

# SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): \_\_\_\_\_

Organization: ICE Clear Europe Limited

Filing as a:  DCM  SEF  DCO  SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 07/30/2015 Filing Description:

Amendments to Finance Procedures For Triparty Collateral Service Provider.

**SPECIFY FILING TYPE** Please note only ONE choice allowed per Submission.

## Organization Rules and Rule Amendments

- |  |            |
|--|------------|
| <input checked="" type="checkbox"/> Certification            | § 40.6(a)  |
| <input type="checkbox"/> Approval                            | § 40.5(a)  |
| <input type="checkbox"/> Notification                        | § 40.6(d)  |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change         | § 40.10(h) |

Rule Numbers: Finance Procedures Paragraph 3

## New Product

Please note only ONE product per Submission.

- |  |            |
|--|------------|
| <input type="checkbox"/> Certification                         | § 40.2(a)  |
| <input type="checkbox"/> Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> Approval                              | § 40.3(a)  |
| <input type="checkbox"/> Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission                       | § 39.5     |

Official Product Name: \_\_\_\_\_

## Product Terms and Conditions (product related Rules and Rule Amendments)

- |  |                      |
|--|----------------------|
| <input type="checkbox"/> Certification   | § 40.6(a)            |
| <input type="checkbox"/> Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> Approval  | § 40.5(a)            |
| <input type="checkbox"/> Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> Approval Security Futures                               | § 41.24(b)           |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/> Notification  | § 40.6(d)            |

Official Name(s) of Product(s) Affected: \_\_\_\_\_

Rule Numbers: \_\_\_\_\_



July 30, 2015

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:  
Triparty Collateral Service Provider

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 the Finance Procedures to allow Clearstream Banking to serve as a triparty collateral service provider for initial or original margin provided in respect of all product categories, including CDS Contracts. Clearstream Banking currently serves as a triparty collateral service provider solely for original margin provided in respect of F&O Contracts.

Specifically, paragraph 3.1 of the Finance Procedures is revised to remove the existing restriction that Clearstream Banking may only act as a triparty collateral service provider with respect to Original Margin in respect of F&O Contracts. As a result of such change, Clearstream Banking will be permitted to act as a triparty collateral service provider for initial or original margin in respect of any product category, including the CDS product category. (The other currently authorized triparty collateral service provider, Euroclear Bank, is similarly eligible to act as such

for any product category.) A correction is also made in paragraph 3.20 to provide that the specified instruction deadlines apply to triparty collateral arrangements with both Euroclear Bank and Clearstream Banking.

A copy of the proposed amendments to the Finance Procedures is attached hereto.

*Compliance with the Act and Commission Regulations*

The rule amendments are potentially relevant to the following core principles: (D) Risk Management, (E) Settlement Procedures and (F) Treatment of Funds, and the applicable regulations of the Commission thereunder.

- *Risk Management.* The amendments extend the Clearing House's existing triparty collateral service to allow optional use by Clearing Members of Clearstream Banking as a triparty collateral service provider for all product categories, in addition to its existing authorization for the F&O product category. The amendments do not otherwise change the substantive terms of the service, or the rights of the clearing house with respect to collateral held pursuant to a triparty arrangement. ICE Clear Europe views Clearstream Banking as substantially similar to Euroclear, the current service provider, from an operational and risk perspective. As a result, ICE Clear Europe believes that the amendments are consistent with the requirements of Core Principle D and Commission Rule 39.13.
- *Settlement Procedures.* Based on experience in the F&O product category, ICE Clear Europe believes that use of Clearstream Banking as a triparty collateral service provider can be appropriately extended to other product categories such as CDS. ICE Clear Europe further believes that having another option for a collateral service provider will benefit Clearing Members and facilitate the management of settlement bank risk by the clearing house. Accordingly, in ICE Clear Europe's view, the amendments are consistent with the requirements applicable to settlement of initial margin under Core Principle E and Commission Rule 39.14.
- *Treatment of Funds.* ICE Clear Europe views Clearstream Banking as substantially similar to Euroclear, the current service provider, in terms of the holding and safekeeping of funds and assets deposited by Clearing Members as initial or original margin in triparty collateral arrangements. The proposed extension of triparty collateral arrangements will not, in ICE Clear Europe's view, increase the risk of loss on such assets or of delay in ICE Clear Europe's access to such assets in the case of Clearing Member default. As a result, the arrangements are consistent with the requirements of Core Principle F and Commission Rule 39.15.

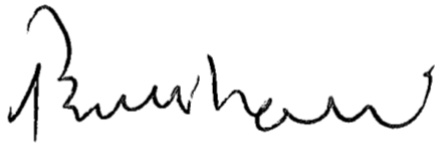
ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

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](mailto:patrick.davis@theice.com) or +44 20 7065 7738, Dee Blake, Director of Regulation, at [dee.blake@theice.com](mailto:dee.blake@theice.com) or +44 20 7065 7752 or Paul Swann, President & Managing Director, at [paul.swann@theice.com](mailto:paul.swann@theice.com) or +44 20 7065 7700.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Patrick Davis', written in a cursive style.

