Legacy Self-Trade Prevention Functionality

(STPF)

FAQs

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1) What is Self-Trade Prevention Functionality (STPF)?

STPF resides within the ICE trading engine and provides various automated configurations to prevent self-trading of orders entered by the same firm or related firms; under the same Authorised Trader ID or the same account ID; or within the same Authorised Group ID. Further description of the STPF is contained within the Self-Trade Prevention Policy available on the website. (https://www.theice.com/publicdocs/Futures_Singapore_Self_Trade_Policy.pdf)

The functionality has the ability to be applied at Authorised Trader ID, Company ID or Authorised Group ID. Please refer to STPF Policy for information.

Note: In the past Fix Tag 144 (right side of pipe) Authorised Group ID has been used for a slightly different purpose in identifying the routing of an order. It is now being repurposed for use by companies that wish to utilize the STPF at the Authorised Group level. Companies using Authorised Group IDs will be required to populate Tag 144 Right with an alpha-numeric identifier that indicates the unique Authorised Group ID it has assigned to its trader or group of traders within the company. Companies using the Authorised Group ID STPF will have to ensure that this is the only information being submitted under Tag 144 Right. Any use of Tag 144 Right for the purposes, that is not an identified group of traders, could result in unintended blocking of orders submitted by traders who share a common Tag 144 Right.

2) Who is required to use the STPF?

Proprietary Traders with direct market access who utilize algorithmic trading applications will be required to utilize STPF to prohibit self-trading at the Authorized Trader ID, Authorized Group ID or Company level. Proprietary Traders are defined as any entities or individuals that trade for their own account, or their company's account. The Exchange may make the STPF mandatory for other Proprietary Traders at a future date.

Those who are required to utilize STPF cannot opt out or otherwise override the use of the STPF. Furthermore, entities within the scope of the term "Proprietary Trader" are encouraged to utilize the elements of STPF at a level that is appropriate to the nature of their trading operations and organizational structure.

Note, while firms and individuals that trade for client accounts, or for managed client money are not required to use the STPF, the functionality is available and may be utilized by all firms with direct market access to ICE trading platforms.

3) How is the STPF set-up and administered?

Participants are required to contact ICE User Administration at iceuseradministration@theice.com to set up the self-trade prevention functions.

4) Will the use of the STPF create any delay while checking for potentially matching orders?

No. Since the functionality operates at the trading engine level, there is no latency introduced, regardless of whether the functionality is active or not.

5) Will the STPF prevent outright orders from matching spread orders?

No, the STPF does not apply to derived orders from spreads or other strategies that trade against outright orders. Only outright-to-outright orders and spread to same spread orders will be prevented from self-trading.

6) How do I assign Authorised Group IDs for groups of WebICE users that share an order book or otherwise have knowledge of each other's orders?

Firms should email the ICE User Administration team at iceuseradministration@theice.com with the names and WebICE IDs of the users they want grouped together, and the Administration team will create and assign the Authorised Trader Group IDs, as requested by the Firm.

7) Will the self-trade prevention functionality pertain to orders entered as Crossing Orders (COs) or permitted, off-exchange transactions entered through ICEBlock?

No, the self-trade prevention functionality is only applicable to orders that are entered separately and directly in the electronic central limit order book market. However, the Exchange will continue to review transactions resulting from COs and off-exchange transactions for evidence of wash trading.

8) Will a modification of the terms of an existing order be recognized and treated as a new order for purposes of the self-trade prevention functionality?

Yes. For example, assume the self-trade prevention is set to prevent orders for the same account from matching. Also assume an order to buy 1 April Mini Brent @

32.50 is submitted for account #123 and an hour later, an order to sell 1 April Mini Brent @ 36.25 is submitted for account #123. If the price of the Buy order is later modified to 36.25, the system will recognize the price modification as a new bid. If such modification results in the new bid matching the existing offer for account #123, the functionality will prohibit those orders from matching. In this scenario, the modified bid is treated as the Taking Order for purposes of determining which order will be cancelled by the system.

