



April 22, 2022

VIA CFTC PORTAL

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: ICE NGX Self-Certification of Rule Amendments: Contracting Party Agreement - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

Dear Mr. Kirkpatrick:

In accordance with Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE NGX Canada Inc. (“ICE NGX”) is submitting this self-certification to amend the ICE NGX Contracting Party Agreement (“CPA”). The CPA functions as the rulebook for ICE NGX’s exchange and clearinghouse operations and is a “rule” as that term is defined under Commission Regulation 40.1(j). ICE NGX intends to implement the amendments on June 1, 2022 or on such later date or dates as ICE NGX may designate.

1. Overview

ICE NGX is making certain amendments (the “Amendments”) to the CPA, to establish a framework for imposing summary sanctions on a Contracting Party for certain prescribed violations of the CPA, in amounts per violation prescribed by schedule (the “Summary Sanctions Schedule”). In conjunction with the Amendments, and as a courtesy to Commission staff, we are also providing the Summary Sanctions Schedule and Summary Sanctions Hearing Procedures.

2. Details of Amendments

The summary sanctions framework is designed to apply to CPA violations that are non-subjective in nature. Whether any one of the prescribed violations has occurred is a factual matter, the determination of which is not subjective. In the event that ICE NGX becomes aware that one of the prescribed violations has occurred, absent evident and extenuating circumstances, the summary sanction would be applied without subjectivity. Subjectivity is further reduced by the applicable sanction amounts being prescribed by the Summary Sanctions Schedule, which will be publicly available.

ICE NGX Canada Inc.
Suite 2610, 225 – 6th Avenue SW
Calgary, AB
Canada T2P 1N2
ngx.com
ice.com



The summary sanctions framework will enhance and support ICE NGX's ability and authority to enforce certain requirements under the CPA, in a more streamlined and efficient manner. Summary sanction processes exist at many other derivatives exchanges and clearinghouses around the world.

The requirements subject to summary sanctions generally relate to ICE NGX's risk management activities: payment of settlement amounts in full and on time is important for ICE NGX to ensure liquidity needs are met on settlement days; meeting margin calls is important for ICE NGX to manage market price volatility and credit risk; providing financial statements supports ICE NGX's ongoing assessment of counterparty credit risk; and having a written risk management policy helps ensure that the Contracting Party is attuned to and managing the risks it may pose to the clearinghouse.

Prescribed Violations

- failing to pay an invoice amount in full or on time, as required under the CPA;
- failing to meet a margin call in full or on time, as required under Schedule "C" - Risk Management of the CPA;
- failing to provide financial statements in accordance with the CPA, and failing to provide notices required under the CPA;
- failing to have a written risk management policy, as required under the CPA; and
- failing to pay a fee or penalty on time.

Summary Sanctions Schedule

The Summary Sanctions Schedule establishes sanction amounts applicable to each listed violation, with escalating fines for certain repeat violations. The Summary Sanctions Schedule is designed to further reduce the potential for subjectivity in the application and amount of sanctions. ICE NGX intends to publish the Summary Sanctions Schedule on its website.

Summary Sanctions Hearing Procedures

The Summary Sanctions Hearing Procedures would govern the procedures for hearing and determining an appeal by a Contracting Party of a summary sanction, including the composition of a Summary Sanctions Hearing Panel.

As noted above, the summary sanction framework is designed to apply to CPA violations that are non-subjective in nature, with subjectivity further reduced by the Summary Sanctions Schedule prescribing applicable sanction amounts. Nevertheless, we are of the view that provision for an appeals process will support ICE NGX's fair and equal treatment of all Contracting Parties. Despite the streamlined appeals process set out in the Summary Sanctions Hearing Procedures, the appeals process provides sufficient inflection and decision points to facilitate consideration of new information and additional context.

3. Compliance with the Act and Regulations

ICE NGX reviewed the Amendments and determined that they comply with the requirements of the Act and the rules and regulations promulgated by the Commission in implementing the Act. In this regard, ICE NGX reviewed the derivatives clearing organizations core principles ("Core



Principles”) and determined that the amendments are potentially relevant to the following Core Principles and the applicable regulations of the Commission thereunder.

Compliance (Core Principle A): The Amendments are consistent with Core Principle A - Compliance and Commission Regulation 39.10, as the Amendments clarify and enhance ICE NGX’s policies and procedures for complying with Commission regulations.

Risk Management (Core Principle D): The Amendments facilitate ICE NGX’s compliance with Core Principle D - Risk management and Commission Regulation 39.13(g)(5), as the Amendments enhance ICE NGX’s authority and ability to enforce the CPA requirement that a Contracting Party have a current, written risk management policy, in accordance with the requirements under § 39.13(g)(5).

Rule Enforcement (Core Principle H): The Amendments facilitate ICE NGX’s compliance with Core Principle H - Rule enforcement and Commission Regulations

- § 39.17(a)(2), as the Amendments enhance ICE NGX’s authority to discipline a Contracting Party due to a violation by the Contracting Party of certain prescribed requirements under the ICE NGX rulebook; and
- § 39.17(b), as the Amendments specify that summary sanctions are to be imposed by the ICE NGX Chief Compliance Officer, in accordance with § 39.17(b).

