



ICE Clear Europe Risk Management “Frequently Asked Questions”

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1 General

1.1 Does ICE Clear Europe or its parent ICE Inc. have an external credit rating?

Intercontinental Exchange, Inc. external long term credit ratings are:

Moody's: A3 Stable.
S&P: A- Stable.

1.2 Does ICE Clear Europe have a default insurance as part of its Risk Waterfall?

ICE Clear Europe is a named insured under a default insurance policy. The amount of insurance is US\$100 million, and the Relevant Period is 17 September 2022 until 16 September 2025. The Loss Threshold involves application of the clearing house contributions and the coverage includes all the Futures & Options contract categories.

1.3 Does ICE Clear Europe amend collateral haircuts as a result of a rating downgrade?

No, when reviewing collateral haircuts, ICE Clear Europe does not incorporate credit ratings issued by any of the three major Nationally Recognised Statistical Rating Organisations ("NRSROs"). Nevertheless, assets eligible as permitted cover require a minimum rating from the three major agencies.

See link for the List of Permitted Cover:

https://www.theice.com/publicdocs/clear_europe/list-of-permitted-covers.pdf

1.4 How does ICE Clear Europe monitor the counterparty risk of clearing members?

ICE Clear Europe has quantitative and qualitative procedures in place to monitor clearing members. A credit scoring model uses financial information and market indicators to assess credit, market and liquidity risk. Specific risk-mitigating actions are taken in respect to the member's overall credit quality and exposure.

1.5 Does the clearing house operate credit limits with respect to clearing member risk exposure?

ICE Clear Europe requires all clearing members to cover their margin requirements in the form of Variation Margin ("VM") and Initial Margin ("IM"). A clearing member is allocated a limit above which the clearing member is required to cover the stress loss that exceeds the IM. The clearing house also operates a margin to capital limit.

1.6 Does ICE Clear Europe apply external credit ratings and concentration limits in its investment policy?

Yes, please see the following links for information on ICE Clear Europe's investment

activities:

- 1- Under the Investment Activities section: <https://www.theice.com/clear-europe/treasury-and-banking>
- 2- In the Finance Procedures: [\(\(II\) FINANCE PROCEDURES \(theice.com\)](https://www.theice.com/finance-procedures)

1.7 Where can I find details of intraday margin calls made by ICE Clear Europe?

Details of margin calls can be found in the notices section of Managed File Transfer. Should a clearing member require access to this service, they can contact ICE Clear Europe Operations Department at the following email address: ICEClearEuropeOperations@TheIce.com

2 Futures & Options

2.1 Where can I find margin rates for ICE Clear Europe products?

For Energy products:

<https://www.theice.com/clear-europe/risk-management#margins-europe>

For Financials & Softs products:

<https://www.theice.com/clear-europe/risk-management#margin-liffe>

2.2 Does ICE Clear Europe apply different margin rates for heightened risk profile clients?

ICE Clear Europe does not apply different rates to its clearing members, however per CFTC rules clearing members shall collect client initial margin that is not less than 100% of the clearing house's requirements with respect to each product and portfolio, and that is commensurate with the risk presented by each client account. Should a client require further information they can consult their clearing member and the CFTC rulebook.

2.3 Is it possible to calculate the margin requirement for a portfolio?

The margin requirement for a portfolio can be calculated using the ICE Clearing Analytics ("ICA") web-based tool, which supports portfolios margined under ICE Risk Model 1 ("IRM 1") and will in future support portfolios margined under ICE Risk Model 2 ("IRM 2"). More information including a link to register for an ICA account is available here: <https://www.ice.com/clearing/margin-models/irm-2/ica>

For products margined using IRM 1, the margin requirement can also be calculated using the IRM tool. You can download the IRM tool using the links and steps outlined below.

The first two links are to download IRM 1 for ICE, and the Microsoft.NET Framework, version 3.5, which is required for the IRM tool to work.

Two files must be uploaded into IRM:

- The first is the IRM 1 parameter file that you should download from our website.

This is updated on a daily basis and is available from the third link below (“Download ICE Risk Model Array files for Energy”).

- The second input is your position file.

