



September 13, 2023

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
– Futures and Options Risk 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 Futures and Options Risk Procedures (the “F&O Risk Procedures” or “Procedures”) to make certain updates and clarifications relating to risk management for the F&O product category, including to reference the Clearing House’s Model Risk Policy and update the Document Governance and Exception Handling provisions.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 amending its Futures and Options Risk Procedures to make various updates and clarifications, including to add a section describing the existing F&O Guaranty Fund, make reference to the recently revised Model Risk Policy, and update the Document Governance and Exception Handling language. Various non-substantive drafting changes and improvements will be made throughout the document. The

¹ Capitalized terms used but not defined herein have the meanings specified in the F&O Risk Procedures or, if not defined therein, the ICE Clear Europe Clearing Rules.

amendments generally do not represent a change in the Clearing House's practices, but rather are intended to improve and clarify the documentation of existing risk management practices.

In the purpose section of the document, the amendments will clarify that details of models described in the Procedures (in addition to processes) are included in the relevant model methodology and procedure documentation. The amendments will further provide that any changes to the risk parameters will be subject to the governance set out in the Model Risk Policy. The amendments will also make non-substantive clarifications to the description of the role of ICE Clear Europe as a central counterparty.

The revised Procedures will simplify the description of Clearing Member groups and clarify that Clearing Members in the same Member Group may be based in various jurisdictions rather than specifically referencing a Clearing Member in Europe and another part of the world. The amendments will also make clear that in order to perform exposure analysis at appropriate levels of aggregation, the Clearing House associates its Clearing Members in Member Groups. Additional language regarding how Member Groups are identified and the internal groups responsible for the membership onboarding process will be removed as unnecessary.

The amendments will also simplify and clarify the discussion of the various types of proprietary and client margin accounts made available to its Clearing Members (which are established pursuant to the published Rules and Clearing Procedures and are not being changed by virtue of these amendments). The amendments will state more simply that the Core IM is calculated on either a "Gross" or "Net" basis dependent upon the type of margin account. (As an exception, the chart detailing the margin accounts is being revised to change the Core IM Method for the Individual Client (ISOC) accounts (I) and (J) from Net to N/A, as the net/gross distinction is not applicable for such accounts). Various conforming changes will be made to the summary of the accounts, including to reflect that the house account (H) is margined on a net basis, as was already reflected in the chart. Additional clarifications will be made that accounts are margined on a net *or* gross basis (rather than a net *and* gross basis). The amendments will also explain more concisely that information as to Money Rules and FCM/BD customer applicability is included in the table to distinguish account types. A footnote will also be added to provide an ICEU EMIR Disclosure Statement that supplies further details on the margin account types.

The amendments further clarify the distinction between the net and gross calculations of initial margin in light of Commission and Bank of England/EU requirements. The amendments note that the net margin methodology for customer accounts uses a two-day margin period of risk (MPOR), whereas the gross margin methodology for customer accounts uses a one-day MPOR (and that EU rules treat the one-day MPOR gross margin calculation under Commission rules as equivalent to the two-day MPOR net margin calculation). The amendments also make non-substantive drafting clarifications to the discussion of net and gross margin methods. The amendments add a statement that house and proprietary affiliate positions of a clearing member are calculated using a minimum two-day MPOR. The amendments reflect existing practice and will not change the manner of calculation of initial margin for any accounts. The

amendments will remove as unnecessary language referencing ICE Clear Europe setting up multiple customer accounts to cater for ESMA and Commission requirements.

The amendments will clarify that ICE Clear Europe performs position keeping of all positions belonging to each account of both clearing members and non-clearing members (defined as members of ICE exchanges that are not clearing members). The changes will also clarify that for gross margined accounts, the Clearing House relies on a gross client margin file provided by the clearing member for purposes of position management and calculation of gross initial margin. The changes also address reconciliation of the gross client margin file against actual positions in the relevant account and margining of any inconsistencies. These amendments do not represent a change in current practice by the Clearing House.

The amendments will specify that the Clearing Risk Department is the owner of the Procedures document and remove references to the F&O Market Risk team.

The discussion of initial margin will be revised for greater simplicity and clarity and are not intended to change the substance of the calculation of initial margin, which is set forth in the existing applicable model documentation for the ICE Risk Model. The amendments will clarify that initial margin consists of Core IM and Additional IM to mitigate the risk it is exposed to on all Futures and Options positions. The amendments will also clarify that the Procedures provide detail to each of the IM components (removing unnecessary references to frequency, limits and thresholds, exceptions and escalation).

