

NOTICE

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Summary of Content:

Amendments to Exchange Regulatory Rules

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Amendments to Exchange Regulatory Rules

In a filing to the CFTC dated September 24, 2012, the Exchange submitted amendments to Chapter 6 of the Exchange's Rules to conform the Rules with the CFTC's Position Limits Rules that would have become effective on October 12th, to add provisions related to Energy Contracts and to clarify and provide consistency to certain other Rules. In light of the U.S. District Court for the District of Columbia vacating the CFTC Rules on September 28, 2012, the Exchange has withdrawn the sections of the filing that specifically related to those Rules. The other amendments, which will be effective on October 12, 2012, are described below.

Amendments to Rule 6.13 provide consistency to requirements for submitting exemption requests in the event that a position limit is exceeded due to unforeseen bona fide hedging needs. The amendment provides that an exemption request must be requested within one business day unless the Market Surveillance Department approves a later filing that may not exceed 5 business days. An additional amendment confirms that position limits apply on both an intraday and end-of-day basis.

Rule 6.14(b) has been added to require, in the case of contracts that are cash-settled by reference to the price of a commodity or contract traded on another venue, that positions in such other market be reported to the Exchange when requested. This provision tracks a new CFTC requirement applicable only to cash-settled contracts that have a reference price from another market.

Amendments to Rules 6.15 and 6.33 delete references to contracts that have been delisted.

Amendments to Rule 6.26, concerning Hedge Exemptions, clarify provisions regarding when to apply for an exemption. Amendments to Rule 6.27, concerning Arbitrage and Straddle Exemptions, clarify the rules. There is no change to current rules regarding cash and carry exemptions.

New Rule 6.29 addresses risk management exemptions which will be available for all energy futures contracts listed on the Exchange as well as other contracts, as appropriate.

The text of the amended Rules follows below. If you would like a copy showing language additions and/or deletions, please contact the Corporate Secretary's Office at (212) 748-4082.

Rule 6.12. Aggregation of Positions

(a) The position limits and position accountability levels established by these Rules shall apply to all positions held by any Person, including those positions in accounts for which such Person by power of attorney or otherwise directly or indirectly holds positions or controls trading; and in the case of positions held by two (2) or more Persons acting pursuant to an expressed or implied agreement or understanding, the same as if all of the positions were held by or the trading of the positions were done by, a single Person.

(b) The positions of spouses, parents, and children living in the same household shall be aggregated for purposes of the foregoing position limits and position accountability levels

(c) Positions held in Futures and Futures Equivalent Contracts will not be aggregated with positions held in Cleared Only Swaps for the same Commodity which are submitted to the Exchange for clearing pursuant to Chapter 23.

Rule 6.13. Enforcement of Position Limits and Position Accountability Levels

(a) No Member may for itself or any Customer maintain a combination of Futures Contracts and Futures Equivalent Contracts which is, or which when aggregated in accordance with Rule 6.12 is, in excess of the limits established by this Chapter. For the purpose of the Rules contained in this Chapter:

(i) the futures equivalent of each Option Contract is the delta ratio published daily by the Exchange;

(ii) a long Futures Contract, a long Call Option and a short Put Option are on the same side of the market; similarly, a short Futures Contract, a short Call Option and a long Put Option are on the same side of the market;

(iii) in calculating a Futures Equivalent Contract position, all serial and regular Options for the Underlying Futures Contract shall be combined.

Members are responsible for maintaining their position and their Customers' positions within the limits contained in this Chapter on both an intraday and end-of-day basis. If, however, a Member's or Customer's position exceeds speculative position limits on any given Business Day due to changes in the deltas of the Options, the Member or Customer shall have one (1) Business Day to bring the position within the limits.

(b) In the event the Exchange learns that a Member or Customer maintains positions in accounts with more than one (1) Member such that the aggregate position in all such accounts exceeds the position limits and position accountability levels established by this Chapter, the Exchange may notify all Members maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Member to reduce the positions in such accounts twenty-four (24) hours after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Members does not exceed the position limits and position accountability levels established by this Chapter, unless as provided by paragraph (c) below, a request for an exemption is made and granted by the Exchange pursuant to this Chapter. Any Member receiving such notice shall immediately take such steps as may be necessary to liquidate such number of Commodity Contracts as shall be determined by the Exchange in order to cause the aggregate positions of such accounts at such Members to comply with the position limits and position accountability levels established by this Chapter. Notwithstanding the foregoing, the Members may reduce the positions of such accounts by a different number of Commodity Contracts so long as after all reductions have been accomplished at all Members carrying such accounts, the positions at all such Members complies with the position limits and position accountability levels established by this Chapter.

