



Submission No. 17-02

January 18, 2017

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 US, Inc. Self-Certification Pursuant to Commission Rule 40.6 -
Amendments to Collateral Policy

Dear Mr. Kirkpatrick:

ICE Clear US, Inc. (“ICE Clear US”), a registered derivatives clearing organization (“DCO”) 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 amendments to its Collateral Policy discussed herein. The amendments are to become effective on the first business day following the tenth business day after submission, or such later date as ICE Clear US may designate.

Explanation and Analysis

ICE Clear US is amending its Collateral Policy to change the types of cash original margin that may be posted by clearing members. Under the revised policy, ICE Clear US will only accept cash original margin in the form of US dollars, and not in other currencies.

Prior to this amendment, ICE Clear US has allowed certain foreign currencies to be posted as collateral to satisfy original margin requirements for currency futures contracts. The prior policy used a “tiered covered calling” approach, in which an original margin requirement for a currency futures contract could be covered in the currency in which the contract is denominated, certain other foreign currencies, or USD. The policy also imposed cross-currency haircuts for non-USD collateral when used to satisfy the margin requirement of a product denominated in a different currency.

Under the revised Collateral Policy, ICE Clear US will only accept cash original margin that is denominated in USD, regardless of the currency in which the contract is denominated. In ICE Clear US’s view, the change will enhance clearing house operations by, among other matters, reducing the need to maintain foreign currency balances, reducing exposure to commercial banks in which it maintains such balances and avoiding the need to calculate and apply cross-currency haircuts for all possible combinations of currencies.

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ICE Clear US, Inc. is a registered derivatives clearing organization under the U.S. Commodity Exchange Act.

ICE Clear US is not changing the types of non-cash original margin permitted (currently limited to U.S. Treasury securities). In addition, variation margin for currency futures contracts will continue to be calculated and called in the relevant currency in which the contract is denominated. The amendment will also not affect the physical settlement of the currency futures contracts at expiry.

The amendments include various conforming changes in the Collateral Policy. The policy has also been revised to clarify the manner in which investments of cash balances are held and clarify that ICE Clear US does not currently invest its own funds held for capital and liquidity purposes.

Compliance with the Act and Commission Regulations

The rule amendments are potentially relevant to Core Principles B (Financial Resources), D (Risk Management), E (Settlement Procedures) and F (Treatment of Funds) under the Act, and the applicable regulations of the Commission thereunder.

- Financial Resources.** The amendments will limit original margin accepted for currency futures contracts to USD cash (and U.S. Treasury securities), and eliminate the ability of clearing members to post original margin in other currencies. The amendments will not affect the margin model or the amount of financial resources required by the clearing house. In ICE Clear US's view, the amendments will avoid certain risks and costs involved in accepting foreign currencies and maintaining balances in such currencies. ICE Clear US does not believe the amendments will adversely affect the level of its financial resources, and further believes that its liquidity policies and arrangements will remain sufficient to support its clearing obligations following the amendments. As a result, the amendments are consistent with the requirements of Principle B and Commission Rule 39.11.
- Risk Management.** As set forth above, the amendments will allow ICE Clear US to avoid having to maintain balances in multiple foreign currencies and associated costs and risks. In particular, the amendments will reduce ICE Clear US's exposure to the settlement banks currently used to carry foreign currency balances. It will also simplify risk management by avoiding the need to calculate and apply haircuts covering the various possible combinations of currencies. ICE Clear US thus believes the amendments are consistent with Core Principle D and Commission Rule 39.13.
- Settlement Procedures.** ICE Clear US believes that the amendments will generally simplify and streamline the settlement of original margin payments between clearing members and the clearing house. As such, the amendments are consistent with the requirements of Core Principle E and Commission Rule 39.14.
- Treatment of Funds.** The amendments will also simplify the holding of original margin funds by ICE Clear US, by avoiding the need to maintain balances in foreign currencies. Under the revised policy, such margin, and any investments thereof, will continue to be held in accordance with the requirements of Core Principle F and Commission Rules 39.15.



As described herein, the amendments consist of changes to the ICE Clear US Collateral Policy. ICE Clear US has requested confidential treatment with respect to the revised policy, which has been submitted concurrently with this self-certification.

ICE Clear US hereby certifies that the amendment complies with the Act and the Commission's regulations thereunder.

ICE Clear US has received no substantive opposing views in relation to the proposed rule amendment.

ICE Clear US 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 Heidi.Rauh@theice.com or (312) 836-6716.

Sincerely,

Heidi M. Rauh
General Counsel