



ICE Futures Abu Dhabi Block Trades Guidance

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ICE Futures Abu Dhabi Guidance on Block Trades

This Guidance contains details on the ICE Block Facility (“ICE Block”) and on the method of reporting Block Trades and Asset Allocations to ICE Futures Abu Dhabi (“the Exchange” or “IFAD”) for registration and subsequent clearing by ICE Clear Europe (“the Clearing House”).

1. GENERAL

- i) ICE Block enables Members to report for clearing, high volume trades arranged and executed by Members away from the order book in specific Contracts designated by the Exchange.
- ii) For the purposes of this Guidance, and in accordance with the Rules, a Member shall include all registered General, Trade and Individual Participants; ICE Block Members; and all Member representatives such as traders, brokers and back office staff, as appropriate.
- iii) Each Member and its representatives should ensure that it is appropriately authorised and holds all necessary licenses and consents in accordance with Exchange Regulations. Members must also ensure that Block Trades are reported in accordance with Exchange Rules and Trading Procedures. Failure to do so may render the Member liable to disciplinary action by the Exchange and relevant Regulatory Bodies.
- iv) Members must ensure that they act with due skill, care and diligence at all times and the interests of the client(s) are not prejudiced including when using ICE Block. Members must be mindful of applicable regulatory requirements as well as any fiduciary requirements under law when conducting business on the ICE Platform.

2. ELIGIBLE CONTRACTS

- i) Block Trades may take place in respect of Futures or Options designated by the Exchange from time to time as Block Trade Contracts.
- ii) Block Trades may be for single outright contract months, intra-commodity spreads (e.g. calendar spreads), inter-commodity spreads, volatility trades and other combination trades¹.

¹ Combination trade: A trade which consists of two or more contract months from the same Contract or different Contracts that is not supported on the ICE Platform. Otherwise known as strategy trades e.g. Fly, Condor, Butterfly, straddle / strangle trades.

3. TRADING HOURS AND FEES

- i) Block Trades may only be arranged during specific trading hours and on specific ICE Futures Abu Dhabi Trading Days as notified by the Exchange from time to time. Currently this means normal trading hours and all Trading Days.
- ii) Block Trades may not be arranged at any other times or after the expiry of the relevant contract month.
- iii) Block Trades will be charged the Exchange transaction fee as published at <https://www.theice.com/fees>.

4. MINIMUM VOLUME THRESHOLDS

- i) The minimum volume threshold is the minimum number of lots as determined by the Exchange, from time to time, that can be traded as a Block Trade.
- ii) Please note minimum volume thresholds can be found at the following location: https://www.theice.com/publicdocs/futures/IFAD_Block_Trade_Guidance.xlsx
- iii) Please see Part 7 for details on aggregation of orders, including when it is permitted to aggregate separate client orders (e.g. for outright contract months and intra-commodity spreads) and when it is permissible to aggregate orders on the matching side.

Table 1 – Block Trading Requirements

Block trade type	Description	Block Minimum Volume Threshold	Reporting time
1. Outright	One maturity of any IFAD Futures or Options Contract	Minimum threshold applicable to the Contract being traded as published by the Exchange	Futures: 5 minutes; Option Contracts: 15 minutes
2. Intra-commodity IFAD Futures or Options Contract	Two or more contract months and/or strike prices of the <u>same</u> IFAD Futures or Options Contract	<u>Sum of the legs</u> of the Block Trade must meet the minimum volume threshold applicable to the Contract	15 minutes
3. Inter-commodity IFAD Futures or Options Contract	Two or more contract months and/or strike prices of two or more different IFAD Futures or Options Contracts	<u>Sum of the legs</u> of the Block Trade must meet the <u>larger</u> of the minimum volume thresholds applicable to the Contracts being traded	15 minutes

5. REPORTING TIME REQUIREMENTS

- i) Details of a Block Trade must be entered into ICE Block within the specified time limit after agreement on the terms of the Block Trade was reached between the parties, or by such reporting deadline as may be set out by the Exchange. In the case of Non-crossed Trades, the details of the Block Trade must be both entered into ICE Block and accepted by the other Member within the specified time limit and by the reporting deadline prescribed by the Exchange as the case may be.
- ii) On the day of expiry of a contract, a Block Trade must be reported within the specified reporting time requirements or at any rate before the contract expires.
- iii) The time of the arrangement of the Block Trade must be recorded by the arranging Members on the order slip.
- iv) If technical difficulties prevent prompt entry, Members should contact ICE Futures Abu Dhabi Compliance or the ICE Help Desk to ensure the fact and time of the trade are recorded while the technical issue is resolved.

