



May 31, 2019

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 – Operational Risk
Management 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, its Operational Risk Management Policy (“ORM Policy”)¹ 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 Europe may determine.

Concise Explanation and Analysis

ICE Clear Europe is formalizing its ORM Policy which sets out the Clearing House’s processes for managing operational risks, the stakeholders responsible for executing those processes, the frequency of review of the policy and the governance and reporting lines for the policy.

The ORM Policy addresses operational risk, which it defines as the risk of an event occurring which negatively impacts the achievement of business objectives resulting from inadequate or failed internal operational controls, people, systems or external events.² The ORM Policy establishes an overall process that identifies, assesses, responds to, monitors and reports operational risk.

¹ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Rules.

² The ORM Policy notes several non-exhaustive examples of operational risk, including risks from internal and external fraud, employment practices and workplace safety, clients, products and business practices, damage to physical assets and business disruption and system failures.

Risk Identification: Risk identification is performed by the business areas and lines exposed to the risk (referred to as “risk owners”) at least once each year, and is overseen by the Risk Oversight Department. Risk owners must map their existing processes, linking them to business objectives and identify operational risks where an event might negatively impact the achievement of a business objective. Risk sources must also be identified.

Risk Assessment: Risk assessment is conducted by the risk owners at least once per year in conjunction with risk identification. The potential impact of the risk, including its potential severity and likelihood, are to be evaluated. More frequent ad hoc assessments may be necessary if risks emerge or disappear between annual reviews. For most operational risks, control mechanisms may already exist, in which case uncontrolled and controlled impacts are measured. Risk owners must also assess the sufficiency of existing control mechanisms on a quarterly or, if necessary, a more frequent ad hoc basis.

Risk Response: Risk owners are responsible for proposing and implementing remedial actions, which must be approved by the ICE Clear Europe Executive Risk Committee (the “ERC”). Depending upon the potential expected impact of the operational risk and the Clearing House risk appetite, the four possible responses to a risk are to treat or mitigate the risk, tolerate or accept the risk, transfer the risk to another party (such as through insurance) or terminate the activity carrying the risk.

Risk Monitoring: Risk owners must monitor the identified operational risk daily through the use of key performance indicators, key risk indicators and other risk indicators such as their own management limits. The Risk Oversight Department itself monitors risks daily through risk appetite metrics and management thresholds as well as operational incidents raised by the risk owners. Risk owners and the Risk Oversight Department also must monitor the performance of control mechanisms on a regular and frequent basis.

Risk Reporting and Oversight: Overall oversight of the policy rests with the Audit Committee and Risk Oversight Department. Specifically, the results of risk assessments must be reported to the Audit Committee and the Board Risk Committee (the “BRC”) when material changes are observed. Control assessments and operational incidents must be regularly reported to senior management, the Audit Committee and the BRC for appropriate action. The BRC and Board will also be informed of relevant incidents as part of routine reporting. Operational metrics will be provided to the Board and BRC monthly and the ERC daily. The product Risk Committees shall also have access to operational metrics following their schedule of meetings. Unexpected results of operational metrics require escalation and notification to the Board immediately following the event. Identified operational risks must also be compared against established thresholds and reported to the ERC daily and monthly. The ORM Policy itself is subject to review on a biennial basis or in the event of a material change.

Compliance with the Act and CFTC Regulations

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

- *Risk Management.* The ORM Policy is designed to enhance the ability of ICE Clear Europe to identify and monitor different sources of operational risk that may affect its ability to discharge its responsibilities as a derivatives clearing organization. The policy also will facilitate the Clearing House's ability to take appropriate action to respond to such risks. As a result, the policy is a part of the Clearing House's overall risk management framework and is consistent with the requirements of Core Principle D and Commission Rule 39.13.
- *System Safeguards.* Among other provisions, the ORM Policy is addresses sources of operational risk relating to automated systems. As such, the ORM Policy is part of the Clearing House's program of risk analysis and oversight with respect to operations and automated systems addressing systems operations. The policy also includes requirements to report risk assessments to a board committee and control assessments to a board committee and senior management. In ICE Clear Europe's view, the ORM Policy will enhance overall system safeguards, and is therefore consistent with the requirements of Core Principle I and Commission Rule 39.18.

As set forth herein, the amendments consist of the ORM Policy. ICE Clear Europe has requested confidential treatment with respect to these amendments, which have 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 carolyn.vandendaelen@theice.com or +44 20 7429 4515.

Very truly yours,



Giulia Honorati
Regulation & Compliance Manager