

Clearing Membership Information Package



LETTER FROM THE PRESIDENT OF ICE CLEAR U.S., INC.

To prospective members of ICE Clear U.S., Inc.:

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

ICE Clear U.S. 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 U.S. ICE Clear U.S. 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 U.S. 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 U.S. - 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 U.S. and ensure the continued integrity of the marketplace. This discipline and counterparty risk intermediation allows ICE Clear U.S. to support the availability of efficient and liquid markets.

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

Staff from both ICE Clear U.S. 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 U.S. and taking its place on a membership roster that includes many of the most distinguished participants in the financial industry.

Sincerely,

/s/ Kevin McClear

President
ICE Clear U.S., Inc.

ICE CLEAR U.S. OVERVIEW

ICE Clear U.S., Inc. (“ICE Clear U.S.”) is a registered derivatives clearing organization regulated by the Commodity Futures Trading Commission (“CFTC”). ICE Clear U.S. 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 U.S. 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 U.S. and Exchange capital as well as a guaranty fund.

Through its system of financial safeguards, ICE Clear U.S. 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 U.S. 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 U.S. deals exclusively with clearing members. Each clearing member is financially responsible for the contracts it submits to ICE Clear U.S., and ICE Clear U.S. is responsible to each clearing member for the net settlement from all contracts it clears.

APPLICATION PROCESS

Applicants should submit complete applications to ICEClearUS@ice.com with the required application fee. Once the application is submitted, ICE Clear U.S. 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 U.S. 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 U.S. 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 U.S. futures industry’s self regulatory organization, the National Futures Association (NFA), to conduct its U.S. 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 U.S.
- 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. is not holding sufficient collateral to cover the increase, ICE Clear U.S. 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 U.S. 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 U.S. 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 U.S. 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

U.S. 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 U.S. 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 U.S., please refer to our [Disclosure Framework](#).

ICE CLEAR U.S. OPERATIONAL OVERVIEW

APPLICATIONS

ICE Clear U.S. applications encompass a number of integrated systems:

- Extensible Clearing System (ECS)
- ICE Front End Clearing (ICE FEC)
- 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 U.S. 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 U.S. 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 U.S. CONTACTS

Email: ICEClearUS@ice.com

Main Line: 212-748-4001

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

ICE CLEAR U.S. 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](#)