



WebICE Options on Futures

User Guide

August 18, 2006

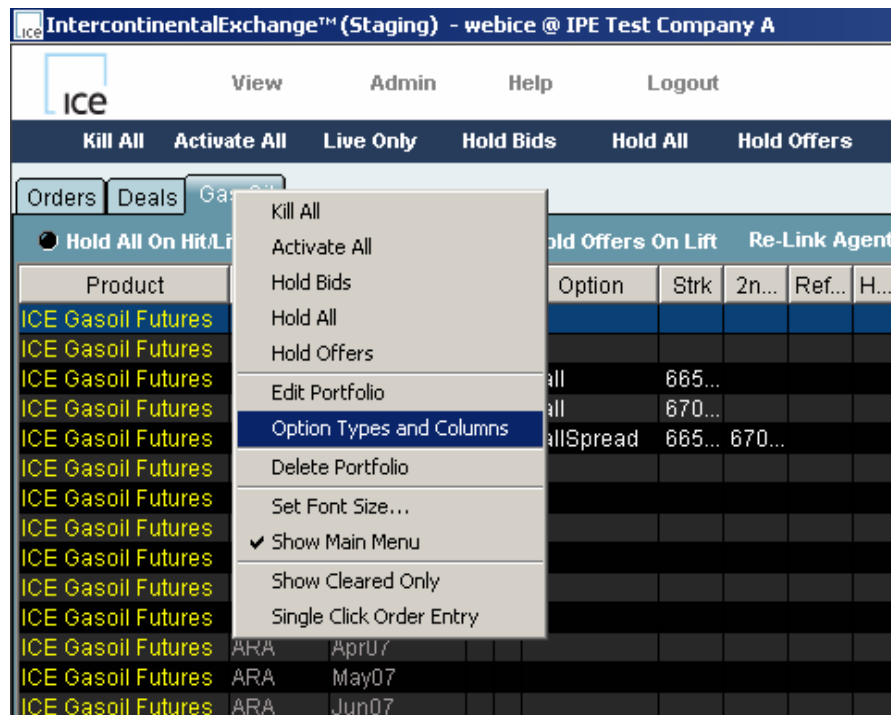
WebICE Options on Futures

1. Options

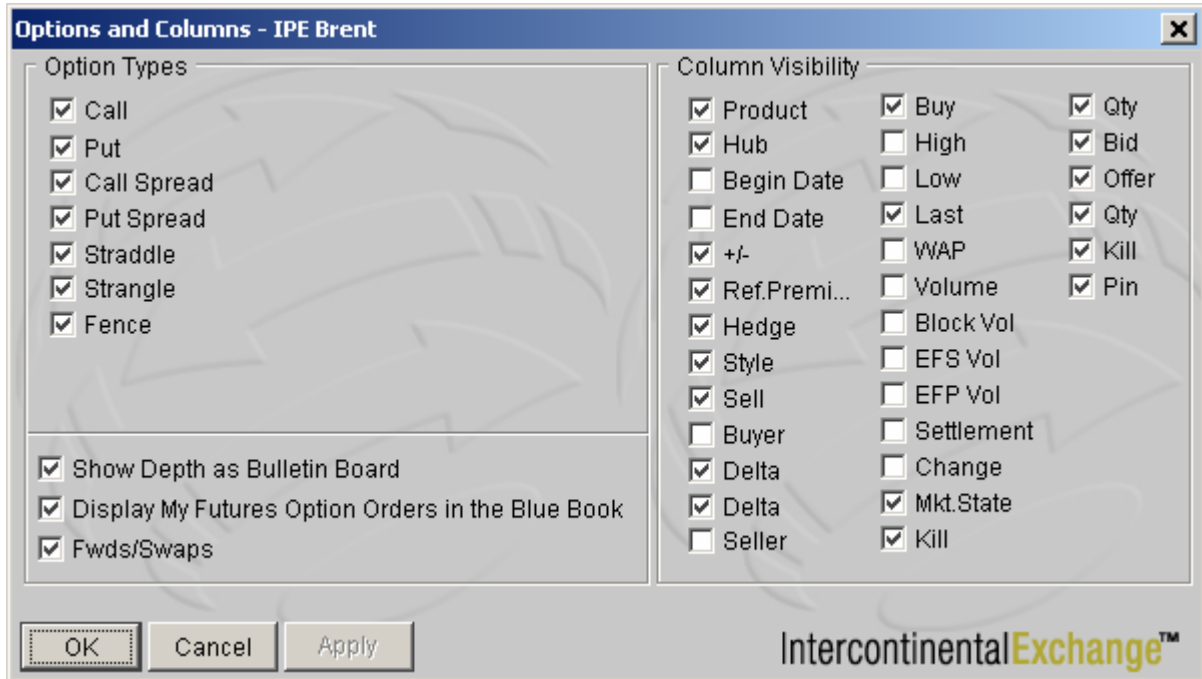
Both naked and hedged options orders can be traded on WebICE. Hedged options are possible if the underlying market support them. **Brent and Gas Oil are the only options currently offered on the ICE Futures platform.**

