



**FOIA CONFIDENTIAL TREATMENT REQUESTED**

April 21, 2023

**VIA CFTC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St., N.W.  
Washington, D.C. 20581

**Re: Amendment to ICE NGX Canada Inc. Rules - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and CFTC Regulation § 40.6(a)**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, (“Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE NGX Canada Inc. (“ICE NGX”) is submitting this self-certification of amendments to the ICE NGX Risk Management Framework (“RMF”). The RMF is a “rule” as that term is defined under Commission Regulation 40.1(i). ICE NGX intends to implement these amendments between June 1 and June 15, 2023, or on such later date as ICE NGX may designate.

**1. Overview**

ICE NGX is making this submission to implement certain changes (the “Amendments”) to the ICE NGX RMF to refine the methodology for calibrating the seasonality factor in the Shortfall Margin (“SFM”) calculation.

**2. Details of Rule Changes**

***Shortfall Margin***

As Commission staff is aware, ICE NGX calculates and applies SFM, as an add-on component of initial margin, to mitigate against the risk of Contracting Parties, as aggregated by clearing accounts, from building up exposure beyond their credit capacity. ICE NGX stress tests each clearing accounts’ portfolio to measure the uncollateralized exposure, i.e., the amount by which the stress testing value exceeds base IM requirements. ICE NGX then collects SFM in the amount, if any, by which the uncollateralized stress exposure exceeds the clearing account’s “Shortfall Allowance”, which is the permitted amount of uncollateralized stress exposure allocated to the clearing account.

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ICE NGX's stress testing for the purposes of SFM incorporates a seasonality factor. The seasonality factor is designed to reflect long term volatility patterns in the natural gas and power markets in North America, in order to more efficiently margin Contracting Parties' portfolios and exposures.

ICE NGX is refining the methodology for calibrating the seasonality factor in stress testing for SFM purposes to follow a more standard and straightforward methodology.

***No other changes to stress testing***

ICE NGX is not making any changes to its stress testing for the purposes of calculating and monitoring financial resources

**3. Compliance with Core Principles**

ICE NGX reviewed the Amendments and determined that they comply with the rules and regulations of the Commission. In this regard, ICE NGX reviewed the derivatives clearing organization ("DCO") core principles (each a "Core Principle") and determined that the Amendments are potentially relevant to the following Core Principles and applicable regulations of the Commission thereunder.

Compliance (Core Principle A): The Amendments are consistent with Core Principle A - Compliance and Commission Regulation 39.10, as the Amendments clarify, enhance and update ICE NGX's policies and procedures for complying with Commission regulations and internal policies.

Risk Management (Core Principle D): The Amendments are consistent with Core Principle D - Risk Management and the following Commission Regulations:

- § 39.13(a), as the Amendments refine ICE NGX's Shortfall Margin practices, which help to enable ICE NGX to manage the risks associated to it through tools and procedures appropriate to the North American energy markets for which it provides clearing services;
- § 39.13(b), as the Amendments update ICE NGX's risk management framework to reflect changes to risk management practices;
- § 39.13(e), as the Amendments refine ICE NGX's practices for measuring credit exposure to each clearing participant;
- § 39.13(g)(1), as the Amendments standardize the calibration of the seasonality factor for the purposes of Shortfall Margin to reflect a risk-based approach to this initial margin requirement;
- § 39.13(g)(3), as the Amendments reflect a change to ICE NGX's SFM model that has been independently validated;

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- § 39.13(f)(1), as the Amendments enhance ICE NGX's application of Shortfall Margin, a margin requirement designed to limit its exposure to potential losses from a default by a clearing participant, to better ensure that a non-defaulting clearing participant is not exposed to losses that the non-defaulting clearing participant cannot anticipate or control;
- § 39.13(h)(3)(i), as the Amendments enhance the calibration of the seasonality factor in ICE NGX's stress testing and practices for the purposes of SFM.

#### 4. Certifications

ICE NGX certifies that the proposed Amendments discussed in this submission comply with the Commodity Exchange Act, including the Core Principles and the Regulations of the Commission thereunder. ICE NGX is not aware of opposing views expressed regarding these amendments. ICE NGX further certifies that, concurrent with this filing, a copy of this submission was posted to ICE NGX's website.

If you have any questions or require further information, please do not hesitate to contact me at 403-479-4639 (mobile) or [martin.mcgregor@ice.com](mailto:martin.mcgregor@ice.com).

Yours truly,

A handwritten signature in black ink, appearing to read 'Martin McGregor', is positioned above a horizontal line.

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Martin McGregor  
General Counsel & CCO  
ICE NGX Canada Inc.