ICE CLEAR EUROPE

February 15, 2013

Mr. David A. Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

By Email: submissions@cftc.gov

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6

Dear Mr. Stawick:

ICE Clear Europe Limited ("ICE Clear Europe"), 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 the adoption of an enhanced margin methodology (the "Decomp Model"). The Decomp Model is to become effective ten business days after submission, or such later date as ICE Clear Europe may determine.

The Decomp Model enhances ICE Clear Europe's margin methodology for index and single-name CDS contracts, and also permits portfolio margining between these categories of positions. In particular, the Decomp Model includes the following enhancements for index CDS instruments, which have already been implemented for single-name CDS instruments: (i) the replacement of standard deviation with mean absolute deviation as a measure of credit spread variability, (ii) the implementation of an auto regressive process to obtain multi-horizon risk measures, (iii) an increased number of spread response scenarios and (iv) the introduction of liquidity requirements.

At the core of the Decomp Model is the recognition that index CDS instruments cleared by ICE Clear Europe are essentially a composition of specific single-name CDS positions. Thus, upon a decomposition of the index CDS instrument, ICE Clear Europe will be able to (1) incorporate jump-to-default risk as a component of the risk margin associated with index CDS instruments, which has already been implemented for single-name CDS instruments, and (2) provide appropriate portfolio margin treatment between index CDS instruments and offsetting single-name CDS positions.

The incorporation of jump-to-default risk as a component of the Decomp Model improves the capacity of ICE Clear Europe's margin methodology to measure the risk associated with clearing index CDS instruments. Furthermore, the recognition of the highly correlated relationship between long-short positions in index CDS instruments and the underlying single-name CDS constituents of an index CDS instrument will permit fundamental and appropriate portfolio margin treatment.

In addition, as part of the implementation of the proposed Decomp Model, ICE Clear Europe proposes to (1) reduce the current level of risk mutualization among ICE Clear Europe's CDS Clearing Members through the default resources held in the mutualized CDS Guaranty Fund and significantly increase the level of resources held as initial margin for CDS Contracts[1], (2) modify the initial margin risk model approach in a manner that will make it easier for market participants to measure their risks, by removing the conditional recovery rate stress scenarios and adding a new recovery rate sensitivity component, (3) modify the concentration charge calculation by introducing a net notional amount per single-name/index calculation and applying the more conservative concentration charge based on the currently used 5-Y equivalent notional amount or the net notional amount calculation, (4) add a new basis risk component from single-name CDS positions that are offset by index-derived single-name CDS positions and (5) combine a single guaranty fund calculation for index CDS and single-name CDS positions.

Upon the effectiveness of the Decomp Model, ICE Clear Europe would initially make appropriate portfolio margining available only to the proprietary positions of its clearing members. ICE Clear Europe does not currently clear CDS positions of customers of its clearing members, but plans to introduce customer clearing for CDS instruments upon receipt of applicable regulatory approvals. Following the commencement of customer clearing for CDS instruments and receipt of all necessary regulatory approvals, ICE Clear Europe would make appropriate portfolio margining available to commingled customer positions in index and single-name CDS instruments using the Decomp Model.[2]

The Decomp Model is potentially relevant to the following core principles: (B) Financial Resources, (D) Risk Management, (F) Treatment of Funds, (G) Default Rules and Procedures and (L) Public Information, and the applicable regulations of the Commission thereunder. In particular, ICE Clear Europe believes that the Decomp Model is consistent with the financial resources requirements of Commission Rule 39.11 and the margin requirements of Commission Rule 39.13(g) and will facilitate ICE Clear Europe's risk management of CDS contracts.

ICE Clear Europe hereby certifies that the Decomp Model complies with the Act and the Commission's regulations thereunder.

ICE Clear Europe has received no opposing views in relation to the Decomp Model.

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[1] This modification incorporates into the jump-to-default component of the initial margin risk model the single name that causes the greatest loss when entering a state of default.

[2] ICE Clear Europe has separately petitioned the Commission to permit commingling of customer positions in index and single-name CDS instruments in the cleared swap account. *See* Letter, dated May 31, 2012, from ICE Clear Europe to Mr. David Stawick, Secretary, Commodity Futures Trading Commission.

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 patrick.davis@theice.com or +44 20 7065 7738, Dee Blake, Director of Regulation, at dee.blake@theice.com or +44 20 7065 7752 or Paul Swann, President & Chief Operating Officer, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,

Patrick Davis
Head of Legal and Company Secretary