



# **Clearing Membership and Credit FAQs**

## **ICE Clearing Houses**

September 05, 2019



## 1. Are the ICE Clearing house membership criteria publicly available?

Each ICE clearing house publishes its Rule Book on the clearing house website. The membership criteria are included in Part 2 of the Rule book. For ICE NGX, the Contracting Party Agreement includes both the clearinghouse and exchange rules; the minimum qualification criteria are set out in Article 2.

Please refer to the rulebook references provided below where the various membership requirements and conditions are listed.

[ICE Clear Europe](#) -

[https://www.theice.com/publicdocs/clear\\_europe/rulebooks/rules/Clearing\\_Rules.pdf](https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Clearing_Rules.pdf)

[https://www.theice.com/publicdocs/clear\\_europe/rulebooks/rules/Continuing\\_CDS\\_Rule\\_Provisions\\_1\\_February\\_2014.pdf](https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Continuing_CDS_Rule_Provisions_1_February_2014.pdf)

[ICE Clear Credit](#) -

[https://www.theice.com/publicdocs/clear\\_credit/ICE\\_Clear\\_Credit\\_Rules.pdf](https://www.theice.com/publicdocs/clear_credit/ICE_Clear_Credit_Rules.pdf)

[ICE Clear US](#) -

[https://www.theice.com/publicdocs/rulebooks/clear/ICE\\_Clear\\_US\\_Rules.pdf](https://www.theice.com/publicdocs/rulebooks/clear/ICE_Clear_US_Rules.pdf)

[ICE Clear Netherlands](#) -

[https://www.theice.com/publicdocs/ICNL\\_Clearing\\_Rules.pdf](https://www.theice.com/publicdocs/ICNL_Clearing_Rules.pdf)

[ICE Clear Singapore](#) -

[https://www.theice.com/publicdocs/ICE\\_Clear\\_Singapore\\_Rules.pdf](https://www.theice.com/publicdocs/ICE_Clear_Singapore_Rules.pdf)

[ICE NGX](#) -

[https://www.theice.com/publicdocs/ICE\\_NGX\\_Contracting\\_Party\\_Agreement.pdf](https://www.theice.com/publicdocs/ICE_NGX_Contracting_Party_Agreement.pdf)

Rulebook changes are filed with the regulators:

[ICE Clear Europe](#) -

<https://www.theice.com/clear-europe/regulation>

[ICE Clear US](#) -

<https://www.theice.com/clear-us/regulation>

[ICE Clear Credit](#) -

<https://www.theice.com/clear-credit/regulation>

[ICE NGX](#) -

<https://www.theice.com/ngx/notices>

Certain ICE clearing houses publish additional membership related information via their detailed membership procedures documents published on the website or other onboarding / membership resources:

[ICEU Membership Procedures](#) -

[https://www.theice.com/publicdocs/clear\\_europe/rulebooks/procedures/Membership\\_Procedures.pdf](https://www.theice.com/publicdocs/clear_europe/rulebooks/procedures/Membership_Procedures.pdf)

[ICNL Membership Procedures](#) -

[https://www.theice.com/publicdocs/ICNL\\_Membership\\_Procedures.pdf](https://www.theice.com/publicdocs/ICNL_Membership_Procedures.pdf)

[ICSG Membership Procedures](#) -

[https://www.theice.com/publicdocs/ICE\\_Clear\\_Singapore\\_Membership\\_Procedures.pdf](https://www.theice.com/publicdocs/ICE_Clear_Singapore_Membership_Procedures.pdf)

[ICUS Information Package](#) -

[https://www.theice.com/publicdocs/clear\\_us/Clear\\_US\\_Clearing\\_Membership\\_Information\\_Package.pdf](https://www.theice.com/publicdocs/clear_us/Clear_US_Clearing_Membership_Information_Package.pdf)

[ICC CDS Client Clearing Onboarding](#) -

[https://www.theice.com/publicdocs/clear\\_credit/ICE\\_CDS\\_Client\\_Clearing\\_Onboarding.pdf](https://www.theice.com/publicdocs/clear_credit/ICE_CDS_Client_Clearing_Onboarding.pdf)

Each ICE clearing house publishes its disclosure framework on the clearing house website. The disclosure framework, specifically Principle 18, summarizes participation requirements.

