



October 3, 2018

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Self-Certification Pursuant to Commission Rule 40.6 – Liquidity Plan

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”), 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, certain amendments to its Liquidity Plan. The amendments are to become effective on the first business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.¹

Concise Explanation and Analysis

ICE Clear Europe is proposing to make certain amendments to its Liquidity Plan to address changes in its treasury activities and to make certain enhancements to liquidity risk stress testing scenarios and other clarifications.

The approved financial institution (AFI) default and AFI plus Member default liquidity stress testing scenarios have been revised to refer to AFIs (such as investment agents and custodians) more generally, rather than to specific institutions. For example, in the AFI default liquidity stress testing scenario, sources used for risk tolerance and risk appetite evaluation have been revised to refer to non-defaulting investment agents, rather than a specific bank. In the AFI plus member default scenario, the scenario has been revised to be based on a default of an AFI (investment agent or custodian) as liquidity provider and clearing member, and sources used for evaluation would look at a non-defaulting service provider. These changes reflect that the Clearing House may use a number of different AFIs, and thus will assist the Clearing House in keeping the Liquidity Plan up to date as service providers change. The amendments also facilitate use by the Clearing House of additional treasury service providers, consistent with its other policies and procedures, which will help the Clearing House appropriately manage risks from treasury operations.

¹ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules (the “Rules”).



The amendments also add a new Central Securities Depository (CSD) default scenario. This is defined as the relevant CSD (the Federal Reserve (for USD securities), Euroclear Bank (for Euro securities) or Euroclear UK & Ireland (for GBP securities)) being unable to process settlements. Under this scenario, available liquidity is assessed against the expected net cash payment outflow for a single day on a per currency basis, to determine if such a default could result in a delay in payment to clearing members.

Certain other updates and clarifications have been made to the liquidity stress testing scenarios and related sources used in risk tolerance and risk appetite evaluations. These include amendments to address reliance on intra-day overdraft facilities and eliminate references to an ICE Inc. (the parent company of ICE Clear Europe) credit facility. In calculating the investment loss component of liquidity stress losses in clearing member default scenario, the amendments clarify that time deposits are assumed to have a 100% liquidity loss, similar to other unsecured investments. The amendments also clarify certain arrangements with respect to cross-currency investment for purposes of liquidity stress testing. U.S. dollar cash can, in certain circumstances, be invested through reverse repurchase agreements in assets denominated in Euro or pounds sterling, but for scenarios that look at cash invested with a one-day maturity, such investments will be excluded from available liquidity resources. The amended plan notes that cross-currency investments for Euro and British pounds sterling balances are not permitted.

The amendments update a table of key risk and performance indicators (KRPIs) used by the Clearing House to determine if investments meet the credit and liquidity standards set out in Clearing House investment policies. Additional KRPIs included in the Liquidity Plan address such indicators as rating checks for unsecured investments, repo counterparties and sovereigns; the level of sovereign purchases; matching of the currency of investment and underlying collateral; collateral coverage; and repo balance per counterparty by rating. The KRPI for unsecured investment tenor is reduced to one business day. The KRPI for aggregate reverse repo balance is reduced from 55% of total investments to 50%. The KRPI for reverse repo tenor is revised to be less than or equal to 37 days.

Certain internal reporting processes have been streamlined. A number of weekly and monthly reports would no longer be provided on a routine basis to the Board Risk Committee and the Board. New governance reporting requirements have been added instead, with (i) certain liquidity metrics (including breaches) being provided to the Audit Committee, (ii) an overall assessment on the adequacy of the liquidity plan being provided to the Business Controls Committee, (iii) collateral and investment data, APS performance and exposure, liquidity metrics and assessments, and KRPI data being provided to the Board, and (iv) a liquidity management summary and certain other summary data being provided to the Business Risk Committee. ICE Clear Europe believes that these amendments will enhance oversight of Clearing House liquidity risk management.

Certain clarifications are made to provisions relating to the annual testing of the Liquidity Plan. In addition, the amendments also provide that at least on an annual basis, the Liquidity Plan will be reviewed by the Executive Risk Committee (instead of the Business Control Committee).



Certain other clarifications and typographical corrections are also made. The amendments update cross-references to various treasury standard operating procedures used by the Clearing House. The appendices have been edited to remove an unnecessary list of risk default scenarios.

Compliance with the Act and CFTC Regulations

The amendments are potentially relevant to the following core principles: (B) Financial Resources and (D) Risk Management and the applicable regulations of the Commission thereunder.

- *Financial Resources.* ICE Clear Europe believes that the amendments are consistent with, and will enhance, its ability to effectively measure, monitor and manage its liquidity risks and to maintain sufficient liquid resources such that it can, at a minimum, fulfill its cash obligations when due. As discussed above, the amendments enhance certain liquidity stress testing scenarios, by more readily taking into account relevant changes in treasury service providers in AFI failure scenarios and addressing the possibility of a CSD failure through the CSD default scenario. These scenarios are used by the Clearing House to determine that its liquid financial resources will be sufficient to meet its obligations in respect of the daily settlement cycle, in accordance with regulatory requirements. As a result, in ICE Clear Europe's view, the amendments are consistent with the requirements of Core Principle B and Commission Rule 39.11.
- *Risk Management.* The amendments are intended to enhance ICE Clear Europe's ability to manage its risks, and in particular its liquidity risks. The amendments enhance liquidity stress testing through accounting for additional scenarios such as a CSD failure and better reflecting investment loss impacts. The amendments also update monitoring metrics and standards, including through revised KRPIs. The revisions improve internal reporting and oversight of liquidity risk management, including through the governance framework for review of liquidity stress testing. In ICE Clear Europe's view, the amendments will thus enhance its liquidity risk stress testing practices and strengthen its overall risk management. As a result, the amendments are consistent with the risk management requirements of Core Principle D and Commission Rule 39.13.

As set forth herein, the amendments consist of changes to the Liquidity Plan. ICE Clear Europe has requested confidential treatment with respect to these amendments, which have been submitted concurrently with this self-certification submission.

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 proposed 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 carolyn.vandendaelen@theice.com or +44 20 7429 4515.

Very truly yours,

A handwritten signature in black ink, appearing to read 'C. Van den Daelen'.

Carolyn Van den Daelen
Head of Regulation & Compliance
ICE Clear Europe Limited