



24 May, 2022

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

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6 –
Operational Risk Management Policy and Risk Identification Framework

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, the (i) amendments to the Clearing House’s Operational Risk Management Policy (the “Operational Risk Management Policy”) and (ii) addition to the Clearing House’s rule framework of the Risk Identification Framework (“Risk Identification Framework”) which is a document that will provide the Clearing House with a structure to explore, identify and monitor risks.¹ The amendments will become effective on the first business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

Concise Explanation and Analysis

ICE Clear Europe is amending its Operational Risk Management Policy to make certain clarifications and enhancements to (i) ICE Clear Europe’s approach to remediating identified control vulnerabilities and monitoring, (ii) transition to dynamic risk assessment where each risk will be assessed at least annually via a rolling review

¹ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules and the Operational Risk Management Policy and the Risk Identification Framework.

process, and (iii) operational risk process by linking it with the Enterprise Risk Register, as well as descriptive updates to the Enterprise Risk Register. The appendices to the Operational Risk Management Policy have also been updated to provide certain descriptive detail including titles and impact guidelines and guidance charts have been added to Appendix C. Various other typographical, clarificatory and stylistic improvements have also been made.

ICE Clear Europe is also proposing to add to the Clearing House's set of rules the Risk Identification Framework which would provide the Board with a structure to explore, identify and monitor risks.

I. Operational Risk Management Policy

The overall description of operational risk management contained in Section 3 has been clarified to include management as well as identification, monitoring and reporting of risk. The same section also provides that risks will be documented within the Enterprise Risk Register.

Section 3.1 (previously titled "Risk Identification") has been deleted in its entirety and replaced with a new section titled "Enterprise Risk Register". The section describes the Enterprise Risk Register (attached to the policy as Appendix A, and also referred to as the Risk Register Dashboard) which serves as an inventory of the material risks faced by the Clearing House. The section also describes the purpose of the Enterprise Risk Register, which is to strengthen the businesses' understanding of their risks and allow them to demonstrate to the relevant risk committees and the Board that the risks are managed. The section also describes the purpose of the Enterprise Risk Register, including that the Risk Owners will be responsible for updating and maintaining their assigned risks in the Enterprise Risk Register, as well as discuss the responsibilities of the Risk Oversight Department ("ROD"), the Executive Risk Committee ("ERC") and the Board Risk Committee ("BRD"). The section also describes the Risk Register Dashboard (attached as Appendix A to the policy) which is a dynamically updated living statement of the Clearing House's risks that form part of the ERC and BRC standing agenda. Each risk will be assessed at least annually through a rolling review process.

Section 3.2 (Risk Assessment) has been updated to describe the following five components for facilitating the effective management of enterprise risk: (1) Risk Identification, (2) Level 3 Risk Assessment², (3) Risk Management, (4) Risk Monitoring and (5) Risk Reporting. Stylistic and formatting updates have been made to this section to clarify that the five aforementioned components fall under the umbrella of risk assessment.

Firstly, a new subsection 3.2.1 (Risk Identification) has been added and describes risk identification as the process by which each department identifies risks which should be documented within the Risk Taxonomy and the Enterprise Risk Register. The Risk

² The risk level (Level 1, 2 or 3) represents a hierarchy of risks with Level 3 being the level at which risks are assessed by the relevant Risk Owners. Level 1 and 2 risks are aggregated from Level 3 risk ratings and are listed in the Enterprise Risk Register.

Taxonomy is the list of risks that the Clearing House is exposed to which is reviewed annually for completeness; those risks (and the control assessments of those risks) are reflected in the Enterprise Risk Register. The amendments also add that the risk identification could be performed more frequently than annually as part of a dynamic update.