[ICE Clear Europe](#) -

[https://www.theice.com/publicdocs/clear\\_europe/ICE\\_Clear\\_Europe\\_Disclosure\\_Framework.pdf](https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Disclosure_Framework.pdf)

[ICE Clear Credit](#) -

[https://www.theice.com/publicdocs/clear\\_credit/ICEClearCredit\\_DisclosureFramework.pdf](https://www.theice.com/publicdocs/clear_credit/ICEClearCredit_DisclosureFramework.pdf)

[ICE Clear US](#) -

[https://www.theice.com/publicdocs/clear\\_us/ICUS\\_DisclosureFramework.pdf](https://www.theice.com/publicdocs/clear_us/ICUS_DisclosureFramework.pdf)

[ICE Clear Netherlands](#) -

[https://www.theice.com/publicdocs/Clear\\_Netherlands\\_FMI\\_Disclosure.pdf](https://www.theice.com/publicdocs/Clear_Netherlands_FMI_Disclosure.pdf)

[ICE Clear Singapore](#) -

[https://www.theice.com/publicdocs/ICSG\\_Disclosure\\_Framework.pdf](https://www.theice.com/publicdocs/ICSG_Disclosure_Framework.pdf)

[ICE NGX](#) -

[https://www.theice.com/publicdocs/ICE NGX\\_Principle\\_for\\_Financial\\_Market\\_Infrastructures\\_Disclosure.pdf](https://www.theice.com/publicdocs/ICE NGX_Principle_for_Financial_Market_Infrastructures_Disclosure.pdf)

## 2. Who is eligible to become a clearing member at an ICE clearing house, and what are the membership criteria?

To be eligible to become a clearing member of an ICE clearing house, an applicant must meet and continue to meet membership criteria listed in the respective clearing house's rules and any related membership procedures for that clearing house. Each ICE clearing house maintains objective and risk-based criteria for participation, which are designed to permit fair and open access, while protecting the clearing house and its members from the risk of default. The membership requirements are uniform for applicants of a particular type, regulatory status and product class at a particular ICE clearing house and include fitness criteria, financial

standards, operational standards, qualified personnel, and appropriate registration qualifications with applicable regulatory authorities.

It is generally not feasible for a private individual to be a clearing member. ICE Clear Netherlands and ICE Clear Singapore explicitly disallow “natural” persons to be a clearing member in the membership rules. The respective rules of ICE Clear Credit, ICE Clear US, ICE Clear Europe and ICE NGX do not explicitly prohibit a natural person from being a clearing member and, in theory an individual, operating as a sole proprietorship or in a similar capacity could apply for membership. The criteria listed in the clearing house rules, however, would have to be met for any applicant to become a clearing member and they are very stringent in nature, making it almost impossible for an individual to qualify. For example, the criteria include various capital, operational and in some cases regulatory requirements; the satisfaction of which is thoroughly reviewed by the clearing houses on an onboarding and ongoing basis.

### **3. Describe the clearing house’s onboarding evaluation process to determine whether an application meets the membership requirements?**

The clearing member application process is designed to establish that an applicant satisfies the initial membership requirements. Applicants must submit a completed application to the relevant ICE clearing house. Once the application is submitted, clearing house staff performs a due diligence review of the application to determine whether the applicant meets all membership requirements. The due diligence process involves the clearing house’s its membership, clearing, treasury, finance and operations teams, and is also designed to assess whether the applicant would be able to meet the financial safeguard requirements and operational requirements under the clearing house rules and the contractual agreement entered into between the clearing house and a clearing member. After the due diligence review is complete, the appropriate governance committee considers management’s recommendations regarding clearing member status and then makes a recommendation to the relevant decision maker. Except at ICE NGX, once an application has been approved, the new clearing member must deposit the required guaranty fund<sup>1</sup> contribution prior to going live. At ICE NGX, a new Contracting Party<sup>2</sup> is required to post collateral before trading permissions are opened.

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<sup>1</sup> ICE NGX does not maintain a mutualized guaranty fund. Instead, the NGX capital and a default insurance policy in the amount of \$100,000,000 serves as the default resources beyond any defaulter’s margin. ICE NGX requires participants to maintain cash or letters of credit to serve as collateral in the event of default.

