



May 22, 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:
Amendments to Finance Procedures for Clearing House CDS Contributions

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

The purpose of the amendments is to modify certain aspects of the ICE Clear Europe Finance Procedures ("Finance Procedures") to implement certain changes to the Clearing House contribution to CDS default resources. These revisions do not involve any changes to the ICE Clear Europe Clearing Rules.

ICE Clear Europe maintains a waterfall of defined default resources, including its CDS Guaranty Fund, to provide financial resources to cover potential losses resulting from the default of a CDS Clearing Member.¹ The CDS Guaranty Fund consists of required contributions made by CDS Clearing Members. Currently, ICE Clear

¹ The waterfall of application of default resources upon the default of a CDS Clearing Member is set out in ICE Clear Europe Rules 908(c) and (g), and is summarized here for reference.

Europe's contribution to CDS default resources is split into two parts—a Clearing House CDS Initial Contribution and a Clearing House CDS GF Contribution. Under the default resource waterfall, assets (including margin and CDS Guaranty Fund contributions) provided by the defaulting CDS Clearing Member are used first to cover default losses. In the event the Clearing House experiences losses from the default of a CDS Clearing Member that exceed the resources provided by the defaulter, the Clearing House CDS Initial Contribution would, in accordance with the Rules, be applied next, and prior to the use of CDS Guaranty Fund contributions of non-defaulting CDS Clearing Members. Following exhaustion of the Clearing House CDS Initial Contribution, the CDS Guaranty Fund contributions of non-defaulting CDS Clearing Members and the Clearing House CDS GF Contribution would be applied to cover CDS default losses, on a pro rata basis. The respective amounts of the Clearing House CDS Initial Contribution and Clearing House CDS GF Contribution are determined in accordance with paragraph 15.2 of the Finance Procedures, and are notified to Clearing Members by Circular.

ICE Clear Europe is amending paragraph 15.2 of the Finance Procedures in order to permit the Clearing House to redesignate all or a part of the Clearing House CDS GF Contribution as additional Clearing House CDS Initial Contribution. ICE Clear Europe is not changing the aggregate amount of, or basis for calculating, the Clearing House CDS GF Contribution and Clearing House CDS Initial Contribution. The effect of any such redesignation would be that more of ICE Clear Europe's contribution to CDS default resources would be used at an earlier point in the waterfall of default resources, prior to the use of CDS Guaranty Fund contributions of non-defaulting CDS Clearing Members. Such a redesignation will thus provide greater protection of CDS Clearing Member contributions of non-defaulting CDS Clearing Members, and reduce the likelihood that the use of CDS Clearing Member contributions will be necessary in a default scenario.

Specifically, paragraph 15.2(a) of the Finance Procedures, which establishes the amount of the Clearing House CDS Initial Contribution, is being amended to provide that the Clearing House can increase such amount by redesignating all or part of the Clearing House CDS GF Contribution as a Clearing House CDS Initial Contribution. ICE Clear Europe would be required to notify Clearing Members by circular of any such redesignation.

Conforming amendments have been made in paragraph 15.2(b) to refer to amounts so redesignated as Clearing House CDS Initial Contributions, as well as to clarify a cross-reference. Similar conforming changes are made in paragraph 15.2(c), which establishes the amount of required Clearing House CDS GF Contributions, to take into account any amounts thereof that are redesignated as Clearing House CDS Initial Contributions. Paragraph 15.2(d) is revised to clarify the obligation to replenish Clearing CDS GF Contributions (including such amounts that are redesignated as Clearing House Initial CDS Contributions) when applied in accordance with the Rules, as well as to provide that any required replenishments of the Clearing House CDS GF Contribution could similarly be redesignated as Clearing House CDS Initial Contributions and to clarify a cross-reference. Paragraph 15.2(g) is revised to clarify that the Clearing House would not be required or permitted to redesignate any amount as Clearing House CDS Initial Contributions as Clearing House CDS GF

Contributions solely as a result of changes in the amounts of a Clearing House CDS Contribution because of exchange rate fluctuations.

The decision to redesignate any amount of Clearing House CDS GF Contribution as Clearing House CDS Initial Contribution (and to make any change in any such redesignation) would be made by the ICE Clear Europe Board, in consultation with the CDS Risk Committee.

Compliance with the Act and Commission Regulations

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

- *Financial Resources.* The amendments do not change the aggregate level of ICE Clear Europe's contributions to CDS default resources, or the overall level of CDS default resources. The amendments permit the Clearing House to move its own contributions to CDS default resources higher in the waterfall of default resources, so that more of such contributions will be used prior to the CDS Guaranty Fund contributions of non-defaulting CDS Clearing Members. This would make it less likely that the Clearing House would need to use the CDS Guaranty Fund contributions of such non-defaulting clearing members. In ICE Clear Europe's view, the amendments are thus consistent with the requirements of Core Principle B and Commission Rule 39.11.
- *Risk Management.* ICE Clear Europe believes that the amendments will facilitate its ability to manage of the risk of a clearing member default and mitigate the potential consequences of such a default for non-defaulting clearing members. As noted above, the amendments will permit ICE Clear Europe to move its own contributions to the CDS default resources higher in the default waterfall, which will reduce the risk that CDS Guaranty Fund contributions of non-defaulting clearing members will need to be used. As such, the amendments are consistent with Core Principle D and Commission Rule 39.13.
- *Default Rules and Procedures.* As described herein, the amendments allow ICE Clear Europe to modify the order in which certain CDS default resources are used, specifically by moving ICE Clear Europe contributions higher in the waterfall. The amendments will thus facilitate the management of a default while reducing the potential risk to non-defaulting clearing members. In ICE Clear Europe's view, the amendments are therefore consistent with Core Principle G and Commission Rule 39.16.

As set forth herein, the amendments consist of revisions to the Finance Procedures, a copy of which is 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 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, Dee Blake, Director of Regulation, at dee.blake@theice.com or +44 20 7065 7752 or Paul Swann, President & Managing Director, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Patrick Davis', written over a faint horizontal line.

Patrick Davis
Head of Legal and Company Secretary