ICE FUTURES U.S.

# EXCHANGE NOTICE

NOTICE

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**Summary of Content:**

Price Spike Guidelines

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## Revision To Guidelines for Treatment of Short-Term Price Spikes For the Sugar No. 11®, Futures Contracts

**With the March 1, 2011 resumption of the use of the Implied Matching Engine for trading of Sugar No. 11 futures contracts, a Revision to the Exchange's Guidelines for Treatment of Short-Term Spikes for the Sugar No. 11 futures contracts will also become effective on that same date**. The Guidelines are intended to share with the trading community the kinds of factors considered relevant by the Exchange in determining whether a short-term price spike has occurred and what actions IFUS might take in such circumstances.

This Revision applies to Sugar No. 11 futures contracts only. The revision provides that in the event of a Price Spike, Sugar No. 11 trades at prices outside an acceptable price range will be cancelled; prior to the revision such trades were subject to price adjustment.

The revised Guidelines are as follows:

For purposes of this guidance, a "Price Spike" occurs when:
-- The price of a commodity rises and then falls (or falls and then rises) within 90 seconds or fewer;
-- There is neither widely available news that clearly precipitated the spike nor similar trading patterns on related products;
-- Each trade during the Price Spike occurs within the No-Cancellation Range as defined in the ICE Futures U.S. Rulebook;
-- There is not an apparent error that caused or exacerbated the Price Spike; and
-- The peak (or trough) of the price spike is more than the following number of points away from the Equilibrium Price (described below) determined by IFUS at the end of the Price Spike:

Soft Commodity Products:
--Sugar No. 11– 150 points / $.0150 (2 times the Reasonability Limit)
--Coffee "C"® – 398 points / $.0398 (2 times the Reasonability Limit)
--Cocoa – 150 points / $150.00 (2 times the Reasonability Limit)

(Note that the policy references the Reasonability Limit (or "RL") for a product, and the levels shown in this Notice shows current RL levels; as changes are made to the RL level for a product, the new RL will be used under the Price Spike Guidelines. Also note that the Guidelines do not apply to Cotton No. 2® and FCOJ futures, which are subject to daily price limits.)

Stock and Currency Index Products:
--Russell Stock Indexes – 1199 points/ 11.99 (1 times the RL)
--USDX – 100 points/ 1.000 (1.33 times the RL)

When a Price Spike has occurred, IFUS will determine an Equilibrium Price, which is the level at which price movement stabilizes at the end of the Price Spike. In doing so, it will consider the prices of trades matched in the platform for the relevant contract at that time, resting bids and offers in that contract at that time, trades/bids and offers in other months of the same contract at that time and market data from comparable products listed for trading on other venues.

For Sugar No. 11, Coffee and Cocoa, all trades executed at prices away from the Equilibrium price by more than the number of points specified for that market (i.e., 150 points for Sugar No. 11, 398 points for Coffee and 150 points for Cocoa) will be broken by the Exchange. For example, in the event that the Exchange determines that a downward price spike has occurred in a Cocoa futures contract and that the Equilibrium price at the end of the spike was 2850, all trades below 2700 (i.e., 2850 minus 150) will be cancelled.

For Russell Stock Indexes and the USDX, all trades executed at prices away from the Equilibrium price by more than the number of points specified for that market (i.e., 1199 points for Russell Stock Indexes and 100 points for the USDX) will be adjusted to the Equilibrium price plus (in the case or upward spikes) or minus (in the case of downward spikes) the number of points specified above for that market. For example, in the event that the Exchange determines that a an upward price spike has occurred in a USDX 11 futures contract and that the Equilibrium price at the end of the spike was 78.580, all trades above 79.580 (i.e., 78.580 plus 1.000) will be adjusted to a price of 79.580.

Notwithstanding the foregoing, as in all circumstances, IFUS always retains the right to depart from this Guideline and take such action as it deems to be in the best interest of the market.

This Guideline is separate and distinct from the IFUS Error Trade Policy. For the avoidance of doubt, if any trade during a Price Spike occurs outside of the No-Cancellation Range (or “NCR”) for that market, IFUS will investigate the trade and determine whether or not to bust it and successive trades in accordance with the Error Trade Policy.