1.1. Options Preference

When logging on to WebICE the *Options* feature defaults to the off position. To activate the *Options* feature for each portfolio right-click the portfolio tab and select the *Option Types and Columns* option.



Specific functionality can be individually selected when choosing to show Option orders in the Blue Book.



The appropriate *Column Visibility* preferences must be checked to activate the *Reference Premium* and *Hedge* functionality.

After activating this functionality, naked and hedged options can now be entered into the market.

IntercontinentalExchange™ (Staging) - webice @ IPE Test Company A

View Admin Help Logout

Kill All Activate All Live Only Hold Bids Hold All Hold Offers

Orders Deals Positions Gas Oil

Hold All On Hit/Lift Hold Bids On Hit Hold Offers On Lift Re-Link Agents History Formulas

Product	Hub	Strip	+/-	Option	Strk	2n...	Ref...	H...	Sell	Bu...	D...	Qty	Bid	Offer	Qty	D...	Se...	Buy	High	Low
ICE Gasoil Futures	ARA	Aug06	+																664.25	661.75
ICE Gasoil Futures	ARA	Sep06	+																663.50	661.50
ICE Gasoil Futures	ARA	Sep06	+	Call	665...														0.45	0.20
ICE Gasoil Futures	ARA	Sep06	+	Call	670...														0.05	0.05
ICE Gasoil Futures	ARA	Sep06	-	CallSpread	665... 670...		0.05	Hit				1	0.35						0.40	0.15
							0.05	S...	Hit			1	0.35							
							0.05	S...	Hit			1	0.35							
ICE Gasoil Futures	ARA	Oct06	+																672.00	661.00
ICE Gasoil Futures	ARA	Oct06		Call	665...														0.20	0.20
ICE Gasoil Futures	ARA	Oct06		Call	670...														0.05	0.05
ICE Gasoil Futures	ARA	Oct06		CallSpread	665... 670...														0.15	0.15
ICE Gasoil Futures	ARA	Nov06																	693.00	693.00
ICE Gasoil Futures	ARA	Dec06	+																701.50	701.00
ICE Gasoil Futures	ARA	Jan07	+																707.75	707.25
ICE Gasoil Futures	ARA	Feb07																		

ICE Gasoil Futures - ARA - Jan07, 10 @ 707.25 (Aug 08, 2006 10:36:49 BST)

ICE Gasoil Futures - ARA - Jan07, 10 @ 707.75 (Aug 08, 2006 10:35:52 BST)

ICE Gasoil Futures - ARA - Aug06, 1 @ 663.75 (Aug 08, 2006 10:35:48 BST)

ICE Gasoil Futures - ARA - Sep06, 1 @ 661.75 (Aug 08, 2006 10:35:48 BST)

