



# **Collateral and Treasury Policy**

## **ICE NGX Canada Inc.**

09 November 2023

<b>1. Purpose</b>	<b>3</b>
<b>2. Margin Calls</b>	<b>3</b>
2.1. Margin Call Thresholds	3
2.2. Margin Calls Timing	3
2.3. Same-day Margin Calls	3
2.4. Summary Sanctions - Failure to Make Timely Provision of Eligible Collateral Support	4
<b>3. Eligible Collateral Support</b>	<b>4</b>
3.1. Collateral Letters of Credit	4
3.1.1. Approved Financial Institutions	4
3.1.2. LC Concentration Limits	4
3.1.3. Collateral LC Processing Timelines	5
3.1.4. ICE NGX Form of Letter of Credit	5
3.2. Cash Collateral	5
3.2.1. Providing Cash Collateral	5
3.2.2. Holding of Cash Collateral	6
3.2.3. Interest on Cash Collateral	6
3.2.4. Wire Payment Fees	6
<b>4. Invoice Settlement</b>	<b>6</b>
4.1. Deadline for Making Settlement Payments	6
4.2. Summary Sanctions - Failure to Make Timely, Accurate and Full Payment of an Invoice Amount	8
4.3. Wire Payment Fees	8
4.4. Early Payment	9
4.5. Prepayment	9
<b>Appendix I - Approved Financial Institutions</b>	<b>10</b>
<b>Appendix II - ICE NGX Form of Letter of Credit</b>	<b>11</b>



# Collateral and Treasury Policy

## 1. Purpose

This document sets out certain policies of ICE NGX Canada Inc. (“ICE NGX”) in relation to collateral and treasury banking matters. The current version of this document is available under the Clearing tab on the Resources page of the ICE NGX website ([www.ice.com/ngx/resources](http://www.ice.com/ngx/resources)).

Capitalized terms not defined herein have the meaning given to them in the ICE NGX Contracting Party Agreement (“CPA”). The current version of the CPA is available under Rules - Contracting Party Agreement on the Regulation page of the ICE NGX website ([www.ice.com/ngx/regulation](http://www.ice.com/ngx/regulation)).

In the event of any conflict between this document and the CPA, the provisions of the CPA govern.

## 2. Margin Calls

### 2.1. Margin Call Thresholds

ICE NGX may request additional Eligible Collateral Support in accordance with the CPA, including Schedule C thereto.

Schedule C of the CPA provides that ICE NGX may request additional Eligible Collateral Support from a Contracting Party if the Contracting Party’s Initial Margin is

- equal to or greater than 80% of Net Equity, or
- less than the applicable Minimum Available Margin Requirement.

The Minimum Available Margin Requirement is set out in Schedule C of the CPA.

### 2.2. Margin Calls Timing

A request for additional Eligible Collateral Support (i.e., a margin call) must be provided in accordance with the timing set out in Schedule C to the CPA. Specifically, except for same-day margin calls discussed immediately below and unless ICE NGX specifies that a margin call must be met within a shorter timeframe, ICE NGX requires that a request for additional Eligible Collateral Support be met within the next Business Day.

### 2.3. Same-day Margin Calls

ICE NGX requires that a request for additional Eligible Collateral Support (i.e., a margin call) be met within the same business day if both of the following conditions are met:

- the Contracting Party's Margin Requirement is at or above 100% of its Net Equity, and
- ICE NGX makes the request for additional eligible collateral support at or before 9:00 AM ET/ 7:00 AM MT on a business day that is not a recognized bank holiday.

## **2.4. Summary Sanctions - Failure to Make Timely Provision of Eligible Collateral Support**

In accordance with the CPA, ICE NGX may impose summary sanctions on a Contracting Party for failing to meet a margin call within the timing specified in the CPA and required by ICE NGX.

# **3. Eligible Collateral Support**

ICE NGX accepts as Eligible Collateral Support cash and letters of credit ("LCs" and each an "LC"), each denominated in CAD or USD. Eligible Collateral Support provided by a Contracting Party guarantees its exposure and the exposure of each Contracting Party Affiliate in the same Clearing Account.

