



## **ICE CLEAR EUROPE**

### **F&O List of Permitted Cover and Limits on Collateral**

## **Corporate and Semi-Government Bond Collateral (Non-Sovereign Permitted Cover)**

ICE Clear Europe will accept corporate and semi-government bonds, subject to the criteria outlined below, as Permitted Cover in respect of F&O Original Margin requirements only.

These must be lodged via Triparty accounts at Euroclear or Clearstream.

### **Bonds must satisfy all the following criteria in order to be eligible:**

1. The bond type must fall under one of the following categories:
  - Agency
  - Corporate
  - Municipal
  - Public Sector
  - Other Financial
2. The bond must have a credit rating of at least AA from either S&P, Fitch or Moody's;
3. The issuer must not be:
  - An entity linked to an ICEU F&O Clearing Member; or
  - An entity linked to the Energy market via business activity - for example Centrica whose Bonds may have a correlation to gas price or an oil company such as ExxonMobil;
4. The issuer must have a credit spread or equity listing, as well as having a credit rating;
5. The bond must be from an issue of at least USD 500 million equivalent;
6. The bond must be fixed coupon or floating rate only, with no derivative aspects to its pricing and no embedded caps or floors to price or coupon;
7. The bond must be redeemable only in a single currency, which must be one of EUR, USD, CHF, GBP, JPY, CAD, SEK, or NOK.
8. The bond must not be a covered bond; and
9. The bond must be without any regulatory or legal constraint or third party claims that impair liquidation.

In addition, the following limits will apply to the amount of bonds that ICEU will accept from an individual Clearing Member or Member Group:

- **Absolute limit:** a Member Group may provide no more than 10% of the issuance any individual ISIN and no more than 5% of the total issuance of an individual issuer. A Member Group may provide up to a maximum of USD 50 million equivalent in corporate and semi-government bonds.
- **Relative limit:** the amount of bonds from any individual issuer pledged by an individual Member may not exceed 25% of the Member's total F&O margin requirements.

ICEU will decline corporate bond collateral that breaches 40% of haircut levels in the past 10 days. ICEU reserves the right to review and determine the continued acceptance of corporate bond collateral that is not re-priced on a regular basis – for example, when the price of the bond has remain unchanged for three or more consecutive days under normal market conditions.

ICEU will monitor the creditworthiness, liquidity, and pricing of eligible bonds and reserves the right to refuse any bond and ask for it to be withdrawn.

**Haircuts on corporate and semi-government bond collateral will be determined in accordance with the Collateral and Haircut Policy.**