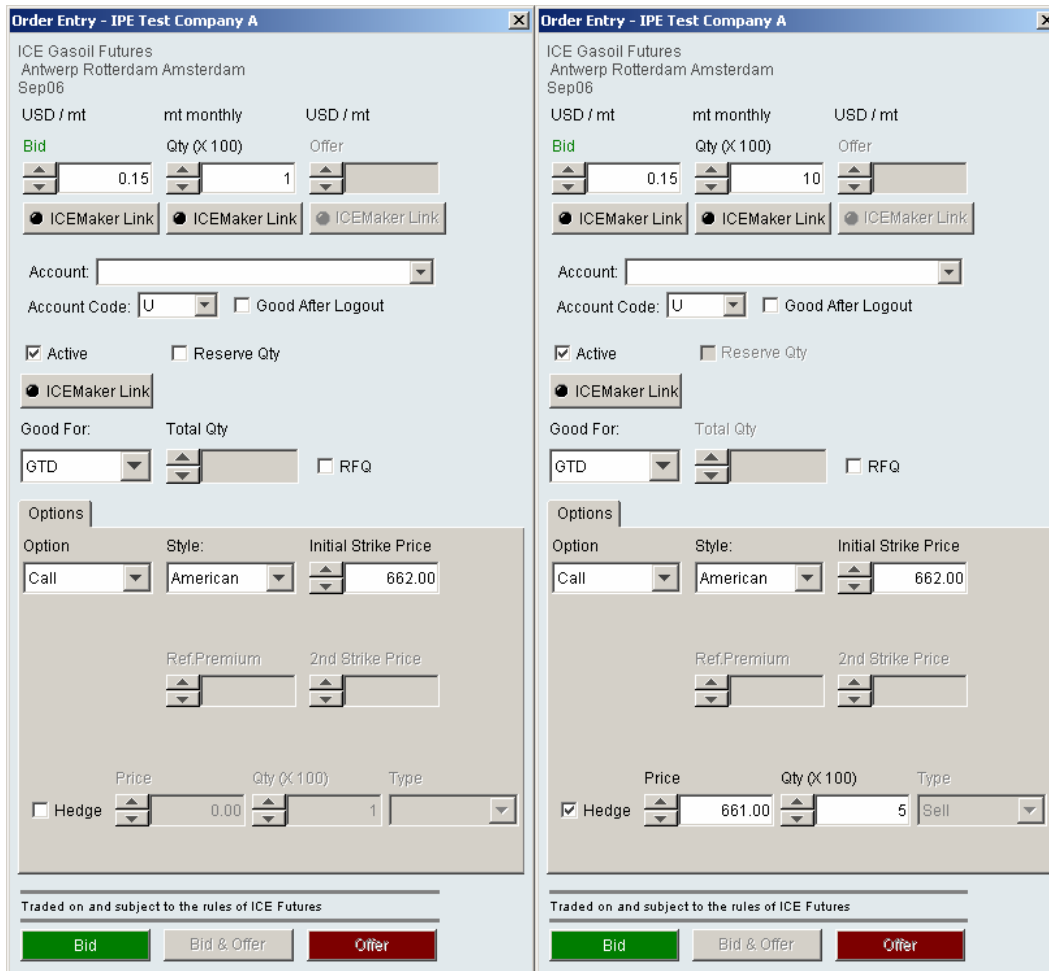
Deal done: Bought 1 @ 661.75 ICE Gasoil Futures - ARA - Aug06 10:38:1

1.2. Options Trade Entry

If the *Options* preference has been previously activated, options will be available when drawing up an order entry.

The screenshot shows the 'Order Entry - IPE Test Company A' window. The main section is for 'ICE Gasoil Futures' with details for 'Antwerp Rotterdam Amsterdam Sep06'. It includes fields for 'USD / mt', 'mt monthly', and 'USD / mt' with 'Bid' and 'Offer' values. There are three 'ICEMaker Link' buttons. Below that are 'Account' and 'Account Code' fields, and checkboxes for 'Active' and 'Reserve Qty'. The 'Good For' section has a 'GTD' dropdown and 'Total Qty' field. The 'Options' section is highlighted with a red circle and has a dropdown menu open showing options: Call, Put, CallSpread, PutSpread, Straddle, Strangle, and Fence. Below the menu are fields for 'Style' (American), 'Initial Strike Price', 'Ref Premium', and '2nd Strike Price'. At the bottom, there are 'Hedge' checkboxes, 'Qty (X 100)' field, and 'Type' dropdown. The window ends with 'Traded on and subject to the rules of ICE Futures' and three buttons: 'Bid', 'Bid & Offer', and 'Offer'.

