



GUIDANCE

Pre-Execution Communications and Crossing

Guidance

April 2018

ICE Futures Europe Guidance on Pre-Execution Communications and submission of Cross trades

ICE Futures Europe Rules permit Members to engage in pre-execution communications in all Exchange products, subject to the provisions of Rules E.2.2; E.2.2A and G.4.

This Guidance is intended to provide further information on pre-execution communications; the permissions needed to engage in pre-execution communications on behalf of a customer; and on how orders resulting from pre-execution communications must be executed on the ICE Platform. (Please note that requirements vary depending on the product).

For clarity, pre-execution communications shall mean communications for the purpose of discerning interest in the execution of a transaction in a Contract prior to the terms of an order being submitted to the ICE Platform.

1. Summary

- Members may engage in pre-execution communications subject to certain conditions:
 - Consent from the customer is obtained;
 - Participants adhere to market conduct rules and ensure all information obtained during pre-execution communications is not taken advantage of;
 - Information is kept confidential and not disclosed to other parties;
 - Matching business arising from pre-execution communications must be executed using the crossing method designated for that contract or group of contracts i.e. the Order Book method or the Crossing Order method. These methods are set out in more detail in Part 3 of this Guidance.
- A Request for Quote (RFQ) is automatically triggered once a crossing order, submitted using the Crossing Order method, is submitted to the ICE Platform.
- Cross trades can be entered using WebICE, ICE Block and through front end applications for designated products.

2. Pre-Execution Communications

- a) Details on what Members must consider when engaging in pre-execution communications and how such matching business must be submitted to the ICE Platform are set out below.

Customer Consent

- i. Members must ensure that they have received the consent of the person they are acting on behalf of, i.e. the customer, before engaging in pre-execution communications. Records evidencing that such consent was obtained should be available for production upon request of the Exchange. Such consent may be in the form of blanket consent from a customer acknowledging its consent for the Member or its representative to engage in pre-execution communications on its behalf and would be considered in force until revoked by such customer.

Confidentiality and Non-Disclosure

- ii. Members are reminded of Rule E.2.2A when participating in a pre-execution communication which states that any behaviour amounting to market abuse as set out in relevant market abuse legislation will constitute a breach of Exchange Rules. This includes front-running or pre-positioning. Members are not permitted to enter into a transaction for their own benefit, which is transacted on the basis of and ahead of an order (including a crossing order) which it, or an associate, is to carry out with or for another (in respect of which information concerning the order is inside information), which takes advantage of non-public information derived during pre-execution communication.

Members must not share specific, material and non-public information obtained in pre-execution communications, or otherwise, with other Market participants, except in the normal course of business.

Execution

- iii. Matching orders arising from pre-execution communications or pre-arrangement must be entered to the ICE Platform without delay either:
- By submission to the ICE Platform as a cross trade. The methods that can be used to submit a cross trade are set out in Part 3; or
 - By submission as a Block trade, EFP/EFS transaction, basis trade or Soft Commodity EFRP, provided that the transaction has been made in accordance with Exchange Rules and procedures.

3. Crossing Methods

- a) Matching business may be submitted to the ICE Platform as a Cross Trade using the following methods:
- i. the Order Book method – a method by which matching business is entered into the order book as two separate orders; and
 - ii. the Crossing Order method – a method by which matching business is entered into the order book as a single order containing a matching bid and offer.
- b) The crossing method which must be used for each contract or group of contracts is set out in the table below.

Order Book Method	Crossing Order Method
ICE Low Sulphur Gasoil Futures (G)	Bonds
ICE Heating Oil (O)	Soft Commodities
ICE Brent Futures (B)	STIRS
ICE WTI Futures (T)	Swapnote Contracts
Electricity	Equity Indices
ICE NYH (RBOB) Gasoline Futures (N)	Individual Equities
Emissions	All Crude Oil & Refined products (except those listed under the Order Book Method)
Coal (Note: either crossing method may be used for the Coal Futures which are listed under the Crossing Order Method)	Eurodollar
	GCF Repo Index Futures
	Liquified Natural Gas
	Natural Gas Liquids
	Petrochemicals
	Freight
	Natural Gas Daily Futures
	Natural Gas Daily Financial Futures
	CFR South China Coal Futures
	FOB Indo sub-bit Coal Futures
	gC Newcastle Coal Futures
	ICE gC Richards Bay Coal Futures

	ICE Richards Bay Coal Futures
	ICE Rotterdam Coal Futures
	CSX Coal Futures
	Illinois Basin Coal Futures
	Powder River Basin Coal Futures

- c) Once a Member or a Member's Representative has procured matching business through pre-execution communications, the process for the submission of matching orders must be initiated without delay, using the designated method for the Contract concerned.

i) The Order Book Method

- a) This method involves the Member or its Representative submitting the matching business directly into the order book as separate orders and not as one message. No Request for quote will be generated as a result of the submission.
- b) Where a Member has matching orders and there is no bid and/or no offer in the Market for the relevant Contract, one side of the matching business shall be submitted to the ICE Platform without delay and the matching order may only be submitted to the ICE Platform when a period of at least five seconds has elapsed since the first order was submitted.
- c) If the matching order is to be submitted, the applicable buy or sell orders must be submitted as soon as practicable and in any event no later than thirty seconds after the first order was submitted. Where a Member wishes to match a client order with an order where that Member is acting in a proprietary capacity, the client order shall be entered first. Where matching orders are both client orders, the Member must ensure that the client orders are executed in compliance with all relevant regulations and laws.
- d) Members are reminded that such orders may be filled by resting or incoming orders in the market.