Public Information (Core Principle L): The Amendments facilitate ICE NGX’s compliance with Core Principle L and Commission Regulation 39.21(c)(9), as the Amendments provide for public disclosure of the summary sanctions framework, through the CPA; the prescribed amount of the summary sanction applicable to a violation, through the Summary Sanctions Schedule; and the appeals process, through the Summary Sanctions Hearing Procedures; all of which will be publicly disclosed on the ICE NGX website

Legal Risk Considerations (Core Principle R): The Amendments facilitate ICE NGX’s compliance with Core Principle R - Legal risk considerations and Commission Regulation 39.27(b)(6), as the Amendments provide for a complete framework in respect of summary sanctions, including the authority to impose summary sanctions and the list of prescribed violations, through the CPA; the prescribed amount of the summary sanction applicable to a violation, through the Summary Sanctions Schedule; and an appeal process that provides for final disposition of an appeal, through the Summary Sanctions Hearing Procedures.

4. Certifications

ICE NGX hereby certifies that the Amendments to the CPA discussed in this submission comply with the Act and the rules and regulations promulgated by the Commission thereunder. ICE NGX is not aware of any substantive opposing views expressed regarding the Amendments. ICE NGX further certifies that, concurrent with this filing, a copy of the submission was posted on ICE NGX’s website and may be accessed at <https://www.ice.com/ngx>.



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Please do not hesitate to contact me (403-974-1701) or our General Counsel and CCO, Martin McGregor (403-974-1740) for any further information the Commission or its staff may require in connection with this notice.

Yours truly,

Greg Abbott
President & COO

Encls.

cc: Martin McGregor, ICE NGX
Shane Wanotch, ASC



AMENDMENTS TO THE ICE NGX CONTRACTING PARTY AGREEMENT

TERMS AND CONDITIONS

[Note: Insertions are underscored; deletions are struck through.]

ARTICLE 1 – DEFINITIONS

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1.2 Definitions

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“Summary Sanctions Hearing” means an opportunity for a Contracting Party that is the subject of a summary sanction imposed in accordance with Section 6.5 to be heard and to make representations in respect thereof;”

“Summary Sanctions Hearing Panel” means a panel convened to preside over a Summary Sanctions Hearing.”

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ARTICLE 5 – RECOURSE AND LIABILITY

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5.5 Rights of Exchange in Physically Settled Futures Transactions

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f. ~~Reserved~~ impose a summary sanction on the Contracting Party in accordance with section 6.5;

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ARTICLE 6 – REGULATORY AND COMPLIANCE

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6.2 Investigations and Disciplinary Proceedings ~~Trade Practice Oversight~~

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6.5 Summary Sanctions

- a. Other Compliance Matters – Except as provided in paragraph b. or c. of this section 6.5, the Exchange shall refer any suspected violation of the Agreement by a Contracting Party to the Chief Compliance Officer for handling in accordance with section 6.2.**
- b. Summary Sanction – The Chief Compliance Officer may impose a summary sanction on a Contracting Party, in accordance with Exchange’s stated Summary Sanctions Schedule and in an amount not to exceed \$5,000 per violation, for**
- (i) failing to make timely, accurate and full payment of an Invoice to Exchange in accordance with this Agreement;**
 - (ii) failing to make timely provision of Eligible Collateral Support in accordance with Schedule “C” - Risk Management of this Agreement;**
 - (iii) failing to make timely and accurate submissions to the Exchange of notices or financial statements as required under any provision of this Agreement;**
 - (iv) failing to maintain a current written risk management policy that address the risks the Contracting Party may pose to Exchange, as required under this Agreement; and**
 - (v) failing to make timely payment to Exchange of any fee, penalty or other charge in accordance with this Agreement.**
- c. Non-exclusive Penalty – Nothing in this section 6.5 shall preclude any other action against a Contracting Party pursuant to section 6.4 or otherwise with respect to conduct described in this section 6.5.**
- d. Notifications – The Chief Compliance Officer will provide notice (“Notice of Summary Sanction”) to the Contracting Party of any summary sanction that the Chief Compliance Officer has determined to impose on the Contracting Party.**
- e. Payment of Summary Sanction Penalty – A summary sanction assessed under section 6.5 shall be due and payable within ten (10) business days after receipt of the Notice of Summary Sanction, unless the Contracting Party has, within that time, requested in writing a hearing before a Summary Sanctions Hearing Panel. Failure of the Contracting Party to request a hearing within ten (10) business days of receiving the Notice of Summary Sanction, except where proven for good cause, shall be deemed to be a waiver of the right to a hearing, and an admission of the allegation or allegations contained in the Notice of Summary Sanction.**
- f. Summary Sanctions Hearing Procedures – A Summary Sanctions Hearing will be conducted in accordance with Exchange’s Summary Sanctions Hearing procedures, as amended from time to time. The Contracting Party and Exchange will be entitled to be represented by counsel and to present documentary evidence. No formal rules of**



evidence shall apply, and the Summary Sanctions Hearing Panel shall be entitled to accept or reject any evidence as it considers proper.

g. Decisions of the Summary Sanctions Hearing Panel – The Summary Sanctions Hearing Panel may recommend to confirm or reverse the decision by Exchange. The Summary Sanctions Hearing Panel must communicate the reasons for its decision to the Contracting Party but is not required to provide a written decision setting out the reasons for decision to the Contracting Party.

[Note: The numbering of other sections in Article 6 will be updated to reflect the changes shown above.]