

Clearing Membership Information Package



LETTER FROM THE PRESIDENT OF ICE CLEAR US, INC.

To prospective members of ICE Clear US, Inc.:

Thank you for your interest in becoming a member of ICE Clear US. As clearing house President, I welcome this opportunity to provide information about ICE Clear US and the process to become a member of our organization.

ICE Clear US serves as the clearing house for certain products traded on ICE Futures U.S., Inc. In 2007, Intercontinental Exchange, Inc. acquired the New York Board of Trade and its affiliated clearing house, the New York Clearing Corporation, and re-named them ICE Futures U.S. and ICE Clear US. ICE Clear US and ICE Futures U.S. are the successors to the long and rich history of some of the first established futures markets in the United States involving “soft commodities” such as cotton, sugar and coffee.

The clearing services offered by ICE Clear US provide a key role in the success of the ICE Futures U.S. markets. By serving as the central counterparty to each matched trade, trading participants do not need to evaluate the credit potential of counterparties on each executed transaction or limit their execution to a select group of counterparties. In addition, the risk management procedures and policies of ICE Clear US - which include intraday mark-to-market, the continuous monitoring of trading activity and positions, and a rigorous membership process - are designed to mitigate risk exposure to ICE Clear US and ensure the continued integrity of the marketplace. This discipline and counterparty risk intermediation allows ICE Clear US to support the availability of efficient and liquid markets.

The document that follows is designed to provide a greater understanding of the ICE Clear US financial safeguards and operations and to make it easier to navigate through the application process.

Staff from both ICE Clear US and ICE Futures U.S. are available to answer questions and guide you through the requirements.

We look forward to your organization becoming a part of ICE Clear US and taking its place on a membership roster that includes many of the most distinguished participants in the financial industry.

Sincerely,

/s/ Hester Serafini

President and COO
ICE Clear US, Inc.

ICE CLEAR US OVERVIEW

ICE Clear US, Inc. (“ICE Clear US”) is a registered derivatives clearing organization regulated by the Commodity Futures Trading Commission (“CFTC”). ICE Clear US is a wholly-owned subsidiary of ICE Futures U.S., Inc. (“Exchange”) and maintains its own Board of Directors, Risk Committee, management team and operating staff.

ICE Clear US provides an integral service that enhances the stability and integrity of the Exchange through a set of procedures which include the enforcement of stringent membership standards; management of risk through real-time oversight of positions; twice daily margin settlements; and substantial default resources, including a designated portion of ICE Clear US and Exchange capital as well as a guaranty fund.

Through its system of financial safeguards, ICE Clear US performs two major functions: (1) clearing certain futures and options transactions executed on the Exchange; and (2) guaranteeing the financial integrity of each transaction and resulting position. When a trade has been matched and cleared, ICE Clear US is substituted as the central counterparty to the trade, thereby guaranteeing financial performance of the contract to the clearing member on the opposite side. In its role as counterparty for cleared contracts, ICE Clear US deals exclusively with clearing members. Each clearing member is financially responsible for the contracts it submits to ICE Clear US, and ICE Clear US is responsible to each clearing member for the net settlement from all contracts it clears.

APPLICATION PROCESS

Applicants should submit complete applications to ICEClearUS@theice.com with the required application fee. Once the application is submitted, ICE Clear US management performs a due diligence review including review of financial statements, risk monitoring procedures and capital position.

Once the due diligence review is complete, the Risk Committee considers staff recommendations for clearing member status and makes a recommendation to the ICE Clear US Board. The Risk Committee and Board normally meet monthly and quarterly, respectively. The process from submission of the application to Board approval takes approximately six to eight weeks. Once an application has been approved, the clearing member must deposit the guaranty fund contribution prior to going live.

CLEARING MEMBERSHIP REQUIREMENTS

Firms applying for membership with ICE Clear US must meet the below requirements:

- applicant must be a member firm of ICE Futures U.S.
- applicant must secure 15,810 shares of Intercontinental Exchange common stock (NYSE:ICE) and pledge the shares to ICE Futures U.S.
- applicant must have at least \$5,000,000 in adjusted net capital
- applicants regulated by the CFTC must satisfy applicable CFTC capital requirements and segregate and account for customer funds and property separate from clearing member property
- applicant may need to be registered with the US futures industry’s self regulatory organization, the National Futures Association (NFA), to conduct its US business if the firm intends to clear business on behalf of customers
- applicant must institute risk management controls and demonstrate the operational capability to handle clearing business
- applicant must establish banking arrangements to facilitate payments to and from ICE Clear US
- applicant must file financial reports at the time of application and on an ongoing basis
- a fee of \$1,500 must be included in the applicant’s membership submission

RISK MANAGEMENT & CUSTOMER PROTECTION

The contracts cleared by ICE Clear US are maintained in two accounts or “origins.” These accounts isolate clearing activity related to clearing member proprietary business in the “house” origin account and clearing activity of clients in the “customer segregated” origin account.