## **3.1. Collateral Letters of Credit**

ICE NGX accepts as collateral only LCs that are issued by a bank that is approved by ICE NGX for this purpose (an "Approved Financial Institution") and that are in the form approved by ICE NGX.

### **3.1.1. Approved Financial Institutions**

ICE NGX has approved the LC issuing banks set out in Appendix I - Approved Financial Institutions.

Upon the request of a Contracting Party or on its own volition, ICE NGX may, in its sole discretion, consider whether to review one or more additional issuing banks for acceptance as an Approved Financial Institution.

Any issuing bank considered for review must meet the following criteria.

- bank or branch located in Canada or the United States
- strong financial standing as determined by ICE NGX, taking into account - as informative but not determinative - the bank's Tier 1 capital and credit ratings as assessed by one or more major credit rating agencies
- confirmed ability to meet ICE NGX's operational and service requirements, including amendment processing timelines and drawdown payment timelines

ICE NGX reserves the right to modify the list of Approved Financial Institutions at its sole discretion.

### **3.1.2. LC Concentration Limits**

ICE NGX manages its exposure to LC issuing banks through certain LC concentration limits:

1. Concentration Limit - ICE NGX will not accept any new letters of credit from a single issuing bank or its affiliate bank if the amount of such new letter of credit will cause the total amount of the letters of credit from that issuing bank or that bank group to exceed either
  - a. 25% of the aggregate value of all collateral LCs held by ICE NGX at any particular point in time, or
  - b. 7% of the bank's Tier 1 capital.
2. LC Limit - ICE NGX will not accept an LC greater than \$100 million (in the currency of the LC).
3. LC-Issuing Bank Limit per Clearing Account - ICE NGX will not accept one or more LCs from a single issuing bank that exceed \$100 million (in CAD if all LCs issued in CAD, or in USD if one or more LCs issued in USD) in aggregate per Clearing Account.

### **3.1.3. Collateral LC Processing Timelines**

ICE NGX currently permits margin calls to be met by LC. This requires the Contracting Party to request, and their LC issuing bank to process, amendments to their LC at the earliest convenience and with urgency.

If a Contracting Party is unable to meet its margin calls by LC by the required margin call timing, ICE NGX may, at its discretion, require the Contracting Party to meet its margin calls by Cash Collateral. In this case and at its discretion, ICE NGX will permit the substitution of Cash Collateral for LC collateral once the margin call is met

### **3.1.4. ICE NGX Form of Letter of Credit**

The current acceptable forms of LC attached to this document, as Appendix II - ICE NGX Form of LC with Auto-Renewal and Appendix III - ICE NGX Form of LC without Auto-Renewal.

ICE NGX reserves the right to revise the required form at its sole discretion. For greater certainty, a collateral LC issued under a previously accepted ICE NGX form will continue to be effective and be credited as eligible collateral support for the LC applicant until its expiry. ICE NGX will require the LC applicant to amend the LC in accordance with the revised form at the next opportunity.

## **3.2. Cash Collateral**

ICE NGX accepts cash denominated only in CAD and USD as Cash Collateral.

### **3.2.1. Providing Cash Collateral**

All Cash Collateral must be wired directly into the Contracting Party's Cash Collateral Account, in accordance with the banking instructions provided by ICE NGX to the Contracting Party.

Any errors in wiring Cash Collateral directly into the Cash Collateral Account may result in delays in crediting the Contracting Party's Cash Collateral Account and Eligible Collateral Support balance. ICE NGX will not be responsible for any such delays.

### **3.2.2. Holding of Cash Collateral**

ICE NGX holds all Cash Collateral in segregated “for-the-benefit-of” (“FBO”) accounts (each a “Cash Collateral Account” as defined in the CPA) at Exchange’s Principal Banker. Each Cash Collateral Account is titled with the name of the Contracting Party that provided the Cash Collateral or on whose behalf the Cash Collateral was provided.

Cash Collateral must be wired directly into the Contracting Party’s Cash Collateral Account.

### **3.2.3. Interest on Cash Collateral**

ICE NGX will calculate the Contracting Party Interest in accordance with the interest rate notified by ICE NGX, under the Contracting Party Interest tab on the Resources Page of the ICE NGX website ([www.ice.com/ngx/resources](http://www.ice.com/ngx/resources)).

