



**ICE NGX**

# **Self-Trade Prevention Functionality ("STPF")**

## **Frequently Asked Questions**

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# Self-Trade Prevention Functionality - FAQs

## 1. Purpose

This document describes the Self -Trade Prevention Functionality (“STPF”) that is available to participants in the Canadian ICE NGX markets - i.e., NGX branded markets or “NGX markets” - that trade on WebICE.

For information on STPF with respect to the ICE OTC markets, including physically settled U.S. natural gas and power transactions executed on the ICE OTC platform and cleared by ICE NGX post-execution, please contact the ICE Help Desk at the contact information provided at the end of this document.

## 2. Introduction to STPF

### 2.1. What is STPF?

STPF resides within the ICE trading engine and provides various automated configurations to prevent self-trading of orders. This may include orders entered within the same trading firm (i.e., Contracting Party at ICE NGX), or across trading firms. STPF may be useful in preventing Wash Trades or other violations that may arise from self-trading.

### 2.2. What types of STPF functionality are available?

STPF resides within the ICE trading engine and provides various automated configurations to prevent self-trading of orders. This may include orders entered within the same trading firm (i.e., Contracting Party at ICE NGX), or across trading firms. STPF may be useful in preventing Wash Trades or other violations that may arise from self-trading.

Both types of STPF permit any of the following actions to occur when the matching engine detects a potential self- trade:

- RTO Reject Taking Order – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the incoming bid/offer (or “Taking Order”) will be automatically rejected.
- RRO Reject Resting Order – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, the resting bid/offer (or “Resting Order”) will be automatically cancelled.

RBO Reject Both Orders – If a new incoming bid/offer would result in a self-trade match with a resting offer/bid, both the Taking Order and Resting Order will be automatically cancelled.

In situations where the selected action is different for the Resting Order and the Taking Order, the action selected for the Taking Order will prevail. If no selection has been made, then RRO will be the default action.

### 3. Legacy STPF

In November 2021, ICE NGX migrated to a new trading engine. As described in notices published leading up to and at that time, all ICE NGX Contracting Parties were moved to Legacy STPF, unless they specified otherwise or had already converted to New STPF.

It is important to note that Legacy STPF is likely to be eliminated in the near- to medium-term future, and therefore Contracting Parties are encouraged to move to New STPF.

Legacy STPF prevents self-trading of orders entered by the same or related Contracting Parties, under the same trader, company, or account:

Trader ID	At this level, Legacy STPF prohibits self-trading under the same WebICE User ID.
Company ID	At this level, Legacy STPF can be employed on either or both an inter-company basis and intracompany basis. The inter-company STPF prevents self-trading by different companies with common ownership (common parent company) whereas intracompany STPF prevents self-trading within a single company. Firms wishing to use this type of Legacy STPF must ensure that Company IDs are properly populated for all orders.
Account ID	At this level, Legacy STPF prohibits self-trading for the same account. The account must be an exact match.

#### 3.1. How is Legacy STPF set up and administered?

Contracting Parties are required to contact ICE User Administration at [iceuseradministration@theice.com](mailto:iceuseradministration@theice.com) to set up the self-trade prevention functions under Legacy STPF.

#### 3.2. Can different Legacy STPF controls be applied within the same company?

No. Once activated, Legacy STPF will apply broadly across the entire company.

The Legacy STPF level chosen will apply globally to all ICE markets and ICE exchanges on which a company is active and cannot be varied by Exchange or Market, and cannot be turned on and off by Market or Exchange. Furthermore, it is not possible to limit application of Legacy STPF to a sublist of accounts or trader IDs.

Therefore, it is important that companies consider the implications of setting up Legacy STPF with a given set of parameters, before making that selection.

## 4. New STPF

New STPF places significantly more control in the hands of the trading firm (i.e., Contracting Party at ICE NGX). Unlike Legacy STPF, New STPF is set up and administered by trading firms themselves.

### 4.1. How is New STPF set up and administered?

Trading firms create an STPF ID that can be deployed for any of its traders, and/or on specific orders. Trades are prevented between any outright orders with the same STPF ID, as well as between same-spread-to-same-spread orders with the same STPF ID. This occurs whether the orders are entered by the same trading firm or trader on both sides, or different trading firms or traders, as STPF ID uniqueness is enforced across trading firms.

STPF IDs are created and managed through the STPF management portal, located in the ICE Identifier Admin (“IIA”) interface. A detailed user guide for the new STPF management portal can be found here: [https://www.theice.com/publicdocs/STPF\\_User\\_Guide.pdf](https://www.theice.com/publicdocs/STPF_User_Guide.pdf).

STPF IDs must be set up at least one trading session prior to the intended usage, to allow them to be incorporated into the ICE Trading System. A bulk upload facility exists, as noted in the user guide. Orders containing an STPF ID that is not registered in IIA will be rejected.

**It is important for any trading firm wishing to use New STPF to complete all steps described in the STPF User Guide linked above prior to relying on the functionality of New STPF.**

Please contact the ICE HelpDesk at the details below with any question regarding set up and administration of New STPF.