After the option type has been selected, the strike prices and reference premium spinners will be enabled as appropriate. By default, the *Hedge* box will be unchecked while the *Price and Quantity* spinners and *Type* dropdown will be disabled. By clicking the *Hedge* checkbox the other functionality will be enabled as appropriate.



The image displays two side-by-side screenshots of the 'Order Entry - IPE Test Company A' interface. Both windows show the same header information: 'ICE Gasoil Futures', 'Antwerp Rotterdam Amsterdam', and 'Sep06'. The main input area includes 'USD / mt' (0.15), 'mt monthly' (Qty (X 100)), and 'Offer' (empty). Below this are three radio buttons for 'ICEMaker Link'. The 'Account' dropdown is empty, and 'Account Code' is 'U' with 'Good After Logout' unchecked. The 'Active' checkbox is checked, and 'Reserve Qty' is unchecked. The 'Good For' dropdown is 'GTD', and 'RFQ' is unchecked. The 'Options' section shows 'Option' as 'Call', 'Style' as 'American', and 'Initial Strike Price' as 662.00. Below this are 'Ref.Premium' and '2nd Strike Price' fields. At the bottom of the options section, there are 'Price', 'Qty (X 100)', and 'Type' fields. In the left window, 'Hedge' is unchecked, and the 'Price' field is empty. In the right window, 'Hedge' is checked, and the 'Price' field contains 661.00, 'Qty (X 100)' contains 5, and 'Type' is set to 'Sell'. At the bottom of each window are three buttons: 'Bid' (green), 'Bid & Offer' (grey), and 'Offer' (red).

1.2.1. Hedge Components

Clicking the *Hedge* checkbox enables the following components:

- *Price Spinner* – allows the input of the price of the underlying.
- *Quantity Spinner* – enables the input of quantity (futures volume) for the underlying.
- *Type dropdown* – permits the input of the order type (Buy/Sell) for the underlying.

1.2.2. No Reserve Quantity Support

Hedge functionality requires trades to happen on an “all or nothing” fill basis. Clicking the *Hedge* checkbox will disable the *Reserve Quantity* checkbox and the *Total Quantity* spinner on the order entry. Any subsequent order submitted will disregard any previously added reserve quantity.

1.2.3. Type Dropdown – Additional Detail.

The *Type* dropdown will assign the following order types to the future volume;

1. For Buy Call, Call Spread & Fence, the dropdown will default to “**Sell**”.
2. For Buy, Put & Put Spread, the dropdown will default to “**Buy**”.
3. For Sell Call, Call Spread & Fence the dropdown will default to “**Buy**”.
4. For Sell Put & Put Spread, the dropdown will default to “**Sell**”.
5. For Buy and Sell Straddle & Strangle, the dropdown will default to **Blank** - forcing the user to select the valid value.

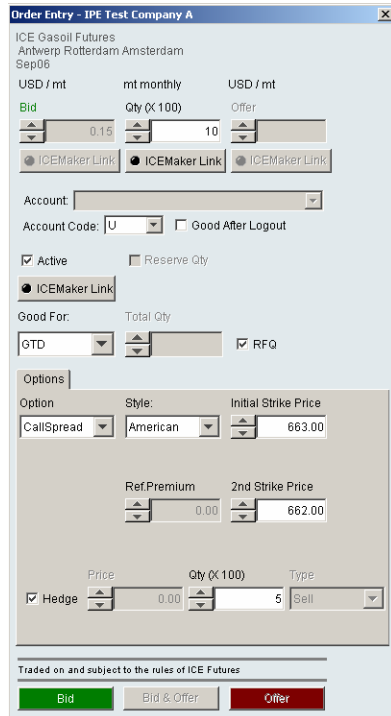
Note: If a user opens the order entry for *Bid* and *Offer* together, the following error message will be displayed: *Cannot enter simultaneous bid and offer for covered options.*

1.2.4. Market Orders

Market orders enabled for covered options will trade on “all or nothing” basis.