As set out in the CPA, interest earned on cash collateral, as calculated by ICE NGX, is deposited into each Contracting Party’s FBO account on a monthly basis. Interest amounts are deemed to be Eligible Collateral Support when deposited into the FBO account by ICE NGX. A Contracting Party may request a return of its Interest in accordance with the procedures relating to return of collateral set out in the CPA and summarized in this document.

### **3.2.4. Wire Payment Fees**

ICE NGX does not currently allocate to Contracting Parties the wire payment fees charged by Exchange’s Principal Banker in relation to providing or returning Cash Collateral.

All correspondent bank fees and any other fees charged by any bank other than fees charged to ICE NGX by Exchange’s Principal Banker are the responsibility of the Contracting Party.

A Contracting Party that provides Cash Collateral, or on whose behalf Cash Collateral is provided, will be credited with the amount of Cash Collateral that is received in the segregated FBO account, which may not equal the amount of cash that was originally wired if affected by correspondent bank fees or other bank fees not charged to ICE NGX by Exchange’s Principal Banker.

For returns of Cash Collateral by ICE NGX to a Contracting Party, ICE NGX will wire the amount being returned to the Contracting Party, net of any banking or wire payment fees charged to ICE NGX by Exchange’s Principal Banker. ICE NGX is not responsible for correspondent bank fees or other bank fees not charged to ICE NGX by Exchange’s Principal Banker.

## **4. Invoice Settlement**

### **4.1. Settlement Processing**

#### **4.1.1. Daily VM Settlement**

Daily variation margin (“Daily VM”) settlement payments are processed through the Contracting Party’s Cash Collateral Account. At the settlement payment processing time (12:00 noon Mountain Prevailing Time or shortly thereafter):

- Daily VM settlement payment amounts owing from the Contracting Party to ICE NGX will be transferred by ICE NGX out of the Contracting Party's Cash Collateral Account, and
- Daily VM amounts owing from ICE NGX to the Contracting Party will be transferred by ICE NGX into the Contracting Party's Cash Collateral Account.

#### **4.1.2. Financial Settlement**

Settlement of monthly Financial Invoices is processed on the Financial Settlement Date, as defined in the CPA and posted on the Resources page of the ICE NGX website ([www.ice.com/ngx/resources](http://www.ice.com/ngx/resources)). Monthly Financial settlements are processed by wire payment only:

- Financial Invoice amounts owing from the Contracting Party to ICE NGX must be paid by wire payment to ICE NGX's banking instructions as previously communicated by ICE NGX to the Contracting Party, and
- Financial Invoice amounts owing from ICE NGX to the Contracting Party will be paid by wire payment to the Contracting Party's banking instructions as previously communicated by the Contracting Party and verified by ICE NGX.

***Effective August 1, 2023, monthly Financial Settlement Invoices will be processed into and out of the respective Contracting Party's Cash Collateral Account.<sup>1</sup> Monthly Financial Settlements will follow the same process as is currently used for settling Daily VM Settlement invoices:***

*At the settlement payment processing time (12:00 noon Mountain Prevailing Time or shortly thereafter):*

- *Financial Settlement Invoice amounts owing from the Contracting Party to ICE NGX will be transferred by ICE NGX out of the Contracting Party's Cash Collateral Account, and*
- *Financial Settlement Invoice amounts owing from ICE NGX to the Contracting Party will be transferred by ICE NGX into the Contracting Party's Cash Collateral Account.*

*For Contracting Parties that have both a Daily VM Settlement and a monthly Financial Settlement Invoice settlement on a given Financial Settlement date, ICE NGX will process net settlement payments to and from each Contracting Party, netting out the Contracting Party's:*

- *Daily VM Settlement invoice due that day, and*
- *monthly Financial Settlement Invoice(s).*

*Contracting Parties should expect to:*

- *(a) pay that net amount from their Cash Collateral Account, or*

---

<sup>1</sup> For more information, see *Notice regarding Financial Settlements and Cash Collateral Returns*, published May 30, 2023, available on the Notices page of the ICE NGX website ([www.ice.com/ngx/notices](http://www.ice.com/ngx/notices)).

