



June 23, 2020

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

Re: Self-Certification Pursuant to Commission Rule 40.6 – Amended Model Risk Governance 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, amendments to its Model Risk Governance Framework (the “Model Risk Governance Framework” or “Framework”). 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 Model Risk Governance Framework as follows: (i) certain procedures for model risk management, including with respect to new models and reviews of existing models have been clarified; (ii) governance provisions relating to document review, breach management and exception handling have been updated; and (iii) various drafting clarifications and improvements have been made.

Model Risk Management

The section of the Framework addressing validation and model performance assessment has been renamed to the more general “Model Risk Management” and

clarified to state that the Clearing House will identify, measure, monitor and mitigate model risk in all stages of a model life cycle. Certain general explanatory, non-substantive language (such as language generally explaining stages of new models, referencing the general nature of model changes and explaining the general importance of model validation and performance assessment) has been removed as unnecessary.

With respect to new models, language has been introduced to clarify that the time elapsed from validation to the production date is not to exceed the validation cycle.

With respect to review of existing models, the Clearing House has added further detail regarding annual validation cycles: the time horizon of the cycles are measured on a month-to-month basis, and the time the remediation plan was approved is used as a reference. In addition, it has been clarified that model performance assessments will be conducted on a periodic basis, with cycles no greater than those used for validations (as opposed to no greater than one year). These assessments, at a minimum, include the review of the testing performance of the models as well as the appropriateness of the parameters and assumptions used in them.

In the section discussing model retirement, language providing that the efficiency of a model may deteriorate over its life cycle for several reasons has been removed as unnecessary. The section has also been updated to provide that the Clearing House's assessment of the risks and consequences of retiring a model will, at a minimum, include a review of the reasons for the retirement, the coverage of risks post-retirement, the existing interdependencies and the regulatory compliance.

Governance

The amendments to the Framework have also updated arrangements for breach management, ongoing Framework reviews and exception handling. The amendments make the Framework consistent in this regard with other ICE Clear Europe policies and governance processes. In particular, the amendments provide that (i) the document owner, as specified in ICE Clear Europe policies, is responsible for ensuring that documents remain up-to-date and are reviewed in accordance with the Clearing House's governance processes, (ii) the document owner will report material breaches or unapproved deviations from the Framework to their Head of Department, the Chief Risk Officer and the Head of Compliance (or their delegates) who will determine if further escalation will be made to relevant senior executives, the Board and/or competent authorities, and (iii) exceptions to the Model Risk Governance Framework will be approved in accordance with the Clearing House's governance process for the approval of changes to such document.

General Drafting Clarifications and Improvements

By way of general drafting clarification and improvements, the amendments to the Model Risk Governance Framework re-word certain sections for improved readability as well as make general grammatical and typographical corrections. Certain terminology has been updated throughout the Framework, including clarifying the use of the term "remediation plan" as opposed to "remediation action". The "Second Line" discussion of Model Risk Governance has been clarified to provide that the

Risk Oversight Department is responsible to establish, maintain and observe guidelines for performing independent validation exercises only, and not also for model performance assessments and review of impact assessments (as those are generally “First Line” functions).

Compliance with the Act and CFTC Regulations

The amendments to the Model Risk Governance Framework are potentially relevant to the following core principles: (D) Risk Management and (O) Governance Arrangements and the applicable regulations of the Commission thereunder.

- *Risk Management.* As discussed herein, the amendments are intended to clarify and strengthen ICE Clear Europe’s model risk management framework. The amendments clarify that model risk is to be identified, measured, monitored and mitigated in all stages of a model life cycle. The amendments provide greater detail as to the timing of the Clearing House’s assessment of new models and of existing models; specifically, the time elapsed to the production launch date with respect to a new model will not be greater than the validation cycle, and the time horizon of existing models will be measured on a month-to-month basis, using the time the remediation plan was approved as reference. The amendments also clarify requirements for ongoing performance assessments, and enhance the governance over the Framework, to be consistent with other ICE Clear Europe policies. ICE Clear Europe believes that the Framework as so amended will enhance the model review process and thus facilitate the overall risk management of the Clearing House. As a result, ICE Clear Europe believes the amendments are consistent with the requirements of Core Principle D and CFTC Rule 39.13.
- *Governance.* As described herein, the amendments to the Framework more clearly define the roles and responsibilities of the document owner, the Head of Department, the senior members of the Risk Oversight Department and the senior members of the Compliance Department, consistent with the governance arrangements for other ICE Clear Europe policies and procedures. ICE Clear Europe believes that the amendments to the Model Risk Governance Framework are therefore consistent with the requirements of Core Principle O and Commission Rule 39.24.

As set forth herein, the amendments consist of the amendments to the Model Risk Governance Framework. ICE Clear Europe has requested confidential treatment with respect to the amendments to the Framework, which have been submitted currently with this self-certification submission.

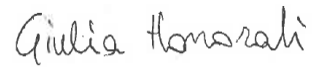
ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission’s regulations thereunder.

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 giulia.honorati@theice.com or +44 (0)20 7429 7127.

Very truly yours,

A handwritten signature in cursive script that reads "Giulia Honorati".

Giulia Honorati
Manager, Regulation & Compliance