



Customer Protection Framework

Version 4.0

December 2024

IMPORTANT NOTICE

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Readers of this document are requested to note that ICE Clear Netherlands is authorised as a central counterparty under EMIR to clear derivative contracts relating to equity securities (including indices of equity securities) only.

Please refer to <https://www.ice.com/clear-netherlands> for further guidance.

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1. Introduction

ICE Clear Netherlands B.V. ("ICE Clear Netherlands", "ICNL" or the "Clearing House") and -more broadly- Intercontinental Exchange Inc. ("ICE"), have worked closely with Clearing Members, customers, market participants and regulatory authorities in order to develop proposals to enhance its existing customer protection framework. The purpose of this document is to set out the various account structures which have been implemented by ICE Clear Netherlands by including as required, to address requirements under Regulation (EU) No 648/2012 of the European Parliament and of the Council ("EMIR"), as amended from time to time.

ICNL is an authorized central counterparty and has a license in accordance with Articles 14 and 17 of EMIR. ICNL provides clearing services for futures and options contracts traded on ICE Endex. ICNL also received the settlement finality designation ("SFD") by the Dutch Ministry of Finance pursuant to the EU Settlement Finality Directive¹, which enhances the systemic risk protection provided to clearing members in the event of a clearing counterparty default. Under SFD, payment instructions can be protected from EU administrators or liquidators of insolvent firms. Designation means that ICNL's system is now designated under the EU's Settlement Finality Directive.

On 24 January 2019 the Company was included in the Bank of England list of Third Country CCP's able to offer clearing services and activities in the U.K. under the Temporary Recognition Regime ("TRR") for non-UK CCPs. The Temporary Recognition Regime came into effect at the end of the transition period. The TRR was amended on 22 December 2022 to extend until 31 December 2025, and it remains further extendable by Her Majesty Treasury. The TRR allows eligible non-UK CCPs such as ICNL to continue to provide clearing services in the UK before recognition is granted, so long as they continue to be eligible for the TRR. As Non-UK CCPs in the TRR must submit an application for recognition within 18 months of the end of the transition period (30 June 2022), ICNL has applied for recognition with the Bank of England which application is pending.

As per 15 December 2023 ICNL received a confirmation as a designated system from the Bank of England under the Financial Markets and Insolvency Regulations 1999.

This Customer Protection Framework document is provided for information purposes only. It is neither a full description of the clearing services of the Clearing House, its Rules or Applicable Laws nor a recommendation to make use of any service (see "Important Notice" under section 7 below). It should not be viewed in isolation: persons interested in customer protection through account segregation should also consult the separate disclosure statement under Article 39.7 of EMIR ("Disclosure Statement pursuant to Article 39(7) of EMIR") on the ICNL website.

This document sets out:

- (i) Background to EMIR and MiFID II Segregation and Portability requirements;
- (ii) Further information on:
 - a) Customer Omnibus Accounts;
 - b) Individual Segregation through Sponsored Principal Account; and
 - c) Individually Segregated Margin-flow Co-mingled Account.
- (iii) Cash and collateral arrangements;

¹ "Settlement Finality Directive" means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

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- (iv) Tariffs; and
- (v) Risk Disclosures.

Please note that the information set out in this document does not address the possibility of a client becoming a Clearing Member. If it were to do so, the client would have full segregation of its positions and assets but would, of course, take on additional responsibilities of membership including, *inter alia*, establishing and maintaining the infrastructure necessary to perform as a clearing member and contributing to default fund resources. This option is, of course, open to any firm that meets the ICNL membership requirements.

It is worth noting that the definition of 'customer' or 'client' includes a broad range of companies. Although often referred to as the "Buy side", this term relates only to asset managers, pension funds and fund managers; the full range of clients includes corporations, trading companies and small or regional banks.

