



**FOIA CONFIDENTIAL TREATMENT REQUESTED**

June 26, 2024

**VIA CFTC PORTAL**

Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St., N.W.  
Washington, D.C. 20581

**Re: Amendment to ICE NGX Canada Inc. Rules - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and CFTC Regulation § 40.6(a): Changes to ICE NGX Canada Inc. ("ICE NGX") Default Management Procedures**

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended, ("Act") and Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), ICE NGX Canada Inc. ("ICE NGX") is submitting this self-certification to amend the ICE NGX Default Management Procedures ("Default Management Procedures"). ICE NGX believes the Default Management Procedures may be a "rule" as that term is defined under Commission Regulation 40.1(i). ICE NGX intends to implement this rule on July 15, 2024, or such later date as ICE NGX may designate.

ICE NGX has respectfully requested confidential treatment for the Default Management Procedures and the amendments thereto, which were submitted concurrently with this submission.

**1. Overview**

***Overview of the Amendments***

ICE NGX is making this submission to implement certain updates and changes (the "Amendments") to the Default Management Procedures.

***Overview of the ICE NGX Default Management Procedures***

The Default Management Procedures represent ICE NGX's current written default management plan and delineate the roles and responsibilities of ICE NGX's board of directors (the "Board"), the Risk Committee of the Board, and management in addressing a default or potential default of a Contracting Party. The Default Management Procedures are designed to facilitate the efficient, fair and safe management of an actual or potential default by a Contracting Party under the ICE NGX Contracting Party Agreement ("CPA"), to protect the ICE NGX exchange and clearinghouse operations, and to minimize the impact of an actual or potential Contracting Party default on non-defaulting Contracting Parties.



The Default Management Procedures provide details relating to pre-default procedures, determination of default and authority to take action, liquidation and other default management processes, and application of default resources.

## **2. Details of Rule Changes**

The Amendments are designed to align the Default Management Procedures with, and enhance the procedural descriptions for, the CPA amendments made effective May 23, 2024, in particular relating to Article 5 of the CPA and specifically

- the specification of Default Auction Procedures under Section 5.9 of the CPA; and
- the determination of a net settlement amount and Final Invoice Amount under sections 5.10 and 5.11 of the CPA.

The Amendments also better reflect the CPA amendments made effective March 15, 2024 that updated certain CPA provisions relating to the Deposit Agreement entered into among ICE NGX, Royal Trust Corporation of Canada, as Escrow Agent, and Royal Bank of Canada.

Further, in addition to non-substantive amendments to clarify drafting and amendments to further align the Default Management Procedures with the CPA, the Amendments:

- streamline the description of the pre-default Action Plan;
- enhance the descriptions relating to a Risk to Exchange;
- describe the required regulatory reporting relating to any rule implemented under the Emergency Authority;
- update the description of notifications to ICE senior management, EDC, RBC and Royal Trust;
- clarify the procedures relating to a drawdown on a collateral Line of Credit;
- contemplate the scenario of a Contracting Party defaulting and the bank that issued the Defaulting Contracting Party's collateral letter of credit ("LC-Issuing Bank") failing to pay on the letter of credit upon demand by ICE NGX;
- enhance the descriptions relating to ICE NGX's recourse to a parent or affiliate company of a Contracting Party, either through the cross-guarantee provided by a Contracting Party Affiliate under the CPA or a guarantee provided by the Contracting Party's affiliate or parent.

A redline version of the Default Management Procedures, over which ICE NGX has respectfully requested confidential treatment, is being submitted concurrently with this submission.

### 3. Compliance with Core Principles

ICE NGX reviewed the Amendments and determined that they comply with the rules and regulations of the Commission. In this regard, ICE NGX reviewed the derivatives clearing organization (“DCO”) core principles (each a “Core Principle”) and determined that the Amendments are potentially relevant to the following Core Principles and applicable regulations of the Commission thereunder.

**Compliance (Core Principle A):** The Amendments are consistent with Core Principle A - Compliance and Commission Regulation 39.10, as the Amendments update ICE NGX’s policies and procedures for complying with Commission regulations.

**Risk Management (Core Principle D):** The Amendments are consistent with Core Principle D - Risk Management and Commission Regulation § 39.13(h)(6), as the Amendments set out the additional actions, and the procedures therefor, that ICE NGX may take with respect to a Contracting Party based on objective and prudent risk management standards, in this case that ICE NGX believes a Contracting Party may default, or if a Contracting Party has defaulted or an Event of Default is declared in respect of a Contracting Party.

**Default Rules and Procedures (Core Principle G):** The Amendments are consistent with Core Principle G - Default Rules and Procedures and the following Commission Regulations:

- § 39.16(a) and (b), as the Amendments update ICE NGX’s written default management plan and procedures designed to allow for the efficient, fair and safe management of events during which clearing members become insolvent or default on their obligations to ICE NGX; and
- § 39.16(c)(1), as the Amendments describe liquidity available to ICE NGX in the event of a delay or failure by an LC-Issuing Bank in paying out the proceeds under a collateral letter of credit;
- § 39.16(c)(2)(ii), as the Amendments clarify and enhance the actions ICE NGX may take if ICE NGX believes a Contracting Party may default, or if a Contracting Party has defaulted or an Event of Default is declared in respect of a Contracting Party;
- § 39.16(c)(2)(ii), as the Amendments clarify and reinforce that participation by Contracting Parties in a default auction is by invitation only and is not mandatory under the CPA;
- § 39.16(c)(2)(ii), as the Amendments enhance the description of the sequence in which the funds and assets of the defaulting Contracting Party the financial resources maintained by ICE NGX would be applied in a default situation.

### 4. Certifications

ICE NGX certifies that the Amendments discussed in this submission comply with the Commodity Exchange Act, including the Core Principles and the Regulations of the Commission thereunder. ICE NGX is not aware of opposing views expressed regarding the Amendments. ICE NGX further



certifies that, concurrent with this filing, a copy of this submission was posted to ICE NGX's website.

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Please do not hesitate to contact me (403-974-1740 or martin.mcgregor@ice.com) or Greg Abbott, ICE NGX President & COO (403-974-1701 or greg.abbott@ice.com) for any further information the Commission or its staff may require in connection with this document.

Yours truly,

A handwritten signature in black ink, appearing to read 'Martin McGregor', written over a horizontal line.

By: Martin McGregor  
Title: General Counsel & CCO  
Date: June 26, 2024