



29 October, 2021

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 –
Collateral and Haircut Procedures

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, the amendments to the Clearing House’s Collateral and Haircut Procedures (the “Collateral and Haircut Procedures” or “Procedures”) to (i) include explicitly the formula used for calculating Permitted Cover value, and (ii) provide further details on the Clearing House’s procedures for monitoring data related to collateral valuations, including the responsibilities of its different teams.¹ The amendments will 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 revising its Collateral and Haircut Procedures to state explicitly the formula used by the Clearing House for calculating the value of Permitted Cover provided by Clearing Members in respect of margin and guaranty fund requirements. The formula provides that cover value is equal to $\text{Nominal} * \text{Price} / 100 * (1 - \text{Haircut}) +$

¹ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules and the Collateral and Haircut Procedures.

Nominal*Accrued, where price is clean and accrued is expressed in %. Further to this description of the Permitted Cover value calculation, the changes also state that as a matter of standard practice at the Clearing House, Treasuries will be given no cover value 2 business days prior to maturity and a cash call will be issued if a Member's account is in deficit. Additionally, the amendments state that accrued interest loses value one day prior to the coupon pay date. These changes reflect existing practice at ICE Clear Europe with respect to the valuation of Permitted Cover and are intended only to document that practice more clearly.

The amendments also update the Clearing House's processes for monitoring data related to collateral pricing and describe the roles of various teams tasked with such monitoring. Specifically, the amendments reflect that the System Operations team checks end of day collateral pricing. The amendments state that the Credit team has the controls to monitor End of Day market data that the System Operations team uses to value collateral against thresholds to ensure that the data is not "stale". Additionally, the amendment provides that the Treasury team reconciles and confirms the daily bilateral collateral positions (nominal amounts). These amendments do not reflect a change in current practice, but are intended to clarify relevant documentation.

Finally, the description of the scope of the Collateral and Haircut Procedures has been revised to remove an incorrect statement that the Procedures do not address intraday and end of day valuation of collateral.

Compliance with the Act and CFTC Regulations

The amendments to the Collateral and Haircut Procedures are potentially relevant to the following core principles: (B) Financial Resources, (D) Risk Management, and (O) Governance and the applicable regulations of the Commission thereunder.

- *Financial Resources.* The proposed changes to the Procedures are designed to clarify the documentation of certain existing practices of the Clearing House around valuation of Permitted Cover. Specifically, they would clearly state the formula used by the Clearing House for calculating Permitted Cover value as well as clarify related procedures. The amendments would thus facilitate the Clearing House's ability to calculate the value of its financial resources to support its clearing operations, consistent with the requirements of Core Principle B and Commission Rule 39.11.
- *Risk Management.* As noted above, the amendments are generally designed to enhance the Clearing House's documentation of practices relating to valuation of Permitted Cover. Further, the amendments would update and clarify the processes, controls and escalations with respect to collateral valuation data monitoring as well as outline the responsibilities of the Clearing House's personnel in relation to such monitoring. In ICE Clear Europe's view, the amendments thus will facilitate the regular valuation of assets posted in respect of initial margin requirements, and the overall operation of the Clearing House's margin and risk management framework. As such, ICE Clear Europe believes the amendments are consistent with the requirements of Core Principle D and Commission Rule 39.13.

- *Governance.* The amendments to the Collateral and Haircut Procedures would clarify the responsibilities of the Clearing House's personnel in relation to collateral valuation data monitoring and ensure that they remain clear and transparent. The amendments would also address relevant controls and escalations around valuation. ICE Clear Credit believes that the amendments are therefore consistent with the requirements of Core Principle O and CFTC Rule 39.24.

As set forth herein, the amendments consist of the amendments to the Collateral and Haircut Procedures. ICE Clear Europe has requested confidential treatment with respect to the amendments, which have been submitted concurrently 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 received no substantive opposing views in relation to the proposed 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