6. AGGREGATION OF ORDERS IN CONNECTION WITH MINIMUM VOLUME THRESHOLDS

- i) Members must not aggregate separate client orders in order to meet the minimum volume thresholds, except in the following circumstances:
 - (a) The separate orders have the same beneficial owner;
 - (b) The separate orders have different beneficial owners provided that each such order individually meets or exceeds the applicable minimum volume;
 - (c) The orders are for funds which are operated by the same Fund Manager and traded by the same Fund Manager, pursuant to the same strategy.
 - (d) In respect of Options Contracts, where a Member receives a Block Trade order which meets or exceeds the relevant minimum volume threshold, he may aggregate orders on the matching side only in order to facilitate execution of the Block Trade order.
- ii) Block Trade orders (for Futures contracts only) for outright contract months or intra-commodity spreads may be combined to facilitate Block Trade orders for combination trades, so long as the volume of the order for the combination trade meets the minimum volume threshold of the relevant outright contract month or intra-commodity spread.
- iii) Block Trade orders for intra-commodity spreads Aug/Sep and Sep/Oct may be combined to facilitate a Block Trade order for the combination 'Butterfly' spread in Aug'/Sep'/Oct in the Murban Crude Futures Contract provided that the Butterfly spread order meets the Minimum Volume Threshold for an intra-commodity spread in Murban Crude Futures of 50 lots. Members must ensure that combining orders in this way is not to the detriment of any client order.

7. BLOCK TRADE PARTICIPATION

- i) Block Trades may only be reported to the Exchange by ICE Futures Abu Dhabi Members who have been permitted to enter Block Trades as appropriate by the Exchange or by their client's Clearing Member. Where more than one Exchange Member is involved in the arrangement, execution and subsequent clearing of a Block Trade, each Member must ensure that the business conducted by it or through it shall not cause it or the Exchange to be in breach of any applicable laws and Rules.
- ii) Affiliate or group companies may be eligible to arrange, execute and report Block Trades on behalf of an Exchange Member, provided the specific written permission of the Member to that effect has first been lodged with the Exchange. In such cases, the affiliate or group company is a Representative of the Exchange Member and must comply with all applicable Exchange and regulatory requirements.
- iii) If a Member is authorised by the FSRA, Block Trades may only be arranged on behalf of clients by a person on that Member's staff who is registered with the FSRA as an Approved Person.
- iv) Where a Member is not authorised by the FSRA, they should conform to corresponding local statutes in respect of such approval.

8. PROHIBITIONS

- i) A Member must not disclose the identity of the party to a Block Trade order to potential counterparties unless the Member has previously received that party's permission to do so. Members may disclose the terms of Block Trade orders in furtherance of bilateral negotiations, which may include indicating that the negotiations have ended.
- ii) Members are reminded that any behaviour amounting to market abuse as set out in relevant market abuse legislation will constitute as a breach of Exchange Rules. This includes front-running or pre-positioning. Members are not permitted to enter into a transaction for their own benefit, which is transacted on the basis of and ahead of an order (including an order relating to a bid) which it, or an associate, is to carry out with or for another (in respect of which information concerning the order is *inside information*), which takes advantage of the anticipated impact of the order on the market.
- iii) Members must not share specific, material and non-public information with other Market participants, except in the normal course of business.

9. PRICE

- i) Exchange Rules require Members to ensure that the price of any Block represents the fair market value for that trade. The fair market value is interpreted as being a price that the Member considers to be the best available price for a trade of that kind and type at the time of arranging the Block Trade. Moreover, Exchange Rules also require Members to ensure that they take into account the prevailing price and volume currently available in the market, the liquidity of the market and general market conditions. In doing so, the Member is not obliged to obtain prices from other Members, unless this would be appropriate in the circumstances.

- ii) On each occasion of quoting a Block Trade, the Member must, at the time, make it clear to the potential counterparty(ies), whether a Member or a client who is not a Member of the Exchange, that the price being quoted is a Block Trade price and is not the prevailing market price.
- iii) There are a number of practical steps which Members can take in order to ensure that they are satisfying the letter and spirit of the Exchange's Rules in relation to the pricing of Block Trades.
- iv) First, in relation to products where the central order book is populated, the Member should determine whether the difference (if any) between the Block Trade price and central order book prices is excessive, taking into account the liquidity of the product concerned, market depth in the central order book and the size of the Block Trade. In particular, Members should compare the intended price of the Block Trade with the price which could be achieved through execution in the central order book. In doing so, Members should consider the impact of any price slippage or execution delay which might be experienced in the case of execution in the central order book.
- v) Secondly, if the central order book is empty, the Member should consider either prices which have traded in the market earlier that day in the product concerned or spread relationships with related products. The Member should also assess whether the Block Trade price falls within or outside the daily high/low price for the product concerned as, depending on the size of the Block Trade and market conditions, this may be an indicator of excessive price slippage in the Block price.
- vi) The Exchange monitors the prices of Block Trades, taking into account the considerations described above. Specific Block Trades may become the subject of further investigation by the Exchange if, prima facie, they do not appear to represent fair market value.
- vii) Block Trades are neither included in the determination or calculation of any settlement price, Index or marker published by the Exchange, nor do they affect the daily published high and low trades.
- viii) Participants shall be able to request or make contingent quotes or agree to facilitate contingent orders from a client in the same series, delivery month or strategy which may have the effect of achieving a transaction at an aggregate or average price inside the minimum price movement of the Contract concerned provided that each component is greater than or equal to the relevant Block Trade minimum volume threshold.
- ix) The Exchange wishes to clarify that the use of volatility trades, where options are combined with futures at a specified delta, to achieve an overall price inside the minimum price increment of the Contract concerned is permissible in respect of all Contracts.