The substance of previous Section 3.3 (Risk Response) has been replaced by new subsections 3.2.2, 3.2.3 and 3.2.3, as described herein. However, the ownership and nature of the Clearing House's risk responses remains substantively unchanged. A new subsection 3.2.2. (Control Assessment) has been added and provides descriptions of the Clearing House's risk assessment policies and processes, including the roles of Risk Owners. Risk Owners will be required to assess the expected level of mitigation that each control is expected to provide (High/Medium/Low), as well as the effectiveness of each control (Satisfactory/Needs Improvement/Unsatisfactory). Key controls will be considered for control monitoring to further review effectiveness of controls. The amendments provide that the control assessment process should be performed at least once a year or more frequently as part of a dynamic control assessment. Dynamic control assessments will be performed to reflect material risk changes. Enterprise Risk Management ("ERM") will be responsible for providing review and challenge of the Risk Owners control assessment. The 'Worst-of Principle' will be applied to Level 1 and 2 ratings, where the parent overall control rating will adopt the 'worst-of' overall control rating of the level below.

The subsection describing the Clearing House's risk assessment processes (now Section 3.2.3) has been updated to provide the role of inherent and residual risk assessments. To determine the residual risk, Risk Owners will take account of key risk data points.

The risk assessment process will be performed at least once a year through a rolling review process or more frequently as part of a dynamic risk assessments which are performed to reflect material risk changes. ERM is responsible for providing review and challenge of the Risk Owners risk assessment. The 'Worst-of Principle' will be applied to Level 1 and 2 ratings, where the Parent Overall Control Rating will adopt the 'worst-of' rating of the level below across both inherent and residual risk.

A new subsection 3.2.4 (Risk Management) describes the Clearing House's risk management policies. Residual risks above agreed thresholds require remediation actions to address the control vulnerability and reduce the level of residual risk to an acceptable level. Such thresholds refer to the Board-approved risk appetite metrics which are currently set as Medium (see Appendix B for Risk Assessment Ratings Grid). Any Risks assessed by the Risk Owners as High or Very High will require remediation actions, which will depend on the particular circumstances and risks involved. Proposed remediations will be escalated to senior management and applicable risk committees or Board. In certain circumstances, risk acceptance may be deemed appropriate dependent upon the Clearing House's risk appetite and Board approval. Recommendations will be assigned a priority rating and remediation timeline as a function of the expected level of risk mitigation and the control effective rating. Remediation recommendations will be entered in the Issue Problems and Threat workflow unless already formally tracked.

The section describing risk monitoring (now subsection 3.2.5) has been updated to provide that controls identified during the assessment are operating effectively and performing in line with the assessed control ratings; the Clearing House will perform periodic control monitoring on controls considered as ‘Key’ which are ‘High’ mitigating controls mapped against ‘Very High’ or ‘High’ Inherent Risks. ERM will coordinate with the First, Second and Third Lines to develop control monitoring plans for key controls.

Additionally, a new paragraph has been added providing that to ensure that key controls identified during the assessment are operating effectively, the Clearing House will perform control monitoring, and include a description of such processes. Control monitoring will be performed by either the First Line (Clearing Risk Team), the Second Line (Risk Oversight Department), the Clearing House’s internal audit team or independent third parties. The results will be reviewed by the Chief Risk Officer and presented to the senior management team and other governance committees as appropriate.

The amendments will provide that Risk Owners monitor operational risks on an on-going rather than a daily basis. They also clarify that the Risk Oversight Department (“ROD”) will monitor risks daily or monthly (rather than only daily) and will monitor operational incidents raised by the Risk Owners.

The section describing risk reporting (now subsection 3.2.6) has been revised to include a new paragraph that describes the approval process for the Enterprise Risk Register as being approved monthly at each ERC and reported to each BRC and Board meeting. Stylistic changes have also been made to this section to replace certain terms with their acronym in order to aid with readability. Additionally, information regarding the roles of the Board, ERC and other groups that has been moved to other sections the document have been deleted from this section in order to avoid superfluosity.

Section 4.3 (Oversight of the Policy) has been updated to provide that the document is subject to the oversight of the ROD (and not also the Audit Committee).

Descriptive titles have been added to the appendices in order to aid with readability. Additionally, a table has been added that describes the meaning of certain impact guidelines (severe/major/moderate/minor/incidental), the numerical score assigned to such guidelines, and the guidance applied with respect to the risk posed to such impact. A description has been added to that the methodology to determine ICE Clear Europe’s residual risk involves assessing the impact of ICE Clear Europe’s control landscape on its inherent risks as shown by the matrix set out in the appendix.