ii) The Crossing order method

- a) The Crossing Order method utilises functionality built into the ICE Platform to enable users to submit matching business ("the Crossing Order") in one message. The functionality will generate an automatic RFQ and builds in the required time periods the RFQ will be exposed to the marketplace before the Crossing Order is activated and evaluated against other orders in the order book.
- b) Matching orders submitted using the Crossing Order method must be submitted without delay once the terms of the Crossing Order have been agreed. Crossing Orders must contain the quantity and price at which execution is sought. A Crossing Order cannot be amended once it has been submitted.
- c) Upon receipt by the ICE Platform, the Crossing Order will be time-stamped and will automatically initiate an RFQ, which will be exposed to the market for a prescribed time period before the ICE Platform will attempt to execute the Crossing Order. The prescribed time period shall be five seconds for all Contracts, or such other period as the Exchange may specify by circular. The volume of the orders within the Crossing Order will be displayed to the marketplace in the resulting RFQ, but not the price. No information in the RFQ will identify that a Crossing Order is forthcoming.

- d) Immediately following such period, the Crossing Order will be activated, at which point it will be evaluated against other orders in the order book. Matching of orders shall occur through application of the trade matching algorithm for the Contract concerned, subject to the over-riding condition that the price of a resultant trade must represent a fair value for such trade.
- e) If the Crossing Order price improves the best bid and the best offer in the order book or if there is no bid/offer, 100% of the Crossing Order quantity will match at the Crossing Order price immediately upon activation. If the Crossing Order price improves the best bid but there is a better offer or offers, the buy side of the Crossing Order will be executed first against such better offer or offers and then subsequently against the sell side of the Crossing Order if any residual quantity on the buy side remains. Similarly if the Crossing Order price improves the best offer but there is a better bid or bids, the sell side of the Crossing Order will be executed first against such better bid or bids and then subsequently against the buy side of the Crossing Order if any residual quantity on the sell side remains. If there are unfilled quantities of the crossing order, the remaining volume will be cancelled by the ICE Platform.
- f) For purposes of determining priority in the order book, the Crossing Order will be considered to have been entered at the time the Crossing Order is submitted to the ICE Platform.

4. Prohibitions

- a) When entering matched business, a bid and/or offer must not be submitted to the ICE Platform deliberately to circumvent the procedures set out in Rule G.6A.4 relating to exposing the orders to the market.
- b) Once the Crossing Order is submitted and quotes are made, the submitter of the Crossing Order may trade opposite the bids or offers entered in response to the RFQ, however the parties to the Crossing Order (including the submitter of the Crossing Order) cannot enter bids or offers that would improve the bids or offers present in the corresponding market during the respective 5 second crossing window.

This would violate the provisions of Rule G.4(b)(iii) which prohibit the parties to pre-execution communications from entering orders that take advantage of information obtained through the pre-execution communication, such as the price at which the Crossing Order would execute.
- c) The parties to the Crossing Order (including the submitter of the Crossing Order) may also not submit any RFQs until the Crossing Order has transacted.
- d) The submitter of a Crossing Order may not submit another crossing order until the original crossing order is transacted.
- e) Members must not take advantage of the information obtained during pre-execution communications to benefit themselves, or any other participants, to the detriment of their client.
- f) Members must also not attempt to use the information received in the course of facilitating customer business to benefit their own position or that of any other participant, to the detriment of the client.
- g) The submitter of the Crossing Order may not specify a Reserve Quantity on a Crossing Order.

5. Transactions with no Pre-Execution Communications

- a) Market participants may communicate with other users to obtain general market colour without engaging in pre-execution communications or simply to obtain a quote provided there is no express or obviously implied arrangement to execute a specified trade and no non-public information is communicated regarding an order or potential order.
- b) Members with a resting order exposed on the ICE Platform may contact potential counterparties to solicit interest in trading against the order. In any such communications, no non-public information (i.e. information not represented in the terms of the order exposed to the market) may be disclosed. For example, if the represented offer is for 250 contracts, it would be a violation of

the Rules to disclose that there are an additional 500 contracts to sell because that information has not been disclosed to the market.

- c) Independently initiated orders that are on opposite sides of the market for different beneficial account owners and are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications and that each of the orders is entered immediately upon receipt.
- d) Where there has been no pre-execution communications, a firm may knowingly trade for its proprietary account against a Customer order entered by the firm provided that the provisions of the Exchange Rules are complied with, and the interests of the client or clients are not prejudiced.

6. Submitting Crossing Orders

- a) The Crossing Order method is supported through the WebICE screen, through ICE Block and, for FIX clients for the Bonds; Soft Commodities; STIRs; Swapnote^(R); Equity Indices and Individual Equities through the conformed front-end application they use to access the ICE Platform.

Further information on the functionality is available on the Trader Dashboard on the ICE website. For access, email the ICE Helpdesk on icehelpdesk@theice.com or call +1 770 738 2101

Any questions arising from this Guidance should be addressed to:

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