



Trade Adjustment and Cancellation Policy

ICE Futures Europe

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ICE Futures Europe Policy on Trade Adjustment and Cancellation (“Trade Adjustment and Cancellation Policy”)

This policy document (the “Policy”) has been issued as an explanatory supplement to provide clear guidance on the circumstances under which trades executed on the Central Limit Order Book may be placed under investigation by ICE Futures Europe (the “Exchange”), and the application of relevant Exchange parameters and procedures. All information provided herein is subject to the ICE Futures Europe Trading Procedures¹.

1. Determinants of the Trade Adjustment and Cancellation Policy

The Exchange regards the below as the key determinants of its Trade Adjustment and Cancellation Policy:

- (i) It is essential to the integrity of a market that transactions, once executed, will stand and not be adjusted or cancelled arbitrarily.
- (ii) The decision by the Exchange to intervene in a trade should not only consider all relevant activity associated with the market at the time of execution but additionally the overall market context and conditions, in conjunction with any other factors deemed relevant.
- (iii) All communication related to a trade investigation should be actioned as soon as reasonably practicable, and within any parameters stipulated hereafter, to ensure that the Policy can be effectively enacted and the integrity of a market upheld.

In the eventuality that a trade is placed under investigation by the Exchange and subsequently deemed to have been executed at an unrepresentative price (in accordance with sections 4 and 5 of this Policy), the preferred method of resolution, subject to any exceptions detailed herein, will be:

- (i) trade price adjustment for trades executed outside of the designated No Cancellation Range (see section 3 of this Policy) from market value; or
- (ii) automatic trade cancellation for trades executed more than three times the designated No Cancellation Range from market value.

The decision to adjust or cancel a trade will be taken at the discretion of the Exchange in accordance with this Policy. Action on a trade will not be taken arbitrarily upon the request of a participant.

There may be instances wherein a trade will not be placed under investigation by the Exchange but may be subject to an adjustment or cancellation should it be considered in breach of Contract and Exchange Regulations.

The Exchange reserves the right to consider all trade investigations on their individual merits. In doing so it shall endeavour to ensure that the Policy set out herein is adhered to, however reserves the right to amend this Policy in consideration of the circumstances of each individual case in the interest of maintaining a fair and orderly market.

It should be noted that the Exchange, in its absolute discretion, has the unilateral right to cancel or adjust the price of any trade which is clearly unrepresentative.

The decision of the Exchange will be final.

¹ https://www.ice.com/publicdocs/contractregs/185_XX_TRADING_PROCEDURES.pdf

2. Exchange Controls

The Exchange considers that systems and controls are crucial in reducing the likelihood of unrepresentative order entry and the consequent impact of such orders on the market. Appropriate systems and controls should be present at both the Exchange level (on the ICE Platform itself and within the Exchange Regulations) and at the Member level. The following section details the controls implemented by the Exchange which are subject to both periodical and ad hoc review:

1) ICE Platform configuration controls:

- 1.1) The Exchange enforces several price limits, across designated contracts, which can be adjusted to accommodate changing market conditions. It remains at the discretion of the Exchange when such conditions apply and when such adjustments are made:
 - (i) **Reasonability Limits** - hard limits above and below the Exchange set anchor price outside of which orders are not accepted and, in most cases, trading is prevented.
 - (ii) **Interval and Tiered Price Limits** - dynamically managed circuit breakers which prevent large price movements in a particular direction within a given time period.
- 1.2) **Market and Stop Order Protection Limits** - Exchange defined protection limits automatically applied to market and stop orders which prevent the execution of trades beyond the protection price.
- 1.3) **Minimum and Maximum Order Values** - Absolute limits which automatically prevent orders with prohibited quantities or extreme price values from entering the order book.
- 1.4) **Customisable Order Entry Functionalities** - Inclusive of, but not limited to, WebICE pre-confirmation boxes which facilitate exact, and intended, order entry.

2) The official Exchange Regulations which:

- (i) provide Market Supervision with the absolute discretion to withdraw orders, adjust trade prices, cancel trades or suspend the market in the interest of maintaining a fair and orderly market; and
- (ii) require Members to maintain adequate internal systems and controls.

