



ICE Gas Oil Crack

Overview

July 2008

ICE Gas Oil Crack

Market Access:

User must have access to both ICE Brent Futures & ICE Gasoil Futures to gain access to ICE Gasoil Crack market.

Clearing:

To trade the Crack market a user with clearing limits must have limits in the following markets:

ICE Brent, ICE Gasoil and ICE Crack Spd.

When floating in the Gasoil Crack market the limits will be checked against the ICE Crack Spd.

If user has an ITM (individual trader mnemonic) this can be used to trade Crack.

Order Entry:

Floating a Bid in the Crack = Buying the Gasoil and Selling the Brent

Floating an Offer in the Crack = Selling the Gasoil and Buying the Brent

Facts:

The Crack Price is quoted in barrels.

The Gasoil (traded in metric tons) has to be converted into a price in barrels. ICE uses a conversion factor of 7.45.

The minimum crack qty is 4 lots (made up of 4 Gasoil & 3 Brent). The Crack also trades in 4 lot increments so that no fractional lot quantities are generated in either underlying market.

Example of leg qty for crack

Buying 16 Lots Crack = (Buying 16 Gasoil & Selling 12 Brent)

With the conversions that go on in trading the crack it is very unlikely that the traded leg prices of crack will result in a price equal to that of the floated price. This would result in one user always getting a slightly worse fill.

ICE remedied this by displaying a price .01 worse than the actual floated price. In this way both order floated and price taker get a better fill price than nominal price they are trading.

Example of crack "shown" price vs. float price

Floating a bid @ 10.25 would result in a "shown price on trading floor" of 10.24

Floating an offer @ 10.25 would result in a "shown price on trading floor" of 10.26

The trader's order book and blue book will display the floated price while the trading floor will display the other price.

When the order is consummated ICE will aim to split the price improvement between the two parties by attempting to get as close as possible to the midpoint of the two. The Bid floated at 10.25 that was shown at a price of 10.24 will try to get a trade price as close as it can to 10.245.

This can be done by splitting the leg prices of either the Gasoil or Brent Leg. Follow one case as we demonstrate a transaction.

Leg Pricing for ICE Gasoil Crack

Market	Bid	Offer
Brent – Jun06	70.00	70.05
Gasoil – Jun06	648.00	648.75

User floats an offer in Jun06 Gasoil Crack 4 @ 17.00
 WebICE displays on “trading floor” 4 @ 17.01

When consummated

Steps:

1. Looks at current market conditions to set price (attempts to set price without violating existing bids and offers)
2. One leg is set (in this case it sets the ICE Brent Jun06 Leg @ 70.05 for all 3 lots)
3. System will then split the Gasoil leg to improve the accuracy of the fill (if none is needed only one fill price for each leg will be used)
4. In this case the Gasoil Jun06 leg is split (1 @ 648.75 & 3 @ 648.50)





YOU SELL ICE

Product: **ICE Gas Oil Futures Crack** Quantity: **4**
Antwerp Rotterdam Amsterdam/North Sea (X100) **mt monthly**
 Strip: **Jul06** Price: **17.0054 USD / bbl**

Sold Sold Bought

Product: **ICE Gas Oil Futures** Quantity: **3**
Antwerp Rotterdam Amsterdam (X100) **mt monthly**
 Strip: **Jul06** Price: **648.50 USD / mt**

Leg ID: 100000452
 Executed: May 17, 2006 16:00:07 EDT

Traded on and subject to the rules of ICE Futures

Deal ID: 982227679
 Account:
 Executed: May 17, 2006 16:00:07 EDT

OK Minimize



YOU SELL ICE

Product: **ICE Gas Oil Futures Crack** Quantity: **4**
Antwerp Rotterdam Amsterdam/North Sea (X100) **mt monthly**
 Strip: **Jul06** Price: **17.0054 USD / bbl**

Sold Sold Bought

Product: **ICE Brent Crude Futures** Quantity: **3**
North Sea (X1000) **bbl monthly**
 Strip: **Jul06** Price: **70.05 USD / bbl**

Leg ID: 100000454
 Executed: May 17, 2006 16:00:07 EDT

Traded on and subject to the rules of ICE Futures

Deal ID: 982227679
 Account:
 Executed: May 17, 2006 16:00:07 EDT

OK Minimize

Crack fill of **17.0054** is midpoint between floated offer 17.00 and shown price 17.01

Formula:

$$\begin{aligned}
 &S\ 1\ @\ 648.75 + S\ 3\ @\ 648.50 = 4\ @\ 648.5625\ (\text{Avg price}) \\
 &648.5625\ \text{Gasoil Price} / 7.45\ \text{conversion factor} = 87.0554 \\
 &\quad \text{Subtract the Brent Leg Price} \quad -\ 70.05 \\
 &\quad \text{Actual Crack Fill Price} \quad =\ 17.0054
 \end{aligned}$$