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Submission No. 19-119
February 1, 2019

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: Amendments to Rule 4.26 Order Execution (New Passive Order Protection Functionality)
Submission Pursuant to Section 5c(c)(1) of the Act and Regulation 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”) and Commission Regulation 40.6(a), ICE Futures U.S., Inc. (“IFUS” or “Exchange”) hereby self-certifies the amendments to Rule 4.26 set forth in Exhibit A. The amendments to Rule 4.26 allow for the implementation of Passive Order Protection (“POP”) Functionality, which is described below and designed to reduce latency advantages between traders engaged in arbitrage strategies against related markets. The new functionality will be implemented in the Gold Daily and Silver Daily futures markets.

POP Functionality works by creating a very short (couple of millisecond) delay or “speed bump” for incoming orders that would otherwise transact immediately opposite resting or “passive” orders. This short delay helps level the playing field by giving all traders who have placed a resting order additional time to react to price changes in related markets.

The functionality is triggered when the Exchange receives an incoming order that would immediately match with a passive order that is resting in the central limit order book (“CLOB”). The execution of the incoming order will be delayed for several milliseconds by the POP. The trader who submitted the resting order will not be notified that there is an incoming order waiting to take liquidity, however, the POP will provide the trader that submitted the resting order with time to react to external market conditions (e.g. a price change in the related market). During the delay window, participants can modify their resting passive orders. The basic work flow for POP is illustrated by the following scenario:

1. Trader A enters a bid and the order rests in the CLOB
2. Trader B submits a liquidity taking order which will match against Trader A’s resting order, causing Passive Order Protection to be triggered. Trader B’s order is delayed for 3 milliseconds.
3. Before the delay expires, Trader A observes a change in market conditions and cancels the resting order.

4. After the delay expires, Trader B's order remains active, missing Trader A's order.
5. Trader B's order now rests in the CLOB and will receive Passive Order Protection. Any new incoming order that matches with Trader B's resting order will be subject to the 3 millisecond latency.

The functionality essentially gives market participants engaged in arbitrage a very short window to modify their Exchange orders where there is a price change in a related market. All other market functions remain the same, first-in-first-out ("FIFO") execution priority will still apply, meaning that the first incoming order to match with the resting order in the ETS will transact with the resting order to become a deal, if the resting order is still in the ETS after the latency has expired. In order to maintain FIFO priority, the Exchange will apply the same latency for all incoming requests to enter, change, or cancel/replace orders during the latency period for any order(s) on the same side of the market as the aggressor order. POP will not impact passive orders resting in the ETS.

The Exchange is implementing POP Functionality to encourage additional market participants, who may not otherwise trade certain Exchange markets due to a latency disadvantage, to participate in trading such products. The Exchange believes that additional participants will increase liquidity and volume, particularly in those markets where price discovery takes place in a related market rather than, or in addition to, the Exchange futures contracts and latency arbitrage is common.

The Exchange will initially enable POP functionality with a 3 millisecond delay period in Gold Daily and Silver Daily futures markets. In order to enable POP Functionality, the Exchange will disable stop orders for these markets, which represent less than 1% of the orders placed in such markets.

The Exchange received feedback from the FIA Principal Traders Group ("FIA PTG"), who opposed "speed bumps" in general and expressed concern that they could harm overall market quality, add complexity and provide a mechanism for potential trade practice abuse. If instituted, the FIA PTG asked the Exchange to assess the impact POP Functionality has on products and to discontinue use should data show its concerns were merited.

The amendments to Rule 4.26 will become effective on February 18, 2019 and the Exchange will implement POP Functionality in the Gold Daily and Silver Markets with the start of trading for trade date February 25, 2019. The Exchange certifies that the amendments to Rule 4.26 comply with the requirements of the Act and the rules and regulations promulgated thereunder. In particular, the amendments to Rule 4.26 comply with core principle 9 (Execution of Transactions) and Commission Regulation 1.38. Trades in the Exchange's CLOB will continue to be executed openly and competitively, with the best bids and offers being matched against each other on a FIFO basis. The POP Functionality is designed to reduce latency advantages resulting from faster technology amongst firms engaged in arbitrage strategies without impacting execution priority. Further, as required by core principles 4 and 9, the Exchange's Market Regulation Department will monitor activity in the markets where the functionality is deployed for trade practices abuses, such as spoofing..

The Exchange further certifies that concurrent with this filing a copy of this submission was posted on the Exchange's website, which may be accessed at (<https://www.theice.com/futures-us/regulation>).

If you have any questions or need further information, please contact me at 212-748-4021 or at jason.fusco@theice.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason V. Fusco". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jason V. Fusco
Assistant General Counsel
Market Regulation

Enc.

EXHIBIT A

[In the text below, additions are underlined and deletions are stricken]

Rule 4.26. Order Execution

(a) A Trade is executed in ETS when the following conditions occur:

(i) one order is a bid and the other is an offer;

(ii) the two orders are for the same Exchange Commodity Contract and delivery or expiration month and, if an Option order, the same Strike Price and Option type, if available; and

(iii) the price of the bid (offer) equals or is greater (less) than the price of the offer (bid).

(b) All orders entered and activated are queued by the time of entry or amendment and matched on a first-in-first-out price and time priority basis.

(c) Passive Order Protection may be activated for those Exchange Futures Contracts and contract months as determined by the Exchange from time to time in its discretion. Passive Order Protection delays for a period of time specified by the Exchange (the "Delay Period") the execution of a trade when an order entered into the ETS would match with an order resting in the ETS. During the Delay Period a resting order can be cancelled or modified. Passive Order Protection does not affect priority of execution for orders entered or resting in the system.

([c]d) Details of each Trade made on ETS will be recorded by the Exchange, and confirmation of the Trade will be displayed on ETS for each Registered Operator who is a party to the Trade.

([d]e) Each executed Trade shall be transmitted to PTMS, at which time each side of the Trade will be allocated to, and deemed accepted by, the Clearing Member which authorized Direct Access or provided Order Routing access for their Trade side. Each such Clearing Member shall be financially liable for their Trade side in accordance with Rule 4.10 unless it is subsequently accepted by another Clearing Member through the ACT System. The allocation of a Trade side in ACT shall be made as soon as practicable after the Trade is executed, and the receiving Clearing Member shall become financially liable under Rule 4.10 upon affirmatively accepting the Trade in accordance with the procedures specified by the Exchange from time to time. Acceptance by the receiving Clearing Member shall take place as soon as practicable, but in no event later than the end of the Trading Session in which it was executed.

([e]f) All mechanical adjustments shall be made through PTMS. Any submission of a mechanical adjustment shall include all information required by PTMS to process such mechanical adjustment.

([f]g) Failure of ETS to broadcast any message in respect of a Trade made in ETS, an order or any part thereof, shall not invalidate any Trade recorded by the Exchange.

([g]h) In the event that ETS or any part of ETS fails, the Exchange's determination that a Trade has or has not been made on ETS shall be conclusive and binding.