



February 26, 2016

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

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6:  
Additions to Government Bond Permitted Cover

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), for self-certification pursuant to Commission Rule 40.6, the rule amendments discussed herein. The amendments are to become effective on the business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

*Concise Explanation and Analysis*

ICE Clear Europe proposes rule changes to permit ICE Clear Europe Clearing Members to post additional categories of securities, including treasury bills and floating rate and inflation-linked government bonds (together, the “Additional Permitted Cover”) to ICE Clear Europe as permitted cover to meet initial margin and original margin requirements. As noted below, certain types of Additional Permitted Cover will also be accepted to satisfy guaranty fund requirements.

The Additional Permitted Cover will include the following types of government securities: (i) U.S. Treasury floating-rate notes (“UST FRNs”), (ii) Canadian government treasury bills and real return bonds, (iii) Spanish government treasury bills (*Letras del Tesoro*), (iv) Swedish government treasury bills, (v) German government inflation-linked bonds (of two types: *Deutsche Bundesrepublik* Inflation-

Linked Bonds and *Bundesobligationen I/L*), (vi) Japanese government CPI-linked bonds, and (vii) Swedish government inflation index-linked bonds.

ICE Clear Europe believes that the Additional Permitted Cover is of minimal credit, market and liquidity risk, comparable to that of other sovereign debt currently accepted by ICE Clear Europe as Permitted Cover. Significantly, other debt obligations of the same governments that issue the Additional Permitted Cover are currently eligible as Permitted Cover. The Additional Permitted Cover consisting of treasury bills is substantially similar to existing forms of treasury bill Permitted Cover currently accepted by the Clearing House. In terms of the Additional Permitted Cover consisting of inflation-linked government bonds, ICE Clear Europe currently accepts similar bonds issued by other governments. As a result, ICE Clear Europe does not believe that such bonds would pose any additional or novel risks for the Clearing House. ICE Clear Europe further believes that the Additional Permitted Cover has demonstrated low volatility, including in stressed market conditions.

Based on its analysis of the Additional Permitted Cover and its volatility and other characteristics, ICE Clear Europe will initially apply to the Additional Permitted Cover the same valuation haircuts as applied to currently accepted bonds of the same issuer and within the same maturity bucket. The Clearing House will review and modify such haircuts from time to time, in accordance with Clearing House's existing collateral and haircut policy. In addition, ICE Clear Europe will impose both absolute limits and relative limits for each type of Additional Permitted Cover (other than U.S. Treasury obligations), consistent with the existing issuer limits for Permitted Cover and the collateral and haircut policy.

ICE Clear Europe will accept the Additional Permitted Cover in respect of original margin requirements for F&O Contracts and initial margin requirements for CDS Contracts. In addition, UST FRNs will be accepted as Permitted Cover in respect of F&O and CDS guaranty fund contribution requirements. The Spanish and German securities constituting Additional Permitted Cover will also be accepted for the Euro-denominated component of the CDS guaranty fund. The other types of Additional Permitted Cover will not be accepted in respect of guaranty fund requirements. The Additional Permitted Cover cannot be used to satisfy variation margin requirements because variation margin must be paid in cash in the currency of the contract.

#### *Compliance with the Act and Commission Regulations*

The amendments are potentially relevant to the following core principles: (B) Financial Resources and (D) Risk Management, and the applicable regulations of the Commission thereunder.

- *Financial Resources.* ICE Clear Europe believes that the Additional Permitted Cover will be an acceptable financial resource to serve as original or initial margin and (where permitted as described above) guaranty fund contributions, consistent with the requirements of Core Principle B and Commission Rule 39.11. As noted above, ICE Clear Europe believes that the Additional Permitted Cover is of minimal credit risk and low volatility, and has liquidity

and other characteristics generally comparable to those of other sovereign debt currently accepted by ICE Clear Europe as Permitted Cover.

- *Risk Management.* ICE Clear Europe believes that it will be able to manage the risks associated with acceptance of the Additional Permitted Cover for margin and guaranty fund requirements as described above. The Additional Permitted Cover has a risk profile similar to that of other sovereign debt ICE Clear Europe accepts as permitted cover, with minimal credit, market and liquidity risks, and ICE Clear Europe will be able to manage the risks of the Additional Permitted Cover through its existing Rules and risk management policies and procedures. In ICE Clear Europe's view, acceptance of the Additional Permitted Cover is thus consistent with the requirements of Core Principle D and Commission Rule 39.13.

As set forth herein, the amendments consist of revisions to ICE Clear Europe's Lists of Permitted Cover for F&O and CDS Contracts, copies of which are attached hereto.

ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe has received no substantive opposing views in relation to the amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrently with the filing of this submission.

If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at [patrick.davis@theice.com](mailto:patrick.davis@theice.com) or +44 20 7065 7738, Dee Blake, Director of Regulation, at [dee.blake@theice.com](mailto:dee.blake@theice.com) or +44 20 7065 7752 or Paul Swann, President & Managing Director, at [paul.swann@theice.com](mailto:paul.swann@theice.com) or +44 20 7065 7700.

Very truly yours,



Patrick Davis  
Head of Legal and Company Secretary