<sup>2</sup> ICE NGX operates a direct access exchange and clearinghouse model, i.e., with no intermediation in the typical clearing member form. Approved participants, each a “Contracting Party”, trade and clear on their own behalf only and post collateral directly to ICE NGX.

#### 4. Are institutions allowed to become members / participants if they are sanctioned or have nexus to comprehensively sanctioned countries?

No.

#### 5. How are changes to membership criteria and additions or deletions to clearinghouse membership communicated?

Changes to membership criteria are effected via amendments to the clearing house rulebook; or, for ICE NGX, the Contracting Party Agreement, are subject to regulatory filing. Clearing members are notified of rulebook amendments via a clearing house circular or notice; rulebook amendments are also posted on the respective clearing house's website. The current list of clearing members is available on the respective clearing house's website.

ICE Clear Europe -  
<https://www.theice.com/clear-europe/circulars>

ICE Clear Credit -  
<https://www.theice.com/clear-credit/circulars>

ICE Clear US -  
<https://www.theice.com/clear-us/notices>

ICE Clear Netherlands -  
<https://www.theice.com/clear-netherlands/notices>

ICE Clear Singapore -  
<https://www.theice.com/clear-singapore/circulars>

ICE NGX -  
<https://www.theice.com/ngx/notices>

To see the most current list of clearing members, please see the following links:

ICE Clear Europe -  
<https://www.theice.com/clear-europe/membership>

ICE Clear US -  
<https://www.theice.com/clear-us/membership>

ICE Clear Credit -  
<https://www.theice.com/clear-credit/participants>

ICE Clear Netherlands -  
<https://www.theice.com/clear-netherlands/membership>

ICE NGX -  
[https://www.theice.com/publicdocs/CPA\\_list\\_for\\_website.pdf](https://www.theice.com/publicdocs/CPA_list_for_website.pdf)

## 6. Please provide a breakdown of the current ICE clearing house membership by type of membership, entity type and by jurisdiction?

The Public Quantitative Disclosures for each ICE clearing house provide information relating to number of clearing members by membership type, entity type and jurisdiction. Specific disclosures are provided below:

Disclosure Reference	Disclosure Title	Disclosure Description
18.1.1.1	Number of clearing members, by clearing service	Number of general clearing members
18.1.1.2		Number of direct clearing members
18.1.1.3		Number of others category (describe in comments)
18.1.2.1		Number of central bank participants
18.1.2.2		Number of CCP participants
18.1.2.3		Number of bank participants
18.1.2.4		Number of other participants (describe in comments)
18.1.3.1		Number of domestic participants
18.1.3.2		Number of foreign participants

Each clearing house publishes its public quantitative disclosures on the clearing house website. Please see below links to each clearing house disclosures.

ICE Clear Europe -  
<https://www.theice.com/clear-europe/regulation#quantitative-disclosures/>

ICE Clear Credit -  
<https://www.theice.com/clear-credit/regulation#quantitative-disclosures>

ICE Clear US -  
<https://www.theice.com/clear-us/regulation#quantitative-disclosures/>

ICE Clear Netherlands -  
<https://www.theice.com/clear-netherlands/regulation#quantitative-disclosures/>

ICE Clear Singapore -  
<https://www.theice.com/clear-singapore/regulation#quantitative-disclosures/>

ICE NGX -  
<https://www.theice.com/ngx/documents>

## 7. Please describe the difference between direct and indirect participants at the ICE clearing houses.

All of ICE clearing houses have a contractual clearing counterparty relationship only with their clearing members (i.e., ICE clearing houses do not have a direct clearing relationship with the client of a clearing member). Many clearing members provide intermediary services to clients (subject to legal and regulatory requirements applicable to the clearing member) and such indirect participation is available in all of ICE's clearing services except ICE NGX. ICE clearing houses generally must rely on their clearing members for information as to such indirect participation. The respective public quantitative disclosures of the ICE clearing houses, specifically disclosures 19.1.1 and 19.1.2, provide additional details relating to indirect participation. Certain ICE clearing houses, such as ICE Clear Europe, have a sponsored principal arrangement that establishes a certain relationship with non-clearing members designed to provide enhanced segregation of their margin and perhaps to facilitate porting.