MARGIN METHODOLOGY

Throughout the trading day, ICE Clear US monitors the position and market exposure of each clearing member to ensure enough funds are on deposit to cover risk. This is done by calculating real time profit and loss using up-to-date position and pricing information and by calculating potential losses using pricing information based on simulated adverse market conditions. The ICE Clear US Risk Department is notified when clearing members breach pre-defined thresholds allowing them to take immediate action.

Two forms of margin are used by ICE Clear US to secure performance by its clearing members. One is variation margin based on twice-daily mark-to-market of open contracts. Following this procedure, ICE Clear US typically collects the majority of funds related to open positions before end of day. The second form of margin is initial margin, which is a deposit designed to serve as security for the payment of variation margin obligations.

In addition to the scheduled margin call times, ICE Clear US may initiate additional intraday margin calls. Clearing members are required to post the intraday margin calls within 60 minutes of issuance.

Variation Margin

Variation margin covers the previous day’s open positions and the new positions resulting from the current day’s trading activity. Variation margin for futures contracts can be paid to, and must be collected from, clearing members twice each day. The intra-day variation calculation uses a prevailing market price whereas the end of day calculation uses the daily settlement price for each futures contract.

Clearing members must pay the variation margin calculated at the end of each day by the settlement deadline on the following business day. The end of day variation margin includes any remaining variation margin not paid or received from the intra-day variation margin calls resulting from price changes, new trading activity and option premiums.

Initial Margin

Initial margin is calculated by considering the historical price volatility of each contract. It is collected to ensure clearing members can meet their payment obligations. ICE Clear US calculates initial margin requirements using a system that determines the theoretical loss a clearing member could incur for positions based on historical prices and volatility.

The Risk Department at ICE Clear US uses a variety of analytical tools and procedures to establish and validate the initial margin requirement. The targeted minimum confidence interval covers 99% of one day price moves during the preceding year. ICE Clear US adjusts the margin requirement for each commodity up or down as market volatility changes.

If a clearing member’s initial margin requirement increases and ICE Clear US is not holding sufficient collateral to cover the increase, ICE Clear US will call that clearing member for additional initial margin to meet the deficiency. This calculation is made daily on the basis of each firm’s end of day positions.

ICE Clear US is required to collect gross margin for customer segregated positions. As such, clearing members are required to submit customer positions by account to ICE Clear US on a daily basis. The positions reported by the clearing member are reconciled against the customer segregated positions. Those positions that cannot be reconciled comprise a balancing account which is margined on an outright basis. Clearing members must pay any initial margin deficits by the ICE Clear US settlement deadline.

GUARANTY FUND

Collecting margin has proven to be a sound risk management technique; however, it is possible that extreme market conditions or special circumstances may result in a clearing member default. ICE Clear US

further protects itself by maintaining a guaranty fund to which each clearing member contributes based on their overall margin held and the trading volume cleared. The guaranty fund size is designed to enable ICE Clear US to meet its financial obligations notwithstanding a default by the two clearing members creating the largest combined loss in extreme but plausible market conditions. Importantly, the need to draw upon the guaranty fund contributions of non-defaulting clearing members has not arisen during past defaults. For additional details regarding financial resources available to ICE Clear US, please refer to our [Disclosure Framework](#).

ICE CLEAR US OPERATIONAL OVERVIEW

APPLICATIONS

ICE Clear US applications encompass a number of integrated systems:

- Extensible Clearing System (ECS)
- Post-Trade Management System (PTMS)
- Allocation and Claim Transaction system (ACT)
- Managed File Transfer System (MFT)

Clearing members are given access to all necessary clearing system applications. Training will be provided during the onboarding process. Further information about the clearing systems can be found on the [ICE Clear US Technology page](#).

TREASURY MANAGEMENT

ICE Clear US accepts USD cash and securities to meet initial margin requirements; all variation margin payments must be met in the currency of the underlying contract.

FEES

ICE Clear US provides clearing members daily and monthly reports with exchange and clearing fee details. Fees are processed through the clearing member's proprietary settlement account monthly.

PHYSICAL DELIVERIES

Clearing members are required to have expertise in the delivery process for physically-delivered contracts if they plan to engage in activity in those markets.

ICE CLEAR US CONTACTS

Email: ICEClearUS@theice.com

Main Line: 212-748-4001

Mailing Address: 55 East 52nd Street, 41st Floor, New York, NY 10055

ICE CLEAR US RESOURCES

[ICE Clear US Website](#)

[ICE Clear US Rulebook](#)

[ICE Futures U.S. Exchange and Clearing Fees \(bundled\)](#)

[ICE Clear US Acceptable Collateral and Haircuts](#)

[ICE Clear US Margin Rates](#)