- (b) receive that net amount into their Cash Collateral Account.

#### **4.1.3. Physical Settlement**

Settlement of monthly Physical Settlement Invoices is processed on the Physical Settlement Date, as defined in the CPA and posted on the Resources page of the ICE NGX website ([www.ice.com/ngx/resources](http://www.ice.com/ngx/resources)). Monthly Physical settlements are processed by wire payment only:

- Physical Settlement Invoice amounts owing from the Contracting Party to ICE NGX must be paid by wire payment to ICE NGX's banking instructions as previously communicated by ICE NGX to the Contracting Party, and
- Physical Settlement Invoice amounts owing from ICE NGX to the Contracting Party will be paid by wire payment to the Contracting Party's banking instructions as previously communicated by the Contracting Party and verified by ICE NGX.

#### **4.2. Deadline for Making Settlement Payments**

All settlement payments owing to ICE NGX are due prior to 12:00 noon Mountain Prevailing Time on the relevant settlement date.

#### **4.3. Summary Sanctions - Failure to Make Timely, Accurate and Full Payment of an Invoice Amount**

In accordance with the CPA, ICE NGX may impose summary sanctions on a Contracting Party for failing to make accurate and full payment of an Invoice by the end of the relevant settlement date for that Invoice.

#### **4.4. Wire Payment Fees**

ICE NGX does not currently allocate to Contracting Parties the wire payment fees charged by Exchange's Principal Banker in relation to paying or receiving settlement payments to or from ICE NGX.

All correspondent bank fees and any other fees charged by any bank other than fees charged to ICE NGX by Exchange's Principal Banker are the responsibility of the Contracting Party.

A Contracting Party that makes a settlement payment to ICE NGX, or on whose behalf the settlement payment is made, will be credited with the amount that is received in ICE NGX's settlement account at Exchange's Principal Banker, which may not equal the amount that was originally wired if affected by correspondent bank fees or other bank fees not charged to ICE NGX by Exchange's Principal Banker.

For settlement payments made by ICE NGX to a Contracting Party, ICE NGX will wire the amount of the Invoice owing to the Contracting Party, net of any banking or wire payment fees charged to ICE NGX by Exchange's Principal Banker. ICE NGX is not responsible for correspondent bank fees or other bank fees not charged to ICE NGX by Exchange's Principal Banker.



## 4.5. Early Payment

The Contracting Party may choose to early-pay its Physical Settlement or Financial Settlement invoice amounts in order to reduce their margin requirements and eliminate the need to post additional Eligible Collateral Support as requested by ICE NGX. Early payment funds are deposited into the ICE NGX concentration account and are visible to the Contracting Party via the external portal for the ICE NGX Clearing System.

Early payment funds are applied to the Contracting Party's next invoice(s), on the relevant settlement day. Early payment funds are not considered collateral and can be returned to the Contracting Party only after the relevant invoice is settled and at the request of the Contracting Party.

***Effective August 1, 2023, monthly Financial Settlement Invoices will be processed into and out of the respective Contracting Party's Cash Collateral Account (see above for more information). Beginning August 1, 2023, Contracting Parties may deposit additional funds into their Cash Collateral account at any time in advance of the Financial Settlement date.***

***Accordingly, effective August 1, 2023, the Early Payment description above will apply only in respect of Physical Settlement Invoices. Monthly Financial Settlements will follow the same process as is currently used for settling Daily VM Settlement invoices:***

## 4.6. Prepayment

The Contracting Party may determine, or ICE NGX may require, in its sole discretion, to provide a prepayment to ICE NGX for future obligations, whether those future obligations are crystallized at the time the prepayment is made or not. Prepayment amounts are deposited into the ICE NGX concentration account and are visible to the Contracting Party via the external portal for the ICE NGX Clearing System. Required prepayment amounts will be applied to future obligations as determined by ICE NGX in its sole discretion. Prepayment amounts voluntarily applied by a Contracting Party will be applied to future obligations as negotiated between ICE NGX and the Contracting Party.

# 5. Revision History

---

Version	Date	Changes
1.0	June 16, 2023	New document.

