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ICE FUTURES U.S.
BLOCK TRADE – FAQs

QUESTIONS

1. What is a block trade?

A block trade is a permissible, off-exchange, privately negotiated transaction either at or exceeding an Exchange determined minimum threshold quantity of futures or options contracts which is executed apart and away from the open outcry or electronic markets. Exchange Rule 4.07 sets forth the requirements for executing a block trade.

2. What are the eligible contracts and the minimum threshold quantities for a block trade?

The minimum quantity requirements for block trades of eligible Energy futures and options contracts can be found under the "Energy Forms" tab at the link below:

Energy Futures and Options Block Minimum Sizes
https://www.theice.com/futures-us/regulation

Table 1 below lists the eligible agricultural and index futures and options contracts and the minimum quantity requirements for block trades. Table 2 below list the eligible financial contracts and the minimum quantity requirements for block trades and Table 3 lists the eligible metals futures and options contracts and the minimum quantity requirements for block trades.

TABLE 1 – Agricultural Contracts

Product	Contract Type	Minimum Threshold Quantity
Sugar No. 11	Futures	250 lots.
		S11/White Sugar Arbitrage (see Question 20 below) – 100 lots
	Calendar Spread Options	100 lots
	All Other Options	250 lots
Coffee "C"	Futures	250 lots
	Calendar Spread Options	100 lots
	All Other Options	250 lots
Cotton No. 2	Futures	500 lots
	Calendar Spread Options	100 lots
	All Other Options[*]	250 lots
World Cotton	Futures	100 lots
FCOJ	Options	100 lots
Cocoa	Calendar Spread Options	100 lots
	All Other Options	350 lots
Corn	Futures and Options	100 lots
Wheat	Futures and Options	100 lots
Soybeans	Futures and Options	100 lots
Soybean Oil	Futures and Options	100 lots
Soybean Meal	Futures and Options	100 lots

TABLE 2 – Financial Contracts

Product	Contract Type	Minimum Quantity
Russell Complex	Futures	40 lots
	Options	100 lots
MSCI Complex:		
MSCI EAFE Index	Futures	50 lots
	Options	
MSCI Emerging Markets Index	Futures	50 lots
	Options	
MSCI USA Index	Futures	100 lots
MSCI USA Value Index	Futures	100 lots
MSCI USA Growth Index	Futures	100 lots
MSCI EAFE NTR Index	Futures	50 lots
MSCI Emerging Markets NTR Index	Futures	50 lots
MSCI Europe Index	Futures	100 lots
MSCI Europe Value Index	Futures	100 lots
MSCI Europe Growth Index	Futures	100 lots
MSCI Euro Index	Futures	100 lots
MSCI Pan-Euro Index	Futures	100 lots
MSCI Canada Index	Futures	100 lots
MSCI World Index	Futures	100 lots
MSCI Emerging Markets Latin America Index	Futures	100 lots
MSCI ACWI Index	Futures	50 lots
MSCI ACWI Ex-US Index	Futures	50 lots
MSCI Emerging Markets Asia ("EM Asia") Index	Futures	50 lots
MSCI ACWI NTR Index	Futures	50 lots
MSCI ACWI Ex-US NTR Index	Futures	50 lots
MSCI Emerging Markets Asia ("EM Asia") NTR Index	Futures	50 lots
MSCI USA Small Cap Index	Futures	20 lots
MSCI Emerging Markets NTR (EUR) Index	Futures	20 lots
MSCI Emerging Markets EMEA NTR Index	Futures	20 lots
MSCI Emerging Markets Latin America NTR Index	Futures	20 lots
MSCI China Free NTR Index	Futures	20 lots
MSCI Taiwan NTR Index	Futures	20 lots
MSCI India NTR Index	Futures	20 lots
MSCI Mexico NTR Index	Futures	20 lots
MSCI South Africa NTR Index	Futures	20 lots
U.S. Dollar Index	Futures	75 lots
	Options	25 lots
All Currency Pair	Futures	5 lots
Credit Indices	Futures	2 lots
NYSE Arca Gold Miners Index	Futures	25 lots