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² https://www.ice.com/publicdocs/ICNL_EMIR_Disclosure_Statement_Article_39-7.pdf

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2. Background to EMIR Segregation and Portability Requirements

Article 39 of EMIR outlines the legal requirements in relation to Segregation and Portability of client positions. In simple terms, these provisions require CCPs to provide Clearing Members with a series of accounts which ensure that:

- (i) assets and positions held for the account of one Clearing Member can be distinguished from the assets and positions held for the account of any other Clearing Member and from its own assets;
- (ii) enable each Clearing Member to distinguish (in accounts with the CCP) the assets and positions of that Clearing Member from those held for the accounts of its clients under Article 39(2) of EMIR - generally referred to as 'Omnibus Client Segregation'; and
- (iii) enable each Clearing Member to distinguish (in accounts with the CCP) the assets and positions held for the account of a client from those held for the account of other clients under Article 39(3) of EMIR - generally referred to as 'Individual Client Segregation'.

Clearing Members are required to offer these client protection options to their clients. (Rule 102).

In relation to Individual Client Segregation, where a client elects for this level of protection, their positions and margin will be held in an account at the CCP together with any excess margin³. In the event that a client opts for individual segregation, any margin in excess of the client's requirement must be posted to the CCP and distinguished from the margins of other clients or Clearing Members. Any excess margin held by an individually segregated customer will not be exposed to losses connected to positions recorded in another account.

These requirements are minimum requirements and EMIR does not restrict the ability of CCPs to offer further segregation options. Articles 48(5)-(7) provide further information on the contractual commitments and procedures triggered in the event of default of a Clearing Member and the approach that should be followed with respect to client positions and assets held in each client account.

³ "Excess margin" refers to margin lodged in excess of the CCP's margin call on the client's position.

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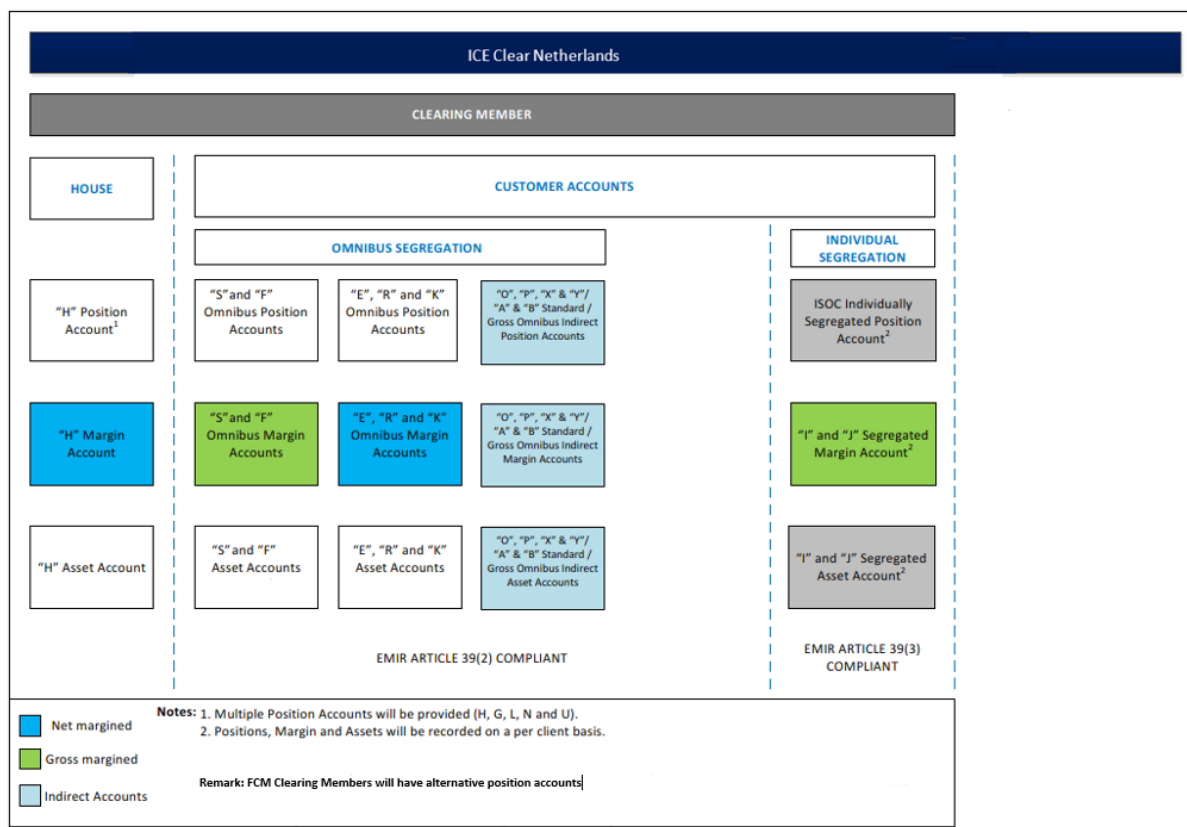
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3. Customer Segregation Account

