

Planned Change to Transparent ICE OTC Oil Markets

Effective Date: January 7, 2013

Participants in the transparent ICE OTC oil markets have expressed a strong desire to have an alternative to trading swaps. Currently, when a cleared transaction is executed in the ICE OTC oil market, an OTC swap is created with a simultaneous Exchange for Swap (EFS) submitted to ICE Futures Europe. Though the EFS immediately extinguishes the OTC swap, the U.S. CFTC has made it clear that the swap leg is a swap pursuant to the U.S. Dodd-Frank Act and will count toward the de minimis threshold for determining potential swap dealer designations. Therefore, in response to Participant feedback, beginning Monday, January 7, 2013, a cleared transaction executed in the transparent ICE OTC oil markets, including during the Platts eWindow period, will be submitted to ICE Futures Europe as an off-exchange block future rather than an EFS.

Frequently Asked Questions

1. What is a block trade?

A block trade is an off-exchange, privately negotiated transaction either at or exceeding an Exchange determined minimum threshold quantity of futures or options contracts which is executed apart and away from the open outcry or electronic markets. ICE Futures Europe Exchange Rule F.7 sets forth the requirements for executing a block trade.

2. Does this change comply with ICE Futures Europe rules on arranging block trades?

Yes. The transparent ICE OTC oil market is an off-exchange, electronic multilateral venue for arranging blocks that is not anonymous (e.g., all bids, offers, and trades including identities are displayed to all Participants) and therefore compliant with ICE Futures Europe rules and previous block guidance.

3. Will I continue to have the option to trade bilaterally in the transparent ICE OTC oil market?

Yes, but bilateral transactions will continue to be deemed 'swaps' and potentially subject to U.S. Dodd-Frank swap rules, including those related to reporting and swap dealer designation.

4. Will I continue to receive two trade records for each cleared transaction?

Yes. There is a need for ICE and the Participants to have a comprehensive audit of their transactions. The first trade record is that an agreement was reached between two parties in the ICE OTC market to enter into a block. The second trade record is confirmation that a block has been submitted to and accepted by ICE Futures Europe. In both trade records, ICE provides a Link ID that enables Participants to electronically tie the two and ignore either record for internal position management and trade reconciliation purposes. ICE is also considering a user preference enhancement to the WebICE Deal Book and Position Keeper to allow users to filter out one of the records.

5. What are the eligible contracts and the minimum threshold quantities for a block trade?

A list of the minimum quantity requirements for block trades can be found here:

https://www.theice.com/publicdocs/futures/ICE_Futures_Europe_Energy_Block_Minimums.pdf

6. Will fees for execution or clearing change?

No. ICE OTC charges the same execution fee for swaps and blocks and ICE Futures Europe charges the same fee for accepting EFSs and blocks.

7. Do companies arranging blocks on the ICE OTC market have to become members of ICE Futures Europe?

No. You can elect to become an ICE Futures Europe member or you can simply remain a customer of your clearing member.

8. Who should I contact for more information?

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