The amendments will clarify that the ICE Risk Model uses margin rates in computing Core IM and these margin rates are the responsibility of the Clearing Risk Department. A reference to a specific version of the IRM Margin Rate Calibration Model Documentation will be deleted as unnecessary and computation of the model margin rates, as opposed to calibrated margin rate, will be inserted above the table detailing the computation. The table of standard settings for the computation of model margin rates (referred to as the “Autopilot rates”) will be simplified, removing rows labeled “System/Process”, “Test/Frequency”, and “Exceptions” as unnecessary, and removing references to specific Energy and Financial & Softs sectors. Likewise, the Margin Period of Risk will be summarized as 1 day or 2 days depending on the product, consistent with the discussion above. The summary of the lookback period will be revised from at least 100 days to VaR that is at least as conservative as that based on a 250-day lookback. The Anti-Procyclicality element description will be amended to be at least 25 percent stressed volatility (rather than exactly 25%). The row on Risk Parameters will be replaced with a summary of the output of the risk model.

The amendments will clarify the process for review and promotion of production margin rates. The amendments reflect that the review of the production margin rate is performed versus trigger criteria daily (as opposed to quarterly). As a result of the daily updates, a reference to ad hoc updates in addition to quarterly reviews will be deleted as it is no longer required. The amendments will address that that production margin rates are set to the Autopilot model rates at a specific point in time after each review through a process called promotion. It will further state that the production rates are the

margin rates used in the calculation of Clearing Member's Core IM requirements. The steps to review and the promotion of the proposed production margin rates will include mention of their promotion. The steps will also be simplified to state that first the update to the production margin rates is proposed and reviewed by the Clearing Risk Department, then the Clearing Risk Department seeks approval for the margin update. Then once approved, the Clearing Risk Department promotes the margin rates into the Risk System, followed by informing the Clearing Members and wider market of the new margin rates by means of the Clearing House's website. The amendments will add that typically one business day's notice is given to the market from the date of the circular, and the Clearing Risk Department will then upload the approved margin rates to the ICE Clear Europe website upon publication of the circular.

A cross-reference to documentation relating to ICE Risk Model parameters will be updated to include a general reference to the ICE Risk Model documentation instead of an outdated version. Details on certain parameters relating to EWMA volatility and APC stress volatility will be removed as they are addressed in the ICE Risk Model documentation. The amendments will add another new sub-section on the ICE Risk Model Daily Requirements that will outline the process for computing Core IM as part of the End of Day process. This will include computation of the ICE Risk Model daily margin requirements and EMIR Add-on for each Clearing Member margin account. The related table with the summary of products eligible under each margin account will change the I and J Accounts to N/A as opposed to Net margining type. The footnote will explain that for these accounts the sub-clients within the client account are individually (rather than net) margined. Any material change in Core IM will be escalated to Operations, instead of the previous plus or minus 5 percent escalation threshold. This section will also reference a summary of the IRM Margin Rate Promotion and Core IM processes that will be added in the Appendix to the Procedures. These changes are consistent with existing margin practice but are intended to document the current process more clearly.

In terms of additional IM, the amendments will specify that such amounts are to collateralize risks not captured by the Core IM amount. Clarifications will be made to the descriptions of various types of additional IM, as discussed herein. For example, amendments will clarify that the additional risk from concentrated positions is covered through a Concentration Charge add-on, and that the additional margin is called on a t+1 basis to be met the following day. The requirement will clarify the notice process for additional IM through the MFT system, remove an outdated reference to EoD reporting and remove unnecessary distinctions between concentration charges for different product segments. The summary table of the Concentration Charge process will be deleted, and relevant terms moved to the added Appendix. In the Parameter Calibration section, the amendments will remove the existing discussion and add instead that the details of the Concentration Charge model or risk parameters will be described in the relevant Concentration Charge model documentation.

In the Stress Margin section, the amendments will add a general description of the stress loss charge as ensuring that sufficient pre-funded resources to ensure regulatory compliance are held at all times. The amendments will also clarify that any Stress Loss Charge top-up requirements is called via an intraday call on a t+1 basis so that, for example, positions as of the end of day on Monday could incur additional margin called

on Tuesday for receipt on Tuesday. The amendments will clarify that the total Stress Loss Charge is posted in the end of day additional margin requirement so that any surplus or deficit is part of the end of day margining. The summary of the Stress Loss Charge process will be deleted, and relevant terms moved to the added Appendix. Additional details of the Stress Loss Charge model and risk parameters will be removed, and a cross-reference added to the Futures and Options Guaranty Fund model documentation (which addresses such parameters). An incorrect cross-reference to the F&O Stress Testing Policy will be removed.

