INTERCONTINENTALEXCHANGE ANNOUNCES FIRST YEAR RESULTS OF HIGH FREQUENCY TRADING POLICY; INNOVATIVE METHOD PROVES HIGHLY EFFECTIVE

Released : 29 February 2012

ATLANTA, Feb. 29, 2012 /PRNewswire/ -- IntercontinentalExchange (NYSE: ICE), a leading operator of global regulated futures exchanges, clearing houses and over-the-counter (OTC) markets, today announced the first full year impact of its high frequency trader (HFT) messaging policy.

(Logo: **http://photos.prnewswire.com/prnh/20090727/CL51999LOGO**)

"HFTs are an essential source of liquidity in our markets and often provide price discovery where other traders may be reluctant to do so," said Chuck Vice, ICE President and COO. "These traders represent the natural evolution of the long-standing market-making role as trading overwhelmingly shifted to electronic venues in the last two decades. ICE believes that it is incumbent upon exchanges to adopt rules and design controls that effectively address the existence of high frequency trading within the context of market structure."

ICE's High Frequency Messaging Policy

In early 2011, ICE implemented an innovative High Frequency Messaging Policy for its most heavily traded futures and OTC contracts. The policy was designed to discourage inefficient and excessive messaging without compromising market liquidity.

"Before 2011, ICE's messaging policy, like many other exchanges, was a simple order-to-trade ratio with published benchmarks above which high frequency traders were assessed a fee," said Mark Wassersug, Vice President of Operations. "However, this simplistic approach didn't differentiate between orders that 'added to liquidity' and those that were far out of the market. Our HFT Messaging Policy directly addressed this problem by overweighting orders far away from the market relative to those orders near the best bid or offer at the time of entry. The ratio of orders using the weighting scale to lots traded is called the Weighted Volume Ratio (WVR). Traders exceeding our WVR benchmark incur a fee and fees increase as higher WVR thresholds are exceeded. This framework has been extremely successful in managing the high frequency traders in our markets."

Results

Since introduction of the new policy, the WVR has declined by 63% in ICE Futures U.S. markets, 19% in ICE Futures Europe markets, and 53% in ICE's OTC markets. Furthermore, the number of violations of the High Frequency Messaging Policy's highest thresholds dropped by 93%. In response to implementation of the policy, HFTs made desired improvements to their algorithms and the quality of streamed orders improved.

In a **comment letter** to the International Organization of Securities Commissions, the FIA Principal Traders Group, an affiliate of the Futures Industry Association that represents firms that trade with their own capital, wrote: "The truly creative part of this solution is that ICE assigns a weighting scale based on the message's price level relative to the current best bid and offer…By imposing the WVR, ICE has simultaneously incentivized firms to submit orders that are likely to be filled while penalizing firms that submit orders that are unlikely to be filled."

Importance of High Frequency Trading on Markets

"Unfortunately, high frequency trading is not well understood and, as a result, is often blamed, in absence of facts and analysis, for a multitude of market problems, whether real or perceived," said Vice. "Increasingly, policymakers and observers are proposing drastic and untested measures, such as fees for unfilled orders, which could arbitrarily limit trading activity. The likely result would be impaired liquidity leading to increased hedging costs for commercial end users. Instead, ICE hopes to continue developing sound policies for all market participants, including HFTs, to maintain and grow confidence in our markets."

ICE is an active member of the CFTC Technology Advisory Committee chaired by Commissioner O'Malia as well as the HFT Subcommittee that is formulating definitions and examining issues surrounding automated and high frequency trading. Additional details about ICE's messaging policies are available at:

- **ICE Futures U.S.**

- **ICE Futures Europe**
- **ICE OTC**

About IntercontinentalExchange

IntercontinentalExchange (NYSE: ICE) is a leading operator of regulated futures exchanges and over-the-counter markets for agricultural, credit, currency, emissions, energy and equity index contracts. ICE Futures Europe hosts trade in half of the world's crude and refined oil futures. ICE Futures U.S. and ICE Futures Canada list agricultural, currencies and Russell Index markets. ICE is also a leading operator of central clearing services for the futures and over-the-counter markets, with five regulated clearing houses across North America and Europe. ICE serves customers in more than 70 countries. **www.theice.com**

The following are trademarks of IntercontinentalExchange, Inc. and/or its affiliated companies: IntercontinentalExchange, ICE, ICE and block design, ICE Futures Europe and ICE Clear Europe. All other trademarks are the property of their respective owners. For more information regarding registered trademarks owned by IntercontinentalExchange, Inc. and/or its affiliated companies, see **https://www.theice.com/terms.jhtml**

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 - Statements in this press release regarding IntercontinentalExchange's business that are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see ICE's Securities and Exchange Commission (SEC) filings, including, but not limited to, the risk factors in ICE*'s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on February 8, 2012.*

ICE-CORP

SOURCE IntercontinentalExchange