ICE has developed a range of Customer Protection Models. These customer segregation models will be made available for all asset classes (subject to the variances described in the description below)

As shown in the diagram below, the models available are as follows:

- (i) Customer Omnibus Accounts (Net Margin);
- (ii) Customer Omnibus Accounts (Gross Margin);
- (iii) Indirect Clients; and
- (iv) Individually Segregated Margin-flow Co-mingled Account (hereafter known as "ISOC").



Further information on each of these models is set out below. Please note that the Clearing House has a separate series of customer accounts to allow firms to segregate groups of clients in order to meet applicable relevant regulatory requirements. For example, this will enable client(s) of authorised firms who have opted into Client Asset protections to be segregated from those clients who have opted-out (known as the "T" accounts). Further, additional accounts are available on request to Clearing Members needing to separate affiliate business from client business (known as the "F" or "R" Accounts).

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The segregation models that will; be available to clients across ICNL's clearing services are as follows, for non-FCM/BD Clearing Members

| | Clearing service |
|--|------------------|
| Customer Omnibus (Net Margin) - "E" Account | Y |
| Customer Omnibus (Net Margin) - "R" Account (Affiliate Account) | Y |
| Customer Omnibus (Net Margin) - "K" Account | Y |
| Customer Omnibus (Gross Margin) - "S" Account | Y |
| Customer Omnibus (Gross Margin) - "F" Account (Affiliate Account) | Y |
| Gross Omnibus Indirect Accounts - "O", "P", "X", "Y", "A" and "B" | Y |
| ISOC - "I" and "J" Accounts | Y |

Please note that only certain products may be held in certain Customer Position Accounts - i.e. "S" and "F" (subject to gross margining) and "E", "K" and "R" (subject to net margining) as determined by the Clearing House.

From an operational perspective: (i) all of the various Customer Omnibus Accounts; and (ii) "I" and "J" ISOC Account are set-up in the same way so the descriptions below cover all relevant segregation models.

Please note that all references to cash and/or collateral pertain to collateral types accepted by the Clearing House as set out on the list of permitted cover which is accessible on the ICNL website: https://www.theice.com/publicdocs/ICNL_List_of_Permitted_Cover.pdf

Other sub-accounts are available for other kinds of Clearing Members, as described in the Clearing Procedures.

In November 2017, the European Commission published final Regulatory Technical Standards (RTS) on arrangements for indirect clearing services, effective as from 03 January 2018. The RTS establish minimum conditions and specific requirements to provide for an appropriate level of protection to the assets and positions of an indirect client. An "indirect clearing" arrangement exists when a CCP, a Clearing Member, the direct client of a Clearing Member, an indirect client

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(and in some cases, the client of an indirect client) are in a chain facing one another. The arrangement allows the intermediate entities ultimately to provide clearing services to an end indirect client when the RTS Article 6 specified conditions are met.

The RTS require that, amongst other things, at the level of the CCP, a Clearing Member that offers to facilitate indirect clearing services shall open and maintain the following accounts as indicated by the client:

- (v) RTS Article 4(4)(a) - a segregated account for the exclusive purpose of holding the assets and positions of the clearing member's indirect clients that are managed by the clearing member ("Standard Omnibus Indirect Account"); and
- (vi) RTS Article 4(4)(b) - a segregated account for the exclusive purpose of holding the assets and positions of the indirect clients of each client of the Clearing Member that are managed by the Clearing Member ("Gross Omnibus Indirect Account").

The Clearing House has introduced a series of Standard Omnibus Indirect Accounts ("O", "P", "X" and "Y") and Gross Omnibus Indirect Accounts ("A" and "B") in order to meet these requirements. Please refer to the EMIR Disclosure Statement for more information on indirect clearing accounts.