In the Shortfall Margin section, the amendments will specify that Shortfall Margin is called to cover uncollateralized stress loss (as calculated at the margin account level). The amendments will also state that Shortfall Margin is called on a t+1 basis to be met on the following day, so that, for example, positions on Monday EOD can incur additional margin called on Tuesday for receipt on Wednesday morning. The amendments will delete unnecessary provisions relating to the posting of the requirement against a specific ledger type in daily reports and EOD reporting through ECS. The summary of the Shortfall Margin process will be removed, and relevant details moved to the Appendix.

In the Specific Wrong-Way Risk section, the amendments will state that the Wrong Way Risk additional margin requirements are called on a t+1 basis to be met the following day, so that, for example, positions as of Monday EOD can incur additional margin called on Tuesday for receipt on Wednesday morning. As with other categories of additional IM, the amendments will delete unnecessary provisions relating to the posting of the requirement against a specific ledger type in daily reports and EOD reporting of the additional amount through ECS. A table summarizing the Wrong Way Risk process will be removed and relevant details moved to the Appendix.

In the EMIR Add-on section, the amendments will clarify various aspects of this add-on, which is collected for house and affiliate accounts for products for which Core IM is otherwise calculated using a 1-day MPOR. The add-on covers the amount, if any, by which Core IM will exceed that amount if it were instead calculated on a 2-day MPOR basis, in order to ensure that house and affiliate positions are margined using a minimum 2-day MPOR as required under EMIR. The amendments will further clarify that the EMIR Add-on is called at the same time as Core IM requirements, so that, for example, House and Affiliate account positions as of Monday EOD can incur EMIR add-on called on Monday night for receipt on Tuesday morning. A table summarizing the EMIR add-on process will be removed and relevant provisions moved to the Appendix.

In the Delivery Margins section, the amendments will revise the Procedures to state explicitly that the delivery margin is designed to cover potential price moves at a 99th percentile level for the product in delivery. The amendments will further state that the Delivery Margin is typically set to the front month scanning margin rate for the product and held by the CCP until buyer security is paid by the buyer. The description of the calculation of Buyer Security will be clarified to be the notional value of bought positions that are deliverable within the following 2 business days. Similarly, the description of the calculation of Seller Security will be modified to be an additional requirement posted by the seller, calculated to cover any applicable costs and charges,

should they be unable to deliver the agreed product. The definition of Contingent Variation Margin will be clarified to be the difference between the Exchange Delivery Settlement Price and a representative market price for the remaining portion of the given underlying that is yet to be delivered (analogous to Variation Margin). Tables summarizing the Delivery Margin, Buyer/Seller Security and the Contingent Variation Margin will be removed with relevant details moved to the Appendix.

In the Net Liquidating Value (“NLV”) section, certain non-substantive drafting improvements will be made. In addition, the description of the top up for NLV credit/debit will be revised to state that it is called for at the end of the day (call time t) and not the following day. A table summarizing the NLV will be removed with relevant details moved to the Appendix.

In the Intraday and Overnight Buffer section, the amendment will add a statement of the use of mandatory buffer, which is called when trading out of intraday margining hours is observed that increases Core IM requirements above thresholds. For these positions traded outside the hours covered by the intraday margin process, the IM requirements are calculated using IRM. In cases where the resultant increase to an account’s IM exceeds the limit set, an overnight buffer equal to the largest exceedance is requested and held for the following 30 days. The amendments will add that this process will be introduced to achieve compliance with relevant requirements of EMIR² and will only be applicable to 1-day gross client omnibus margined accounts. The amendments will further clarify that voluntary buffer could be posted to reduce the Clearing Members’ operational burden of managing intraday margin calls. A table summarizing the intraday and overnight buffer process will be removed and relevant details moved to the Appendix.

In the Ad-Hoc Buffer section, the amendments will clarify that Clearing Members may be requested to post additional buffers for any risks not covered by the requirements detailed in the Procedures. The amendments will specify that the requirements will be set by the Clearing Risk Department. A table summarizing the ad hoc buffer process will be removed and relevant details moved to the Appendix.