TABLE 3 – Metals Contracts

Product	Contract Type	Minimum Quantity
Mini-sized Gold	Futures and Options	5 lots
Mini-sized Silver	Futures and Options	5 lots
5,000 ounce Silver	Futures and Options	5 lots
100 ounce Gold	Futures and Options	5 lots
Gold Daily	Futures	5 lots
Silver Daily	Futures	5 lots

Note: in the case of a strategy trade, the sum of the legs must be at least the block threshold level

3. **Who may participate in block trades?**

Each party to a block trade must be an Eligible Contract Participant (“ECP”) as that term is defined in Section 1a(18) of the Commodity Exchange Act (“Act”). ECPs include, but are not limited to floor brokers, FCMs, broker/dealers, financial institutions, insurance companies, pension funds, corporations, commodity pools, investment companies and high net worth individuals which satisfy certain criteria specified in Section 1a(18) of the Act. Notwithstanding the foregoing, if the block trade is entered into on behalf of a Customer by a commodity trading advisor registered under the Act ("CTA"), including without limitation any investment advisor registered as such with the Securities and Exchange Commission who is exempt from regulation under the Act or CFTC regulations with total assets under management exceeding US $25 million, or by a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation with total assets under management exceeding US $50 million, the individual Customer need not be an ECP.

4. **Are there any price restrictions for block trades?**

Exchange Rule 4.07 provides that all block trades must be executed at a price which is fair and reasonable in light of the size of such block trade, the price and size of other trades in the same contract at the relevant time; and the price and size of trades in other relevant markets, at the relevant time. In addition, the trade price must adhere to the minimum tick and price validation requirements of the market in question. (But see Question 23 below in the case of Block trades at Index Close.) Additionally, each leg of any blocked spread or combination trade must be done at a single price. It is impermissible to split the quantity of a particular leg and report different prices for such leg.

5. **Can any order which exceeds the minimum quantity threshold be executed as a block trade?**

No, the order must specifically be designated as a block trade by the customer.

6. **What recordkeeping and audit trail requirements are attendant to a block trade?**

The recordkeeping and audit trail requirements associated with a block trade are identical to the requirements associated with any other futures or options transaction. In addition, order tickets must explicitly state that the order may be executed as a block trade.

7. **What are the trading hours for block trades?**

Block trades for all products may be executed at anytime.

For Energy Futures contracts, Block and EFS trades will be allowed until the close of the ETS on the Business Day prior to the Final Payment Date.

For Energy Options contracts, Block and EOO trades will be allowed until either 4:15pm EPT or 15 minutes prior to the Exercise Notice deadline defined in 18.04(d,) whichever is earlier, on the Exercise Day.

8. How are block trades reported?

A block trade is reported using the ICE Block application.

9. What are the reporting requirements for block trades?

Block trades in the following contracts must be reported no later than 15 minutes of execution:

- Energy Futures and Options*;
- Metals Futures and Options*;
- Currency Futures and Options;
- Credit Index Futures Contracts*;
- NYSE Arca Gold Miners Index Futures*;
- Mini MSCI Futures*; and
- BICS on Mini MSCI Futures*.

For Energy Futures and Options Contracts, Metals Futures and Options Contracts, Currency Futures Contracts, Credit Index Futures Contracts, NYSE Arca Gold Miners Index Futures Contracts, mini MSCI Futures Contracts and BICs on mini MSCI Futures Contracts, fifteen (15) minutes from the time of execution.

For all other products (including the Russell Futures and Option contracts*), five (5) minutes from the time of execution for single leg trades and 10 minutes from of time of execution for block trades consisting of two or more legs.

*For each of these products and notwithstanding the foregoing, all block trades executed during the last ten minutes of the trading day must be reported to the Exchange no later than five minutes after the close of trading.

For block trades executed outside of normal trading hours, the block trade must be reported to the Exchange no later than 5 minutes prior to the open of the next trading session for the particular block eligible contract.

