

Clearing Rules

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2. MEMBERSHIP

201. Qualifications of Participants.

- (a) ICE Clear Credit shall determine whether any applicant for status as a Participant, or any existing Participant, satisfies the qualifications established by ICE Clear Credit. Only Persons found by ICE Clear Credit to be so qualified shall be permitted to become or remain, as applicable, Participants. For the purpose of determining whether any applicant or Participant is thus qualified, ICE Clear Credit may establish minimum capital and other financial requirements for Participants, examine the books and records of any applicant or Participant (on the site of such applicant or Participant, during normal business hours, with reasonable advance notice, and, in the case of a Participant, not more frequently than annually unless ICE Clear Credit determines that a more frequent examination of the Participant is appropriate for the protection of the clearing system operated by ICE Clear Credit pursuant to these Rules), and take such other steps as it may deem necessary to ascertain the facts bearing upon the question of qualification. The Risk Management Subcommittee will have certain consultation rights over any Modification (as defined in Rule 502) to the qualifications for Participants contemplated by this Rule 201.
- (b) Participants must meet and maintain such standards of business integrity, financial capacity, creditworthiness, operational capability, experience and competence as may be established by ICE Clear Credit from time to time. Without limitation of the foregoing, no applicant shall be admitted or permitted to remain, as applicable, as a Participant unless, in ICE Clear Credit's sole determination:
- (i) It is regulated for capital adequacy (the "**Regulatory Requirement**") by a competent authority such as the CFTC, SEC, Federal Reserve Board, Office of the Comptroller of the Currency, European Securities and Markets Authority, U.K. Prudential Regulatory Authority or any other regulatory body ICE Clear Credit designates from time to time for this purpose, or it is an Affiliate of an entity that satisfies the Regulatory Requirement and is subject to consolidated holding company group supervision;
 - (ii) It has a minimum of \$50 million of Adjusted Net Capital (*provided* that this requirement may, at the discretion of ICE Clear Credit, be met by a Parent if such Parent provides a guarantee pursuant to Rule 205);

For purposes of this clause (ii):

"Adjusted Net Capital" (A) for a Participant that is an FCM, shall be as defined in CFTC Rule 1.17 and as reported on its Form 1-FR-FCM or FOCUS Report or as otherwise reported to the CFTC under CFTC Rule 1.12, (B) for a Participant that is not an FCM but is a Broker-Dealer,

shall be its “net capital” as defined in SEC Rule 15c3-1 and as reported on its FOCUS Report, and (C) for a Participant that is neither an FCM nor a Broker-Dealer, shall be the amount of its net capital as determined pursuant to a similar risk adjusted capital calculation methodology acceptable to ICE Clear Credit;

- (iii) At the time of admission, it demonstrates to the Board, upon recommendation by ICE Clear Credit senior management after consultation with the Risk Management Subcommittee, that it (or, if a Parent has provided a guarantee of its obligations pursuant to Rule 205, its Parent) satisfies the internal stringent credit criteria established by the Board in its discretion, such satisfaction to be confirmed by an examination of its books and records;
- (iv) At no time after admission does it (or, if applicable, its Parent) cease to satisfy the internal credit criteria established by the Board under clause (iii) above, after consultation with the Risk Management Subcommittee, upon its admission;
- (v) It demonstrates that it has sufficient financial ability to make its anticipated General Guaranty Fund contributions and provide Margin as required by these Rules, and it makes and maintains, so long as it is a Participant, a deposit or deposits of Collateral in the General Guaranty Fund as required by these Rules;
- (vi) It (on its own or through an arrangement acceptable to ICE Clear Credit) demonstrates operational capacity with respect to agreements (whether or not cleared) substantially similar (as determined by ICE Clear Credit) to Contracts, including (A) having the ability to process the expected volumes and values of Contracts within the required time frames (including at peak times and on peak days), (B) having the ability to submit required pricing data within the required time frames and (C) maintaining back-office facilities (or entering into a facilities management agreement in form and substance acceptable to ICE Clear Credit):
 - (1) remote from both the exchange floor and/or trading desks;
 - (2) with adequate systems (including but not limited to computer and communication systems) and records;
 - (3) with adequate number of competent personnel with sufficient operational background and experience with procedures for the management and clearance of business transacted in the Markets and Contracts in which the Participant will participate; and
 - (4) with such equipment (including computer software and hardware) as may be required by ICE Clear Credit.

- (vii) It (on its own or through an arrangement acceptable to ICE Clear Credit) demonstrates risk management competence in such agreements and Contracts;
- (viii) [Intentionally omitted.]
- (ix) It has established relationships with, and has designated to ICE Clear Credit, an approved settlement bank for confirmation and payment or delivery, as applicable, of all Margin and any other payments or deliveries required to be made by it to or from ICE Clear Credit, or has made alternate arrangements to facilitate such payments and deliveries in a timely manner and in accordance with these Rules and the ICE Clear Credit Procedures;
- (x) It has established relationships with one or more swap data repositories and/or security-based swap data repositories as necessary for reporting its cleared Contracts in accordance with applicable law;
- (xi) It provides in a timely manner all reports and information relating to the Participant, Persons controlling the Participant, and related or affiliated organizations as required by these Rules or otherwise required by ICE Clear Credit, and upon becoming aware that any such report or information was at the time provided false or misleading in any material respect, it promptly provides ICE Clear Credit a correcting amendment of or supplement to such report or information; and
- (xii) It is (and, if its Parent provides a guarantee pursuant to Rule 205, its Parent is) organized in a jurisdiction whose insolvency laws are acceptable to ICE Clear Credit.
- (xiii) It is not subject to statutory disqualification under Section 8a(2) of the CEA or Section 3(a)(39) of the Securities Exchange Act, or otherwise applicable CFTC or SEC regulations.

