



**FOIA CONFIDENTIAL TREATMENT REQUESTED**

May 7, 2024

**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) - Risk Management Framework Amendments**

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 (the “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).

**1. Overview**

The Amendments are primarily designed to update descriptions to reflect current practices and procedures, and to update or improve drafting including non-substantive and conforming changes.

ICE NGX intends to implement these amendments on May 24, 2024, or such later date as ICE NGX may designate.

**2. Details of Rule Changes**

In addition to non-substantive and conforming changes, including changes to align with corresponding provisions in the ICE NGX Contracting Party Agreement (“CPA”), the Amendments add a new Shortfall Allowance bucket, to facilitate further refinement in ICE NGX’s management of risks arising from exposure to Contracting Parties. Shortfall Allowance is the amount of uncollateralized stress exposure that ICE NGX allows a Contracting Party, as aggregated by clearing account (i.e., with its Contracting Party Affiliates) to build up before requiring additional “Shortfall Margin”.

ICE NGX holds Contracting Party cash collateral in account at its principal banker in accounts controlled by ICE NGX “for-the-benefit-of” the Contracting Party. The Amendments enhance ICE NGX’s procedures to require the naming of Contracting Party cash collateral accounts specifies that the accounts are for the benefit of the Contracting Party.

The Amendments also:

- enhance and consolidate the description of policies and procedures for managing risks relating to accepting letters of credit as collateral; and
- reflect current practices and procedures for calculating and providing ICE NGX's "K<sub>CCP</sub>" to interested Contracting Parties.

The Amendments document current practices and procedures relating to

- a Contracting Party that no longer meets the Minimum Qualification Requirements as defined in the CPA;
- end-of day checks relating to settlement prices;
- the naming of Contracting Party cash collateral accounts, specifying that the account is "for-the-benefit-of" or "FBO" the Contracting Party; and
- certain regulatory calculations and reporting.

The Amendments document current practices and procedures relating to the automatic calculation and posting, by ICE NGX's systems, to a Contracting Party's margin requirements:

- in near-real time, of variation gains and losses;
- at the end of each day, of Account Payable/ Account Receivable amounts to a Contracting Party's margin requirements, to reflect recognition of deliveries; and
- at the end of each day, of crystallized gains and losses from that day on financially settled Canadian power products, as "MTM Settlement Amount".

The Amendments consolidate, clarify and enhance the documentation and description of Initial Margin calculations and components, including to use consistent terminology within the RMF and to reflect current practice.

The Amendments also document that ICE NGX's credit facilities are available to it as overdraft, rather than via formal request for disbursement. Finally, the Amendments document the governance surrounding the minimum balances that ICE NGX maintains in its settlement accounts as part of its liquidity risk management.

### **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.

Financial Resources (Core Principle B): The Amendments are consistent with Core Principle B - Financial Resources and Commission Regulations

- § 39.11(a) generally and § 39.11(e)(1)(i), as the Amendments update certain descriptions to reflect ICE NGX's current practices relating to its Financial Resources and Liquidity Resources;
- § 39.11(a) generally and § 39.11(e)(1) generally, as the Amendments describe the means of accessing ICE NGX's committed and uncommitted credit facilities; and
- 39.11(e)(1)(ii), as the Amendments enhance the documentation of ICE NGX's procedures relating to calculation of the "average of averages" as required under this section.

Participant and Product Eligibility (Core Principle C): The Amendments relating to a Contracting Party that no longer meets the Minimum Qualification Requirements are consistent with Core Principle C - Participant and Product Eligibility and Commission Regulations § 39.12(a)(1) generally and § 39.12(4), as the Amendments enhance the documentation and description of the actions ICE NGX may take if a Contracting Party no longer meets the Minimum Qualification Requirements.

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

- § 39.13(e)(1) and (2), as the Amendments update the descriptions relating to measurement and monitoring of credit risk exposure to Contracting Parties throughout each business day;
- § 39.13(g) generally, as the Amendments clarify and enhance the description of ICE NGX's risk management practices relating to margin requirements, including:
  - the components of initial margin, namely "core" portfolio margining initial margin and initial margin add-ons including providing greater specificity relating to low liquidity positions;
  - the automated, systems-based, near real-time calculation and posting of variation gains and losses to the Contracting Party's margin requirements including, for all products except financially settled Canadian power products, the impact of contract expiry on accrued variation gains and losses;

- the automated, systems-based, end-of day crystallization of daily gains and losses under financially settled Canadian power products for daily settlement on a T+2 basis;
- the automated, systems-based, end of day calculation and posting of commodity delivery values to the Contracting Party's margin requirements as accounts payable/ accounts receivable; and
- § 39.13(g)(5), as the Amendments document ICE NGX's end-of-day procedures designed to improve the end-of-day process and identify potential issues in end-of-day settlement prices;
- § 39.13(g)(10), (11) and (12), as the Amendments enhance the documentation of ICE NGX's management of risks relating to accepting letters of credit as collateral; and
- § 39.13(h)(1)(i) and (ii), as the Amendments introduce a new "Shortfall Allowance" of CAD 75 million bucket, designed to further refine ICE NGX's management of Contracting Party risk limits.

Settlement Procedures (Core Principle G): The Amendments are consistent with Core Principle G - Settlement Procedures and Commission Regulations:

- § 39.14(b) as informed by ICE NGX's Amended DCO Registration Order issued by the Commission on February 15, 2024, as the Amendments enhance the documentation of ICE NGX's procedures relating to the near real-time calculation and posting of variation gains and losses to the Contracting Party's margin requirements; and
- § 39.4(g)(2), as the Amendments describing the end of day calculation and posting of commodity delivery values to the Contracting Party's margin requirements enhance the documentation of ICE NGX's risk management relating to Contracting Parties' financial obligations arising from commodity deliveries.

Treatment of Funds (Core Principle F): The Amendments are consistent with Core Principle F - Treatment of Funds and Commission Regulation 39.15(a) and (c) as the Amendments update descriptions relating to the holding of Contracting Party cash collateral, namely that the account naming convention specifies that the accounts are for the benefit of the Contracting Party.

Public Information (Core Principle L): The Amendments are consistent with Core Principle L - Public Information and Commission Regulations § 39.21(a) generally and (c)(9) as the Amendments describe ICE NGX's processes relating to calculating its  $K_{CCP}$  value, publicly disclosing the  $K_{CCP}$  value and providing the  $K_{CCP}$  value to interested Contracting Parties.

#### **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 403-974-1701 or [greg.abbott@ice.com](mailto:greg.abbott@ice.com), or Martin McGregor, ICE NGX General Counsel & CCO, at 403-974-1740 or [martin.mcgregor@ice.com](mailto:martin.mcgregor@ice.com).

Yours truly,

A handwritten signature in black ink, appearing to read "G. Abbott", positioned above a horizontal line.

---

Greg Abbott  
President & COO  
ICE NGX Canada Inc.