### 4.2. How can STPF IDs be shared between trading firms?

To ensure uniqueness across trading firms, the firm (“Firm 1”) that first creates an STPF ID is able to generate a “token” value for that STPF ID. Any subsequent firm that attempts to create the same STPF ID will need to obtain the token from the Firm 1, before they can adopt the common STPF ID. For example, if STPF ID 12345 has been created by one company, it may only be used by other companies via the sharing functionality.

If Firm 1 would like to prevent matching with any other trading firm - e.g., an affiliate (“Firm 2”) - Firm 1 could share the token with Firm 2. Once Firm 2 implements the STPF ID with the designated token, the common STPF ID will prevent matching between any orders containing that STPF ID - irrespective of whether the order was entered by Firm 1 or Firm 2.

For example, if Contracting Party ABC wished to prevent trading amongst its own employees, as well as between its employees and those of its affiliate Contracting Party XYZ, the process would be as follows:

1. ABC creates and registers a new STPF ID (e.g., #ABC123) in the STPF portal, as described in section 2.2 of the User Guide.
2. ABC generates a token for sharing ABC123, as described in section 2.3 of the User Guide.

3. ABC notifies XYZ that ABC123 has been created, and also provides the associated token value.
4. XYZ registers ABC123 in the STPF portal, using the token, as described in section 2.4 of the User Guide.
5. ABC and XYZ implement ABC123 for their trading activity, as described in section 3 of the User Guide.

As a reminder, the User Guide is available here:

[https://www.theice.com/publicdocs/STPF\\_User\\_Guide.pdf](https://www.theice.com/publicdocs/STPF_User_Guide.pdf)

### **4.3. Who has access to the STPF portal?**

All trading entities (including ICE NGX Contracting Parties) with access to the ICE Identifier Admin (“IIA”) interface will have access to the STPF portal. If you have not previously accessed IIA, please contact ICE User Administration.

### **4.4. What account information is shared between companies using an STPF ID?**

Any company that registers an STPF ID with a token is able to view the beneficial owner and account information originally assigned to the STPF ID, as entered by the original company (“Firm 1”) that created the STPF ID. Furthermore, only Firm 1 is able to edit this reference data. This is irrespective of whether the STPF ID is shared with another company.

### **4.5. What audit information is available for any IDs that are shared?**

Audit information is available for all STPF IDs. Companies who share an STPF ID will be able to review that sharing activity, as will any company with whom they are affiliated under a common parent company by ICE User Admin. Companies who are not affiliated under a common parent company will not be able to see detailed STPF ID sharing activity. Unaffiliated companies will only be able to see that a token their company generated was used to register the STPF ID. Questions regarding unaffiliated company sharing activity for a specific STPF ID should be directed to ICE Help Desk.

### **4.6. How are STPF IDs associated to an order?**

Unlike the Legacy STPF functionality, which was facilitated by ICE User Admin, the new STPF functionality is facilitated by trading firms themselves. Trading firms create the STPF IDs they wish to employ, and then apply them to their traders as desired.

For WebICE, a trading firm can apply a single STPF ID to all orders entered by its traders, or it can make available all its STPF IDs to its traders via a dropdown menu in the order entry screen.

Note that WebICE allows a trader to vary STPF on/off in their User Preference settings. If any trader disables the functionality and ultimately transacts opposite itself or an affiliated party, these actions may result in a potential violation of the Exchange wash trade rules. Please see the STPF User Guide or speak to the ICE Help Desk for more information.

#### **4.7. Can an STPF ID be shared between companies?**

Yes. Creation of STPF IDs is at the company level, and STPF IDs can be shared with other companies. Furthermore, generation of a “token” by the first company to create an STPF ID, and usage of that token by subsequent companies who wish to use that same STPF ID, must occur irrespective of whether the companies are affiliated or not.

Note that tokens can also be generated by subsequent companies (who themselves received a token for the STPF ID), allowing them in turn share the ID with other companies, creating a hierarchy of sharing for a given STPF ID.

For example, Company A wants to share an STPF ID with Companies B and C. Company A generates a token for Companies B and C to use. Subsequently, Company B wants to share the same STPF ID with Company D. Company B has two choices:

1. Generate its own token, for Company D to use to activate the STPF ID, or
2. Provide to Company D the original token generated by Company A to activate the STPF ID.

In either case, all of Companies A, B, C, and D are using the common STPF ID.

Tokens are valid for one week from the date of their creation.

#### **4.8. How is STPF ID shared between companies?**

As described in greater detail in the STPF user guide, the first trading firm to create a particular STPF ID is then able to generate a “token” for other trading firms wishing to use the same STPF ID. When a subsequent trading firm attempts to create the same STPF ID, the system will prompt for the token. It is not possible to create the same STPF ID without a token.

**Note:** Trading firms who wish to use a common STPF ID should communicate in advance to ensure there is agreement, and to facilitate a smooth setup process. Recall that STPF IDs must be generated and deployed at least one trading session prior to their intended usage.

As a reminder, beneficiary and account information on an STPF ID is shared with all companies using that STPF ID. Companies that choose to share their STPF IDs must ensure they are providing a token only to those companies who they wish to have authority to view that information.