ICE NGX operates a direct access model, with intermediation in the typical clearing member form. Contracting Parties trade and clear on their own behalf only and post collateral directly to ICE NGX. The ICE NGX Contracting Party Agreement contemplates a "Customer Participant" model,<sup>3</sup> but to date ICE NGX has not granted participation rights to a "customer Participant".

Disclosure Reference	Disclosure Title	Disclosure Description
19.1.1	Tiered participation arrangements, measures of concentration of client	Number of clients (if known)
19.1.2	clearing	Number of direct members that clear for clients

Also, Principle 19 of the ICE clearing house disclosure frameworks provides further information related to indirect participation arrangements.

Each ICE clearing house's principal focus is on the risk posed by its clearing members. As noted above, except at ICE NGX, the clearing members have a direct relationship with the ICE Clearing house and are responsible for performance to the clearing house for both the house and customer account origins.

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<sup>3</sup> The ICE NGX Contracting Party Agreement states that any party that wishes to transact or clear, respectively, on the ICE NGX Trading System or ICE NGX Clearing System as a customer through a Contracting Party willing to act on behalf of such a customer, may request Participation Rights as a "Customer Participant" under such conditions and on such terms as ICE NGX shall establish. The Contracting Party shall remain responsible to ICE NGX in all respects under this Agreement for all Transactions that it enters into on, or clears through, ICE NGX, including those Transactions which it undertakes on behalf of its Customer Participant(s).

## 8. Please describe the ICE clearing house's process for monitoring whether a clearing member continues to meet all the membership requirements.

Each clearing member is required to provide regular financial reports on a timely basis and provide notice of significant financial, regulatory and organizational events that could impact the financial or operational capacity of a clearing member as specified in the clearing house rules, relevant procedures or as described in the contracting party agreement. The clearing houses review and analyze such reports, information and notices to monitor the financial and operational condition of its members. Each clearing house periodically conducts a risk review of clearing members' respective risk management policies and procedures. As necessary, the clearing house an onsite review may be initiated.

Principle 18 of the ICE clearing houses' disclosure frameworks includes information relating to ongoing monitoring of participation requirements.

[ICE Clear Europe](https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Disclosure_Framework.pdf) -

[https://www.theice.com/publicdocs/clear\\_europe/ICE\\_Clear\\_Europe\\_Disclosure\\_Framework.pdf](https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Disclosure_Framework.pdf)

[ICE Clear Credit](https://www.theice.com/publicdocs/clear_credit/ICEClearCredit_DisclosureFramework.pdf) -

[https://www.theice.com/publicdocs/clear\\_credit/ICEClearCredit\\_DisclosureFramework.pdf](https://www.theice.com/publicdocs/clear_credit/ICEClearCredit_DisclosureFramework.pdf)

[ICE Clear US](https://www.theice.com/publicdocs/clear_us/ICUS_DisclosureFramework.pdf) -

[https://www.theice.com/publicdocs/clear\\_us/ICUS\\_DisclosureFramework.pdf](https://www.theice.com/publicdocs/clear_us/ICUS_DisclosureFramework.pdf)

[ICE Clear Netherlands](https://www.theice.com/publicdocs/Clear_Netherlands_FMI_Disclosure.pdf) -

[https://www.theice.com/publicdocs/Clear\\_Netherlands\\_FMI\\_Disclosure.pdf](https://www.theice.com/publicdocs/Clear_Netherlands_FMI_Disclosure.pdf)

[ICE Clear Singapore](https://www.theice.com/publicdocs/ICSG_Disclosure_Framework.pdf) -

[https://www.theice.com/publicdocs/ICSG\\_Disclosure\\_Framework.pdf](https://www.theice.com/publicdocs/ICSG_Disclosure_Framework.pdf)

[ICE NGX](https://www.theice.com/publicdocs/ICE_NGX_Principle_for_Financial_Market_Infrastructures_Disclosure.pdf) -

[https://www.theice.com/publicdocs/ICE\\_NGX\\_Principle\\_for\\_Financial\\_Market\\_Infrastructures\\_Disclosure.pdf](https://www.theice.com/publicdocs/ICE_NGX_Principle_for_Financial_Market_Infrastructures_Disclosure.pdf)