Omnibus Client Segregation (Net Margin)

Omnibus Client Segregation based on net margin is available for Futures & Options Clearing.

Key features of this Account type are:

- (vii) The Clearing Member is principal to the trade;
- (viii) Customer positions and assets are segregated from those of the firm;
- (ix) Customer positions are not identified by customer;
- (x) Margin is collected from the Clearing Member on a Net basis;
- (xi) Net Margin is computed at End-of-Day ("EOD") and the Clearing Member meets any increase day over day;
- (xii) Customers share "fellow customer risk":
 - a) at the Clearing House, collateral/assets are not legally attributed to a Customer in terms of asset or value;
 - b) one customer's margin can offset another's positions and gains offset another customer's losses; one customer margin decrease may offset another's decrease;
 - c) Initial Margin ("IM") calls, Variation Margin ("VM") calls/pays are all "netted" to a single call or pay per currency;
- (xiii) The Clearing Member can, but is not required to, maintain "excess" buffer at the Clearing House (note: any excess is not attributed to a particular customer).

Under this model, the Clearing Member's responsibilities are to:

- (xiv) contribute to the Guaranty Fund;
- (xv) meet all margin calls (Intra-day and EOD); and
- (xvi) be responsible for all settlement to Customers and reporting on Customer collateral - there is no "specific" relationship between assets deposited at the Clearing House and those provided by Customer to the Clearing Member.

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Cash and/or Securities are held as collateral at the Clearing House and therefore under the control and ownership of the Clearing House. The assets are held at the Clearing House's account at a CSD or its custodian. All cash and collateral is passed by the Clearing Member to the Clearing House under a "title transfer financial collateral arrangement" under the Financial Collateral Directive.

In respect of pre-default Customer Portability, Customer positions can be in principle transferred to another Clearing Member. Cash and collateral may be returned via the existing Clearing Member.

In relation to post-default portability, Customer positions can be transferred to another Clearing Member or may be closed out (subject to any relevant restrictions in the rules, local insolvency law, party rules being served on time and the availability of a replacement clearing member). Cash and collateral may be returned via the Insolvency Practitioner of the defaulting Clearing Member.

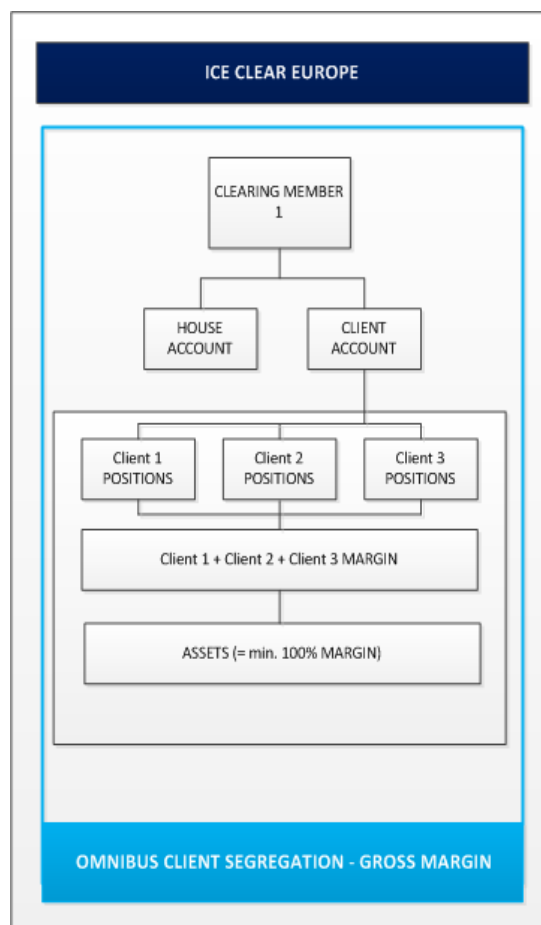
However, in the event that all clients of a defaulting Clearing Member elect to move to a single non-defaulting Clearing Member, then porting of positions and assets may be possible. In these circumstances, cash and collateral would not be returned to the failed Clearing Member's Insolvency Practitioner.

