

AMENDMENTS TO RULE 4.06 AND THE EFRP FAQ TRI-PARTY EFRP TRANSACTIONS

Effective with the start of trading on January 1, 2020¹, ICE Futures U.S. (“IFUS” or “Exchange”) is implementing amendments to Rule 4.06 and the Exchange for Related Position (“EFRP”) FAQ which will permit tri-party EFRPs in additional limited circumstances. An EFRP involves the simultaneous exchange of an Exchange futures position for a corresponding, economically offsetting physical/cash or OTC position (“Related Position”). The transaction type is permitted to allow market participants to effectively manage risk arising from the Related Position, often a forward or swap contract, by offsetting such risk with an Exchange future or option contract.

Generally there may only be two parties involved in an EFRP transaction. This requirement follows from the structure of the EFRP, which predominantly involves bilateral deals for the Related Position. Currently, there is an exception to the two party requirement, which is available only for foreign currency EFRP transactions. Specifically, Exchange Rules permit a CTA or other account controller to facilitate, as principal, the cash/OTC component of an immediately offsetting foreign currency EFRP, for their customer.

The amendments to Rule 4.06(b) and the EFRP FAQ will permit tri-party EFRPs in other limited circumstances. Specifically, the amendments will allow tri- party transactions in any product when (i) the third party is the principal on the Related Position transaction, and is acting on behalf of a customer who will be a party to the futures leg of the EFRP and (ii) the Related Position transaction which the third party executes passes through to the customer that is a party to the futures leg of the EFRP.

A copy of Rule 4.06 (b), which includes the amendment, follows below and the amended EFRP FAQ can be found [here](#):

Rule 4.06. Exchange for Related Position

(b) EFRP Transaction Requirements

(i) An EFRP Transaction shall consist of two discrete but related simultaneous transactions in which one party must be the buyer of (or the holder of the long market exposure associated with) the related position and seller of the corresponding Exchange contract, and the other party to the EFRP Transaction must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the

¹ Subject to regulatory review

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corresponding Exchange contract. The related position must involve the commodity underlying the Exchange Futures Contract or Option (or any by-product or related product) in a quantity that is approximately equivalent to the quantity covered by the Exchange Futures Contract or Option. Exchange Traded Funds (“ETFs”) are an acceptable cash or physical component of an EFP. Notwithstanding the foregoing, a third party may facilitate an EFRP by acting as the principal on the cash or OTC component of the transaction (the “Related Position”), on behalf of a customer. Except as provided in paragraph (b)(vii)(A) below, the Related Position must pass through to the customer that receives the Exchange Futures Contract as part of the EFRP transaction.

[THE REMAINDER OF THE RULE IS UNCHANGED]

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Key Information Documents for certain products covered by the EU Packaged Retail and Insurance-based Investment Products Regulation can be accessed on the relevant exchange website under the heading “Key information Documents (KIDS),” commencing January 1, 2019.