



October 4, 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 –  
Liquidity Management Procedures and Investment Management 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 Liquidity Management Procedures and Investment Management Procedures to make certain clarifications and updates.<sup>1</sup> 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 amending its Liquidity Management Procedures to (i) reflect that cash substitution requests may be a source of payment obligations relevant to liquidity management, (ii) include certain additional procedures and requirements for the Clearing House with respect to adding new accounts or amending existing accounts with counterparties and (iii) clarify how intraday collateral is being monitored. ICE Clear Europe is also amending its Investment Management Procedures to (i) add additional detail with respect to Maximum Issuer/Counterparty Concentration Limits in

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules.

respect of reverse repurchase agreements and (ii) add additional concentration limits for investment of customer funds of FCM/BD Clearing Members.

## I. Liquidity Management Procedures

The list of payment obligations relating to liquidity management has been revised to reflect explicitly that any cash substitution requests by Clearing Members will be a source of payment obligations. The amendment does not reflect a change in any Clearing House practice or source of obligations but is intended to make the list more comprehensive.

A new section relating to special considerations for account opening has been added. The amendments provide that when the Clearing House is adding new accounts or amending existing accounts with counterparties, the Treasury Department will advise the Legal and Compliance Departments in accordance with relevant departmental procedures to ensure that relevant banking agreements are modified, any side or acknowledge letters are obtained and any required regulatory submissions are timely made, as appropriate. Such scenarios include the opening of new accounts for futures customer funds in accordance with Commission Rule 1.20(g).

Provisions relating to haircutting of non-cash collateral and cash collateral in currencies other than the required currency have been amended to correct the reference to the Credit Risk team (not the Clearing Risk team) that monitors the price of such assets. The amendments also state that the price of such assets will be monitored during the day against the applied haircuts, as a clarification that reflects current practice. The statement that the Credit Risk team will call for additional IM in the event of a shortfall in the value of the collateral held has been removed as unnecessary to be in the Liquidity Management Procedures as that is addressed in other existing Clearing House policies. Other technical, typographical and formatting edits have been made.

## II. Investment Management Procedures

In the Table of Authorised Investments and Concentration Limits for Cash from CMs and from Skin In The Game (the “Table”), the Maximum Issuer/Counterparty Concentration Limits applicable to reverse repurchase agreements has been revised to clarify that the numerical concentration limits are based on total cash balance per counterparty group, consistent with existing practice. Additionally, a footnote has been added to such section to provide that breaches of those issuer limits for reverse repurchase agreements solely due to valuation differences or operational failure/error will not be considered as a breach of policy. Such updates are to provide additional detail about existing practices in order to provide clarification and are not intended to reflect any change such practices.

The Table has also been updated to add an additional concentration limits for FCM customer funds. Specifically, with respect to reverse repurchase agreements, the Maximum Issuer/Counterparty Concentration Limits is 25% of total FCM customer cash balance per counterparty group. The amendment is intended to document an existing limitation based on Commission Rule 1.25.

## *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 (F) Treatment of Funds and the applicable regulations of the Commission thereunder.

- *Financial Resources.* The amendments to the Liquidity Management Procedures are intended to clarify the calculation of certain liquidity obligations of the Clearing House, specifically cash substitution requests. As such, the amendments will facilitate calculation and monitoring of required liquidity resources, consistent with the requirements of Core Principle B and Commission Rule 39.11. consistent with the requirements of Core Principle B and Commission Rule 39.11.
- *Risk Management.* As noted above, the amendments to the Liquidity Management Procedures are intended to more clearly document and enhance certain policies, practices and considerations for monitoring and reviewing liquidity risks and haircutting of collateral. The updates to the Investment Management Procedures better document certain arrangements with respect to the Clearing House's investments, as described above, particularly with respect to concentration limits applicable to reverse repurchase agreements. The amendments thus strengthen the management of potential investment counterparty risks. As such, ICE Clear Europe believes the amendments further its overall risk management consistent with the requirements of Core Principle D and Commission Rule 39.13.
- *Treatment of Funds.* The amendments to the Liquidity Management Procedures are intended to enhance account opening procedures, which will facilitate protection of assets of Clearing Members and their customers provided to the Clearing House and compliance with Commission Rule 1.20. The updates to the Investment Management Procedures clarify Maximum Issuer/Counterparty Concentration Limits applied in connection with the investment of assets of Clearing Members and their customers. The amendments also document concentration limits applicable to investments of FCM customer funds, consistent with requirements of Commission Rule 1.25. As such, ICE Clear Europe believes the amendments enhance the Clearing House's ability to hold and invest assets of Clearing Members and customers in a manner that minimizes credit, market and liquidity risks, consistent with the requirements of Core Principle F and Commission Rule 39.15.

As set forth herein, the amendments consist of the amendments to Liquidity Management Procedures and the Investment Management 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](mailto:George.milton@theice.com) or +44 20 7429 4564.

Very truly yours,

George Milton  
Head of Regulation & Compliance