



NEGOTIATED OPTION STRATEGIES

FAQs

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This document provides general information about the Negotiated Option Strategy (“NOS”) program at ICE Futures Canada (“IFCA”). For full details of the rules pertaining to NOS, please consult Rule 8 of the IFCA rulebook: https://www.theice.com/publicdocs/futures_canada/rules/Rule8_Trading.pdf
In case of a discrepancy between these FAQs and the Rules, the Rules shall take precedence.

Q1: What is a Negotiated Option Strategy (“NOS”)?

A1: An NOS is a privately-negotiated option strategy, involving two (or more) options legs, or a combination of options and futures legs. NOS are permissible off-exchange transactions, when conducted within the requirements of the Rules.

Q2: Who may participate in NOS?

A2: Only “Eligible Counterparties” may participate in NOS negotiations and transactions. All Participants, employees of Participants, and Affiliated Entities and their employees, may become Eligible Counterparties.

Individuals wishing to become an Eligible Counterparty must contact ICE Futures Canada at ifca-nos-reporting@theice.com and request to be added to the Eligible Counterparty list.

The list of Eligible Counterparties can be found at:
www.theice.com/publicdocs/futures_canada/IFCA_NOS_Eligible_Counterparties_List.pdf

It is also important that, prior to requesting Eligible Counterparty status, individuals speak with their employer and (where applicable) their FCM or Clearing Participant, to ensure that consummated NOS transactions can be entered in ICE Block on their behalf as required.

Q3: Are there minimum volume requirements for NOS?

A3: Yes, NOS have minimum quantities. These minimums are currently 50 contracts for canola NOS.

Minimum quantities are calculated as the total volume of the option legs of an NOS. Therefore, an NOS involving two option strikes, each of 25 contracts, would meet the minimum.

For NOS with a futures leg, only the options leg(s) are used in the minimum volume calculation. Therefore, an NOS with 40 contracts of options and 10 contracts of futures would not meet the minimum volume requirements.

Q4: How may NOS be priced?

A4: The price of NOS is privately negotiated between the counterparties, and must be fair and reasonable in light of the size of the NOS, and the price and size of other trades in the same contracts in the Trading System.

Q5: What products are permitted under NOS?

A5: All ICE Futures Canada options and their associated futures, including CSOs, are permitted for NOS. However, Trade At Settlement (“TAS”) transactions are not permitted to be the futures leg of an NOS.

NOS must have at least two legs, at least one of which must be an options contract. NOS involving a futures leg must use the futures contract underlying the options leg, or the underlying futures spread in the case of a CSO.

It is not permissible to trade an NOS in which all legs are the same series - that is, the same month, strike, and call/put.

Q6: When may NOS be traded?

A6: NOS may only be traded during the hours in which the component options and futures are traded. However, NOS may be reported after the close of the market, within the time deadlines noted below.

Q7: What steps must be taken to conduct an NOS?

A7: An Eligible Counterparty will email an Initial Expression of Interest (IEI) to all other Eligible Counterparties. The IEI must contain information about the specific NOS contracts (options and, where applicable, futures) for which there is interest. Price, volume, and side do not have to be specified, although they may be provided if desired.

Once an IEI is sent, all Eligible Counterparties may conduct bilateral discussions regarding the NOS described in the IEI. Any change to the components of the NOS, other than price, quantity, or delta, constitutes a different NOS, and requires a new IEI.

If an NOS transaction is agreed-upon, it must be reported to the Exchange and entered into the ICE Block system within the prescribed deadlines.

Q8: How is an Initial Expression of Interest sent?

A8: An IEI must be sent to the email address designated by the Exchange, which is currently ifca-nos@theice.com

Note that sending to this email address ensures that all other Eligible Counterparties receive the IEI. Failure to send an IEI, or sending to the wrong email address, is a violation of the Rules. Therefore, traders submitting IEIs are encouraged to check their own email Inbox to ensure they receive a copy of the IEI shortly after they send it.

All Eligible Counterparties are encouraged to speak to their IT departments, to ensure that emails to and from the ICE system are permitted to pass through their corporate firewalls and spam filters.

Q9: When and how must an NOS be reported to the Exchange?

A9: Both counterparties to an NOS must submit information about their side of the NOS to the Exchange, within fifteen (15) minutes of the conclusion of negotiations.

The information to be submitted includes details of the trade, time of the trade, and identity of the client. See Rule 8D.14 for details. This information must be emailed to: ifca-nos-reporting@theice.com

Q10: When and how must an NOS be entered into the Trading System?

A10: Consummated NOS transactions must be submitted by Clearing Participants, or entities authorized by a Clearing Participant, into the ICE Block system. There are no other acceptable methods of submission for an NOS transaction.

The seller of an NOS must ensure their side is entered into ICE Block within twenty (20) minutes of the completion of negotiations, and the buyer of an NOS must ensure their side is entered into ICE Block within thirty (30) minutes of the completion of negotiations.

Further questions regarding the NOS program may be directed to compliance-canada@theice.com or ifca-nos-reporting@theice.com