In the case of Block at Index Close (BIC) trades on MSCI Index Futures Contracts, (see Question 23 for additional information), there are separate time considerations given the time that the index value is published.

10. What are the procedures for entering a block trade in ICE Block?

In order to submit a block trade directly into ICE Block, the party entering the transaction must have access to ICE Block or WebICE and must have received permission via the ICE Block application to enter the trades for the accounts involved in the block trade from the Clearing Member(s) carrying those accounts (see Question 12 below). In the event that a block trade is executed for an account or accounts for which the appropriate ICE Block permissioning has not been completed by the clearing member, such block trade must be submitted by notifying ICE Futures U.S., by email at futures-blocktrades@theice.com.

Direct Entry in ICE Block

The party submitting the block trade must enter complete block trade details into the ICE Block application within:

For Energy Futures and Options Contracts, Metals Futures and Options Contracts, Currency Futures Contracts, Credit Index Futures Contracts, NYSE Arca Gold Miners Index Futures Contracts, MSCI Futures Contracts and BICs on MSCI Futures Contracts, fifteen (15) minutes from the time of execution.

For all other products, five (5) minutes from the time of execution for single leg trades and 10 minutes from of time of execution for block trades consisting of two or more legs.

The party submitting the block trade should enter complete block trade details as follows:

a. Single sided-- where the seller/buyer submits a trade that is alleged to the buyer/seller. The buyer/seller must confirm the alleged block by the end of the trading session for it to be processed in clearing.

b. Two sided-- where the seller/buyer submits and confirms for both the buy and sell side of the block. The selling/buying clearing member/authorized submitter will need to be permissioned to accept trades on behalf of the buying/selling clearing member. Two sided entry of blocks in ICE Block will automatically clear and be downloaded to PTMS.

In the case of block trades involving Sugar No. 11 Futures trades executed as part of a S11/LIFFE White Sugar arbitrage transaction (see Question 20 for additional information), the submitter must also report the arbitrage premium and the details (Month/Yr) for the contract month involved in the LIFFE Sugar leg by entering that information in the "Transaction Details" text field on the block trade submission screen in ICE Block.

In the case of Block at Index Close (BIC) trades on MSCI Futures Contracts, (see Question 23 for additional information), the submitter must also report the agreed upon basis and the date and time at which the basis was agreed by entering that information in the "Transaction

Details" text field on the block trade submission screen in the ICE Block application.

Indirect Entry in ICE Block

Step 1 - The party submitting the block trade must submit complete block trade details to ICE Futures U.S., by email at futures-blocktrades@theice.com within 15 minutes from the trade execution for all block trades involving Energy futures and options, Metals Futures and Options Contracts, Currency Futures Contracts, NYSE Arca Gold Miners Index Futures Contracts and MSCI futures contracts or five (5) minutes from the time of execution for single leg trades and 10 minutes from of time of execution for block trades consisting of two or more legs for all other contracts.

Step 2 - ICE Futures US will enter the block transaction into ICE Block.

Step 3 -Both the buying clearing member and the selling clearing member must accept or challenge the transaction within 30 minutes of the trade being reported to ICE Futures U.S.

11. How do I obtain access to enter orders directly into ICE Block?

In order to obtain access to ICE Block, Clearing Members, customers and third parties must have completed or must complete: (1) an ICE Futures U.S. Electronic User Agreement or ICE Futures U.S. Broker Agreement; and (2) an ICE Futures U.S. Enrollment Form. In addition, Customers and third parties (brokers) must receive permission to submit a block trade directly into ICE Block from the Exchange Clearing Member(s) clearing the specific account(s) involved in the block trade. PLEASE NOTE: such permission must be received for EACH INDIVIDUAL ACCOUNT for which the customer or third party intends to enter a block trade and must be given by the CLEARING MEMBER CLEARING THE ACCOUNT.