II. Risk Identification Framework

The amendments include the addition to the rule framework of the Risk Identification Framework, which is intended to formalize certain practices relating to the identification of risks. Section 1 (Introduction) of the Risk Identification Framework provides an overarching description of the document and its purpose. The Risk Identification Framework will provide the Board with a structure to explore, identify and monitor risks as well as ensure that risk tolerance is articulated and documented,

with responsibilities and accountabilities clearly assigned. This framework also supports the Board in risk avoidance, mitigation or acceptance.

Section 2 (Components of the Risk Identification Framework) describes the four components of the Risk Identification Framework: Risk Taxonomy, which provides a single universal risk structure, terminology and hierarchy; Enterprise Risk Register, which serves as an inventory of the material risks faced by the Clearing House; Risk Assessment, which requires risk owners to rate inherent risk, overall control rating and residual risk for each level 3 risk; and Emerging Risk Assessment, which facilitates ongoing identification, discussion and mitigation of emerging risks as Board and executive level. The subsections that follow provide further descriptions of each component and the responsibilities and frequency relating to review of each.

Section 3 (Review and Governance) describes the documentation ownership and governance processes in respect of the Risk Identification Framework. The document is owned by the Chief Risk Officer and any material changes to the document will require Executive Risk Committee and Board Approval. The Executive Risk Committee and Board will review the Risk Identification Framework annually.

The appendices referenced throughout the document follow and include appendices providing for a risk register dashboard, rating guidance impact and likelihood and emerging business risks.

Compliance with the Act and CFTC Regulations

The amendments to the Collateral and Haircut Procedures are potentially relevant to the following core principles: (B) Financial Resources, (D) Risk Management and (O) Governance, and the applicable regulations of the Commission thereunder.

- *Financial Resources.* The amendments to the Operational Risk Management Policy are intended to better reflect the Clearing House's policies and practices that calibrate resources held by ICE Clear Europe to the risks faced by the Clearing House, through improvements to the description of those policies and practices and review and testing of relevant operations. The adoption of the Risk Identification Framework would assist the Board in risk avoidance, mitigation or acceptance. The amendments will thus support maintenance of the appropriate level of financial, operational and managerial resources of the Clearing House, consistent with the requirements of Core Principle B and Commission Regulation 39.11.
- *Risk Management.* As noted above, the amendments to the Operational Risk Management Policy and the adoption of the Risk Identification Framework are designed to strengthen ICE Clear Europe's tools to manage the risk of losses resulting from operational errors or failures. The changes would update and clarify the processes, controls and escalations with respect to the testing and reviewing of the Clearing House's operations as well as outline the responsibilities of the Clearing House's committees, management and the Board in relation to each document. The changes will thus assist the Clearing House in identifying, managing and monitoring risks in operational failure

scenarios. As a result, the proposed amendments to the Operational Risk Management Policy and the adoption of the Risk Identification Framework will enhance the overall risk management framework of the Clearing House and its ability to identify and document the risks to which it is exposed. As such, ICE Clear Europe believes the amendments are consistent with the requirements of Core Principle D and Commission Rule 39.13.

- *Governance.* The amendments to the Operational Risk Management Policy and the adoption of the Risk Identification Framework each would clarify or provide the responsibilities of the Clearing House's committees, management and the Board in relation to each such document. ICE Clear Credit believes that the amendments are therefore consistent with the requirements of Core Principle O and CFTC Rule 39.24.

As set forth herein, the amendments consist of the amendments to the Operational Risk Management Policy and the adoption of the Risk Identification Framework. ICE Clear Europe has requested confidential treatment with respect to the amendments, which have been submitted concurrently with this self-certification submission.

ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe received no substantive opposing views in relation to the proposed amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent with the filing of this submission.

If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at George.milton@theice.com or +44 20 7429 4564.

Very truly yours,



George Milton
Head of Regulation & Compliance