



Maria Alarcon
Staff Attorney

April 9, 2021

Re: Updates to ICC Risk Management Model Description Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

VIA ELECTRONIC PORTAL

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

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC (“ICC”) hereby submits, pursuant to Section 5c(c)(1) of the Commodity Exchange Act (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to the ICC Risk Management Model Description. ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to implement the changes no sooner than the tenth business day following the filing of this submission with the Commission at its Washington, D.C. headquarters and with its Chicago regional office.

ICC proposes to amend the Risk Management Model Description to include an enhancement related to the index liquidity charge (“LC”) methodology and other clarifications. This submission includes a description of the changes to the Risk Management Model Description. Certification of the changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

ICC proposes to amend the “Initial Margin Methodology” section of the Risk Management Model Description. The proposed changes memorialize the review and approval process of the document, which consists of review by the Risk Committee and review and approval by the Board at least annually.

ICC proposes to revise the “Liquidity Charge for Index Risk Factors” subsection (Subsection II.2) to include an enhancement related to the index LC methodology. The proposed changes amend a formula for the index series LC. Currently, to arrive at the index series LC, ICC takes into account the estimated LCs for the instruments that belong to the same index series and the sign of the notional amount of the instrument. Under the proposed changes, the index series LC is established as the more conservative liquidity requirement associated with the sum of the bought and sold protection position LCs for the instruments that belong to the same index series. Such enhancement represents a unification of the index LC with the single name and credit default index swaption (“Index Option”)¹ LC methodologies. ICC does not propose any further changes to the methodology.

ICC proposes additional clarifications in the Risk Management Model Description. In the “Liquidity Charge for Index Options” subsection (Subsection II.2.1), ICC proposes a clarification with respect to long Index Option instruments to specify that the LC combined with the integrated spread response requirement will not exceed the end-of-day option instrument price. Such amendment reflects the maximum loss condition.

¹ Index Swaptions are also referred to herein and in the Risk Management Model Description as “index options” or “index CDS options”, or in similar terms.



In the “Anti-Procyclicality Measures” subsection (Subsection VII.5.3), ICC proposes clarifications regarding the scenarios associated with extreme price decreases and extreme price increases (the “Extreme Price Change Scenarios”). Specifically, the proposed changes clarify that the extreme price decrease and increase scenarios for Index Options incorporate hypothetical forward price decreases and increases, respectively. Further, in respect of the maximum loss condition, ICC proposes to update formulas related to the final portfolio initial margin in the “Portfolio Loss Boundary Condition” section (Section IX) to incorporate reference to the portfolio level integrated spread response.

Core Principle Review:

ICC reviewed the DCO core principles (“Core Principles”) as set forth in the Act. During this review, ICC identified the following Core Principles as being impacted:

Financial Resources: The revisions to the Risk Management Model Description are consistent with the financial resources requirements of Core Principle B and the financial resource requirements set forth in Commission Regulation 39.33. The proposed changes enhance and provide further clarity and transparency on ICC’s risk methodology and would thus strengthen ICC’s ability to maintain its financial resources and withstand the pressures of defaults. The proposed enhancement represents a unification of the index LC with the single name and Index Option LC methodologies, which would simplify the LC methodology and promote ease of understanding. ICC will continue to maintain sufficient financial resources to withstand, at minimum, the default of the two Clearing Participant Affiliate Groups to which it has the largest exposure in extreme but plausible market conditions, consistent with the requirements of Commission Regulation 39.33.

Risk Management: The amendments to the Risk Management Model Description are consistent with the risk management requirements of Core Principle D and the risk management requirements set forth in Commission Regulations 39.13 and 39.36. The proposed changes further ensure readability and clarity with respect to ICC’s risk methodology in the document to ensure that it remains up-to-date, clear, and transparent to support the effectiveness of ICC’s risk management system. ICC believes that the amendments would ensure that ICC possesses the ability to manage the risks associated with discharging its responsibilities, consistent with the risk management requirements of Core Principle D. ICC’s risk management practices will also continue to be performed in accordance with the standards and practices set forth in Commission Regulations 39.13 and 39.36.

Amended Rules:

The proposed changes consist of changes to the Risk Management Model Description. ICC has respectfully requested confidential treatment for the Risk Management Model Description, which was submitted concurrently with this self-certification submission.

Certifications:

ICC hereby certifies that the changes comply with the Act and the regulations thereunder. There were no substantive opposing views to the changes.

ICC further certifies that, concurrent with this filing, a copy of the submission was posted on ICC’s website, and may be accessed at: <https://www.theice.com/clear-credit/regulation>.



ICC would be pleased to respond to any questions the Commission or the staff may have regarding this submission. Please direct any questions or requests for information to the attention of the undersigned at (312) 836-6854.

Sincerely,

A handwritten signature in black ink that reads "Maria Alarcon". The signature is written in a cursive, flowing style.

Maria Alarcon
Staff Attorney