9) If a bid/offer is submitted to the trading engine at the same price as a resting offer/bid that would result in a self-trade if matched, would one or both of the orders be automatically cancelled?

If the resting order has the top priority in the order book, and would result in a self-trade against the entire quantity of the inbound opposing order, then the appropriate RTO[1], RRO[2], or RBO[3] functionality will be employed, and the relevant order (RTO; RRO) or orders (RBO) will be cancelled entirely. However, if the resting order is not the top priority order for the full volume of the inbound order, then any partial fills against unrelated parties will be permitted to occur prior to cancellation of the balance of the inbound order.

For example:

Assume best bids are:

$39.50 (10) – oldest in FIFO queue – Authorised Trader JSMITH
$39.50 (5) – second oldest in FIFO queue – Authorised Trader JDOE

Scenario 1:

JDOE enters an order to sell **5** at $39.50. This order is accepted, as it will trade entirely with JSMITH's buy order. JDOE's buy order remains in the order book, at the same FIFO priority.

Scenario 2:

JDOE enters an order to sell **12** at $39.50. The STPF functionality is employed (RTO, RRO, or RBO), because a portion of the sell order would otherwise cross with JDOE's buy order.

[1] RTO - Reject Taking Order
[2] RRO - Reject Resting Order
[3] RBO - Reject Both Order

The specific outcomes would be as follows:

RTO: 10 lots of the sell order from JDOE would execute vs. JSMITH and the 2-lot balance is rejected. Buy order from JDOE remains in the order book, at the same FIFO priority.

RRO: 10 lots of the sell order from JDOE would execute vs. JSMITH, the entire resting JDOE buy order of 5 contracts is cancelled and the 2-lot balance of the JDOE sell order rests in the book.

RBO: 10 lots of the sell order from JDOE would execute vs. JSMITH, then both the entire resting bid of 5 lots (JDOE) and the remaining 2 lot offer (JDOE) are withdrawn.

10) Are the RTO, RRO and RBO available for all future and option traders?

No. The choice of RTO, RRO & RBO alternatives is available for futures orders only. For **Option** markets, RTO is employed regardless if STPF is set to RRO or RBO. However, options <u>will</u> honor the granularity of prevention (Authorized Trader; Authorized Group; Account; Company) as defined by the company.

11) Will a firm conducting proprietary trading be required to utilise STPF if it has its own internal system?

Yes, Proprietary Traders (as defined) with direct market access are required to use STPF regardless of any internal systems they may have. Additionally, firms may continue to employ their own internal systems for preventing self-trading activity, if they choose.

12) Will I be provided a report of my firm's orders that were cancelled due to the STPF?

The Exchange is <u>not</u> providing any STPF reporting at this time. However, firms should continue to monitor their order activity and identify ways to reduce self-trading activity in compliance with Exchange rules. Users will receive order cancellation notifications when their orders are cancelled as a result of the STPF. Examples of this notification are below:

RTO Trader receives the STPF rejection notice regarding their new (taking) order. If the resting order is from a different trader, that trader does not receive a separate notice that their order caused a new order to be rejected.

RRO Trader receives the STPF removal notice regarding their existing (resting) order. If the new (taking) order is from a different trader, that trader does not receive a separate notice that their order caused a resting order to be removed.

RBO Trader receives the STPF rejection notice on the new (taking) order, and a STPF removal notice for the existing (resting) order. If the orders are from different traders, each one only receives the notice that is applicable to their order

13) Can different STPF controls be applied within the same company, e.g. at the Authorised Trader Level and at the Authorised Group level, or RTO for one trader and RRO for another trader?

No. Once activated, STPF will apply broadly across the entire company. The STPF level chosen will apply globally to all ICE markets and ICE Exchanges on which a company is active and cannot be varied by Exchange or Market, and cannot be turned on and off by Market or Exchange. Furthermore, it is not possible to limit application of STPF to a sub-list of accounts, Authorised Trader IDs, or Authorised Group IDs. Therefore, it is important that companies with direct market access to ICE trading platforms consider the implications of setting up STPF with a given set of parameters, before making that selection.