Clearing Members can permission customers and third parties to enter blocks and/or EFRPs (EFPs, EFSs and EOOs) for the accounts they clear through Clearing Admin. The Help Desk can be contacted at 770-738-2101 to assist in setting up access for firms and their designated users.

12. Must block trades be brokered by an Exchange Member or Clearing Member?

No. If the clearing member(s) has so authorized, block trades may be negotiated directly between non-member "eligible contract participants" (customers). In the event, however, customers directly negotiate block trades, the affected clearing members are responsible for the timely capture and reporting of all required information including the time of execution.

13. Who is responsible for reporting the execution time?

Either party, or broker, may report a block trade. The party or broker submitting the block trade to the Exchange is responsible for reporting the time of execution (the time the parties agreed to the block transaction).

14. May spreads or combination trades be executed as block trades?

Yes. Spreads and combinations may be executed as block trades provided the trade represents a unified strategy controlled by a single entity and executed for a single account or group of eligible accounts (see Question 17).

Intra-commodity

Intra-commodity futures spreads, intra-commodity options spreads may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the requisite minimum quantity requirements ("MQR").

For example, the MQR for the Henry Basis Future contract ("HEN") is 25 contracts. A 15 lot September 2012 / October 2012 HEN spread may be blocked as a block trade. Please note that the 15 September 2012 and 15 October 2012 *may be aggregated* to satisfy the 25 lot MQR.

Inter-commodity

Inter-commodity futures spreads, inter-commodity options spreads and inter-commodity combination transactions may be executed as block trades provided that the sum of the quantities of the legs of the transaction meets the largest MQR for the underlying products.

For example, the MQR for the MISO Indiana Real Time Financial Off-Peak futures contract ("CPO") is 10 contracts and the MQR for the NYISO Zone A Financial Off-Peak futures contract ("AOP") is 78 contracts. A 50 lot September 2012 CPO/ October 2012 AOP inter-commodity spread may be blocked as a block trade. Please note that the 50 September 2012 CPO and 50 October 2012 AOP *may be aggregated* to satisfy the largest MQR of 78 lots (AOP).

Futures/Options Combination

Inter-commodity and intra-commodity combination block trades may be executed in all products where the option contract is eligible for block execution.

In order for a combination to meet the requirements for block execution, *the sum of the quantities* of the options leg must satisfy the requisite MQR (please review the Intra/Inter Commodity language reflected above to determine the required MQR). While the futures leg does *not* need to separately satisfy the requisite MQR, the futures leg *must* offset the net options position of the options leg(s). Please note that the futures leg cannot be greater or less than the number of contracts required to offset the net delta of the options leg(s).

For example, assume that a block combination trade for Henry Penultimate options ("PHE") and futures ("PHH") is agreed between two parties, consisting of 80 lots of December 2012 PHE $4.00 Calls and 16 November 2012 PHH futures contracts (a 20 delta). Since the MQR for options on Henry Penultimate (PHE) is 60 lots, the options quantity complies with the MQR for the options portion of the combination trade; given the options quantity of 80 lots and the 20 delta for the options, the future quantity of 16 lots is equal to the net delta of the options position (calculated by multiplying the options quantity by the delta, or 80 X .2000 = 16 lots), and therefore the futures quantity complies with the volume requirement for the futures position of the combination. If the futures quantity in this example were significantly larger or smaller than 16 lots, it would not comply with the volume requirement for the futures portion of a combination block trade.

15. May block trades be given up?

Yes. Block trades may be given up.

16. Can block trades be executed for a future or option position after Last Trading Day?

Block trades for only Energy contracts may be executed up to expiration, but block trades for Agricultural and Financial products can't be executed after close of trading on the respective market on last trading day

17. Can orders be bunched to constitute one side of a block trade?

Yes, but only if the order is entered by a single controlling entity. For example, a CTA eligible to transact blocks may bunch orders entered on behalf of multiple accounts over which the CTA exercises power of attorney, provided that the aggregate order meets the minimum quantity requirements. Two or more traders who generally act independently with respect to accounts with different beneficial ownership may not bunch their orders for purposes of meeting the block trade minimum order quantity requirements.