(xiv) It participates in default management simulations, new technology testing and other exercises, as notified by ICE Clear Credit from time to time.

- (c) For the avoidance of doubt, and without limiting Section 201(b), the following categories of persons may be approved by ICE Clear Credit as Participants; provided that such applicant meets and maintains the ICE Clear Credit participation standards set forth in Rule 201(b) above:
 - (i) registered broker-dealer;
 - (ii) registered investment company;
 - (iii) bank;

- (iv) insurance company;
- (v) registered futures commission merchant; or
- (vi) such other person or class of persons that the SEC may designate as appropriate.

206. Notices Required of Participants.

- (a) Each Participant shall immediately notify ICE Clear Credit, ~~orally and~~ in writing, of:
 - (i) Any material adverse change in the Participant's financial condition including, but not limited to, a decline in Adjusted Net Capital (as defined in Rule 201(b)(ii)) equal to 20% or more from such amount determined as of the end of the previous calendar month, or if such Participant knows or has reason to believe that its Adjusted Net Capital has fallen below ICE Clear Credit's capital requirement in Rule 201(b)(ii);
 - (ii) Any proposed material reduction (and, in all cases, if the reduction is 30% or more from such amount determined as of the end of the previous calendar month) in the Participant's operating capital or Adjusted Net Capital, including the incurrence of a contingent liability that would materially affect the Participant's capital or other representations contained in the latest financial statement submitted to ICE Clear Credit should such liability become fixed;
 - (iii) With respect to the Participant, any refusal of admission to, withdrawal of any application for membership in, any suspension, expulsion, bar, fine, censure, denial of membership, registration or license, withdrawal of any application for registration, cease and desist order, temporary or permanent injunction, denial of trading privileges, or, to the extent detrimental to the ability of the Participant (or of any Parent that has provided a guarantee for such Participant pursuant to Rule 205) to fulfill its duties and obligations hereunder, any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, by the U.S. Commodity Futures Trading Commission, the U.S. Securities and Exchange Commission, the European Securities and Markets Authority, the U.K. Prudential Regulatory Authority, any commodity, securities or swap exchange or trading facility, clearing organization, the National Futures Association, the Financial Industry Regulatory Authority, any other regulatory, self-regulatory or other entity or organization with regulatory authority, whether U.S. or non-U.S. and governmental or otherwise, having jurisdiction over the Participant, or other business or professional association;
 - (iv) The imposition of any restriction or limitation on the business conducted by the Participant on or with any securities, futures or swap clearing

organization or exchange (including, without limitation, any contract market, securities exchange, swap execution facility, security-based swap execution facility or other trading facility), other than restrictions or limitations imposed generally on all Participants of or participants in such clearing organization or exchange;

- (v) Any failure by the Participant to perform any of its material contracts, obligations or agreements, unless such failure is the result of a good faith dispute by such Participant;
 - (vi) Any determination that the Participant will be unable to perform any of its material contracts, obligations or agreements;
 - (vii) The Participant becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
 - (viii) The institution of any proceeding by or against the Participant or any Affiliate of the Participant, under any provision of the bankruptcy laws of the United States, Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities Investor Protection Act of 1970, the Federal Deposit Insurance Corporation Improvement Act of 1991, the Federal Deposit Insurance Act or any other statute or equitable power of a court of like nature or purpose, whether domestic or foreign, in which such Participant or Person is designated as the bankrupt, debtor or equivalent, or a receiver, conservator, trustee or similar official is appointed for the Participant, such Affiliate, or its or their property;
 - (ix) The receipt by the Participant, or the filing by the Participant with a self-regulatory organization, of a notice of material inadequacy; and
 - (x) The receipt by the Participant from its independent auditors of an audit opinion that is not unqualified.
- (b) Each Participant shall provide prior written notice to ICE Clear Credit of:
- (i) Any changes in the Participant's name, business address, its telephone or facsimile number, electronic mail address, or any number or access code for any electronic communication device used by it to communicate with ICE Clear Credit; and
 - (ii) Any proposed material change in the organizational or ownership structure or senior management of the Participant (and the Participant shall promptly furnish to ICE Clear Credit such documents related to such events as ICE Clear Credit may from time to time request), including:
 - (A) the merger, combination or consolidation between the Participant and another Person;

- (B) the assumption or guarantee by the Participant of all or substantially all of the liabilities of another Person in connection with the direct or indirect acquisition of all or substantially all of the assets of such Person;
 - (C) the sale of a significant part of the Participant's business or assets to another Person; and
 - (D) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Participant.
- (c) Each Participant that is an FCM shall notify ICE Clear Credit of any matter required to be notified to the CFTC under CFTC Rule 1.12, within the time and in the manner specified in that rule. Each Participant that is a Broker-Dealer shall notify ICE Clear Credit of any matter required to be notified to the SEC under Rule 17a-11 or to FINRA under FINRA Rule [30704530\(a\)\(1\)\(A\),\(C\),\(E\) and 4530\(b\) \(or any similar rules\)](#), within the time and in the manner specified in those rules. (Any Participant that is not an FCM or a Broker-Dealer shall provide notices to ICE Clear Credit pursuant to the second preceding sentence as though it were an FCM.)
- (d) Each Participant shall promptly notify ICE Clear Credit in writing if it becomes subject to statutory disqualification under Section 8a(2) of the CEA or Section 3(a)(39) of the Securities Exchange Act, or otherwise applicable CFTC or SEC regulations.

... **Interpretations and Policies:**

- .01 As used in this Rule, the term "**Participant**" shall be deemed to include any Parent of the Participant providing a guarantee pursuant to Rule 205 and the Participant and such Parent shall be jointly obligated to deliver all notices required by this Rule relating to events occurring with respect to the Participant or such Parent.