3. Defined No Cancellation Range

A component of market integrity is the assurance that once executed, a trade will stand and not be subject to arbitrary adjustment or cancellation. Any trade that does not have an adverse effect on the market should be allowed to stand, even if executed in error.

The Exchange determines parameters above and below an Exchange set anchor price for each Contract within which a disputed trade will stand. Such parameters are known as 'No Cancellation Ranges' ("NCR").

Market Supervision may, in exceptional circumstances and at its absolute discretion, determine that a trade under investigation which falls within the NCR will be cancelled or adjusted on account of maintaining market and price integrity.

It should also be noted that the designated NCR for a contract may be subject to temporary adjustment in accordance with conditions stipulated in the ICE Futures Europe Price Controls ("Price Controls")

document². From time-to-time, the Exchange may update this document with any additional qualifying conditions at its discretion. It is the responsibility of all participants to ensure they remain up to date with the contents of the Price Controls document.

In cases of extreme volatility, the Exchange retains the right to temporarily double the NCR during a trading session for any contract admitted-to-trading by the Exchange and in such cases a notification will be broadcast to the market accordingly.

4. Trade Investigations

1) Investigation Proceedings

1.1) Market Supervision may, in its absolute discretion, investigate a trade where:

- (i) a market participant (who may or may not be party to the trade) disputes the price of a trade and has notified the dispute to Market Supervision within 8 minutes from the time of the original trade. Price disputes received outside of this reporting window will be subject to review solely at the discretion of the Exchange.
- (ii) Market Supervision determines that a trade may have been made at an unrepresentative price, irrespective of notification from a market participant.

1.2) Market Supervision will notify the market as soon as reasonably practicable, via a broadcast message, that a trade is under investigation, that a trade has been cancelled, price adjusted or will stand, giving details of the trade including contract month, price and volume.

1.3) The Exchange shall not investigate a trade when a dispute has been notified in respect of the volume only. In such an event, the trade may be referred to the Market Regulation Department, which may make further enquiries as to the validity of the trade.

1.4) As detailed in section 3, trades that have been executed within the NCR will not, under normal circumstances, be adjusted or cancelled. Trades executed outside of the defined NCR may be placed under investigation by Market Supervision in accordance with this Policy.

1.5) The Exchange's trading platform incorporates mechanisms which imply prices into markets 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 method (as detailed in section 1) to resolve trades which have been executed under these circumstances. However, scenarios can occur wherein it is not practicable for the Exchange to adjust all legs in a manner that satisfies each and every leg's NCR.

The Exchange will consider any such scenario on its individual merits in the interest of maintaining a fair and orderly market. It is possible in such a scenario, however, that individual legs which ordinarily fall outside of the NCR will not be adjusted or cancelled.

² The most up-to-date version of the Price Controls document can be found on the ICE Futures Europe Market Resources page.

2) Final Determination by Market Supervision

- 2.1) Where Market Supervision has made the decision that the trade being investigated was executed at an unrepresentative price, it may, in its absolute discretion and in accordance with the preferred methods of resolution outlined in section 1:
- (i) adjust the price of the trade under investigation to a price that Market Supervision evaluates as fair market value at the time of execution, plus or minus the NCR for that Contract; or
 - (ii) cancel the trade under investigation; or
 - (iii) let the trade under investigation stand.
- 2.2) In the case of orders that have been successfully crossed on the Central Limit Order Book but subsequently investigated by the Exchange and deemed to have been executed at an unrepresentative price, falling outside of the NCR from market value, the preferred method of resolution will, under normal circumstances, be an automatic cancellation.
- 2.3) If the Exchange determines that the price of the trade under investigation is to be adjusted, the adjusted price may be:
- (i) outside the terms of the Limit Order for which the trade under investigation was executed, and, in such instances, the adjusted price shall be applied to the Limit Order despite being outside the order terms.
 - (ii) below the stop price of a buy Stop Order or above the stop price of a sell Stop Order, and, in such instances, the adjusted price shall be applied to the Stop Order despite the fact that the trade price sequence after any price adjustments would not have elected the Stop Order.
- 2.4) In the event that there is a significant number of counterparties, transactions or contracts associated with the trade being investigated, or any other factor deemed relevant by the Exchange, Market Supervision may, at its absolute discretion, allow trades that would otherwise be price adjusted to be cancelled or stand.
- 2.5) In circumstances where trades are executed as a consequence of the trade under investigation, should the investigated trade be subsequently adjusted or cancelled these consequential trades, under normal circumstances, will not be adjusted or cancelled. However, if the price of the consequential trades is disputed, or Market Supervision determines that they have been made at an unrepresentative price, Market Supervision may investigate the consequential trades in accordance with these investigation procedures.
- 2.6) The Exchange will make every attempt to ensure that a decision on whether a trade under investigation will be adjusted, cancelled, or left to stand, is communicated to the parties involved in the trade, and to the market, as soon as reasonably practicable after the time of the original trade. It is the responsibility of all users to ensure correct, and up-to-date, contact information is associated with their ICE User ID so that the Exchange can establish contact without undue delay.
- 2.7) Orders related to deals that have been cancelled will not be resubmitted by the Exchange. Participants must resubmit all orders. Any priority held by the original (cancelled) order will be lost.
- 2.8) Participants are advised that any trade, whether adjusted, cancelled or allowed to stand, may

