

List of Permitted Cover and Haircut Rates: Extension to include Gold Bullion

Further to Circular C10/046 dated 27 May 2010, which confirmed the list of Permitted Cover and Haircut Rates, this Circular includes information in relation to the extension of the list of Permitted Cover to include Gold Bullion.

Extension to List of Permitted Cover: Gold Bullion

Please be advised that ICE Clear Europe's (the "Clearing House") List of Permitted Cover (Appendix 1) has been extended to include Gold Bullion effective from **Monday 22 November 2010** subject to the following limits:

Description	
Haircut	12%
Collateral Limit per Member (House and Client combined)	250 million USD or 30% of Margin Requirements
Instruction Deadline	11:00 (London time)

Procedures for the use of Gold Bullion as Permitted Cover

The Finance Procedures outlining information relating to the deposit and transfer of Gold Bullion are attached (Appendix 2). Clearing Members should note that:

- Gold Bullion used as Permitted Cover shall conform to the Eligibility Criteria described by the London Bullion and Metals Association (LBMA);
- the Clearing House only supports electronic transfer of Gold Bullion using AURUM, the electronic transferring system of London Precious Metal Clearing Limited (LPMCL). No physical deliveries are accepted;
- Deposits and withdrawals of Gold Bullion must be made in increments of 1 Troy Ounce;
- Gold Bullion may be deposited as Original Margin in relation to the clearing of Energy and CDS Contracts;
- the Clearing House has set a position limit per Clearing Member (House and Client combined) of the lower of 250 million USD or 30% of the Original Margin;
- Gold Bullion received before 16:00 hours (London time) on a Business Day will be reflected in Permitted Cover on the same Business Day (Gold Bullion received thereafter will be treated as having been not received until the next Business Day); and
- Gold Bullion will be priced daily using the London Gold Fixing Price in US Dollars as published by the Gold Market Fixing Ltd. The Clearing House will use the 15:00 (London time) fixing. It is at the discretion of the Clearing House to adjust the price to calculate the collateral value of the assets.
- Gold Bullion will be held in the vaults of our custodian JPMorgan Chase Bank NA in London

Transfer Procedure

Clearing Members must provide the Clearing House with the following documents prior to being permitted to deposit Gold Bullion:

CIRCULAR C10/095

8 November 2010

Category:

Risk Management

Attachments:

- (i) List of Permitted Cover
- (ii) Finance Procedures

Summary of content:

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- An signed copy of the “Gold Supplement” to the Clearing Member Agreement
- An original signed copy of the “Gold Bullion Collateral Authorised Email and Beneficiary Accounts Form” containing Clearing Member’s Account(s) details and Authorised Representative contact details

Both documents, provided by the Clearing House, have to be sent by post to ICE Clear Europe Treasury, 5th Floor, Milton Gate, 60 Chiswell Street, London EC1Y 4SA, UK and must be received by the Clearing House by midday (London time) the latest on the business day prior to the day on which the Clearing Member wishes to commence depositing Gold Bullion.

Instructions to transfer, deposit, or withdraw Gold Bullion should be sent by email to iceclear@theice.com before the deadline. The Gold Bullion can only be returned to the Clearing Member when sufficient alternative collateral has been provided prior to the deadline.

The standard instruction forms for the deposit and withdrawal will be provided by the Clearing House.

The transfers between the Clearing Member and Clearing House will take place in electronic form via AURUM, the settlement system of LPMCL. Matching of the instructions and the settlement is the responsibility of the Clearing Member. The Clearing House is not obliged to provide any matching or settlement statuses or updates to the Clearing Member.

Account Details

The Clearing House has established an Unallocated Account at the Custodian JPMorgan Chase Bank NA for the purpose of transferring Gold Bullion between the Clearing House and the Member. The account details to support the transfers will be provided by the Clearing House.

Further, the Clearing House has established an Allocated Account at the Custodian JPMorgan Chase Bank NA for the purpose of safekeeping Bullion Gold as Permitted Cover. The Clearing House will manage the transfers between the Allocated and Unallocated Account.

Fees

Clearing Members are advised that Gold Bullion will be classified as Collateral for the purpose of Member Returns and therefore, further to Circular C08/003 dated 29 May 2008, the Clearing House will charge 5 basis points on the total market value of Gold Bullion. Additional costs incurred from the custodian will be pro rata passed on to Clearing Members based on the value of their Gold Bullion deposits.

List of Permitted Cover and Haircuts

The updated List of Permitted Cover which the Clearing House, along with the corresponding haircuts is attached and can be found at https://www.theice.com/publicdocs/clear_europe/list-of-permitted-covers.pdf

If you have any questions on the information contained in this Circular, please contact Debi Carter, Manager of Banking & Treasury, 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

Signed:



Paul Swann
President & Chief Operating Officer