



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521
www.cftc.gov

**Division of Clearing and
Risk**

**Ananda Radhakrishnan
Director**

April 20, 2012

ELECTRONIC MAIL

Mr. Paul Swann
President, ICE Clear Europe Limited
Milton Gate
60 Chiswell Street
Moorgate London EC1Y 4SA
United Kingdom

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

Dear Mr. Swann:

By letter dated April 17, 2012, you requested on behalf of ICE Clear Europe Limited (ICE Clear Europe) that the Division of Clearing and Risk (Division) grant an extension of 120 days from May 7, 2012, for compliance with the prohibition on a derivatives clearing organization accepting letters of credit as initial margin for swaps pursuant to Commission Regulation 39.13(g)(10).¹

In your letter you have represented that the extension is needed in order to provide ICE Clear Europe, its clearing members and their customers, with additional time to make an orderly transition from posting letters of credit as initial margin to posting alternative forms of collateral as initial margin for cleared energy swaps. You have further stated that ICE Clear Europe believes that without the requested extension, compliance with Regulation 39.13(g)(10) will cause significant disruptions for clearing members and their customers and may entail additional costs as market participants terminate existing letter of credit arrangements and provide alternative forms of collateral. You have expressed the view that the extension will provide clearing members and their customers with ample time to make an orderly transition to using

¹ See 76 Fed. Reg. 69,334, 69,439 (Nov. 8, 2011). Regulation 39.13(g)(10) provides as follows:

Types of assets. A derivatives clearing organization shall limit the assets it accepts as initial margin to those that have minimal credit, market, and liquidity risks. A derivatives clearing organization may take into account the specific risk-reducing properties that particular assets have in a particular portfolio. A derivatives clearing organization may accept letters of credit as initial margin for futures and options on futures but shall not accept letters of credit as initial margin for swaps.

Mr. Paul Swann

April 20, 2012

Page 2

alternative forms of collateral and will minimize transition costs. You have further expressed the view that the extension will achieve the Commission's goal in adopting Regulation 39.13(g)(10) while minimizing unnecessary market disruption in the interim.

You have represented that during the time period of the extension, ICE Clear Europe will not accept new letters of credit as collateral from firms, except for rolling renewals already posted as collateral. You have further represented that ICE Clear Europe believes it will be in compliance with the other provisions of Part 39 of the Commission's regulations for which compliance is required by May 7, 2012.

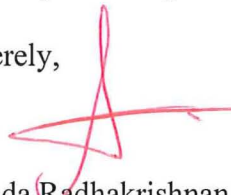
Based on the above representations and the additional representations as to facts and circumstances presented in your letter, the Division herein grants the requested extension to ICE Clear Europe, thereby requiring compliance with the prohibition on accepting letters of credit as initial margin for swaps no later than September 4, 2012. The Division expects that during the extension period:

- ICE Clear Europe and its clearing members and their customers will take all necessary steps to deposit alternative forms of collateral as initial margin as expeditiously as practicable; and
- ICE Clear Europe will comply with the provisions of Regulation 39.13(g)(10) except for the final clause which prohibits acceptance of letters of credit as initial margin for swaps.

This extension is granted by the Division in reliance on the representations contained in your request letter, and it should be noted that any different, changed, or omitted material facts or circumstances may require termination of the extension and immediate action by ICE Clear Europe, its clearing members and customers, to facilitate ICE Clear Europe's compliance with the prohibition on accepting letters of credit as initial margin for swaps. The Division retains the authority to condition further, modify, suspend, or otherwise restrict the extension granted herein.

Please provide Julie Mohr, Deputy Director of the Division's Examinations Branch, jmohr@cftc.gov, with written notification of the date on which ICE Clear Europe no longer holds letters of credit as initial margin for swaps in compliance with Regulation 39.13(g)(10).

Sincerely,



Ananda Radhakrishnan
Director

cc: Julie Mohr
Phyllis Dietz
Trabue Bland