1.2.5. Tailored RFQ on Options

RFQ’s may be enabled for options. *Option Premium* and *Reference Premium* (where applicable) entry components will be disabled.



The screenshot shows the 'Order Entry - IPE Test Company A' window. It displays the following details:

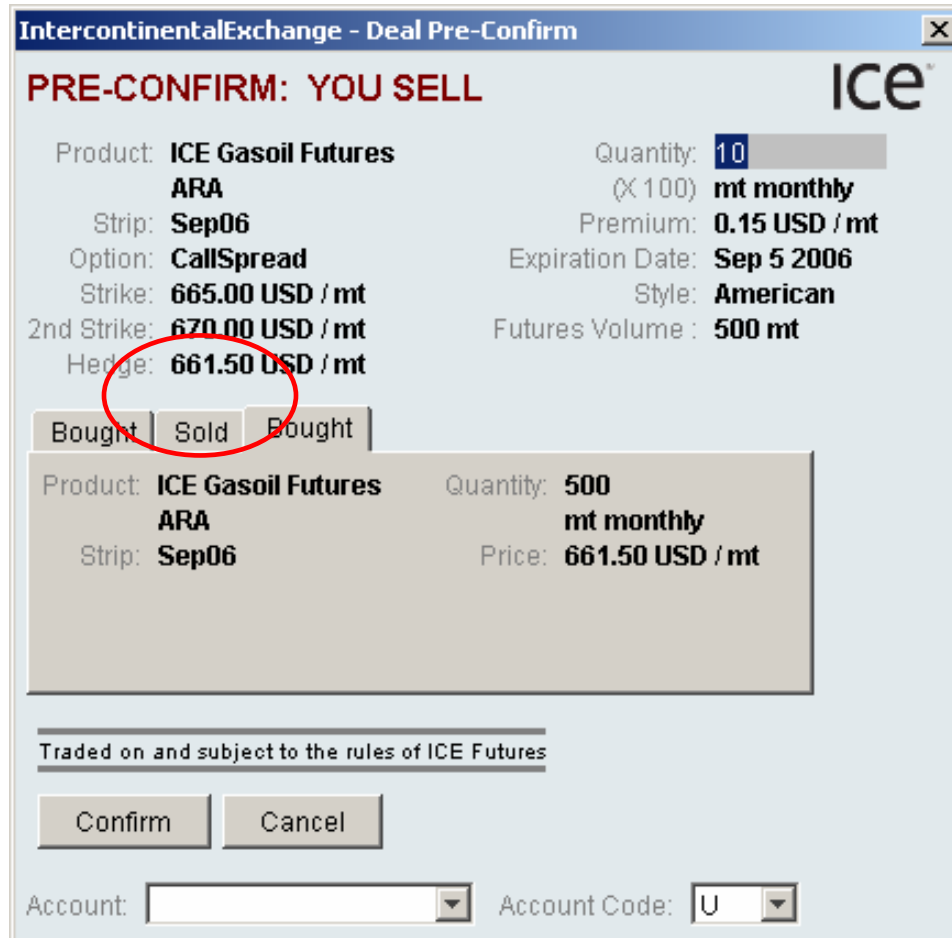
- Contract:** ICE Gasoil Futures, Antwerp Rotterdam Amsterdam, Sep06
- Units:** USD / mt, mt monthly, USD / mt
- Bid:** 0.15, **Qty (x 100):** 10, **Offer:** (empty)
- Account:** (dropdown), **Account Code:** U, **Good After Logout:** (checkbox)
- Active:** (checkbox checked), **Reserve Qty:** (checkbox), **ICEMaker Link:** (radio button selected)
- Good For:** GTD, **Total Qty:** (input), **RFQ:** (checkbox checked)
- Options:**
 - Option:** CallSpread, **Style:** American, **Initial Strike Price:** 663.00
 - RefPremium:** 0.00, **2nd Strike Price:** 662.00
- Hedge:** (checkbox checked), **Price:** 0.00, **Qty (x 100):** 5, **Type:** Sell

At the bottom, there are buttons for 'Bid', 'Bid & Offer', and 'Offer'. A footer note states: 'Traded on and subject to the rules of ICE Futures'.