In the discussion of intraday margining, the amendments will provide a clearer statement of the basis for such margining: that although the Clearing House collateralizes risk through IM and Variation Margin as part of the overnight process, the Clearing House may be exposed to uncollateralized exposures, or Intraday Shortfalls, due to adverse market price movements causing a change in the value of members positions, new trading activities resulting in an increased IM requirement on Clearing Members’ accounts and the value of securities held as collateral being reduced. The amendments will clarify that the Clearing Risk Department could calculate any additional IM that it may require on a near real-time basis intraday.

In respect to Intraday Risk Monitoring the amendments will specify that the Clearing Risk Department monitors changes in Core IM in addition to Variation Margin on an ongoing basis. The Intraday Margin requirement of an account will be the sum of the Intraday IM and Intraday Variation Margin of the account.

² Article 26 of EMIR RTS Regulation (EU) No 153/2013 (ESMA/2016/429).

The section on Core Intraday IM Calculation will be moved and updated. The revised section will state that the Core Intraday IM will be calculated and, when above thresholds, called on a near-real time basis intraday. For gross margined accounts, the amendments will reflect that because gross positions are only received at end of day, the Clearing House will not have near-real-time data for purposes of intraday margining. As a result, the Clearing House uses the previous end of day gross margin plus the change in net 2-day MPOR margin for the account between the start of day and the current point in time to determine intraday Gross IM. The amendments will detail the step by step process in the calculation and the formula that will be employed. The amendments will specify that for net margined accounts, the current real time net position is used to calculate intraday IM in the same way as End of Day IM for those accounts.

In reference to Intraday Shortfall, the amendments will clarify that the calculation for the current collateral on account will include both collateral used to meet end of the day IM requirements and additional collateral available to cover intraday calls. The amendments will remove a statement that at a minimum, prices are refreshed hourly (as the Clearing House expects prices to be refreshed more frequently) but retain the general principle that the Clearing Risk Department monitors the prices utilized to value securities deposited as collateral throughout the day. The amendments will make various non-substantive drafting clarifications to the intraday limits. In addition, for Clearing Member Limit 2, the amendments will specify that the total value of collateral on deposit will be that of the loss making accounts and collateral in the House account. The amendments will add that for Clearing Limit 1 (in addition to Clearing Limit 2), the Clearing House will permit use of excess collateral present on the House account to offset Intraday Shortfalls arising on all other accounts in deficit.

For Intraday Margin Call Triggers, the amendments will remove a duplicative statement of the minimum shortfall for an intraday call.

The Intraday Margin Call Procedure will be revised to state that the 30-minute warning of a trigger breach is at the Clearing House's discretion. The amendments will also remove, as a means of limiting intraday risk and satisfying a margin call, improving the profit and loss of the account (as that is likely impractical in the relevant timeframe). The amendments will also remove a concept that the Clearing Risk Department will make recommendations to clearing members to avoid receiving intraday calls; rather, the goal will be to provide warnings prior to 19:30 London time so that all intraday calls are issued prior to 20:00 London time. The amendments will state that more than one intraday call may be made during the same day as required (without necessarily being based on market conditions).

In the Overnight Window Monitoring section, the amendments will clarify the specific gross margined and ISOC accounts to which overnight monitoring applies. The amendments will also state that the Clearing Risk Department (rather than a senior Clearing Risk Department person), will issue a margin call or require the Clearing Member to take other risk reducing action, when appropriate. (ICE Clear Europe believes it is appropriate for the responsibility to be on the department rather than a senior individual.) An escalation process where a Member cannot be contacted or does

not reduce positions will be deleted along with notification of regulators, as this information is contained in separate Clearing House default management procedures.

In the Intraday Buffer section, the amendments will clarify that if a Clearing Member wishes to reduce the operational burden of frequent intraday calls or Overnight Buffer, then the Clearing Member may choose to lodge excess collateral as Intraday Buffer. The amendments will also clarify that where a Clearing Member notifies ICE Clear Europe that it no longer wants to lodge Intraday Buffer, the buffer will be available to be returned after the next overnight margin run. The amendments remove unnecessary specifications of the means of providing such a notice. The amendments will also delete as unnecessary a statement that the Clearing Member will be able to choose to fund the requirement with the type of collateral of their choosing.

