



QCCP Status of ICE NGX Canada Inc.

1. Introduction

ICE NGX Canada Inc. (“ICE NGX”) was declared to be a Qualifying Central Counterparty (“QCCP”) by the Bank of Canada, the Alberta Securities Commission (“ASC”) and the other participating provincial authorities of the Canadian Securities Administrators.¹

See ICE NGX Jurisdictions² for an overview of ICE NGX’s regulatory authorizations and status.

2. What is a QCCP?

In April 2014, the Basel Committee on Banking Supervision (“BCBS”) published *Capital Requirements for Bank Exposures to CCPs*³ as part of the Basel III framework. These standards impose a capital charge on banks’ exposures to CCPs arising from certain transactions, including derivatives and securities financing transactions, but provide for lower capital charges for banks’ exposures to a QCCP, as opposed to a non-QCCP.

Under this framework, a QCCP is defined as an entity that is licensed to operate as a CCP (including a license granted by way of confirming an exemption) and is permitted by the appropriate regulator to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the Committee on Payments and Market Infrastructures (“CPMI”) and the International

¹ CSA Multilateral Staff Notice 24-311 *Qualifying Central Counterparties*, July 28, 2014, issued jointly by the Bank of Canada, the Alberta Securities Commission, the Autorité des marchés financiers (AMF, Québec), the British Columbia Securities Commission, the Manitoba Securities Commission and the Ontario Securities Commission: https://www.asc.ca/-/media/ASC-Documents-part-2/Market-Reg/Exchanges/ICE-NGX/7-4906146-v1-CSA_Notece_24-311.ashx

² ICE NGX Jurisdictions https://www.ice.com/publicdocs/ICENGX_jurisdiction.pdf, available on the Regulation page of the ICE NGX website www.ice.com/ngx/regulation.

³ Published by the BCBS as part of the Basel III framework. BCBS282 (April 2014) https://www.bis.org/basel_framework/chapter/CRE/54.htm?inforce=20191215.

Organization of Securities Commissions' ("IOSCO") Principles for Financial Market Infrastructures ("PFMIs")⁴.

In addition, to be considered as a QCCP, a CCP must make available or calculate required data for the purposes of calculating the capital requirements for default fund exposures.

3. ICE NGX satisfies the criteria for being a QCCP

The BCBS has clarified that "if a CCP regulator has provided a public statement on the status of a CCP (QCCP or nonqualifying), then banks will treat exposures to this CCP accordingly."⁵ Accordingly, under the internationally-accepted BCBS regime relating to QCCPs, the home regulator's declaration alone is sufficient for the clearinghouse to be considered a QCCP in other jurisdictions.

ICE NGX was declared to be a QCCP by the Bank of Canada, the Alberta Securities Commission and the other participating provincial authorities of the Canadian Securities Administrators.⁶

ICE NGX demonstrates its compliance with the PFMIs through its PFMI Disclosure.⁷ ICE NGX also publishes the required quarterly PFMI Quantitative Disclosures.⁸

3.1. Default fund exposure is zero for all ICE NGX participants

ICE NGX operates a direct-access (i.e., non-intermediated), non-mutualized clearing model. This means that participants (each a Contracting Party) of the exchange and clearinghouse are not subject to mutualized losses as a result of a failure of an unaffiliated Contracting Party.

⁴ Committee on Payment and Settlement Systems (later renamed the Committee on Payments and Market Infrastructures) and Technical Committee of the International Organization of Securities Commissions, Principles for Financial Market Infrastructures (April 2012)

<https://www.bis.org/cpmi/publ/d101a.pdf>.

⁵ Basel Committee on Banking Supervision, *Basel III counterparty credit risk and exposure to central counterparties - Frequently asked questions*, available online:

<https://www.bis.org/publ/bcbs237.pdf>.

⁶ CSA Multilateral Staff Notice 24-311 *Qualifying Central Counterparties*, July 28, 2014, issued jointly by the Bank of Canada, the Alberta Securities Commission, the Autorité des marchés financiers (AMF, Québec), the British Columbia Securities Commission, the Manitoba Securities Commission and the Ontario Securities Commission: https://www.asc.ca/-/media/ASC-Documents-part-2/Market-Reg/Exchanges/ICE-NGX/7-4906146-v1-CSA_Note_24-311.ashx.

⁷ ICE NGX's PFMI Disclosure Statement (as updated periodically) is available here: https://www.theice.com/publicdocs/ICE_NGX_Principle_for_Financial_Market_Infrastructure_Disclosure.pdf.

⁸ ICE NGX PFMI Quantitative Disclosures, published quarterly and available on the Resources page of the ICE NGX website: <https://www.ice.com/ngx/resources>.

ICE NGX fully self-funds its guarantee fund. The ICE NGX rules (Contracting Party Agreement or “CPA”⁹) do not contemplate, and do not permit, a Contracting Party of ICE NGX to contribute to the ICE NGX guarantee fund, whether voluntarily or as a result of any assessment powers. ICE NGX does have authority under the CPA to impose any assessment or required contribution on a Contracting Party, whether to the guarantee fund or in respect of a default by another participant.

As a result, each Contracting Party has no required contribution or potential assessment exposure to the default fund for the purpose of calculating capital requirements.

Accordingly, the K_{CM} for the purpose of Basel Framework paragraphs 54.27 and 54.36¹⁰ will always be zero.

Basel rule **CRE54.37** calls for a QCCP to calculate and disclose K_{CCP} , DF_{CM}^{pref} , and DF_{CCP} . Each of K_{CCP} , DF_{CM}^{pref} , and DF_{CCP} are components that permit the bank clearing member to calculate K_{CM} .

Because K_{CM} will always be zero at ICE NGX - due to the ICE NGX rules not requiring or permitting the bank clearing member to contribute to the default fund - each of K_{CCP} , DF_{CM}^{pref} , and DF_{CCP} are moot for the purposes of calculating K_{CM} .

⁹ The current version of the CPA is available on the Resources page of the ICE NGX website: <https://www.ice.com/ngx/resources>.

¹⁰ Basel Framework, available on the website of the Bank for International Settlement: https://www.bis.org/basel_framework/index.htm?export=pdf.