The final link in the list is the IRM 1 user guide.

1. https://www.theice.com/publicdocs/IceRiskModelInstall_x64.msi
2. <http://www.microsoft.com/downloads/details.aspx?FamilyID=333325fd-ae52-4e35-b531-508d977d32a6&DisplayLang=en>
3. <https://www.theice.com/clear-europe/risk-management#ICE-Risk-Model-overview>
4. https://www.theice.com/publicdocs/clear_europe/ice_risk_model_tool_user_guide.pdf

An overview of the IRM 1 is available in the ‘Initial Margin Overview’ section of Risk Management page here: <https://www.theice.com/clear-europe/risk-management>

2.4 Where can I find the latest ICE Risk Model array file?

Current and historic ICE Risk Model 1 array files are available at the bottom of the Risk Management web page for both Energy and Financial and Softs products here: <https://www.theice.com/clear-europe/risk-management>

2.5 How is the size of the Futures & Options Guaranty Fund calculated?

The Futures & Options Guaranty Fund size is calculated to comply with appropriate regulation, i.e. Guaranty Fund is required to be sufficient to cover the default of the largest two clearing member groups under extreme but plausible market conditions. See the Guaranty Fund section of the following link for further information: <https://www.theice.com/clear-europe/risk-management>

2.6 Does ICE contribute to the Futures & Options Guaranty Fund?

ICE Clear Europe’s initial contribution will be consumed prior to the application of any non-defaulting Clearing Member’s contributions. Please see the ‘Financial Resources’ section of the following link: <https://www.theice.com/clear-europe/regulation>

2.7 How often do margin rates get updated for ICE Clear Europe products?

Margin rate parameters are reviewed routinely.

Additionally, ad-hoc reviews are undertaken ahead of events which are expected to affect volatility or due to changes in observed volatility.

2.8 How does ICE Clear Europe treat the Net Liquidating Value of options?

Full details on the treatment of Net Liquidating Value, for premium paid up-front options, can be found in the following document:

https://www.theice.com/publicdocs/clear_europe/Net_Liquidating_Value_Guide.pdf

2.9 Why do I see jumps in margin requirement around month-end?

Jumps in margin requirement can be experienced for static portfolios, even though there is no change in portfolio constituents. This can be due to a combination of one or both of the following:

- Contracts expiring and therefore, no longer requiring margin.
- Contracts rolling from one expiry tier to another. For example, following an expiry a contract may move from expiry tier 3 into expiry tier 2, where the margin requirement is different between the two expiry tiers.

2.10 Why can the ICE Risk Model reports show contracts which are not in my portfolio?

It is likely that some of the contracts in your portfolio are subject to the decomposition methodology.

A full breakdown of all contracts subject to decomposition can be found at the bottom of the Risk Management webpage, <https://www.theice.com/clear-europe/risk-management>, under the heading 'Margin Rates: Energy', file named 'Decomposed contracts margin rates'.

2.11 What is decomposition and how are decomposed contracts margined?

Decomposition allows the ICE Risk Model 1 methodology to better reflect the risk of contracts with multiple underlying contracts. With this feature, a position in a relevant contract is decomposed, or transformed, into positions in the underlying instruments. The margin requirement is then calculated on the synthetic positions in the underlying instruments.

2.12 How are Initial Margins calculated for Options Positions?

Currently ICE Risk Model 1 is used to margin Futures and Options. For options, the underlying futures parameter and volatility shift parameter is used to revalue the option through 16 scenarios. The scenario with the greatest loss in value represents the IM - this changes each day and for margin requirements on options, the IRM Tool is required. In the future, ICE Risk Model 2 is expected to replace ICE Risk Model 1.

2.13 How can I find out about future margin updates?

In order to receive margin update notifications please visit the subscription area on our website (<https://www.theice.com/subscriptions>). By following the instructions on the page, you can add recipient email addresses for future notifications of your choice.

2.14 Where can I learn more about ICE Risk Model 2?

There is a dedicated website with key information about the model itself, the implementation approach and further links explaining how you can connect to ICE Risk Model 2 here: <https://www.ice.com/clearing/margin-models/irm-2>