(c) In the event a Member or Customer exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Member or Customer shall not be considered in violation of the Rules provided that such Person requests a hedge exemption to carry such increased position within one (1) Business Day (unless the Market Surveillance Department has expressly approved a later filing which may not exceed five (5) Business Days), in each case following the day on which the Member's or Customer's position limit was exceeded and provided further that such exemption is granted by the Exchange.

(d) Subject to the foregoing provisions of this Rule, in the event that a Member's position (whether for his own account or for the account of a Customer) exceeds the position limits established by this Chapter or ordered by the Exchange pursuant to Rules 6.17(a)(i), 6.18(a)(i), 6.22(a)(i), 6.24(a)(i)(A), 6.24(b)(i)(A), 6.24(c)(i)(A), 6.24(d)(i)(A), 6.24(e)(i)(A), 6.33(a)(i), 6.33(b)(i) or 6.33(c)(i) such Member shall liquidate such number of Contracts as the Exchange shall direct in order to eliminate the excess within such time as the Exchange may prescribe and shall report to the Exchange when such liquidations have been completed. If a Member fails so to liquidate Contracts within the time prescribed by the Exchange, then, in addition to any other actions the Exchange may take, the Exchange may take such steps as it may deem necessary or appropriate to liquidate such Contracts on behalf and at the expense of such Member to the extent necessary to eliminate such excess. Without limiting the generality of the foregoing, if such Member is a Clearing Member, the Exchange may direct the Clearing Organization to effect such liquidation in accordance with Rule 803 of the Clearing Organization. In addition, the Exchange in its discretion may require any Member carrying an account for such Member or Customer to obtain and hold additional original Margin from such Member or Customer in such amount and form and by such time as the Exchange shall specify until such excess has been eliminated.

Rule 6.14. Exchange Access to Position Information

(a) Without limiting any provision of these Rules, the Exchange shall have the authority to obtain from any Member information with respect to positions of such Member or any Customer of such Member. This authority shall include the authority to obtain information concerning positions maintained at other firms, and it shall be the obligation of a Member receiving such an inquiry to obtain such information from its Customer. In the event a Member fails to provide the requested information the Exchange, in addition to any other remedy provided in these Rules, may order that the Member liquidate the positions which are related to the inquiry.

(b) Any Member which owns, controls or carries for any Customer a 'reportable position' (as such term is used in Rule 6.15) in any Exchange Commodity Contract that is cash settled by reference to the price of a contract or commodity traded in another venue, including another designated contract market, shall submit to the Exchange, upon request, such information as the Exchange may require with respect to the positions which such Member or its Customer owns or controls in the reference contract or commodity on such other venue, in such form and manner as may be specified by the Exchange.

Rule 6.15. Reportable Positions and Daily Reports

(a) Members which own, control, or carry for any Customer a reportable position, as such term is defined by the Act and the

Regulations thereunder, shall submit daily reports with respect to such positions to the Exchange containing such information as may be prescribed by the CFTC.

(b) Without limiting any provisions of the Rules, Members shall provide such additional information with respect to positions in Futures and Option Contracts and Cleared Only Swaps submitted for clearing pursuant to Chapter 23 and the ownership of such positions as may be requested by the Exchange.

Rule 6.26. Hedge Exemption

(a) The position limits for Exchange Futures and Options Contracts specified in this Chapter shall not apply to bona fide hedging positions as defined in Section 1.3(z)(1) of the Regulations under the Act.

(b) To be eligible for an exemption under this Rule, a Member must submit a written request in the form provided by the Exchange to the Exchange which shall include the following:

(i) a description of the size and nature of the proposed Transactions;

(ii) information which will demonstrate that the proposed Transactions are bona fide hedging Transactions;

(iii) a statement indicating whether the Person on whose behalf the request is made (1) maintains positions in the Exchange Futures Contract for which the exemption is sought with any other Member; and/or (2) has made a previous or contemporaneous request pursuant to this Rule through another Member, and if so, the relationship of the information set forth in such requests;

(iv) a statement that the intended Transactions will be bona fide hedges;

(v) a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;

(vi) such further information as the Exchange may request.

Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Member whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (1) the Member requests a withdrawal; or (2) the Exchange revokes, modifies or places further limitations thereon.

(c) Written requests for exemptions to the position limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to the first (1st) day such position limits are in effect. Failure to file position limit exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

Rule 6.27. Arbitrage, Spread and Straddle Exemption

(a) The position limits for Exchange Futures and Options Contracts specified in this Chapter shall not apply to arbitrage, intracommodity spread, intercommodity spread, eligible option/option and option/futures spreads or straddle positions.

(b) To be eligible for an exemption under this Rule, a Member must

submit to the Exchange a written request in the form provided by the Exchange which shall include the following:

(i) a description of the size and nature of the proposed Transactions;

(ii) a statement that the intended positions will be arbitrage, spread or straddle positions;

(iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;

(iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;

(v) a statement that the Person on whose behalf the request is made complies with all other Rules and requirements;

(vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The Person on whose behalf the request is made will not use said position in an attempt to violate or avoid the Rules, or otherwise impair the good name or dignity of the Exchange; and

(vii) when applying for a cash and carry exemption, the trader must provide the cost of carrying the physical commodity, the minimum spread differential at which the trader will enter into a straddle position in order to obtain profit, and the quantity of stocks the trader currently owns in Exchange licensed warehouses or tank facilities.

(c) Written requests for exemptions to the position limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to the first (1st) day such position limits are in effect. Failure to file position limit exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

(d) Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Member whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the Member requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

(e) When granted a cash and carry exemption, the trader shall agree that, (i) before the price of the nearby contract month rises to a premium to the second (2nd) contract month, the trader will liquidate all long positions in the nearby contract, and (ii) the trader will comply with all other restrictions or limitations placed on the trader as a condition to the grant of the exemption.]

(f) Block Trades may not be used to establish positions upon which an arbitrage, spread and straddle exemption request made in accordance with this Rule is based.

Rule 6.29. Risk Management Exemption

(a) The position limits for Exchange Futures and Options Contracts specified in this Chapter shall not apply to risk management positions described in sub-paragraph (vii) below.

(b) To be eligible for an exemption under this Rule, a Member

must submit to the Exchange a written request in the form provided by the Exchange which shall include the following:

(i) a description of the size and nature of the proposed Transactions;

(ii) a statement that the intended positions will be risk management positions;

(iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;

(iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;

(v) a statement that the Person on whose behalf the request is made complies with all other Rules and requirements;

(vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The Person on whose behalf the request is made will not use said position in an attempt to violate or avoid the Rules, or otherwise impair the good name or dignity of the Exchange; and

(vii) when applying for a risk management exemption, the trader must provide an explanation of the positions in the underlying cash market, related cash market, or related over-the-counter market where there exists a close linkage between the futures or options market and the underlying market in question, or, where applicable, an explanation of the corresponding commodity index being replicated.

(c) Written requests for exemptions to the position limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to the first (1st) day such position limits are in effect. Failure to file position limit exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

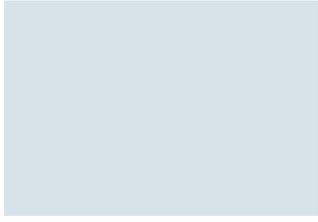
(d) Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Member whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the Member requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

Rule 6.33. Position Accountability for Cleared Only Swaps

(a) A Person holding or controlling ten thousand (10,000) Sugar Cleared Only Swap positions submitted for clearing pursuant to Rules 23.01 and 23.30-23.36 net long or net short in any single Sugar Cleared Only Swap month or all Sugar Cleared Only Swap months combined:

(i) automatically consents not to increase further and automatically consents to decrease those positions when so ordered by the Exchange acting in its own discretion; and

(ii) shall provide, in a timely manner, information on the nature of that Person's related cash, Exchange Futures and Options Contracts and Sugar Cleared Only Swap positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11, 6.12 and 6.13 or to request and collect any information regarding that Person's related cash and Exchange Futures and Options Contracts and Sugar



Cleared Only Swap positions.