



April 17, 2012

Mr. Ananda Radhakrishnan
Director, Division of Clearing and Risk
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: ICE Clear Europe Limited Request for Extension of Time to Comply with
Commission Rule 39.13(g)(10)

Dear Mr. Radhakrishnan:

ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”) is a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (the “Act”). ICE Clear Europe hereby requests that the Division of Clearing and Risk (“Division”) as appropriate, grant ICE Clear Europe and its clearing members (“Clearing Members”) an extension (the “Extension”) of a period of 120 days from May 7, 2012 (the “Compliance Date”) to comply with the prohibition on acceptance of letters of credit as initial margin for cleared swaps in new Commission Rule 39.13(g)(10)¹ (the “Final Rule”). During this time period, ICE Clear Europe will not accept new letters of credit as collateral from firms except for rolling renewals already posted.

ICE Clear Europe is requesting the Extension in order to provide its Clearing Members and their customers additional time to make the transition from the longstanding practice in the energy derivatives markets of posting letters of credit to meet initial margin requirements. The Final Rule will require a DCO to limit the assets it accepts as initial margin to those that have minimal credit, market, and liquidity risks, and prohibit a DCO from accepting letters of credit as initial margin for cleared swap transactions.² Without the Extension, ICE Clear Europe and its Clearing Members would be required to comply with the Final Rule the Compliance Date. As discussed below, this would, in ICE Clear Europe’s view, be disruptive to current market practices.

I. Background

ICE Clear Europe is a DCO registered with the Division and a recognized clearing house supervised by the U.K. Financial Services Authority (the “FSA”). It is also the operator of a “designated system” for purposes of the EU Settlement Finality

¹ Derivatives Clearing Organization General Provisions and Core Principles, 76 Fed. Reg. 69,334 (November 8, 2011) (codified at 17 C.F.R. pts. 1, 21, 39 and 140).

² Commission Rule 39.13(g)(10) would not, however, prohibit a DCO from accepting letters of credit for initial margin requirements in connection with futures contracts or options on futures.

Directive and a “inter-bank payment system” supervised by the Bank of England. The Clearing House is incorporated under the laws of England and Wales. Its clearing members include U.S. and non-U.S. members.

ICE Clear Europe currently clears both exchange-traded energy futures and cleared energy swap products. Specifically, ICE Clear Europe serves as the clearing house for all transactions conducted on the ICE Futures Europe market, a UK recognized investment exchange and EU regulated market licensed and supervised by the FSA, which is also subject to a CFTC foreign board of trade no-action letter in respect of US participants. ICE Futures Europe contracts currently cleared by ICE Clear Europe include 36 separate energy futures and options contracts representing a significant portion of global crude oil and refined products futures trading.

In terms of energy swap products, ICE Clear Europe currently clears a range of energy contracts, both for proprietary and customer accounts of Clearing Members, including those offered for trading on the ICE, Inc. exempt commercial market (which is expected to be transferred to a swap execution facility (“SEF”) supervised by the CFTC). In light of the close relationship between OTC and exchange-traded energy contracts, ICE Clear Europe currently offers margin offsets between such products, and seeks to continue to be able to do so through the Extension, as discussed below.

ICE Clear Europe also currently clears OTC credit default swap (“CDS”) transactions. At present, ICE Clear Europe does not offer customer clearing for such contracts, although it expects to do so in the future. ICE Clear Europe also has announced plans to introduce clearing of FX transactions. ICE Clear Europe does not currently permit letters of credit as initial margin for CDS transactions and does not expect to do so for FX transactions, consistent with the requirements of the Final Rule.

ICE Clear Europe believes it will be in compliance with the other provisions of the revised Part 39 that are effective on May 7th.

II. Relief Requested

As the Division recognized in the adopting release for the Final Rule, letters of credit have long been used as initial margin in the energy derivatives markets, particularly outside of the United States. Letters of credit have proven to be a useful and flexible form of collateral for Clearing Members to post to meet margin calls and provide Clearing Members with important risk-management flexibility.

ICE Clear Europe recognizes the Division’s determination that letters of credit will no longer be acceptable forms of initial margin for cleared swaps. However, ICE Clear Europe believes that additional time to come into compliance is appropriate for both the Clearing House and its Clearing Members and their customers. As a result of the Final Rule, Clearing Members and their customers will have to deliver alternative forms of collateral to meet initial margin requirements for cleared energy swaps. This will be a significant shift from current practice for many Clearing Members and their customers. Based on discussions with Clearing Members, ICE Clear Europe believes that without the requested Extension, the Final Rule will cause significant disruptions for Clearing Members and their customers and may entail additional costs as market

participants in short order will have to terminate existing letter of credit arrangements and provide alternative initial margin. In our view, the Extension would provide our Clearing Members and their customers with ample time to make an orderly transition to using alternative forms of collateral to meet margin requirements and minimize transition costs.

III. Conclusion

On the basis of the foregoing, ICE Clear Europe respectfully requests that the Division grant the Extension for a period of 120 days from the Compliance Date. ICE will send the attached notice to its clearing participants to inform them of the extension.

ICE Clear Europe believes that the requested Extension will facilitate an orderly transition for Clearing Members and their customers to the new requirement that letters of credit are no longer an acceptable form of collateral to meet initial margin requirements in the cleared swaps market. We believe that the Extension will achieve the Commission's goal in adopting the Final Rule while minimizing unnecessary market disruption in the interim.

If you or your staff should have any questions or comments or require further information regarding this request, please do not hesitate to contact Trabue Bland (770.916.7832).

Very truly yours,



Paul Swann
President, ICE Clear Europe

cc: Phyllis Dietz, Division of Clearing & Risk

Attachment