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Omnibus Client Segregation (Gross Margin)



Key features of Omnibus Client Segregation based on the collection of gross margin are:

- (xvii) Clearing Member is principal to the trade;
- (xviii) Customer positions and assets are segregated from those of the firm (i.e. House);
- (xix) Customer positions are identified by customer. These positions support calculation of gross margin;
- (xx) Margin is determined on a Customer-by-Customer basis and margin collected from the Clearing Member on a Gross basis;
- (xxi) Gross Margin is computed at EOD and the Clearing Member meets any increase day over day; where one customer requirement goes up this may be “offset” by another customer going down;
- (xxii) Customers share “fellow customer risk”:

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- a) at the Clearing House, collateral/assets are not legally attributed to a Customer in terms of asset or value;
 - b) one customer's margin can offset another customer's positions and gains offset another customer's losses; one customer margin increase may offset another's decrease;
 - c) Initial Margin ("IM") calls, Variation Margin ("VM") calls/pays are all "netted" to a single call or pay per currency;
- (xxiii) The Clearing Member can, but is not obliged to, maintain "excess" margin at the Clearing House (note: any excess is not attributed to a particular customer).

Under Omnibus Client Segregation, the Clearing Member's responsibilities are to:

- (xxiv) contribute to the Guaranty Fund;
- (xxv) meet all margin calls (Intra-day and EOD);
- (xxvi) report assets deposited at the Clearing House;
- (xxvii) the Clearing Member meets all margin calls in respect of the Customer Account; and
- (xxviii) be responsible to Customers for all settlement and reporting of collateral - there is no "specific" relationship between assets deposited at the Clearing House and those provided by Customer to the Clearing Member.

Cash and/or Securities are held on as collateral at the Clearing House and therefore under the control and ownership of the Clearing House. The assets are held in the Clearing House's account at a CSD or its custodian. All securities are passed by the Clearing Member to the Clearing House under a "title transfer financial collateral arrangement" under the Financial Collateral Directive.

In respect of pre-default Customer Portability, Customer positions can be in principle transferred to another Clearing Member. Assets will be returned via the original Clearing Member.

In relation to post-default portability, Customer positions may be transferred to another Clearing Member or closed out (subject to any relevant restrictions in the rules, local insolvency law, party rules being served on time and the availability of a replacement clearing member). Cash and collateral may be returned via the Insolvency Practitioner of the defaulting Clearing Member.

However, in the event that all clients of a defaulting Clearing Member elect to move to a single non-defaulting Clearing Member, then porting of positions and assets may be possible. In these circumstances, cash and collateral would not be returned to the failed Clearing Member's Insolvency Practitioner.

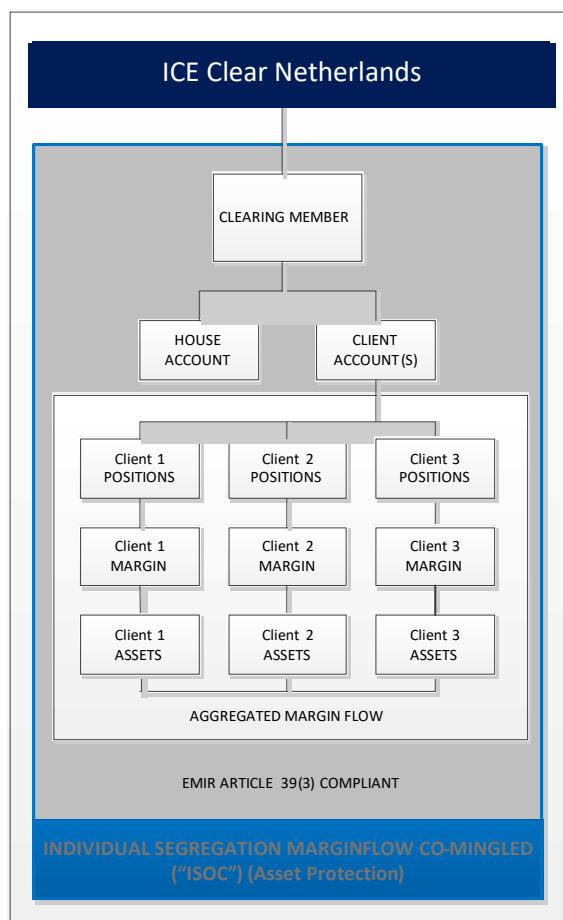
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Individual Client Segregation - "ISOC"



ICNL has developed an additional Individual Segregation account structure known as the Individually Segregated Margin-flow Co-mingled Account (hereafter known as "ISOC"). In this model, the Clearing Member continues to act as principal to the positions, but the Clearing House keeps a separate record of positions and assets at individual customer level.