In addition, the ICE clearing houses have developed and implemented an internal credit rating process that assesses and monitors each clearing member's initial and ongoing credit worthiness. The ICE credit rating methodology estimates a credit score representative of the financial condition of the counterparty. The Credit Risk System (CRS) relies on seven Credit Risk Factors (CRFs) representing a combination of data and performance ratios derived from financial reporting and market information. (Assessments performed by external ratings agencies are considered only one of many factors in developing our internal ratings.) The CRFs metrics are calibrated based on regulatory requirements or historical information and fitted to scoring functions. Each CRF receives a separate score from 1 (best) to 5 (worst) to reflect the financial condition of the counterparty. The CRF scores are defined as positive numbers and each CRF is subject to its own weighting. The final credit score is the weighted sum of the individual scores and is meant to provide a guide in determining the expected financial stability



of each counterparty and the early detection of counterparties that are in greater need of examination.

## **9. Please describe the process for withdrawal of membership by a clearing member.**

The respective rules of each ICE clearing house establish the process for terminating or withdrawing membership. A clearing member is entitled to terminate its membership of the clearing house, either generally or (except at ICE NGX) in respect of any relevant contract category, upon service of a termination notice to the clearing house. The clearing house rules detail the provisions relating to the termination notice period. Once a clearing member has served a termination notice, the clearing member remains liable for obligations to the clearing house entered into prior to the effective date of the termination and, except at ICE NGX, the application of prefunded default fund contributions and assessment contributions in case of an event of default before the termination date. Subject to each clearing house's rules, a termination notice issued by the clearing member shall be irrevocable and membership may only be reinstated pursuant to a new application for membership following the close-out of all its open contracts.

## **10. Do the ICE clearing houses use any monitoring tools or systems for ongoing monitoring of the financial stability of clearing members?**

Yes. ICE has an internal credit rating process. Credit scores are computed daily with the latest available information and the credit profile is reviewed at least monthly. Each ICE clearing house employs a range of methods to monitor and measure ongoing credit risk, such as daily monitoring of intraday risk and breaches/exceptions in clearing member performance measures; periodic reviews of clearing members' financial position and membership requirements; watch list monitoring, and a review of monthly credit reports.

## **11. Describe the clearing house watch list process.**

The ICE clearing houses maintain watch lists for existing clearing members that are experiencing weakening credit and/or operational, business or regulatory concerns. The clearing houses' rules provide appropriate authority and discretion to manage risks associated with a clearing member on a watch list depending on the extent of the weakening credit including, but not limited to increased financial reporting, increased margin requirements,

capital-to-margin limits, restricting trading to risk-reducing transactions only, and suspension of clearing.

## **12. Please describe the clearing house process to terminate or suspend membership.**

The respective rules of each ICE clearing house establish the conditions in which a clearing member can be terminated or suspended by the clearing house and the process for termination or suspension. Grounds for suspension or termination vary across the ICE clearing houses according to their particular rules, but generally include cases where (1) the clearing member is in default, (2) the clearing member has otherwise violated clearing house rules or can no longer comply with those rules, (3) a financial emergency or force majeure event is affecting or has affected the clearing member, (4) the clearing member breaches position limits or other limits imposed by the clearing house, (5) a market suspends the clearing member or any of its trading privileges, and (6) the clearing member otherwise endangers the proper functioning of the clearing system.

In the case of a decision to terminate, the clearing house provides a written notice to the clearing member. The clearing house will issue a circular<sup>4</sup> promptly following any termination of membership of a clearing member or the termination of any clearing member's ability to clear a specified contract category, specifying the name of the clearing member affected.

A suspended clearing member, during the term of such suspension, typically remains subject to the clearing house's rules and is obliged to pay all fines, fees and assessments imposed by the clearing house. The suspension can only be revoked at the discretion of the clearing house. The clearing house will issue a circular<sup>4</sup> promptly following any suspension of a clearing member or the suspension of any clearing member's ability to clear certain contracts specifying the name of the Clearing Member affected.

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<sup>4</sup> Not Applicable to ICE NGX. Article 9 of the ICE NGX Contracting Party Agreement provides for termination by ICE NGX or by a Contracting Party.