



April 7, 2017

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 40.6:
Amendments to Finance Procedures for Third Party Collateral Purchase
Arrangements

Dear Mr. Kirkpatrick:

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”), for self-certification pursuant to Commission Rule 40.6, the rule amendments discussed herein. The amendments are to become effective on the business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

Concise Explanation and Analysis

The purpose of the amendments is to modify the Finance Procedures to expand the permitted use of third-party collateral purchase arrangements with respect to Triparty Collateral provided by F&O Clearing Members in the context of an Individually Segregated Margin-flow Co-mingled Account (commonly referred to as an “ISOC Account”). The amendments also make certain other clarifying changes and updates to the Finance Procedures. ICE Clear Europe is not proposing to modify its Clearing Rules (the “Rules”) in connection with these amendments.

Under paragraph 3.32 of the existing Finance Procedures, an F&O Clearing Member may request that the Clearing House enter into a third party collateral purchase agreement (a “Purchase Agreement”) with a third party collateral purchaser (the “TPCP”) designated by the F&O Clearing Member. The Clearing House has no obligation to enter into a Purchase Agreement. The TPCP may be an affiliate of the Clearing Member. Under the terms of a Purchase Agreement, if the Clearing House declares the F&O Clearing Member to be a Defaulter under the Rules, the Clearing House will offer to sell that Clearing Member’s Triparty Collateral to the TPCP, for a

specified price established by the Clearing House based on its determination of the market value of the collateral. The TPCP will have a specified period to accept or reject the offer to sell. If the TPCP accepts the offer, the Clearing House will sell the Triparty Collateral to the TPCP at the specified price. The proceeds of such sale would be applied by the Clearing House in the default management process and net sum calculation in the same manner as any other liquidation of margin of a Defaulter. If the TPCP rejects the offer to sell, or does not respond within the specified period, the offer will expire, and the Clearing House will apply or liquidate the Triparty Collateral pursuant to the Rules as part of its usual default management process. Under the current Finance Procedures, Purchase Agreements can only apply to Triparty Collateral provided by F&O Clearing Members in respect of their proprietary accounts, and cannot apply to other margin, collateral or permitted cover provided by F&O Clearing Members or any margin, collateral or permitted cover provided by CDS or FX Clearing Members in respect of CDS or FX Contracts, respectively.

At the request of certain F&O Clearing Members and their customers, the Clearing House proposes to expand these arrangements to permit the use of third party collateral purchase arrangements for a customer of an F&O Clearing Member in respect of which positions and margin are held in an ISOC Account.¹ ICE Clear Europe understands that some such customers have requested such arrangements to facilitate their own collateral management activities, under which they (or their affiliates) may wish to reacquire collateral held in an ISOC Account to settle other transactions following an F&O Clearing Member default.

Specifically, ICE Clear Europe is amending paragraph 3.32 of the Finance Procedures to permit the use of a Purchase Agreement in respect of an ISOC Account of an F&O Clearing Member. As with Purchase Agreements involving the proprietary account, the Purchase Agreement for such an account would provide that upon default of the F&O Clearing Member, the Clearing House would offer to the TPCP the Triparty Collateral in the relevant ISOC Account. The amendments also provide that the relevant customer must be a party to the Purchase Agreement, and that the identity of the customer must be approved by the Clearing House. The amendments clarify that the net proceeds of any sale pursuant to a Purchase Agreement (for either the proprietary or an ISOC Account) would be included in the net sum calculation under Rules 905(b)(vii) and 906(a). Purchase Agreements could not be used for any other category of customer account of an F&O Clearing Member.

The Finance Procedures are also being amended to make certain unrelated clarifying changes relating to the timing of settlement of the transfer of securities as Permitted Cover. Paragraph 11.4 was amended in a previous filing² to remove certain account details and matching criteria for particular securities transfer systems (with the relevant details to be made available from time to time on ICE Clear Europe's

¹ As defined under the Rules, ISOC Accounts provide a form of individual segregation for positions and margin of certain customers. Each ISOC Account constitutes a separate account, referencing a single client, for which the Clearing House keeps separate records of both positions and margin. However, as an operational matter, margin flows are aggregated across all such ISOC Accounts of a Clearing Member. ISOC Accounts are only available for Non-FCM/BD Clearing Members.

² ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6 – Amendments to Finance Procedures dated November 9, 2016.

website). Those amendments inadvertently removed certain settlement timing provisions.. Those settlement timing provisions have now been reinstated in paragraph 11.4. Certain updates to those settlement timing provisions have also been made.

Compliance with the Act and Commission Regulations

The rule amendments are potentially relevant to the following core principles: (E) Settlement Procedures and (G) Default Rules and Procedures, and the applicable regulations of the Commission thereunder.

- *Settlement Procedures.* As discussed herein, the amendments reinstate and update certain terms regarding settlement timing for transfers of securities, which were inadvertently removed in a prior filing. As such, the amendments will facilitate the clearing house's ability to conduct daily settlements with its clearing members and are consistent with the requirements of Core Principle E and Commission Rule 39.14.
- *Default Rules and Procedures.* ICE Clear Europe's default rules and procedures provide a broad set of remedies to liquidate and apply collateral provided by a Clearing Member following its default. The existing third party collateral purchase arrangements in paragraph 3.32 of the Finance Procedures provide an additional means by which Triparty Collateral can be liquidated following default. The amendments will expand the potential use of these arrangements to an ISOC Account of an F&O Clearing Member. The expanded third party collateral purchase arrangements may provide certain default management benefits to ICE Clear Europe if the collateral purchase option is exercised, as the collateral purchase option will provide ICE Clear Europe with the cash value of the relevant collateral promptly, without the need for ICE Clear Europe to undertake the liquidation of the collateral in the market (and incur related expenses). The proposed third party collateral purchase arrangement would provide only a brief period in which the TPCP would have the right to purchase the Triparty Collateral at a price specified by the Clearing House. ICE Clear Europe does not believe this delay, even in the event the TPCP did not elect to purchase the collateral, would materially impact ICE Clear Europe's ability to manage a default or liquidate collateral following expiration of the period. By limiting the arrangement to ISOC Accounts, in which positions and margin of a customer are individually segregated, the Clearing House also avoids the concern that the arrangement could affect other customers of the F&O Clearing Member. In ICE Clear Europe's view, these amendments are thus consistent with the requirements of Core Principle G and Commission Rule 39.16.

As set forth herein, the amendments consist of revisions to the Finance Procedures, a copy of which is attached hereto.

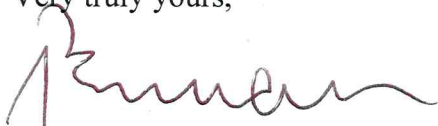
ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe has received no substantive opposing views in relation to the rule 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 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 & Managing Director, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Patrick Davis', written in a cursive style.

Patrick Davis
Head of Legal and Company Secretary