



21 February, 2024

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 Rule 40.6  
– Investment Management 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 its Investment Management Procedures (the “Procedures”).<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*

Investment Management Procedures

The Clearing House is amending its Investment Management Procedures to make certain clarifications as to maximum maturity and rating requirements for permissible investments and to enhance requirements for monitoring of concentration limits, investment criteria and market risk. The amendments will also clarify and conform uses of certain terminology throughout.

The amendments will clarify that the Procedures apply to investment of operating cash as well as ICE Clear Europe contributions to the default waterfall and regulatory capital. The discussion of overall investment considerations will be amended to add explicit requirements that eligible investments will be freely transferrable and available for sale or as collateral for repo transactions and have an active outright sale or repo market. Under the revised Procedures, the Treasury will run periodic tests with market counterparties to help determine the liquidity of these assets. The amendments will also clarify that market risk and credit risk for the investment portfolio is monitored by the

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings specified in the Policy and Procedures or, if not defined therein, the ICE Clear Europe Clearing Rules.



Treasury and Credit Risk departments and in accordance with the ICE Clear Europe procedures.

The amendments will consolidate the tables of Authorized Investments and Concentration Limits to cover investment of cash from Clearing Members, ICE Clear Europe capital and ICE Clear Europe “Skin In The Game” contributions to the default waterfall (such that all will be subject to the same limitations). The amendments will also make certain clarifications relating to ratings, concentration limits and maximum maturity. For example, the amendments will clarify that the rating requirements may generally be met by a required rating from at least one or in some cases two Nationally Recognised Statistical Rating Organisations (“NRSRO”), rather than identifying specific rating agencies. Lists of required ratings will also be revised to include S&P, Moody’s and Fitch equivalents.

For the purchase of EU Sovereign Debt, overall issuer concentration limitations for investments in sovereign debt of Belgium and Netherlands have been removed. Minimum rating requirements would be established for EU sovereign debt investments. Similarly, for Commercial Bank Deposits, the maximum portfolio concentration limit will be revised to be on a trailing 30-day basis (rather than based on a calendar month average). The list of eligible central bank depositories will also be updated.

Corresponding changes relating to minimum ratings will be made in the table of Acceptable Collateral for Reverse Repurchase Agreements. The categories of EU Sovereign and Agency Debt will be amended to specify that the debt must be issued by one of Austria, Belgium, Finland, France, Germany, Luxembourg and the Netherlands. Certain cross-currency repo haircuts will also be amended such that haircuts for UK or US Sovereign Debt used in EUR repo will change from 4% to 5% and haircuts for EUR Supranational Debt used in EUR repo will be decreased from 4% to 2%. Additionally, haircuts for EU or US Sovereign Debt used in GBP repo will increase from 4% to 5% and haircuts for GBP Supranational Debt used in GB repo will decrease from 4% to 2%. Haircuts for EU or UK Sovereign Debt used in USD repo will move from 4% to 5%, USD Supranational Debt used in USD repo will be reduced from 4% to 2% and USD Government Agency Debt used in USD repo will be reduced from 4% to 2%.

Further amendments will also be made to provisions relating to the monitoring of concentration limits and investment criteria (and breaches of those limits and criteria), as well as market risk more generally. The amendments add a statement reflecting that the investment portfolio’s primary goal is capital preservation and clarify that the Treasury department monitors the investment portfolio with regard to conditions in money and capital markets as part of risk management. The amendments also address management of custodial risk (including related liquidity risks), through the use of central securities depositories and highly rated commercial banks as depositories and monitoring of risk as part of liquidity stress testing.

The amendments also clarify that investments will be monitored and reconciled on a daily basis to ensure compliance with investment limitations. In addition, the amendments provided that if a breach is reported during the liquidity stress testing, then custodian exposure will be reviewed and adjusted.



The amendments will make updates to procedures for ongoing periodic review of the Procedures, breach management, exception handling and document governance, consistent with other ICE Clear Europe policies and procedures.

#### *Compliance with the Act and CFTC Regulations*

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

- *Treatment of Funds.* As discussed above, the amendments to the Procedures are intended to more clearly document and make certain modifications to investment limitations in connection with the investment of Clearing Member and customer funds provided by Clearing Members. As such, the revised Policy and Procedures will help enable the Clearing House to safeguard such assets and ensure that such assets are invested in instruments with minimal credit, market and liquidity risks. The amendments will better facilitate monitoring of concentration limits and criteria as well as any breaches. As such, ICE Clear Europe believes the amendments are consistent with the requirements of Core Principle F and Commission Rule 39.15.
- *Risk Management.* As discussed above, the amendments to the Procedures are intended to more clearly describe the Clearing House's practices regarding monitoring and management of market risk in the investment portfolio. The amendments will thus facilitate the Clearing House's ability to manage the risks associated with discharging its responsibilities, consistent with the requirements of Core Principle D and Commission Rule 39.13.
- *Governance.* As discussed above, the amendments update the documentation governance, review and approval provisions for the Procedures documents, in a manner consistent with other ICE Clear Europe policies and procedures. The amendments more clearly set out the roles of relevant personnel and committees and in the governance process, among other enhancements. In ICE Clear Europe's view, the amendments are therefore consistent with the requirements of Core Principle O and Commission Rule 39.24.

As set forth herein, the amendments consist of the amendments to the Investment Management Procedures. ICE Clear Europe has requested confidential treatment with respect to the Procedures, 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 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@ice.com](mailto:George.milton@ice.com) or +44 20 7429 4564.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'G. Milton', is written over a faint, light blue circular watermark or background.

George Milton  
Head of Regulation & Compliance