In the Overnight Buffer section, the amendments will specify the particular gross margining and ISOC accounts to which it applies. The amendments will also correct that the amount will be called as part of the End of Day process (rather than intraday).

In the Returning of Margin Call Collateral section, the amendments will provide that margin posted intraday in respect of an intraday margin call may, in extraordinary circumstances at the discretion of the Treasury Department, be returned in cases where the Clearing Member has unrealized gains (i.e., positive intraday variation margin).

The amendments will replace the existing discussion of the F&O Guaranty Fund with a new section describing generally the sizing of the F&O Guaranty Fund, as established pursuant to the published Rules and Finance Procedures and the existing F&O Guaranty Fund model documentation. The amendments will describe the required size of the F&O Guaranty Fund, as being adequate to cover the first and second largest, non-mutually exclusive, uncollateralized losses from Member Groups resulting from agreed stress testing scenarios. The size must also be sufficient to enable the Clearing House to withstand a Clearing Member default to which the Clearing House has the largest stress testing exposure, or the second and third largest if the sum of those are greater. The size must be sufficient to cover the larger of the sum of the individually calculated segments for Energy and Financials & Softs (“F&S”) member portfolios or the largest contemporaneous scenario. If the Energy and F&S segment fund is smaller than the largest contemporaneous losses scenario, then an additional guaranty fund apportionment amount will be calculated and will be allocated to both Energy and F&S Fund segments in accordance with the Clearing Rules. In establishing the size of the F&O Guaranty Fund the ICE Initial Contribution is not included and must be met by Clearing Member contributions only.

The amendments will add that review of the size of the F&O Guaranty Fund will occur at least every two months and will be based on historical stress testing results and other factors ICE considers relevant. The added section will describe the steps taken in the periodic review process, and the role of relevant ICE Clear Europe committees. Ad hoc assessments can be triggered by the Clearing House in addition to the periodic review. Extraordinary reviews may also be necessary based on stress testing results.

The amendments will state that Clearing Members normally have five UK business days (from the date of the notice) to lodge sufficient funds with the Clearing House if the overall level of the F&O Guaranty Fund or a specific Clearing Member’s allocation

must increase, consistent with the requirements of the Rules and Finance Procedures. Under extreme circumstances, the Clearing House can accelerate the call of the F&O Guaranty Fund requirements to a one day's notice or otherwise reasonably change the notice period. A failure to meet these payments will be considered a breach of Clearing House Clearing Rules. Clearing Members will also have the ability to withdraw excess funds that result from a decrease in their fund contributions following a review of the level of the F&O Guaranty Fund.

The amendments will add that ICE Clear Europe's recommendations on the level of the F&O Guaranty Fund will be based on several factors including the level of the largest member's uncollateralized losses historically and how it compares against the associated segment fund level or the total F&O Guaranty Fund, the level of the second and third largest members uncollateralized losses historically and how it compares against the associated segment fund level or the total F&O Guaranty Fund, the amount and number of stress loss charges called across memberships and any other relevant factors ICE Clear Europe deems appropriate. The size of the F&O Guaranty Fund will also be subject to a floor in accordance with regulations, as described in further detail in the existing Futures and Options Guaranty Fund model documentation.

The amendments will detail that a particular Clearing Member's contribution to each of the Fund segments should reflect its relative share of clearing activity and relative share of uncollateralized loss. The amendments describe the two factor model used in allocating the F&O Guaranty Fund, based on IM and Uncollateralized Stress Loss, as provided in the existing Futures and Options Guaranty Fund model documentation. The amendments will also reference a summary of the F&O Guaranty Fund sizing and contribution processes in the Appendix.

Various revisions will be made in the section on Model Performance to improve clarity. The amendments intend to clarify the top day margin coverage calculation performed by the Clearing House to assess whether the Core IM covers market price movements over the relevant MPOR at the 99th percentile level. The assessment is made at both the margin account level (the "macro" or "portfolio" level) and product level (the "micro" level). An outdated reference to the previous IRM v.1.0 model documentation will also be deleted. In the revised discussion of margin coverage, scope and definitions, references to certain EMIR requirements will be removed (as the relevant definitions incorporating regulatory requirements are part of the Procedures). At the macro level, the amendments will clarify that the margin coverage is calculated by comparing Clearing Member account's Core IM requirement to the clean P&L. (Provisions addressing frequency of back-testing are removed in this section as the topic is addressed elsewhere in the Procedures.) Another reference to the CRD database and the results being stored in the database will be deleted as unnecessary detail for the Procedures. Non-substantive clarifications will be made to the calculation of margin coverage.

