Wash Trade FAQs
ICE NGX Canada Inc.

16 June 2023

Wash Trades - FAQs

1. Purpose

This document describes the application of Wash Trade and self-trade rules to ICE NGX Canada Inc. ("ICE NGX"). ICE NGX does not presently operate an intermediated market, and therefore the aspects of Wash Trading related to intermediated trades is not described herein. Consequently, entities trading in other ICE markets should not use these FAQs as guidance for their activities in those other markets.

2. Wash Trades

2.1. What is a Wash Trade

A wash trade is a transaction or a series of transactions executed in the same contract and delivery month, at the same or a similar price, for accounts of the same Principal.

The term "Principal" as used herein means an individual or entity with a beneficial interest in an account.

The term "same Principal" as used herein means accounts that are owned by the same person, entity, or a parent and its 100% wholly owned subsidiaries, or subsidiaries that are wholly owned by the same parent and also includes accounts that have common ownership that is less than 100%.

A wash trade occurs when there is an act of entering into, or purporting to enter into, transactions with no intent to obtain a bona fide market position or activity that gives the false appearance of an executed transaction(s), but does not subject the Principal to any market risk or change in position or aid in price discovery. Such trades are prohibited under Article 6.1(a) of the CPA of ICE NGX.

2.2. Managing Orders for the Same Principal

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2.3. Individual Trader Execution of Buying and Selling

If an individual trader employed by the same Principal needs to buy and sell the same product at the same time for a legitimate purpose, they must avoid crossing themselves in the market. This will likely necessitate completing one transaction (buy or sell) before commencing execution of the other side. Note that simply ensuring there is a delay between the entry of the buy and sell orders may not guarantee the orders do not trade across each other.

2.4. Mitigation Steps for Individual Trader Execution

As noted above, individuals who are responsible for conducting business for multiple departments or functions within a given Principal will typically be prohibited from crossing their own orders, to avoid a finding of Wash Trading. However, if buy and sell orders are generated by independent decision-makers and reflect the trading of separate business units of the same Principal, and cross in the market, it would not be considered a violation of the CPA provided that the orders were entered without prearrangement, neither person had knowledge of the other party's order, and the orders were not otherwise intended to match with each other. For these types of transactions, the Principal must be able to demonstrate the independent control of the accounts/decision-makers and that the transaction had a bona fide business purpose for each side.

2.5. Multiple Trader Execution of Buying and Selling

If an individual trader employed by the same Principal needs to buy and sell the same product at the same time for a legitimate purpose, they must avoid crossing themselves in the market. This will likely necessitate completing one transaction (buy or sell) before commencing execution of the other side. Note that simply ensuring there is a delay between the entry of the buy and sell orders may not guarantee the orders do not trade across each other.

2.6. Crossing to Transfer Trades/ Positions

An ICE NGX market participant may be in violation of the CPA if buy and sell orders for accounts with the same Principal are matched for the purpose of transferring/moving positions amongst accounts. Any market participant involved in the initiation, placement, negotiation, execution or accommodation of a transaction that knew or should have known it was done for such purpose may be in violation of the CPA.

2.7. System-based Prevention Features

ICE NGX employs the ICE Self Trade Prevention Functionality ("STPF") policy. STPF resides within ICE's trading engine and provides various automated configurations to prevent self-trading of orders entered with the same STPF ID. For additional STPF information please refer to the ICE NGX STPF FAQ:

https://www.theice.com/publicdocs/Self-Trade_Prevention_Functionality_FAQ.pdf

Market participants who wish to use this ICE STPF functionality must set up STPF as described in the FAQ and User Guide. Failure to do so properly is not a valid defense against wash trading.

3. Questions

Questions regarding this FAQ document may be sent to: **Legal-ICENGX@ice.com**

4. Revision history

Version	Date	Changes
1.0	June 16, 2023	New document.