Patrick Davis  
Head of Legal and Company Secretary

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## 2. CASH COLLATERAL

- 2.1 The Clearing House will support transactions and account holdings in six currencies: USD, GBP, EUR, CAD, CHF and SEK. Initial Margin, Original Margin and FX Original Margin obligations may be met only in USD, GBP and EUR. CAD, CHF and SEK may be used by Clearing Members and Sponsored Principals only for the receipt of income on non-cash Permitted Cover with coupons payable in those currencies. CAD may also be used for Variation Margin and settlement payments only for Energy Contracts which settle in CAD. CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK and TRY may also be used for Variation Margin and settlement payments only for Financials & Softs Contracts which settle in such currencies.
- 2.2 The Clearing House supports cross currency collateral, which means that it is not necessary to cover Margin requirements in the same currency as the underlying Contract. The relevant exchange rate applied is the rate determined by the daily concentration procedure between central banks within and outside the European System of Central Banks (currently published by the European Central Bank at <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html#latest>) on the day or business day prior to the date on which the exchange rate is calculated by the Clearing House or, in the event that such rate is not available, a reasonable exchange rate determined by the Clearing House at its discretion. Cross currency coverage will result in the application of a “haircut” to cover fluctuations in exchange rates. Applicable exchange rate haircuts will be published from time to time by Circular. Haircuts will be determined as set out in section 10 of these Finance Procedures.

## 3. TRIPARTY COLLATERAL

### General

- 3.1 Clearing Members may use Triparty Collateral to cover Original Margin, Initial Margin and FX Original Margin requirements for certain Accounts, as specified in Circulars concerning the use of Permitted Cover. This facility is available to Clearing Members at the discretion of the Clearing House. The facility is available, and this paragraph 3 applies equally, to Sponsored Principals in the same way as it applies to Clearing Members, save as expressly set out in paragraph 3.2, subject to Part 19 of the Rules. The Clearing House reserves the right to terminate this arrangement at any time. The service is provided in cooperation with the following Triparty Collateral Service Providers:

Euroclear Bank

Clearstream Banking ~~(provided that Clearstream Banking will be a Triparty Collateral Service Provider solely with respect to Original Margin provided in respect of F&O Contracts).~~

- 3.2 These Finance Procedures should be read in conjunction with the Terms and Conditions and the Operational Procedures of the Triparty Collateral Service Providers. The legal basis underpinning the collateral consists of (i) the Collateral Service Agreement (or equivalent document) (CSA) of the Triparty Collateral Service Provider; (ii) the Clearing Membership Agreement (CMA, for Clearing Members) or Sponsored Principal Clearing Agreement (SPCA, for Sponsored Principals); and (iii) in respect of securities collateral which is transferred pursuant to a Pledged Collateral Addendum, such Pledged Collateral Addendum. The Collateral Giver (under the CSA) must be the same legal entity as the Clearing Member (under the CMA) or, in respect of an Individually Segregated Sponsored Account, the Disclosed Principal (under the SPCA).
- 3.3 The following definitions apply to these Triparty Collateral Procedures:
- (a) The term “Triparty Collateral Service Provider” or “Provider” means the institution offering the Triparty Collateral Service.
  - (b) The term “Triparty Collateral Instruction” or “Instruction” means the instruction to deposit or withdraw sent to the Clearing House by the Clearing Member or the initiation, amendment or

- (d) Settlement date (instruction date or next business day)
  - (e) Currency
  - (f) Amount of adjustment
- 3.11 Settlement accounts and the risk profile are considered to be static data and are stored in the ECS system. Clearing Members are not required to include this information in the initial instruction, amendment or closure towards the Clearing House. The static data is used by the Clearing House to create instructions to the Provider.
- 3.12 Please note that in ECS the Clearing Member must enter the increase or decrease in value of the Transaction. This is in contrast with the Instruction to the Triparty Collateral Service Provider which quotes the new Transaction value.
- 3.13 In ECS an entry in “add new collateral” will generate an initiation of a Triparty Collateral Transaction, an adjustment (“+” or “-“) will create an adjustment to the value of an existing Transaction and a reduction to zero will result in a closure.

#### **Matching or Settlement Instructions**

- 3.14 Matching and settlement can only take place during the normal settlement window of the Provider. Unmatched instructions will be cancelled after the last matching possibility on the day on which the relevant instructions are issued has elapsed.
- 3.15 The Clearing House will provide updated information on the settlement status of Instructions through ECS. Clearing Members are responsible for monitoring the status of the Instructions. The status of an instruction as matched or not matched is not advised by the Clearing House and the Clearing Member must confirm this directly with the relevant Provider.
- 3.16 It is the responsibility of the Clearing Member to ensure that instructions from ECS and the matching instruction to the Provider match correctly. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a settlement system, Provider or the Clearing Member.

#### **Cancellation requests and cancellation of pending instructions**

- 3.17 Clearing Members can only cancel an instruction prior to the time that the Clearing House sends the instruction to the Provider. After the Clearing House has sent the Instruction, the Clearing House will assume that the Instruction has been completed.
- 3.18 All unmatched Instructions are automatically cancelled at the end of each day in ECS. If the Instruction is unmatched and cancelled but the Clearing Member still wishes to initiate, amend or close the Transaction then the Clearing Member has to re-instruct the following business day.

#### **Settlement deadlines**

- 3.19 Deadlines will be set out and updated in the Clearing House’s Circulars.
- 3.20 Based on the market deadlines, the Clearing House has set the following deadlines for Triparty Collateral Instructions ~~for Euroclear Bank:~~
- SAME DAY settlement 15.00 pm (UK TIME)
- NEXT DAY settlement 16.00 pm (UK TIME)