ICE CLEAR EUROPE

February 28, 2018

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

Re: Self-Certification Pursuant to Commission Rule 40.6 – F&O Concentration Charge Policy

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited ("ICE Clear Europe" or the "Clearing House"), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the "Act"), hereby submits to the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Rule 40.6 for self-certification, a new F&O Concentration Charge Policy (the "Policy"), which will replace separate existing concentration charge policies for its energy and its financials and softs ("F&S") products. The Policy is to become effective on the first 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 is adopting the Policy, which will implement a new concentration charge margin model that will apply to all F&O Contracts, in both the energy and financials and softs ("F&S") sectors. ICEU currently uses two separate concentration charge models: one for energy products and one for F&S products. The existing concentration models and their associated policies will be retired upon implementation of the Policy. The concentration charge model is designed to provide the Clearing House with extra margin to cover the potential additional default costs where liquidation of a defaulter's positions may be delayed or prolonged due to highly concentrated positions within the defaulter's portfolio.

ICE Clear Europe Limited
Registered in England No.06219884
Registered office: Milton Gate, 60 Chiswell Street, London EC1Y 4SA

The new Policy is largely based on the existing concentration charge model applicable to F&S products, and as a result it is expected only marginally to impact margin for F&S products. The new Policy adds a few enhancements to the existing F&S model. Specifically, certain technical detail from the F&S model will be enhanced such that the concentration charge will no longer be calculated as a multiple of total SPAN initial margin, but instead as a multiple of individual margin component (*i.e.*, outright or the scanning risk and the inter-month risk) summed together.

The new Policy marks a more significant methodology change for energy products, and may more significantly increase concentration charges for those products. The existing energy concentration charge model is based on the percentage share of each clearing member's initial margin to the total clearing house initial margin, while the new Policy (like the existing F&S policy) is based on the clearing member's position relative to the perceived level of market depth as represented by the daily trading volume in the relevant products. ICE Clear Europe believes that the new Policy will provide a more robust approach to measuring concentration risk, based on expected cost and time of liquidation, and to imposing additional margin charges as a result.

The Policy itself sets out the key steps and procedures for calculating the concentration charge for F&O contracts. Calculations are made for each underlying commodity and each relevant expiration period. The Policy operates by scaling the initial margin requirement upward by extending the holding or liquidation period beyond the margin period of risk used in the standard margin calculation, to account for the longer time it is expected to take the Clearing House to liquidate the positions in light of the average daily trading volume in the product. The concentration charge is thus designed to reflect the portion of the defaulter's position expected to be remaining after the margin period of risk. The Policy uses a concentration charge scaling formula that takes into account these considerations. The final concentration charge takes into account both an outright position scanning range calculation and an intermonth (calendar spread) position calculation.

The Policy sets out additional operational steps related to determining concentration charges, including weekly calculations and reports to members regarding their concentration charge percentages per underlying, per Clearing Member and on an account level. Additional detail can be provided to Clearing Members upon request. Parameters for the model are reviewed on an ongoing basis in conjunction with the charge calculation cycle and through a quarterly formal review of all parameters, where the latest market statistics are used to assess their adequacy.

The Policy also incorporates an overall Board risk appetite and limit framework, which is consistent with other ICE Clear Europe policies, based on ICE Clear Europe's corporate objectives and risk objectives as established by the Board. The Policy also addresses governance and reporting, including independent validation, policy review and exception handling.

Compliance with the Act and CFTC 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.* The new Policy is designed to enhance the Clearing House's financial resources through revisions to the margin model that better analyze the concentration risk that may be caused by clearing member positions that cannot be liquidated within the standard margin period of risk, and provide for additional initial margin resources to cover that risk. The Policy will thus provide additional financial resources to cover the concentration risks presented by clearing members. As a result, in ICE Clear Europe's view, the amendments are consistent with the requirements of Core Principle B and Commission Rule 39.11.

- *Risk Management.* As noted above, the new Policy is designed to enhance the Clearing House's ability to set additional margin requirements that reflect the concentration risk of particular Clearing Member portfolios, and thereby to hold sufficient margin to cover the additional liquidation risk inherent in those portfolios. The Policy sets appropriately conservative concentration limits that will bring concentration charges for energy products into alignment with other F&O products. As a result, in ICE Clear Europe's view, the amendments are consistent with the risk management requirements of Core Principle D and Commission Rule 39.13.

As set forth herein, the amendments consist of the new Policy, which will replace separate existing concentration charge policies for ICE Clear Europe's energy and F&S products. ICE Clear Europe has requested confidential treatment with respect to the new Policy, which has been submitted currently with this self-certification submission.

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 proposed rule amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent 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 or +44 20 7065 7738 or Carolyn Van den Daelen, Head of Regulation and Compliance, at Carolyn.VandenDaelen@theice.com or +44 20 7429 4515.

Very truly yours,

Patrick Davis
Head of Legal and Company Secretary