for a Cocoa option with a Theoretical Value of 250 is 50 points; the RL Range for this option would be from 200 to 300 points (calculated as T.V. plus and minus RL).

1) Mar12 2400 Call trades 270. The trade is within the NCR, the trade stands.

2) Mar12 2400 Call trades 290. The trade is outside the NCR and within the RL; the trade is subject to an adjustment or cancellation. If both parties agree the trade will be cancelled. If both parties do not agree to a cancellation, the Exchange will adjust the trade price to 275 (T.V. of 250 + NCR of 25).

3) Mar12 2400 Call trades 350. The trade will be busted because it is outside of the RL.

EXHIBIT B

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

APPENDIX I

ERROR TRADE POLICY

* * *

2. Main Components of Policy

* * *

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. In the case of an option with a No Cancellation Range of zero (0), the option trade may be adjusted to the value of the option at the time of the trade plus or minus a value determined by the Exchange. 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.

4. No Cancellation Range

* * *

	No-Cancellation Range for Screen-Traded Options ("NCR")							
[redacted]	**Cotton**	**FCOJ**	**Cocoa**	**Coffee**	**Sugar**	**USDX**	[redacted]	**Russell**
[redacted]	.20 pts	.20 pts	.10 pts	.15[~~0~~] pts	10 pts	.100 pts	[redacted]	.25[~~0~~] pts
[redacted]	.40 pts	.75 pts	20 pts	.50 pts	.15[~~20~~] pts	.150 pts	[redacted]	.50 pts
[redacted]	.[~~6~~]50 pts	1.00 pts	25 [~~0~~] pts	.[~~60~~]75 pts	.20[~~25~~] pts	.200 pts	[redacted]	1.00 pts
[redacted]	.[~~8~~]60 pts	1.50 pts	[~~30~~]25 pts	1.[~~7~~]00 pts	.[~~30~~]25 pts	.[~~300~~]250 pts	[redacted]	1.50 pts
[redacted]	[~~1.0~~] .80 pts	[~~1.5~~] 2.00 pts	[~~30~~]25 pts	1.[~~8~~]00 pts	.[~~30~~]25 pts	.[~~300~~]250 pts	[redacted]	2.00 pts
Reasonability**	20%	20%	20%	20%	20%	20%		20%
Maximum	[~~1.20~~] 2.00	[~~2.99~~] 3.00	75	[~~1.99~~] 3.00	0.75	0.75		4.00
Minimum	2x NCR	2X NCR	2xNCR	2x NCR	2x NCR	2x NCR		1.5x NCR

** Note that for Cocoa options (which do not trade in decimal points) the respective Theoretical Value Ranges are 1-20 points, 21-200 points, 201 to 500 points, 501 to 1000 points and 1001 points and above.*

***Note that Reasonability will be 20% of Fair Value and all options are subject to a minimum and maximum reasonability for that option.*

In the case of price adjustment, Market Supervision will adjust to fair value minus/plus the NCR. In the Bands where there are no NCR's, all trades will be up to the discretion of Market Supervision to price adjust and or bust.

(Balance of the Section Unchanged.)