



01 September 2022

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 –
Clearing Procedures and Delivery Procedures Amendments

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, amendments to (i) Parts C, D, F, H, K, L, AA, EE, and HH of its Delivery Procedures (“Delivery Procedures”) and (ii) Part I of its Clearing Procedures (“Clearing Procedures”) in each case to implement the use of Contingent Variation Margin for certain UK and European energy futures contracts.¹

Concise Explanation and Analysis

Background

The amendments are intended to extend the Clearing House’s use of Contingent Variation Margin (“CVM”) requirements during the tender or delivery period to certain additional UK and European natural gas and electricity futures contracts. Under the existing Rules and Procedures (including paragraph 4.6 of the Clearing Procedures),

¹ Capitalized terms used but not defined herein have the meanings specified in the Delivery Procedures or the Clearing Procedures (as applicable) or, if not defined therein, the ICE Clear Europe Clearing Rules.

CVM can be imposed by the Clearing House on specified F&O Contracts to account for the difference, during the delivery period, between the final settlement price for the relevant contract (typically established on the last trading day of the contract, before the commencement of the delivery period) and the price of the relevant contract for the next contract month. CVM is intended to provide additional protection to the Clearing House against potential exposure to Clearing Member default from movements in the market price of the underlying commodity during the delivery period. CVM is collected by the Clearing House from the applicable Clearing Members but not paid out to the opposite Clearing Members, although the opposite Clearing Member may apply the amount as a credit against other margin requirements.

ICE Clear Europe is amending the Clearing Procedures and the Delivery Procedures chapters for the relevant Contracts in order to implement the extension to specified UK and European energy futures contracts.

Clearing Procedures

Paragraph 4.6 of the Clearing Procedures has been updated to remove the two listed examples of contracts for which CVM is required. Given the Clearing House's proposed extension of the use of CVM, the examples are incomplete and are in any event unnecessary. Additionally, the amendments make a clarification that Clearing Members will not receive payment of CVM in cash (as opposed to referring to repayment) but instead may credit CVM against other margin requirements, as discussed above. Paragraph 4.7, which described a prior contingent credit approach for sellers under natural gas and electricity futures, has been removed as it will be superseded by the extension of CVM to such contracts.

Delivery Procedures

ICE Clear Europe is proposing to amend Parts C, D, F, H, K, L, AA, EE, and HH of its Delivery Procedures to implement CVM for physically-settled monthly European and UK electricity and natural gas futures contracts.

The delivery timetable for routine deliveries of ICE UK Electricity Futures in Part C of the Delivery Procedures has been updated to provide that on the Delivery Day of such contract the Clearing House will apply CVM to the Buyer's and the Seller's remaining units of the underlying to be delivered. The amendments further provide on the Business Day following the Delivery Day, the Clearing House will continue to apply CVM to the Buyer's and Seller's remaining units of the underlying to be delivered. The same updates have been made to the delivery timetable for routine deliveries of each of (i) ICE Futures UK Natural Gas Futures (Part D of the Delivery Procedures), (ii) ICE Endex TTF Natural Gas Futures (Part F of the Delivery Procedures), (iii) ICE Endex German THE Natural Gas Futures (Part H of the Delivery Procedures), (iv) ICE Endex Dutch Power Futures (Part K of the Delivery Procedures), (v) ICE Endex Belgian Power Base Load Futures (Part L of the Delivery Procedures), and (vi) ICE Endex French PEG Natural Gas Futures (Part HH of the Delivery Procedures). In respect of the delivery timetable for routine delivery of ICE Endex PSV Natural Gas Futures (Part AA of the Delivery Procedures) and ICE Endex VTP Natural Gas Futures (Part EE of the Delivery Procedures), similar updates have been made taking into account the delivery characteristics of those contracts: each such timetable has been amended to

provide that on the first Business Day immediately preceding the first day of the month in which the Delivery Day specified in the relevant contract commenced, the Clearing House will apply CVM to the Buyer's and the Seller's remaining natural gas units. The amendments further provide that on the Business Day following the Delivery Day, the Clearing House will continue to apply CVM to the Buyer's and Seller's remaining natural gas units.

The amendments have made certain other clarifications updates to the Delivery Procedures unrelated to the implementation of CVM. Specifically, references to ICE Futures UK Natural Gas (EUR/MWh) Futures Contracts in Part D of the Delivery Procedures have been removed as such contracts are no longer traded. In Part F of the Delivery Procedures (ICE Endex TTF Natural Gas Futures), references to weekly contracts (and related defined terms such as "Delivery Week" and "W+" and "W-" have been removed as no such TTF natural gas contracts of this type are traded. The remaining provisions apply to the continuing monthly contracts (with some references to "monthly" removed as no longer necessary to distinguish from weekly contracts). In Part K of the Delivery Procedures (ICE Endex Base Load Futures), references to the ICE Endex Dutch Power Base Load Week Futures and related references to weekly contracts and related defined terms are being removed since such weekly contract will no longer be listed for trading. The remaining provisions apply to the continuing monthly contracts (with some references to "monthly" removed as no longer necessary to distinguish from weekly contracts). In Part HH of the Delivery Procedures (ICE Endex PEG Natural Gas Futures) references to the applicable ICE Endex confirmation reports are being corrected.

Compliance with the Act and CFTC Regulations

The amendments to the Clearing Procedures and the Delivery Procedures are potentially relevant to the following core principles: (D) Risk Management and (E) Settlement Procedures and the applicable regulations of the Commission thereunder.

- *Risk Management.* As discussed above, the amendments are intended to extend existing CVM provisions in the Procedures to apply to certain additional UK and European electricity and natural gas futures contracts to enhance the protections for the Clearing House against the risk of market movements in the underlying commodity during the delivery period. The amendments to the Delivery Procedures are designed to add applicable references to CVM requirements in respect of the routine delivery of certain physically-settled European and UK Natural Gas futures contracts in order to reflect the Clearing House's application of CVM. The changes to the Clearing Procedures are intended to align with those amendments. As discussed above, ICE Clear Europe believes that CVM will provide additional protection to the Clearing House during the delivery period, and thus will facilitate the management of default risk during the delivery period. As such, ICE Clear Europe believes the amendments are consistent with the requirements of Core Principle D and Commission Rule 39.13.
- *Settlement Procedures.* The changes to the Delivery Procedures are designed to amend delivery specifications in respect of the routine delivery of certain

physically-settled European and UK Natural Gas futures contracts to reflect the application of CVM. Clearance of such contracts (including the requirements for settlement of initial and variation margin prior to the delivery period) would not otherwise be affected. The amendments would also not otherwise change the delivery terms and conditions for such contracts or otherwise affect the ICE Clear Europe's existing financial resources, risk management, systems and operational arrangements supporting delivery. As amended, the Delivery Procedures thus appropriately state the role and responsibilities of the Clearing House and Clearing Members with respect to physical delivery. As a result, ICE Clear Europe believes these amendments are consistent with the requirements of Core Principle E and Commission Rule 39.14.

As set forth herein, the amendments consist of the amendment to the Delivery Procedures and the Clearing Procedures, a copy of each 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 received no substantive opposing views in relation to the 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 George.milton@theice.com or +44 20 7429 4564.

Very truly yours,



George Milton
Head of Regulation & Compliance