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**Sarah Williams**  
Staff Attorney

October 6, 2016

**Re: ICE Clear Credit LLC Advance Notice of  
Proposed Rule Change Pursuant to  
Commission Rule 40.10**

**VIA CFTC PORTAL**

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

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC ("ICC"), a registered derivatives clearing organization ("DCO") under the Commodity Exchange Act, as amended (the "Act") that has been designated by the Financial Stability Oversight Council as systemically important under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, hereby submits to the Commodity Futures Trading Commission (the "Commission"), pursuant to Commission Rule 40.10, the ICC Liquidity Risk Management Framework.

ICC proposes to formalize a Liquidity Risk Management Framework that describes ICC's liquidity monitoring program, liquidity resources, and the methodology for testing the sufficiency of these liquidity resources. Certification of the ICC Liquidity Risk Management Framework pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.10 also is provided below.

ICC's Liquidity Risk Management Framework includes a discussion of ICC's liquidity risk management model. Specifically, ICC's Liquidity Risk Management Framework references the currency-specific risk requirements set forth in ICC's current rules which provide the value of collateral that must be deposited by Clearing Participants ("CPs"), as well as liquidity requirements that stipulate CPs maintain prescribed portions of their collateral in cash and other prescribed portions of their collateral in specific liquid assets. The Liquidity Risk Management Framework also references ICC's collateral valuation methodology and investment strategy, which ensures that ICC holds custodial assets in liquid investments and at multiple institutions where necessary to reduce exposure to any single depository. Additionally, the framework references ICC rules which provide ICC with the ability to obtain additional liquid resources from its non-defaulting CPs and pledge non-cash and cash assets of an equivalent value deposited by non-defaulting CPs as collateral for this loan, as required. The Liquidity Risk Management Framework also contains information regarding ICC's liquidity facilities and liquidity waterfall. Finally, the Liquidity Risk Management Framework contains details about ICC's comprehensive liquidity testing, including the measuring and monitoring components and the governance of ICC's liquidity testing.

Under the Liquidity Risk Management Framework, ICC will use all available resources to meet its liquidity needs when managing a liquidity event, caused by a CP default or otherwise. The liquidity waterfall defines the order, to the extent practicable, in which ICC would use its available liquidity resources ("ALR") to meet its currency-specific cash payment obligations. ALR consist of the available deposits currently in cash of the required denomination, and the cash equivalent of the available deposits in collateral types that ICC can convert to cash, in the required currency of denomination, rapidly enough to

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meet the relevant, currency-specific payout deadlines by which ICC must meet its liquidity obligations. The liquidity waterfall classifies ALR on any given day into four levels. Level One includes the house origin Initial Margin and Guaranty Fund cash deposits of each defaulting CP. Level Two includes Guaranty Fund cash deposits of: (i) ICC; and (ii) non-defaulting CPs. Level Three includes house origin Initial Margin cash deposits of the non-defaulting CPs. Level Four includes ICC's committed repo facilities to convert U.S. Treasuries to USD cash and ICC's committed foreign exchange ("FX") facilities for converting USD cash to EUR cash.

ICC's Liquidity Risk Management Framework includes two kinds of testing: a historical analysis and a forward-looking analysis based on stress testing. In the historical analysis, ICC uses the currency-specific historical profit/loss associated with cleared portfolios to explore the level of liquid resources required under historical market conditions. In the stress testing analysis, ICC explores the required level of liquidity resources in response to a number of historically observed extreme but plausible scenarios, and a number of hypothetically created (forward-looking) extreme but plausible scenarios.

ICC's Liquidity Risk Management Framework provides for the governance of ICC's liquidity testing, specifically the performance frequency of various testing and the subsequent analysis and reporting of the results. The Liquidity Risk Management Framework details the required governance for amending the liquidity program as well as the procedure for additional risk measures to be taken, as necessary, based upon testing results.

#### 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 Liquidity Risk Management Framework is consistent with the financial resources requirements of Core Principle B and the requirements of Commission Rule 39.33 thereunder. The Liquidity Risk Management Framework will formalize and enhance ICC's existing policies, practices and procedures relating to liquidity management. The framework specifies the available liquidity resources to meet ICC's currency-specific cash payment obligations on any day, further classifies such resources into four categories, and sets out the order in which resources in such categories generally may be applied to meet ICC's obligations in the case of a liquidity event. In ICC's view, the framework demonstrates that these resources are sufficient to enable ICC to meet its intraday, same-day and multiday obligations to perform settlement, in all relevant currencies, with a high degree of confidence under a wide range of scenarios, consistent with the requirements of Commission Rule 39.33(c). The framework also formalizes a comprehensive liquidity measuring and monitoring program that provides the methodology for testing the sufficiency of these resources. Specifically, the framework describes procedures for monitoring ICC's potential liquidity exposure in the case of hypothetical liquidity events by considering both forward-looking scenarios and historical payment obligations. In accordance with the liquidity program set forth in the framework, ICC will perform comprehensive analyses of stress testing scenarios and underlying parameters to ascertain their appropriateness for determining the required level of liquidity resources in current and evolving market conditions. Finally, the framework provides for appropriate governance arrangements relating to ICC's liquidity testing and includes procedures for additional risk measures to be taken as necessary based upon testing results. The framework thus documents the rationale for, and governance arrangement relating to, its total liquidity resources in accordance with the requirements of Commission Rule 39.33(e).

**Risk Management:** The Liquidity Risk Management Framework is consistent with the risk management requirements of Core Principle D and Commission Rules 39.13 and 39.36. The framework has been designed to facilitate ICC's ability to manage the potential liquidity risks that may arise from a liquidity event, in order to permit ICC to continue to perform its own settlement obligations in all relevant currencies. In particular, the framework addresses such matters as acceptable collateral, collateral valuation and the model for determining liquidity requirements with respect to the house and client-related accounts. In ICC's view, the framework takes an appropriate approach to manage the risks of having to liquidate assets or otherwise obtain liquidity following a liquidity event. As discussed above, the

framework also sets forth ICC's approach to testing of liquidity requirements, in a range of relevant historically observed and hypothetically created (forward looking) extreme but plausible stress scenarios, consistent with the requirements of Commission Rule 39.36(c). The framework also describes ICC's process for validation of its liquidity risk management model, consistent with the requirements of Commission Rule 39.13 and 39.36.

Settlement: As discussed above, the Liquidity Risk Management Framework is designed to provide sufficient liquid resources to permit ICC to continue to perform its settlement obligations, without interruption, following a liquidity event. As such, the framework facilitates ICC's compliance with its obligations to effect daily settlement (and to have the ability to conduct intraday settlement, as appropriate) under Core Principle E and Commission Rule 39.14.

Default Management: Similarly, and in the manner described above, ICC has, through the Liquidity Risk Management Framework, established rules and procedures that enable it to promptly meet all of its settlement obligations and avoid any delay of same-day settlement of payment obligations, even in the context of a liquidity event and other liquidity shortfalls. The framework is thus also consistent with the requirements of Core Principle G and Commission Rule 39.35(b).

Amended Rules:

ICC has respectfully requested confidential treatment for the ICC Liquidity Risk Management Framework which was submitted concurrently with this submission.

Certifications:

ICC hereby certifies that the Liquidity Risk Management Framework complies with the Act and the regulations thereunder. The framework was unanimously recommended for approval by the ICC Risk Committee and unanimously approved by the ICC Board of Managers. There were no substantive opposing views to the framework.

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.jhtml](https://www.theice.com/clear_credit.jhtml)

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) 836-6883.

Sincerely,



Sarah Williams  
Staff Attorney

Enclosure