Key features of the ISOC model include:

- (xxix) Clearing Member is principal to the trade;
- (xxx) Individual customer positions are registered and margined separately, with the CM being called on the basis of "Gross Margin". The margin calculation and calling mechanism adopts a process that ensures that one customer's margin requirement is never covered by another customer's collateral;
- (xxxii) Customer positions are maintained in the Clearing System and identified on a per client basis;
- (xxxiii) Assets are maintained in a single pool, but are identified to each Customer at the end of each day/whenever CM adjusts collateral balance at the Clearing House;

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- (xxxiii) Excess collateral can be held at the Clearing House and can be identified for individual clients through enhancements to the Clearing Systems to facilitate 'tagging' of client assets;
- (xxxiv) Assets attributed to each individual customer on the basis of actual cash amount or individual "line" of collateral;
- (xxxv) Facilitates individual customer portability (subject to any restrictions under local insolvency law).

The ISOC model contains workflows to identify each Client's positions and assets and effects a daily "cover call" for each Client. At EOD, any changes in initial margin or variation margin requirements for each Customer Account are then aggregated into a single margin call from the Clearing Member.

Under the ISOC model, the 'individually segregated client' can either be an individual with the position held on a net position and asset basis, or an omnibus account where positions are maintained on a gross basis but subject to net margining.

Under the ISOC model, the Clearing Member's responsibilities are to:

- (xxxvi) Contribute to the Guaranty Fund;
- (xxxvii) Meet margin calls (Intra-day and EOD);
- (xxxviii) Reporting on assets deposited at the Clearing House; Clearing Member meets all margin calls in respect of Customer Account
- (xxxix) Clearing Member is responsible for all settlement to Customers and reporting on Customer collateral.

There is no additional legal documentation is required to support the ISOC account structure.

In relation to Pre-default Customer Portability, Customer positions can be transferred to another Clearing Member. Assets may be returned via the existing Clearing Member or directly.

In relation to post-default portability, the porting of individual customer positions and assets is possible (subject to any relevant restrictions in the Rules, local insolvency law, porting notices being served on time and the availability of a replacement Clearing Member).

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4. Acceptable Collateral and Treasury Implications

The list of acceptable collateral accepted by ICNL, together with appropriate haircuts and concentration limits is available at the ICNL website at:

https://www.ice.com/publicdocs/ICNL_List_of_Permitted_Cover.pdf

ICNL invests cash assets passed to it in respect of margin liabilities in accordance with its Investment Policy. The primary objectives of the Clearing House's investment activities are to: (i) safeguard the principal; (ii) provide sufficient liquidity to meet all operational requirements; and (iii) obtain a reasonable rate of return.

Member cash *which is not held with a Target 2 national bank* is invested mainly via tri-party reverse repos (approximately 90%) and direct purchases of government bonds (10%). All sovereigns are rated AA- (or higher) and repo counterparties A-/A3 (or higher). Tri-party reverse repos are collateralised through European or US Government Bonds. No cross-currency risk is taken and concentration limits per counterparty/asset purchased is determined. In compliance with the EMIR requirements on Investment Policies, whenever possible non-cash collateral is held in dedicated ICNL accounts at the CSDs used by the Clearing House.

Further information on ICNL's Treasury and Banking services can be found on the ICNL website: <https://www.ice.com/clear-netherlands/treasury-and-banking>.

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5. Tariffs

In developing its customer protection models, the Clearing House seeks to ensure that the value proposition offers a balance between risk and reward.

The sliding scale of fees and charges applied which are made up from:

- (i) Clearing fees charged on a per lot or per notional cleared (subject to various rebate schemes);
- (ii) Where appropriate, charges for opening and administration of positions and/or asset accounts with additional fees for segregation models offering higher levels of protection; and
- (iii) Charges for cash and collateral deposited as Margin (including both Initial and Excess Margin).