#### **4.9. What if an STPF ID is entered in error, or needs to be deleted?**

There is no ability to completely delete an STPF ID. If an STPF ID was created in error and will not be used for trading, the ID can be made inactive in the STPF interface. The ID will then be invalid for trading after the next maintenance window. This action will only apply to the specific trading participant and will not impact other trading participants that already registered the STPF ID.

#### **4.10. How is an STPF ID enabled or managed across multiple ICE exchanges?**

When an STPF ID is enabled for a given company (with a unique ICE company ID), the STPF ID will be available for that company's activity across all ICE exchanges. Similarly, any subsequent management of that STPF ID will apply to all ICE exchanges in which it is used.

### **5. FAQs Common to Legacy STPF and New STPF**

#### **5.1. Will the use of STPF create any delay while checking for potentially matching orders?**

No. Since the functionality operates at the trading engine level, there is no latency introduced, regardless of whether the functionality is active or not.

#### **5.2. Will STPF prevent outright orders from matching spread orders?**

No, the STPF does not apply to derived orders from spreads or other strategies that trade against outright orders. Only outright-to-outright orders and same-spread-to-same-spread will be prevented from self-trading.

Note that "derived orders" are also referred to as "implied orders" in the New STPF User Guide.

#### **5.3. Will the self-trade prevention functionality pertain to orders entered as off-exchange transactions entered through ICEBlock, or entered by ICE NGX staff?**

No, the STPF does not apply to derived orders from spreads or other strategies that trade against outright orders. Only outright-to-outright orders and same-spread-to-same-spread will be prevented from self-trading.

#### **5.4. Will a modification of the terms of an existing order be recognized and treated as a new order for purposes of the self-trade prevention functionality?**

Yes. For example, assume the self trade prevention is set to prevent orders for the same account from matching. Also assume an order to buy 1 contract @ 95.20 is submitted for account #123 (or STPF ID #123 in New STPF) and an hour later, an order to sell 1 contract @ 95.25 is submitted for account #123 / STPF ID #123. If the price of the Buy order is later modified to 95.25, the system will recognize the price modification as a new bid. If such modification results in the new bid matching the existing offer for account/STPF #123, the functionality will prohibit those orders from matching. In this scenario, the modified bid is treated as the Taking Order for purposes of determining which order will be cancelled by the system.

## **5.5. If a bid/offer is submitted to the trading engine at the same price as a resting offer/bid that would result in a self-trade if matched, would one or both of the orders be automatically cancelled?**

If the resting order has the top priority in the order book, and would result in a self-trade against the entire quantity of the inbound opposing order, then the appropriate RTO, RRO, or RBO functionality will be employed, and the relevant order (RTO; RRO) or orders (RBO) will be cancelled entirely. However, if the resting order is not the top priority order for the full volume of the inbound order, then any partial fills against unrelated parties will be permitted to occur prior to cancellation of the balance of the inbound order.

For example, assume best bids are:

\$39.50 (10) - oldest in FIFO queue - Authorized Trader JSMITH

\$39.50 (5) - second oldest in FIFO queue - Authorized Trader JDOE

Scenario 1:

JDOE enters an order to sell 5 at \$39.50.

This order is accepted, as it will trade entirely with JSMITH's buy order. JDOE's buy order remains in the order book, at the same FIFO priority.

Scenario 2:

JDOE enters an order to sell 12 at \$39.50.

The STPF functionality is employed (RTO, RRO, or RBO), because a portion of the sell order would otherwise cross with JDOE's buy order.

The specific outcomes would be as follows:

**RTO** 10 lots of the sell order from JDOE would execute vs JSMITH and the 2-lot balance would be rejected. Buy order from JDOE remains in the order book, at the same FIFO priority.

**RRO** 10 lots of the sell order from JDOE would execute vs JSMITH. The entire resting JDOE buy order of 5 contracts would be cancelled and the 2-lot balance of the JDOE sell order would rest in the book.

**RBO** 10 lots of the sell order from JDOE would execute vs JSMITH, and then both the entire resting bid of 5 lots (JDOE) and the remaining 2 lot offer (JDOE) would be withdrawn.

## **5.6. Will I be provided a report of my firm's orders that were cancelled due to STPF?**

No, there is no STPF reporting at this time. However, firms should continue to monitor their order activity and identify ways to reduce self-trading activity in compliance with Exchange rules. Users will receive order cancellation notifications when their orders are cancelled as a result of the STPF. Examples of these notifications are below:

- RTO Trader receives the STPF rejection notice regarding their new (taking) order. If the resting order is from a different trader, that trader does not receive a separate notice that their order caused a new order to be rejected.
- RRO Trader receives the STPF removal notice regarding their existing (resting) order. If the new (taking) order is from a different trader, that trader does not receive a separate notice that their order caused a resting order to be removed.
- RBO Trader receives a STPF rejection notice on the new (taking) order, and a STPF removal notice for the existing (resting) order. If the orders are from different traders, each one only receives the notice that is applicable to their order.
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**For more information:**

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