10. REPORTING TO THE EXCHANGE AND REGISTRATION

- i) Once a Block Trade has been organised the Members must report the Block Trade details to the Exchange in accordance with ICE Futures Abu Dhabi Trading Procedures.
- ii) Block Trades may be reported to the Exchange by the entry of the Block Trade details to ICE Block (or by any other means determined by the Exchange from time to time).

- a. Where the Block Trade is agreed between two separate Members (“Non-crossed Trade”) one of the Members party to a Non-crossed Trade inputs into ICE Block its own side of the deal (i.e. either the buy or sell side of the trade) alleging the counterparty Member to the deal. The counterparty Member to the deal is required to accept the alleged Non-crossed Trade in ICE Block within the specified time period. Once the Non-crossed Trade has been accepted by the counterparty it flows through to the ICE Systems in the normal manner.
 - i. In order to facilitate the swift matching of Non-crossed Trades the submitting Member must complete mandatory Order Reference and Contact Number fields in ICE Block to assist any queries prior to acceptance by the counterparty Member.
 - ii. Unless otherwise agreed by the relevant Members, Non-crossed Trades shall be entered by the buying Member in respect of Non-crossed Trades in single contract months. All legs pertaining to multi-legged combination Block trades should be entered into ICE Block by the Buyer of the front month.
 - b. Members may also directly allocate trades executed on behalf of its clients into the clients’ accounts at the relevant clearing Member(s) through ICE Block. Members must have the permission of the relevant clearing Member(s) to execute business on behalf of its client and been set up in the system before arranging the Block Trade.
 - c. Members who do not have direct access to ICE Block may report the details of agreed Block Transactions to the ICE Help Desk for entry into ICE Block provided that the Member, or the client(s) on whose behalf the Member is acting, has a clearing account with a Clearing Member.
- iii) Participants who do not have the relevant permissions from the Exchange or from their client’s Clearing Member to enter Block Trades on their behalf are prohibited from doing so. Parties arranging or seeking to enter Block Trades must ensure, prior to executing a transaction with a client that all appropriate permissions are in place to ensure the trade can be entered and that Exchange Regulations are complied with.

11. POST TRADE CONFIRMATION & PUBLICATION

- i) Subject to such details being within relevant clearing risk limits, the trade details will flow through to the ICE Systems and an ICE Futures Abu Dhabi Contract shall arise. The process will not continue if there are any issues with limits; in such instance, the affected party should contact its Clearing Member to remedy the issue and inform the Exchange.
- ii) In the event that the details of a Block Trade are reported to and entered into ICE Block by the ICE Help Desk, both parties to the Block Trade will receive a confirmatory email. For such trades, parties must respond to the email as soon as possible if they disagree with any of the details booked on the trade. Note that if no objection is received within the reporting time period, or by the reporting deadline as the case may be, both parties to the Block Trade will be deemed to have accepted the trade.
- iii) ICE Block assigns each new trade a unique deal ID and provides an audit of all actions undertaken on ICE Block for that particular day.
- iv) The Block Trade is registered under the Members’ company mnemonic (for those crossed trades that are entered into a client’s clearing account directly,

- v) The Exchange may check the validity of the Block Trade details submitted by the parties to the Block Trade. If the Exchange (following consultation, where necessary, with ICE Clear Europe and subject to their right to refuse registration) is not satisfied that all such details are valid, it will void the Block Trade. Any decision by the Exchange not to register a Block Trade is final.
- vi) Registration of a transaction does not preclude the Exchange from instigating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the Regulations.
- vii) Price and volume will be broadcast to the market immediately following acceptance by the Exchange for Block Trades.
- viii) Block Trades are identifiable as follows:

Type of Trade	Trade Type Code
Block Trades	K
Block TAS trades	Z

12. CANCELLATION AND AMENDMENT OF BLOCK TRADES

- i) A Member may cancel Block Trades reported to the Exchange through ICE Block. The self-cancellation of Block Trades will only be permitted for cross trades, or trades where both sides have been entered by the same Member, which were entered earlier on the same Trading Day (“Top Day Trades”). Members using this facility must ensure they enter a reason for the Block Trade cancellation when confirming the request for cancellation.
- ii) Members should contact ICE Futures Abu Dhabi Market Supervision regarding cancellation requests for all other Non-crossed Trades.
- iii) Adjustment of Block Trades entered via ICE Block is also available at any time on the business day following the reporting of the Block Trade to the Exchange. This Next-Day adjustment establishes an offsetting trade and a new trade with the corrected details.
- iv) The amendment will only be implemented by an Exchange member or by the ICE Helpdesk on the instruction of an Exchange member. Member must provide a valid reason when amending a trade via ICE Block.
- v) The Exchange will monitor all requests for trade cancellations and may take disciplinary action against Members that make excessive requests compared to the level of business they undertake. Deliberate submission of inaccurate trades would be regarded as potentially manipulative and amounting to serious misconduct.