In the section for Back Test Statistics the amendments will clarify that back testing involves consideration of a number of historical observations. The amendments will delete language stating that statistics based on less than 200 days cannot be considered statistically significant and note that statistical back-testing is usually performed considering at least 250 business days. Although the Clearing Risk Department will

retain the discretion to use other back-testing statistics in addition to the Basel Traffic Light System, the amendments will remove unnecessary references to specific examples of such statistics. A detailed escalation process based on the results of the statistics handled by the Risk Manager will also be deleted. As revised, the Clearing Risk Department will determine the appropriate action to address any breaches.

The amendments will specify that for macro level margin coverage, breaches will be monitored daily (but an unclear reference to such breaches being “controlled” daily will be removed). A breach is reported, investigated and signed off by the Clearing Risk Department, not a specific risk manager as previously stated. The examples of appropriate action will be modified for concision to include reviewing the margin model and/or increasing the relevant production margin rates based on the Autopilot model.

The amendments will specify that for the micro level, coverage of F&O margin rates is reported daily. Any breaches driving a breach at margin account level will be investigated and reviewed by the Clearing Risk Department, in efforts to provide information on the drivers of the breach and assess whether the breach was driven by erroneous prices. The amendments will clarify that mitigation actions required as a result of a breach will no longer be escalated to the risk manager but will be at the discretion of the Clearing Risk Department. Such mitigation actions can include reviewing and updating the relevant margin rates.

The amendments will specify that back testing results that fall in the red or yellow zones under the Basel Traffic Light system will be reviewed and investigated by the Clearing Risk Department. Specifically for the micro level, the amendments will recognize that the large amount of margin parameters will make it difficult to review and action all back test statistical results. The amendments will make clarifying adjustments to the list of priorities when reviewing a statistical back test. The products driving red or yellow back test statistics will be identified and their back test performance will be reviewed. Micro back test statistics in the standard Basel redzone not driving macro back test breach results will be reviewed and the mitigation action will be considered at the discretion of the Clearing Risk Department. Micro back test statistics in the standard Basel yellow zone not driving macro back test breach results will be considered as part of the regular margin update proposals.

The amendments will also make changes in the Monitoring and Reporting section. For margin coverage at the macro level, the amendments will state that the Clearing Risk Department will report the top day macro breaches daily (deleting the lengthier manual process previously included) and the breach statistics will be presented monthly at the Model Oversight Committee and bi-monthly at the F&O Product Risk Committee. References to manual reports being generated will be deleted from the macro back testing section. The process will also be more streamlined with the committee pack sent to the F&O Product Risk Committee, that is sent bi-monthly, including the macro back-test statistics.

Similar amendments will be made to the margin coverage section for the micro level. The amendments will broadly state that the Clearing Risk Department will report the top day micro breaches daily (deleting the lengthier process previously included). The Clearing Risk Department will on a monthly basis generate reporting displaying the

statistics of a large selection of products across all parameter types. The detailed micro back testing results will be reported and reviewed monthly by the Clearing Risk Department. The Clearing Risk Department will produce a monthly summary of micro back testing results for material products and margin rates for the Model Oversight Committee. Micro back-testing results will be reviewed on a bimonthly basis at the F&O Product Risk Committee for material products. Certain definitions of materiality for these reviews in the existing Procedures will be removed, as ICE Clear Europe believes a more flexible approach to materiality is appropriate. The amendments will state that any proposed model or parameter remediation actions due to product back testing results will be governed by the Model Risk Policy. A section and table summarizing the margin coverage and backtest statistics will be deleted as unnecessary.

The amendments will make changes to the Sensitivity Testing section to add that the daily tests will undergo a monthly review at the material product or account level. They will also add that the model parameters are described in detail in the relevant ICE Risk Model documentation.

A section on Stress Testing Methodology will be shortened, in light of the fact that stress testing is addressed in detail in other Clearing House policies and procedures. The amendments will add that the objective of stress testing is to ensure that the F&O Guaranty Fund is adequate to cover the uncollateralized losses arising from the two largest Clearing Member Groups. In addition, the results are used in Stress Margin, Shortfall Margin, and Guaranty Fund sizing and allocation. The amendments will state that the stress tests are performed under extreme but plausible market price moves. The amendments reference the two types of stress scenarios applied by the Clearing House—historical scenarios and theoretical scenarios. The Clearing House conducts daily stress testing on the Clearing Member portfolios, and results are reviewed by the Clearing Risk Department and escalated as necessary.