2. Confirms

2.1. Pre- Confirms

A *Futures Volume* label will be added to the pre-confirm window to show the futures leg for a covered option. And, the *Current Editable Quantity* text field will be disabled.



IntercontinentalExchange - Deal Pre-Confirm

PRE-CONFIRM: YOU SELL Ice

Product: **ICE Gasoil Futures ARA** Quantity: **10** (X 100) **mt monthly**

Strip: **Sep06** Premium: **0.15 USD / mt**

Option: **CallSpread** Expiration Date: **Sep 5 2006**

Strike: **665.00 USD / mt** Style: **American**

2nd Strike: **670.00 USD / mt** Futures Volume : **500 mt**

Hedge: **661.50 USD / mt**

Bought **Sold** Bought

Product: **ICE Gasoil Futures ARA** Quantity: **500 mt monthly**

Strip: **Sep06** Price: **661.50 USD / mt**

Traded on and subject to the rules of ICE Futures

Confirm Cancel

Account: Account Code:

2.2. Confirms

A new *Futures Volume* label will be added to the confirm window to show the futures leg for a covered option.



3. WebICE Displays

3.1 Ticker Display

For options, the ticker will display the parent deal and all leg deals. Option leg deals will have a 's' indicator in the Buy/Sell square, and the Futures leg deals will have a 'v' indicator in the Buy/Sell square.

Example: A covered option strategy will show four deals to the ticker.

The Option parent, the option leg, the option leg, and the hedge:



3.2. Market Display

The options trade legs generated as part of an option strategy will be displayed with a 's' indicator in the *Last Traded Price* column and the market activity will register as either "High" or "Low."

D...	Se...	Buy	High	Low	Last	WAP	Volume
			662.25	661.75	661.75	662.00	1
			661.50	661.50	661.50	661.50	20
			0.20	0.20	0.20 S	0.20	1
			0.05	0.05	0.05 S	0.05	1
			0.15	0.15	0.15	0.15	1

Market Activity [X]

ICE Gasoil Futures
Antwerp Rotterdam Amsterdam
Sep06

Market State: Open
Market Call: 0.20
Open:
High: 0.20 S
Low: 0.20 S
Close: 0.00
Settlement:
WAP: 0.20
Open Interest:
Open Interest Change
Volume: 10
EFS Vol: 0
EFP Vol: 0
Block Vol: 0

[Refresh] [Close]

Market Activity [X]

ICE Gasoil Futures
Antwerp Rotterdam Amsterdam
Sep06

Market State: Open
Market Call: 0.05
Open:
High: 0.05 S
Low: 0.05 S
Close: 0.00
Settlement:
WAP: 0.05
Open Interest:
Open Interest Change
Volume: 10
EFS Vol: 0
EFP Vol: 0
Block Vol: 0

[Refresh] [Close]

The futures trade leg generated as part of an option strategy will be displayed with a ‘v’ indicator in the *Last Traded Price* column and the market activity will register as either “High” or “Low.”

The screenshot shows a trading interface with two windows. The main window displays a table with columns: High, Low, Last, WAP, and Volume. The 'Last' column contains the value 661.75 with a small 'v' indicator below it, which is circled in red. The 'Market Activity' window on the right shows the following data:

Market Activity	
ICE Gasoil Futures Antwerp Rotterdam Amsterdam Sep06	
Market State:	Open
Market Call:	663.50
Open:	661.50
High:	663.50 V
Low:	661.50
Close:	0.00
Settlement:	673.00
WAP:	661.63
Open Interest:	80705
Open Interest Change	2001
Volume:	230
EFS Vol:	0
EFP Vol:	0
Block Vol:	0

Buttons for 'Refresh' and 'Close' are visible at the bottom of the Market Activity window.

4. Known Issues

Please be aware that the options and futures leg of a hedge trade will not update the position on the position tab.

The WebICE deal book will show aggregated, same-priced deal depth but will **NOT** apply to options. This functionality applies to the Futures markets only.