---

# Appendix I - Approved Financial Institutions

## Approved Financial Institutions:

Australia and New Zealand Banking Group Limited	MUFG Bank, Ltd.
Bank of America, N.A.	National Australia Bank Limited
Bank of Montreal	National Bank of Canada
Barclays Bank PLC	Natixis, New York Branch
BNP Paribas	PNC Bank, N.A.
BOKF, N.A.	Royal Bank of Canada
Canadian Imperial Bank of Commerce	Societe Generale, New York
CitiBank, N.A.	Standard Chartered Bank
Cooperatieve Rabobank U.A.	Sumitomo Mitsui Banking Corporation
Credit Agricole Corporate and Invest Bank	Svenska Handelsbanken
Credit Suisse AG	The Bank of New York Mellon
DNB Bank ASA	The Bank of Nova Scotia
Goldman Sachs Bank USA	The Toronto-Dominion Bank
HSBC Bank Canada	UBS AG
HSBC Bank USA, N.A.	US Bank N.A.
Lloyds Bank PLC	Wells Fargo Bank, N.A.
Mizuho Bank Ltd.	

## Notes:

All international banks must issue the LC through a North American branch. ICE NGX requires presentation at and payment by the North American branch.
ICE NGX will accept LCs up to a maximum of \$100MM per LC. In respect of a particular Contracting Party, ICE NGX will accept one or more LCs from a single bank up to a maximum of \$100 MM.
ICE NGX maintains maximum concentration level thresholds for Approved Financial Institutions in respect of collateral LCs issued. Please contact <a href="mailto:Operations-ICENGXClearing@ice.com">Operations-ICENGXClearing@ice.com</a> to ensure your preferred issuing bank would not exceed the maximum concentration level.

# Appendix II - ICE NGX Form of Letter of Credit with Auto-Renewal

DATE [MONTH] [DAY], [YEAR]

Irrevocable Standby Letter of Credit No. -----

Date of Expiry: -----

Place of Expiry: At our counters, City, Province/State

Applicant:

Counter Party

Address

Address

Advising Bank:

Swift: ROYCCAT2

Royal Bank of Canada

International Trade Centre - ON

180 Wellington Street West, 4th Floor,

Toronto, ON, M5J 1J1

Please advise beneficiary without adding your confirmation that a letter of credit in the following format has been issued in their favor:

Beneficiary:

ICE NGX Canada Inc.

2610 - 225 6th Avenue SW

Calgary, Alberta Canada T2P 1N2

Amount: CAD/USD-----00 (either currency is fine)

Dear Sirs:

At the request of our customer [APPLICANT and its affiliates LIST RELEVANT APPLICANT AFFILIATES (each an "APPLICANT AFFILIATE")], we, ISSUING BANK, ISSUING BANK'S ADDRESS, hereby issue in your favour our Irrevocable Standby Letter of Credit No. ----- (the "Credit") in the total amount of CAD/USD-----,00 (CANADIAN/USD DOLLARS --- MILLION ONLY).

Payment under this Credit is available to you, on or before the expiry date, against receipt at our counters of an authenticated SWIFT from Advising Bank stating that they have received an authenticated drawing from Beneficiary under Standby Letter of Credit No. ----- dated -----, and stating that:

"One or more of [APPLICANT or APPLICANT AFFILIATE] has defaulted in accordance with the terms and conditions of the Contracting Party's Agreement as revised from time to time and as executed among APPLICANT or APPLICANT AFFILIATE and ICE NGX Canada Inc. and as a result of such default, ICE NGX Canada Inc. is drawing upon Standby Letter of Credit No. ----- dated ----- in the amount of CAD/USD\_\_\_\_\_."

If the authenticated SWIFT is received at our counters by 12 noon (Issuing Bank's City, Province/State time), on any day on which we are open for business, in conformity with the terms and conditions of this Credit, we will honour your demand by making payment on the next business day. Otherwise, payment will be made two business days after receipt of your demand. Once payment is made, we will send an authenticated SWIFT to the advising bank confirming the same.

We shall honour your demand for payment without enquiring whether you have a right as between yourself and our customer to make such demand, and without recognizing any claim of our customer.

Partial drawings and multiple presentations are permitted. The amount of this Credit shall be automatically reduced by the amount of any drawing paid hereunder.