The amendments will make revisions to the section on data quality checks and exclusions for dynamic data. A sentence on revisions to EDSPs will be moved to the new section on Revisions and Remediations discussed below. In the historical prices discussion, a sentence stating that use of external data will usually be based on a materiality assessment where a product's IM reaches a significant portion of the overall Clearing House IM will be deleted. ICE Clear Europe does not believe it is necessary to specify this particular scenario given its general authority to use external data to run ad hoc analysis.

The amendments will add a new section on Revisions and Remediations in relation to Data Management. The section will address what was previously referred to as exclusions and corrections and will outline other factors that could imply that remediation may be necessary. These will include corrections to market prices as a result of corporate actions. Certain other examples (including a footnote related to large moves from M&A announcements) will be removed as unnecessary given the more general authority to engage in remediation of data. Data that is remediated will have to be approved by the Clearing Risk Department and a senior Clearing Risk Department person. In addition, the remediations with related justifications will be reviewed monthly by the Model Monitoring Group.

The amendments will make changes to the document governance, breach management and exception handling provisions, to make them generally consistent with other ICE Clear Europe policies. The document owner identified by the Clearing House will be responsible for ensuring that the Procedures remains up-to-date and reviewed in accordance with the Clearing House's governance processes. The document owner will also be responsible for reporting any material breaches or deviations to the Head of Department, Chief Risk Officer and Head of Regulation and Compliance in order to determine if further escalation is required. Exceptions to the Procedures will also be approved in accordance with the governance processes for approvals of changes to the Procedures. The amendments will state explicitly that changes to the Procedures will also have to be approved in accordance with the Clearing House's governance process and will take effect following completion of required internal and regulatory approvals.

The amendments will also add the aforementioned Appendix summarizing the processes detailed in other parts of the Procedures.

A number of other drafting clarifications and conforming changes such as updating names of relevant persons, committees and departments, replacing and conforming defined terms, and deleting outdated references will also be made throughout the document. Various provisions will also be renumbered or relabeled throughout the Procedures.

Compliance with the Act and CFTC Regulations

The amendments to the F&O Risk 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.* As discussed above, the amendments would make certain clarifications to the descriptions of the Clearing House's margin methodology and Guaranty Fund sizing process (including the process for reviewing and adjusting the size of the F&O Guaranty Fund from time to time and the basis for allocating the F&O Guaranty Fund across clearing members). The amendments are not intended to result in changes in those practices or in margin or guaranty fund levels. As such, the amendments are consistent with the Clearing House's maintaining of sufficient financial resources to cover its exposures with a high degree of confidence. Therefore, in ICE Clear Europe's view the amendments satisfy the requirements of Core Principle B and Commission Rule 39.11.
- *Risk Management.* As set forth above, the amendments to the Procedures make certain clarifications and enhancements to the descriptions of practices for collection of both Core IM and Additional IM (and the relevant components thereof). For instance, the amendment clarifies the procedures for determining and promoting production margin rates based on the autopilot rates resulting from standard application of the ICE Risk Model. The amendments also clarify the process for monitoring intraday changes in exposure and making intraday margin calls as a result of those calculations. The amendments to the

Procedures will thus facilitate the Clearing House's ability to measure and monitor its credit exposure to each clearing member and to establish appropriate margin requirements to limit the Clearing House's exposure to potential losses from clearing member defaults. The amendments thus enhance the Clearing House's overall risk management and margin methodology specifically, consistent with the requirements of Core Principle D and Commission Rule 39.13.

- *Governance.* The revised Procedures will clearly state certain responsibilities of the Clearing Risk Department and Model Oversight Committee, among others, in relation to oversight of the Clearing House's practices regarding margin for F&O products and the F&O Guaranty Fund. In line with the Clearing House's other policies and procedures, the Procedures also describe the responsibilities of the document owner and appropriate escalation and notification requirements for responding to exceptions and deviations from the Procedures. In ICE Clear Europe's view, the amendments will therefore enhance the Clearing House's governance arrangements, 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 F&O Risk 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 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 or +44 20 7429 4564.

Very truly yours,



George Milton
Head of Regulation & Compliance