



November 21, 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 – CDS Policy
amendments

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, the amendments to its CDS Risk Policy (the “CDS Risk Policy”), CDS Clearing Back-Testing Policy (the “Back-Testing Policy”) and CDS Stress-Testing Policy (the “Stress-Testing Policy”, and collectively, the “CDS Policies”) discussed herein. 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.

Concise Explanation and Analysis

ICE Clear Europe proposes to modify and update certain provisions of its risk policies related to CDS Contracts.

CDS Risk Policy

The amendments to the CDS Risk Policy incorporate an overall Board risk appetite and limit framework, on terms consistent with other existing Clearing House policies, including the existing Stress-Testing Policy. The framework contemplates use of Board-level risk appetite statements, risk appetite metrics and management risk limits, and is subject to review at least annually.

The amendments specifically address periodic reviews of margin requirements and the related margin methodology and parameters. Under the revised policy, the

clearing risk department is required to perform such a review at least monthly, consistent with applicable legal requirements. The results of the monthly review will be presented to the Clearing House's Model Oversight Committee ("MOC"). At the end of each quarter, the clearing risk department will share its monthly reviews from the quarter with the Risk Oversight Department ("ROD"), which performs a second-line review. The head of second line clearing risk then will present the results of this quarterly review to the MOC. The amendments also clarify that proposed margin methodology changes resulting from the review process are presented by the clearing risk department to the Board for approval.

The amendments specify in further detail the timing of back-testing and stress-testing. These amendments require that: (a) ICE Clear Europe's clearing risk department conduct back-testing at least once each day using standard predetermined parameters and assumptions; and (b) ICE Clear Europe conducts sensitivity analyses of its margin models and review parameters and assumptions for back-testing on at least a monthly basis, and more frequently than monthly when the relevant products cleared or markets served display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly.

With respect to stress testing, the amendments require that the clearing risk department conduct stress-testing at least once each day using standard predetermined parameters and assumptions, which are reviewed on at least a monthly basis and more frequently when the relevant products cleared or markets served display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly.

The proposed amendments also update certain details regarding policy governance and reporting. The amendments specify that the models used to support the policy objectives of the policy are subject to an annual independent validation and governance oversight which may be performed by an independent member of the ROD or an external validator. The amendments further specify the role of the clearing risk department and ROD with respect to policy adherence and the role of the Risk Working Group ("RWG") (which consists of risk personnel of Clearing Members, and provides guidance on risk management matters, including review of margin and stress testing parameters), Trading Advisory Committee ("TAC") (which advises on pricing processes) and MOC (which is responsible for overall model risk management of the Clearing House, and for oversight of the periodic reviews described above, as discussed further below). The policy includes further detail as to the composition and role of the RWG and MOC. The amendments also address escalation and reporting of any deviations from the policy, as well as compliance with regulatory reporting and filing requirements.

Certain changes have also been made to update references to various committees and departments of ICE Clear Europe, to correct typographical and similar errors and to update cross-references.

Back-Testing Policy

The amendments to the Back-Testing Policy include the risk appetite and limit framework also included in the CDS Risk Policy, as discussed above. The amendments also include the same additional provisions relating to the timing of back-testing and related sensitivity analysis discussed above in the context of the CDS Risk Policy. In addition, the amendments clarify certain confidence levels used in the back-testing process. The amendments remove a reference to the 99% quantile used before EMIR implementation. In the guidelines relating to remediation of poor back-testing, the amendments state explicitly that portfolio back-testing is done using a confidence level of 99.5% or higher.

As with the amendments to the CDS Risk Policy, the amendments update the provisions regarding policy governance and reporting. The Back-Testing Policy specifies that the models used to support the objectives of the policy are subject to an annual independent validation and governance oversight which may be performed by an independent member of the ROD or an external validator. The clearing risk department, with the support of the ROD, is responsible for adherence to the policy and relevant appetite metrics. The amendments also address escalation and reporting of any deviations from the policy, as well as compliance with regulatory reporting and filing requirements.

Various other changes have also been made to update references to various committees and departments of ICE Clear Europe, to correct typographical and similar errors and to update cross-references.

Stress-Testing Policy

The Stress-Testing Policy is being amended to include the same provisions relating to the timing of stress testing discussed above in the context of the CDS Risk Policy. Other changes to the Stress-Testing Policy are made to reflect the role of the Board Risk Committee, in addition to the CDS Risk Committee, in reviewing and overseeing stress-testing, in order to ensure that both committees are sufficiently informed to advise the Board on the safety and soundness of the risk management approach and to provide a mechanism for management and the committees to test the level of protection offered in potential scenarios they believe are plausible.

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.* The amendments clarify stress testing requirements relating to margin for CDS Contracts, including as to the frequency of regular testing and of the review of key parameters and assumptions. These amended procedures are consistent with the requirements that the Clearing House perform stress testing on at least a monthly basis to enable it to reasonably calculate its financial resource requirements, in compliance with the requirements of Core Principle B and Commission Rule 39.11.

- *Risk Management.* The amendments modify key CDS risk management policies to state more clearly certain requirements for CDS Contracts, including the timing of periodic review of margin requirements and related risk parameters, stress-testing and back-testing. The amendments to the CDS Policies more specifically require that reviews of parameters and assumptions underlying margin models, stress-testing and back-testing must be performed more frequently when the relevant products display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly. The amendments also adopt enhancements to the review and governance processes for these policies. In ICE Clear Europe's view, these amendments will enhance overall risk management of the Clearing House, and the amendments are therefore 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 CDS Policies. ICE Clear Europe has requested confidential treatment with respect to these amendments, which have been submitted currently with this self-certification submission.

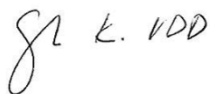
ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

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,



Carolyn Van den Daelen
Head of Regulation & Compliance