Policy - Price Adjustment and Trade Cancellation

ICE Endex Markets B.V. ("**the Exchange**") applies the following policy in relation to Appendix C - Price Adjustment and Trade Cancellation of the Exchange's Rules ("**Rulebook**"):

In relation to a Trade (as defined in the Rulebook) under investigation, the Exchange may adjust the price of such a trade instead of cancelling it.

The price for a trade under investigation, which has been confirmed to meet the unrepresentative price criteria, will be adjusted to fair value +/- the No Cancellation Range ("**NCR**").

A cancellation may only take place if:

- The executed trade price exceeds 3 times or more the NCR from market value[i] and there are no related trade(s); or,
- Exceptional market circumstances apply (i.e. fast moving markets) and there are no related trade(s); or,
- According to the Exchange's discretionary assessment the trade under investigation conflicts with the Exchange's obligation to maintain 'Fair and Orderly' markets; or
- The Exchange, for others reasons, concludes that a deviation of this policy is in order.

The Exchange's trading platform incorporates mechanisms which imply prices from orders in outright, spread and composite contracts. It is possible for trades to occur which involve a combination of legs, some of which may be inside the NCR whilst others fall outside of it.

Where possible, the Exchange will apply the preferred price adjustment approach to resolve trades which occur under these circumstances. However, scenarios can occur whereby it is not practicable for the Exchange to adjust all legs in a manner that satisfies each and every leg's NCR. In such scenarios, the Exchange will apply the preferred "price adjustment" approach to the legs falling outside the NCR leading to a new implied price which may be inside or fall outside the NCR. The Exchange will generally only opt for cancellation of all legs when one of the legs is traded 10 or more ticks outside of the NCR.

The Exchange will consider any such scenario on its individual merits in the interests of maintaining a fair and orderly market; however, it is possible in such a scenario that individual legs which ordinarily fall within the NCR are subject to cancellation; conversely, trades ordinarily falling outside of the NCR might not be cancelled.

The general criteria that apply for validating a request for trade cancellation and price adjustment are listed in Appendix C - Price Adjustment and Trade Cancellation in the Rulebook available here. The applicable NCR's for each product of the Exchange are available here.

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Option trades

Under normal circumstances, the Exchange will only adjust or cancel Option trades on the basis that the price traded is not representative of the market value.

The NCR for an option is defined by the Exchange as a % of the theoretical value, with an absolute maximum and minimum value set per product. In the case of Conversion Trades, the NCR is pre-determined and equal to the minimum NCR set per product.

The applicable ranges can be found here.

Option trades executed outside of this range will not necessarily be cancelled but will be subject to review by the Exchange.

The preferred approach for Option trades is a price adjustment, as long as the trade price does not exceed 3 times the NCR from theoretical value[ii]. Options trades, excluding Conversions and Reversals as well as User Defined Strategies (UDS), executed at a price greater than 3 times the NCR from theoretical value [i] will be subject to trade cancellation.

A Conversion Trade is defined as a risk neutral strategy whereby the trader buys the underlying future, buys a put and writes a call on a 100 delta, with identical strike prices and expiration dates. For clarity, this also incorporates a Reverse Conversion Trade, which is where the trader sells the underlying future, buys a call, sells a put on a 100 delta with identical strike prices and expiration dates, and is again a risk neutral strategy.
Conversion and Reversal Trade executed at a price greater than 3 times the NCR from theoretical value [i] will be evaluated on a case per case basis.

User Defined Strategies (UDS) will be evaluated on the basis of the strategy unless there are implied deals in which case each leg of the UDS will be evaluated independently.

[i] A trade executed 3 times the NCR, from respectively market value for a future contract and theoretical value for an option contract, is a trading bandwidth defined as 3 times the NCR +/- the market value or theoretical value, whichever is applicable depending of the contract type.

[ii] Theoretical value is a mathematical value calculated based on an option pricing model used by ICE.