This Irrevocable Standby Letter of Credit will be effective immediately and will remain in effect until -----.

It is a term of this Letter of Credit that the Expiry Date shall be automatically extended without amendment for one (1) year from the present Expiry Date hereof to any future Expiry Date unless at least sixty (60) days prior to such Expiry Date, we send notice to you by SWIFT, certified mail or courier, at the address stated above, that we elect not to extend this Credit for any such additional period.

All banking charges other than issuing bank's charges are for the account of beneficiary.

This Letter of Credit shall be irrevocable and unconditional.

This Irrevocable Standby Letter of Credit is subject to the International Standby Practices 1998, International Chambers of Commerce Publication No. 590 (the "ISP98"), and to matters not addressed by ISP98, shall be governed by the laws of the Province of Alberta and applicable Canadian Federal Law.

\_\_\_\_\_  
AUTHORIZED SIGNATURE

\_\_\_\_\_  
AUTHORIZED SIGNATURE

# Appendix III - ICE NGX Form of Letter of Credit without Auto-Renewal

DATE [MONTH] [DAY], [YEAR]

Irrevocable Standby Letter of Credit No. -----

Date of Expiry: -----

Place of Expiry: At our counters, City, Province/State

Applicant:

Counter Party

Address

Address

Advising Bank:

Swift: ROYCCAT2

Royal Bank of Canada

International Trade Centre - ON

180 Wellington Street West, 4th Floor,

Toronto, ON M5J 1J1

Please advise beneficiary without adding your confirmation that a letter of credit in the following format has been issued in their favor:

Beneficiary:

ICE NGX Canada Inc.

2610 - 225 6th Avenue SW

Calgary, Alberta Canada T2P 1N2

Amount: CAD/USD-----,00 (either currency is fine)

Dear Sirs:

At the request of our customer [APPLICANT and its affiliates LIST RELEVANT APPLICANT AFFILIATES (each an "APPLICANT AFFILIATE")], we, ISSUING BANK, ISSUING BANK'S ADDRESS, hereby issue in your favour our Irrevocable Standby Letter of Credit No. ----- (the "Credit") in the total amount of CAD/USD-----,00 (CANADIAN/USD DOLLARS --- MILLION ONLY).

Payment under this Credit is available to you, on or before the expiry date, against receipt at our counters of an authenticated SWIFT from Advising Bank stating that they have received an authenticated drawing from Beneficiary under Standby Letter of Credit No. ----- dated -----, and stating that:

"One or more of [APPLICANT or APPLICANT AFFILIATE] has defaulted in accordance with the terms and conditions of the Contracting Party's Agreement as revised from time to time and as executed among APPLICANT or APPLICANT AFFILIATE and ICE NGX Canada Inc. and as a result of such default, ICE NGX Canada Inc. is drawing upon Standby Letter of Credit No. ----- dated ----- in the amount of CAD/USD\_\_\_\_\_."

If the authenticated SWIFT is received at our counters by 12 noon (Issuing Bank's City, Province/State time), on any day on which we are open for business, in conformity with the terms and conditions of this Credit, we will honour your demand by making payment on the next business day. Otherwise, payment will be made two business days after receipt of your demand. Once payment is made, we will send an authenticated SWIFT to the advising bank confirming the same

We shall honour your demand for payment without enquiring whether you have a right as between yourself and our customer to make such demand, and without recognizing any claim of our customer.

Partial drawings and multiple presentations are permitted. The amount of this Credit shall be automatically reduced by the amount of any drawing paid hereunder.

This Irrevocable Standby Letter of Credit will be effective immediately and will remain in effect until -----.

All banking charges other than issuing bank's charges are for the account of beneficiary.

This Letter of Credit shall be irrevocable and unconditional.

This Irrevocable Standby Letter of Credit is subject to the International Standby Practices 1998, International Chambers of Commerce Publication No. 590 (the "ISP98"), and to matters not addressed by ISP98, shall be governed by the laws of the Province of Alberta and applicable Canadian Federal Law.

\_\_\_\_\_  
AUTHORIZED SIGNATURE

\_\_\_\_\_  
AUTHORIZED SIGNATURE