be the subject of further investigation and possible disciplinary action if the Exchange suspects the trade was conducted for an improper purpose or otherwise in breach of the Regulations.

5. Factors considered when investigating a trade

The Exchange is mindful that a swift resolution is paramount when investigating a trade. This preserves market integrity and limits the possibility of consequential trades being executed as a direct result of a trade that has occurred at an unrepresentative price.

In determining whether a trade has taken place at an unrepresentative price, certain factors will be taken into account. These may include, but not be limited to:

- ◆ price movement in other contract months of the same contract;
- ◆ current market conditions, including levels of activity and volatility;
- ◆ time period between different quotes and traded prices;
- ◆ information regarding price movement in related contracts, the release of economic data or other relevant news just before or during electronic trading hours;
- ◆ manifest error;
- ◆ market conduct prior to, and succeeding, the trade;
- ◆ time left until the expiration of the contract;
- ◆ proximity of the trade to the market open and the conditions of the market at this juncture;
- ◆ proximity of the trade to the close of the trading session;
- ◆ history and management of orders;
- ◆ number of parties potentially impacted by the investigation;
- ◆ any other factor that Market Supervision, at its sole discretion, may deem relevant.

Market Supervision, in its sole discretion, may consult with market participants, who are not party to the trade under investigation, when determining whether the trade has been made at an unrepresentative price.

The Exchange will not disclose to the counterparties to the trade under investigation the identity of their counterparty nor will the identities of the counterparties to the trade be disclosed to any market participant the Exchange may consult with.

6. Non-Central Limit Order Book Trades

Non-Central Limit Order Book transactions, such as Block Trades, submitted to the Exchange for clearing purposes will not be subject to this Trade Adjustment and Cancellation Policy. Rather, those trades may be adjusted or cancelled in line with the corresponding policy issued by the ICE Futures Europe Market Regulation department.

Users should be advised that for instances wherein an attempted non-Central Limit Order Book block trade results in the partial, or complete, crossing of the constituent orders on the Central Limit Order Book, whether this was done so knowingly or in error, the resulting trade(s) will be subject to the trade investigation procedures set out herein and will not be cancelled arbitrarily upon request.

It is the responsibility of all users to ensure that their WebICE, or respective trading interface, is configured correctly so as to accommodate, or prevent, the use of such functionalities.

7. Option Trades

All option trades subject to a price investigation will be considered in line with the procedure and policy set out above. Confirmation of applicable option NCRs, in addition to any other exceptions or particularities, will be detailed in the Price Controls document. Should there be a change to these parameters, the Price Controls document will be updated accordingly, at the Exchange's discretion. It is the responsibility of all participants to ensure they remain up to date with the contents of the Price Controls document.

In the case of a hedged User Defined Strategy ("UDS"), the futures position must offset the net options position of the UDS. Any trades executed on a UDS where the hedge is the opposite of a normal hedging operation, and therefore increases exposure to risk, are not permitted on the Exchange and will be subject to cancellation.