



FOIA CONFIDENTIAL TREATMENT REQUESTED

June 15, 2022

VIA CFTC PORTAL

Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st St., N.W.
Washington, D.C. 20581

Re: Amendment to ICE NGX Canada Inc. Rules - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and CFTC Regulation § 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, ("Act") and Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), ICE NGX Canada Inc. ("ICE NGX") is submitting this self-certification to amend the ICE NGX Risk Management Framework ("RMF"). The RMF is a "rule" as that term is defined under Commission Regulation 40.1(j). ICE NGX intends to implement these amendments on June 30, 2022, or such later date as ICE NGX may designate.

ICE NGX has respectfully requested confidential treatment for the RMF amendments which were submitted concurrently with this submission.

1. Overview

ICE NGX is making this submission to implement certain changes (the "Amendments") to the ICE NGX RMF to reflect (each as further described below):

- an enhancement to ICE NGX's stress testing for calculating the financial resources required under CFTC Regulation 39.11(a)(1) ("Cover 1 financial resources requirements");
- the introduction of Stress Loss Charge; and
- minor enhancements to ICE NGX's stress testing to mitigate calibration proxy risk and to more efficiently reflect risk relating to next-day contracts.

2. Details of Rule Changes

Enhancement to Cover 1 Stress Testing Framework

Recent events have highlighted that unexpected volatility can impact energy markets during what are otherwise considered low volatility seasons. As such, ICE NGX is enhancing its Cover 1 stress testing to better reflect potential stress risk in extreme but plausible market conditions. Specifically, ICE NGX is removing the seasonality adjustment in its Cover 1 stress testing.



The enhancement to the Cover 1 stress testing is designed to ensure that the calculation of the Cover 1 financial resources requirements reflects extreme but plausible market conditions at all times during the year, regardless of season.

Stress Loss Charge

In order to ensure compliance with the Cover 1 financial resources requirements under the new Cover 1 stress testing, ICE NGX is introducing an additional margin add-on, termed “Stress Loss Charge”. Stress Loss Charge will be collected from a Contracting Party whenever its stress exposure exceeds ICE NGX’s guarantee fund, currently set at USD 215 million. Backtesting analysis indicates no exceedances during the look-back period.

Minor Enhancements to Stress Testing Framework

In addition, ICE NGX is making two minor enhancements to its stress testing framework.

- In order to mitigate proxy risk, ICE NGX is enhancing its stress testing to calibrate, where appropriate and where sufficient price history exists, its stress parameters at the delivery point location level, rather than the regional level as the stress parameters are currently calibrated.
- In order to more efficiently reflect the risk associated with contracts for next-day delivery, ICE NGX is enhancing its stress testing framework to subject next-day contracts to a 1-day risk evaluation instead of the current 2-day risk evaluation.

3. Compliance with Core Principles

ICE NGX reviewed the Amendments and determined that they comply with the rules and regulations of the Commission. In this regard, ICE NGX reviewed the derivatives clearing organization (“DCO”) core principles (each a “Core Principle”) and determined that the Amendments are potentially relevant to the following Core Principles and applicable regulations of the Commission thereunder.

Compliance (Core Principle A): The Amendments are consistent with Core Principle A - Compliance and Commission Regulation 39.10, as the Amendments clarify and enhance ICE NGX’s policies and procedures for complying with Commission regulations and internal policies.

Financial Resources (Core Principle B): The Amendments are consistent with Core Principle B - Financial Resources and Commission Regulations § 39.11(c)(1), as the Amendments strengthen ICE NGX’s calculation of the financial resources required under § 39.11(a)(1) for ICE NGX to meet its financial obligations to its clearing members notwithstanding a default by the clearing member creating the largest financial exposure for the derivatives clearing organization in extreme but plausible market conditions.

Risk Management (Core Principle D): The Amendments are consistent with Core Principle D - Risk Management and Commission Regulations

- § 39.13(f)(1), as the Amendments enhance ICE NGX’s margin requirements to limit its exposure to potential losses from a default by a clearing participant, to better ensure that



a non-defaulting clearing participant is not exposed to losses that the non-defaulting clearing participant cannot anticipate or control;

- § 39.13(g)(1) and (2), as the Amendments enhance ICE NGX's risk-based approach for setting initial margin requirements; and.
- § 39.13(h)(3)(i), as the Amendments enhance ICE NGX's stress testing methodology and practices.

4. Certifications

ICE NGX certifies that the proposed Amendments discussed in this submission comply with the Commodity Exchange Act, including the Core Principles and the Regulations of the Commission thereunder. ICE NGX is not aware of opposing views expressed regarding the Amendments. ICE NGX further certifies that, concurrent with this filing, a copy of this submission was posted to ICE NGX's website.

Yours truly,

A handwritten signature in black ink, appearing to read 'M. McGregor', written over a horizontal line.

By: Martin McGregor
Title: General Counsel and Chief Compliance Officer
Date: June 15, 2022