

NOTICE

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Category(ies):

Notice

Attachments:

None

Summary of content

Clarification of timing requirements for iceberg orders

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Timing requirements for crossing of “iceberg” orders

Rule 8A.08 sets out the requirements for crossing orders, including the timing delay required between the entry of opposing buy and sell orders. The full text of Rule 8 may be found at:

https://www.theice.com/publicdocs/futures_canada/rules/Rule8_Trading.pdf

The purpose of this notice is to clarify the timing requirements that pertain to the usage of reserve / hidden quantity (“iceberg”) order functionality, for crossed trades.

Specifically, when iceberg order functionality is used, whether through the ICE Trading Platform or a front-end trading system, **each buy and sell order must be separated by the requisite time delay** (5 seconds for futures; 15 seconds for options), when those orders have the potential to cross, and the usage of iceberg functionality is done at the discretion of the trader. An “order” in these situations means each tranche of shown volume – not just the original order entry.

Given that iceberg orders automatically submit a new tranche of volume immediately following the completion of the prior tranche, it is possible that although the entry of the original buy and sell orders are sufficiently apart in time (5 or 15 seconds), subsequent tranches do not meet the timing requirements of Rule 8A.08, due to the fact they are submitted automatically by the system, leaving very little (if any) time delay between them.

Therefore, in situations where the broker exercises discretion in the usage of iceberg orders, rather than being specifically instructed by a client to do so, it may not be possible for the broker to use iceberg functionality for either of the opposing buy or sell orders, because it would not provide for a sufficient time delay for the execution of the hidden quantity(ies). Any crossed trades in which the hidden quantity portions of the opposing orders were submitted less than 5 or 15 seconds apart would be considered in violation of Rule 8A.08.

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