Other than the CTA exception, brokers may not bunch orders from otherwise autonomous customers.

18. What fees are associated with block trades?

Block trade fees vary by product. Current Exchange and Clearing fees can be found at:

Energy Product Fees:
https://www.theice.com/publicdocs/futures_us/IFUS_S2F_Energy_Fees.pdf

All Other Product Fees:

https://www.theice.com/publicdocs/futures_us/Exchange_and_Clearing_Fees.pdf.

19. Can Trade at Settlement ("TAS") trades be executed as block trades?

Yes, TAS trades may be executed as block trades for certain contracts. TAS blocks may be executed for those products and contract months for which both TAS and block trades are permitted. Current TAS products can be found at: https://www.theice.com/publicdocs/futures_us/TAS_FAQ.pdf

TAS trades can be executed, and are subject to the same eligibility, minimum trade quantity and timely reporting requirements as block trades generally. TAS block trades are to be reported using the same procedures outlined above for block trades generally.

20. What is a Sugar No. 11/ White Sugar Futures arbitrage block trade?

The Exchange has established a reduced block trade minimum quantity requirement of 100 lots for Sugar No. 11 futures contracts purchased or sold as part of a Sugar No. 11/white refined arbitrage trade against the ICE Futures Europe White Sugar futures ("Refined") contracts. For each Sugar No. 11 futures contract purchased or sold as a part of the arbitrage, there must be at least one Refined contract sold or purchased.

The Clearing Member(s) for each such arbitrage block transaction will be responsible for ensuring that the transaction is in fact part of a Sugar No. 11/Refined arbitrage transaction.

21. Do block trades between accounts of affiliated parties constitute as Wash trade?

The Exchange permits block trades in all futures and options contracts between accounts of affiliated parties provided that each block trade meets all of the following requirements:

(i) the block trade price must be executed at a fair and reasonable market price;
(ii) each party must have a separate and independent legal bona fide business purpose for engaging in the trades; **and**
(iii) each party's decision to enter into the block trade must be made by a separate and independent decision-maker.

If the block trade(s) does not meeting all of the requirements set forth above, the transaction may constitute an illegal Wash trade prohibited by ICE U.S. Rule 4.02(c).

22. What restrictions are in place regarding the disclosure of block trade details?

A broker negotiating a potential block trade for a customer may, with the customer's consent, disclose the customer's identity and whether the negotiation of the trade has ended, to one or more of the parties involved in negotiating the block trade. Parties involved in the solicitation or negotiation of a block trade may not disclose the terms of a block trade to non-involved parties prior to the block trade being publicly reported by the Exchange.

23. What is a Block trade at Index Close (BIC) and for which products is it available?

A Block trade at Index Close (BIC) is a type of off-exchange block trade where the price is determined as a basis to a prospective closing level of the index underlying the futures contract on a specified date. A BIC trade is not a separate futures contract. It is a way of trading existing MSCI futures contracts.

BIC trades may only be executed in the MSCI futures contracts.

The minimum block size requirements for MSCI BICs are the same as the non-BIC MSCI futures block minimums shown in Table 2, Question 2.

<u>BIC Trade execution and Reporting</u>

- BIC trades must be submitted and reported to the Exchange in accordance with the procedure described in Questions 9 and 10.
- The "execution time" for a BIC trade is the time at which the final price and quantity of futures contracts have been determined. A BIC trade must be reported to the Exchange <u>by 8:30am New York Time the following business day</u>.
- Both the basis and the final outright block trade price must be "fair and reasonable" when they each are agreed upon and determined in accordance with Exchange Rule 4.07 (a) (iii).

