

List of Permitted Cover and Haircut Rates: Extension to include Triparty Collateral

Further to Circular C10/042 dated 13 May 2010 which confirmed the list of Permitted Cover and Haircut Rates, ICE Clear Europe (the “Clearing House”) has extended the list of Permitted Cover to include Triparty Collateral.

Extension to List of Permitted Cover: Triparty Collateral

Clearing Members are advised that the List of Permitted Cover (Appendix I) has been extended to include Triparty Collateral with immediate effect. The Clearing House has selected Euroclear Bank, Brussels, as provider of the Triparty Collateral Service (the “Provider”).

Triparty Collateral is an efficient and easy way for Clearing Members to manage collateral to meet liabilities towards the Clearing House. The Provider will transfer Permitted Cover (specifically Sovereign bonds) from the Clearing Member’s account into the Clearing House’s account up to the value agreed by both parties. Any cover above the agreed value will be returned. Bonds to be delivered by the Clearing Member but used to meet liabilities to the Clearing House will be substituted by the Provider. The Provider does not provide a guaranty for the Clearing Member but executes transfers as long as sufficient Permitted Cover has been made available by the Clearing Member.

In order to use the Triparty Collateral Service, the following conditions must be met:

- The Clearing Member should open or make an account available at Euroclear Bank for the Triparty Collateral Service; and
- Clearing Member, Clearing House and Euroclear are required to sign the triparty agreement, acknowledging their consent to Euroclear’s Terms and Procedures, agreeing to the risk profile (as set out in Appendix II) and the distribution of the costs (Appendix III).

The Clearing House’s Administrative Procedures (Appendix IV) should be read in conjunction with the Terms and Conditions and the Procedures of Euroclear Bank. These documents are available from the Clearing House upon request.

Deposit/Withdrawal Instructions

Using ECS, the Clearing Member has the ability to instruct the Clearing House to initiate, amend or close a Triparty Collateral transaction. When instructed prior to the deadline and when sufficient collateral is available to cover the liabilities of the Clearing Member, the Clearing House will instruct Euroclear Bank according to the Clearing Member’s instruction. It is the responsibility of the counterparty to match this instruction and make sufficient permitted securities available to settle the transaction.

The Clearing Member has the ability to instruct the Clearing House:

	deadline
Same day	15.00 (UK time)
Next day	16.00 (UK time)

Same day and next day reductions or closures will only be accepted when

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Category:

Treasury/Risk
Management

Attachments:

- (I) List of Permitted
- (II) List of Permitted
Cover (Triparty
Collateral)
- (III) Distribution costs
- (IV) ICE procedures
Triparty Collateral

Summary of content

List of Permitted Cover
and Haircut Rates:
Extension to include
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**For more information
please contact:**

Camiel Janmaat
Head of Treasury &
Banking Services
+44 (0)20 7065 7603
camiel.janmaat@theice.com

Debi Carter
Treasury & Banking
Services Manager
+44 (0)20 7065 7601
debi.carter@theice.com

Meera Judge
Risk Analyst,
+44 (0)20 7065 7786
meera.judge@theice.com

sufficient alternative collateral is available to meet the all Clearing Member's margin requirements. Upon acceptance the collateral value will be decreased immediately. Same day initiations or increases will receive collateral value as soon as the transaction has been filled completely. Next day initiations and increases will receive collateral value in the next overnight clearing cycle.

Intraday Call

The Clearing House is entitled to raise an additional intraday requirement when a Triparty Collateral transaction is not filled completely at 9.00 am (UK time). The value of the additional requirement will be the difference between the nominal value of the transactions and the collateral value of the securities used to fill the transaction. This intraday requirement has to be met as confirmed by the Clearing House Rules. The intraday requirement will not be released until the next overnight clearing process.

Haircut Rates

The Clearing House will not apply a haircut on the Triparty Collateral transaction as asset type but will apply a haircut on the Permitted Cover used to fulfill the transaction. These haircuts are part of the Triparty Collateral Agreement. The Clearing House will inform Clearing Members about changes in the allowed collateral or haircut applied and will provide the Members with an adjusted risk profile. The Clearing Member has to inform the Provider as soon as possible about its acceptance.

Fees

Clearing Members are advised that Triparty Collateral will be classified as Collateral for the purpose of Clearing Member Returns and therefore, further to Circular C08/003 dated 29 May 2008, the Clearing House will charge 5 basis points on the nominal value of Triparty Collateral balance.

If you have any questions on the information contained in this Circular, please contact Camiel Janmaat, Head of Treasury, by phone on +44 (0)20 7065 7603 or email camiel.janmaat@theice.com, Debi Carter, Treasury Manager, by phone on +44 (0)20 7065 7601 or email debi.carter@theice.com or Meera Judge – Risk Analyst, by phone on +44 (0)20 7065 7786 or email meera.judge@theice.com. Please ensure that the appropriate members of staff within your organisation and customers are advised of the content of this Circular

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Signed:



Paul Swann
President & Chief Operating Officer