The Tariff Structure is available on the ICNL website at <https://www.ice.com/clear-netherlands/circulars> and on the ICE Endex website at: https://www.ice.com/publicdocs/ICE_Endex_Equity_Fees.xlsx

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6. Customer Documentation requirements

Clients/Clearing Members are required to agree contractually to the Standard Terms (as updated by the Clearing House from time to time), which are annexed to the Rules and must prevail over bilateral agreements.

In the event of the default of a Clearing Member, the Clearing House will publish a Default Notice by Circular. Following publication of the Default Notice, the Clearing House may facilitate the transfer of partial or full positions to a non-Defaulting Clearing Member. In accordance with Part 9 of the Clearing Rules and the relevant Standard Terms Annex, Customers will need to submit a properly executed Porting Notice executed by the Transferee Clearing Member and the Client.

Porting Notice Cover Notes:

https://www.ice.com/publicdocs/clear_europe/ICNL_Porting_Documentation_Cover_Notes.pdf

Porting Notices: https://www.ice.com/publicdocs/clear_europe/ICNL_Default_Porting_Notice.pdf

Where a valid Porting Notice is received within 4 hours of the Default Notice being published this will be prioritised in order to facilitate the transfer of positions by end of the Business Day or prior to noon the next business day (depending on when the Default Notice is published).

All other porting Notices will be processed within a reasonable period of time, at the discretion of the Clearing House and subject to operational constraints and depending on market conditions.

Clearing Members are also able to execute a Default Portability Preference, giving advanced default party information to the Clearing House. Such a notice must be followed up by a default notice after the declaration of a default.

The format of the Default Portability Preference documentation can be obtained from ICNL at: https://www.ice.com/publicdocs/clear_europe/ICNL_Default_Portability_Preference_Notice.pdf

In the event of a liquidation or close-out of positions, ICNL will terminate all the positions within the defaulted Clearing Member's customer omnibus account and perform a close-out calculation in respect of all outstanding assets and liabilities related to the customer omnibus account. Clients may have a claim against, or be subject to claims by, the Insolvency Practitioner of the defaulted Clearing Member.

For further information on the calculation of the net sum, please review Part 9 of the ICNL Rules, available on the ICNL website at: https://www.ice.com/publicdocs/ICNL_Clearing_Rules.pdf

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7. Important Notice

This Customer Protection Framework document discusses covers certain risks that might arise to a Clearing Member or a Customer as a result of clearing at ICNL under the various different customer accounting structures we offer. However, a fuller description of these risks is set forth in the EMIR Disclosure Statement. Moreover, this document does not deal with risks related to trading or other generic risks of clearing in derivatives, such as interest rate risk, credit risk, market risk, leverage risk, tax risk or political risk. However, we note that the value of investments may go up or down and that any investor in derivatives may lose more than the original amount invested. This Customer Protection Framework does not address the implications of the various levels of segregation that may be applicable to Clearing Members or Customers or regulatory capital requirements.

This Customer Protection Framework does not form part of the contractual documentation between ICNL and its counterparties. The purpose of this Customer Protection Framework is to provide information, as required under EMIR.

Customers, Clearing Members and any other users of the Clearing House should consult their own advisors as to the legal effect of the contracts it is party to, relevant documentation and any segregation models for their particular circumstances. Users of the Clearing House should read and be familiar with the Rules, Procedures and Standard Terms, all of which form the contractual and legal basis for clearing and which are available online.

The Clearing House shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise, for any losses or damages that may be suffered as a result of using or relying on this Customer Protection Framework. Such excluded losses or damages include (a) any loss of profit or revenue; (b) damage to reputation or loss or any contract or other business opportunity or goodwill; or (c) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which this Customer Protection Framework is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation, death or personal injury caused by negligence or any other liability which by Applicable Law may not be excluded or restricted.

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8. Contacts

For further information on the ICNL EMIR Customer Protection Framework and any documents referenced to in it, please contact:

ICE Clear Netherlands B.V.
Atlas Arena Amsterdam, Asia Building
Hoogoorddreef 5, 1101BA, Amsterdam
The Netherlands
+31 (0)20 305 5155

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