Note that BIC trades may be priced in hundredths of an index point even though the minimum tick size in the central order book is a tenth of an index point. <u>Please note that for the following four contracts BIC block trades may be priced in thousandths of an index point:</u>

- <u>MSCI ACWI Ex-US Index Futures</u>
- <u>MSCI ACWI Ex-US NTR Index Futures</u>
- <u>MSCI ACWI Index Futures, and</u>
- <u>MSCI ACWI NTR Index Futures</u>

<u>**Example OF BIC trade**</u>

MSCI Emerging Markets

- On Monday at 1:30 pm NY time, the buyer and seller have a discussion and the dealer agrees to accept a limit order for $15,000,000 notional value of MSCI Emerging Markets Index Futures to be filled the next trading day at the MSCI Emerging Markets index closing level plus a basis of +.26 index points
- The next day's official MSCI Emerging Markets index closing level of 900.11 is available at 6:30 pm NY time on Tuesday
- The block trade is finally priced and executed at 900.37 (900.11 + .26) for 333 contracts ($15,000,000 ÷ ($50 * 900.37)), and reported to the Exchange before 8:30 am NY time on Wednesday (because final price determined after 4:45 pm NY time – see "BIC Trading Details")

The BIC trade clears and settles like any block trade executed on Wednesday.

24. Is pre-hedging or anticipatory hedging of a block trade permitted?

Parties to a potential block trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own Customer order. In such instances, prior to the consummation of the block trade the intermediary is prohibited from offsetting the position established by the block trade in any account which is owned or controlled, or in which an ownership interest is held, or for the proprietary account of the employer of such intermediary. The intermediary may enter into transactions to offset the position only after the block has been consummated. It shall be a violation of Exchange Rule 4.02(h) for a Person to engage in the front running of a block trade when acting on material non-public information regarding an impending transaction by another person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty.

The Exchange may proceed with enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a Customer order acts against its Customer's best interests.

This guidance only applies in the context of pre-hedging of block trades. This guidance does not affect any requirement under the CEA or Commission Regulations.

Appendix A

Rule 4.07. Block Trading

(a) Members may enter into privately negotiated Transactions with respect to Commodity Contracts designated by the Exchange for such purpose (hereinafter referred to as "Block Trades"), provided that all of the following conditions are satisfied:

(i) Each party to a Block Trade must be an eligible Contract Participant as that term is defined in Section 1a(12) of the Act; provided that, if the Block Trade is entered into on behalf of Customers by a commodity trading advisor registered under the Act ("CTA"), including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act or CFTC regulations with total assets under management exceeding US$25 million, or by a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation with total assets under management exceeding US$50 million, the individual Customers need not so qualify.

(ii) Each buy or sell order underlying a Block Trade must:

(A) state explicitly that it is to be, or may be, executed by means of a Block Trade; and

(B) be for at least the applicable minimum threshold as specified by the Exchange; provided that only a CTA, including without limitation any investment advisor registered with the Securities and Exchange Commission that is exempt from regulation under the Act or Commission regulations, with total assets under management exceeding US$25 million or a foreign entity performing a similar role or function to a CTA or investment advisor that subject to a foreign regulation with total assets under management exceeding US$50 million, may satisfy this requirement by aggregating orders for different accounts.

(iii) The price at which a Block Trade is executed must be fair and reasonable in light of (A) the size of such Block Trade, (B) the price and size of other Trades in the same contract at the relevant time; and (C) the price and size of Trades in other relevant markets, at the relevant time.

(iv) Block Trades shall not set off conditional orders, including but not limited to, stop orders, limit orders or market-if-touched orders, or otherwise affect orders in the regular market.

(v) Block Trades executed on the Last Trading Day for any delivery month in Sugar No. 11 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(b) Block Trades may be executed in Exchange Futures and Options Contracts as determined by the Board and must meet the applicable minimum thresholds for such contracts as determined by the Board from time to time.

(c) The parties to a Block Trade shall cause the Transaction to be reported to the Exchange in accordance with such procedure as are determined by the Exchange from time to time.

(d) A Clearing Member carrying an account for which a Block Trade is executed is responsible for exercising due diligence to determine that the requirements of paragraph (a)(i) of this Rule are satisfied.

(e) Block Trades may not be used to establish positions upon which a cash and carry exemption request made in accordance with Rule 6.29 is based.