



February 5, 2024

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: Amendments to the ICE Clear U.S., Inc. Risk Management Framework - Shortfall Margin Model & Stress Loss Charge Parameters - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE Clear U.S., Inc. (“ICUS”) is submitting this self-certification to amend the ICUS Rules,¹ specifically the ICUS Risk Management Framework. ICUS intends to revise the Risk Management Framework no sooner than the tenth business day following the filing of this submission with the Commission, or such later date as ICUS may determine.

1. Overview

ICUS’s Risk Management Framework documents two “add on” initial margin components that contribute to ICUS’s financial resources, the Shortfall Margin and Stress Loss Charge requirements. ICUS has determined to amend its Risk Management Framework to refine both the Shortfall Margin Model and the Stress Loss Charge parameters (and, as a result, the related margin requirements).

2. Details of Rule Changes

Shortfall Margin Model: Shortfall Margin is designed to protect ICUS from Clearing Members with risk that exceeds their capital capacity while incorporating their relative credit quality and financial strength. Shortfall Margin is also designed to provide enhanced protection for the non-defaulting Clearing Members’ contributions to the Guaranty Fund, in the event of a Clearing Member default. When determining the Shortfall Margin requirement, each Clearing Member’s exposure to the Guaranty Fund is determined to arrive at an “Uncollateralized Stress Loss Amount” for that Clearing Member.² The Shortfall Margin requirement is the amount, if any, by which the

¹ Capitalized terms used and not defined in this submission have the meaning set forth in the ICUS Rules.

² The “Uncollateralized Stress Loss Amount” is determined by first calculating the potential gains and/or losses posed by that Clearing Member’s cleared positions, after running the positions through various stress loss scenarios. These gains and/or losses are then, respectively, either increased or decreased by certain



applicable Uncollateralized Stress Loss Amount exceeds a given Clearing Member's "shortfall allowance." Following its standard, regular review of the Risk Management Framework, and considering ongoing dialogue with and feedback from Clearing Members, as well as the independent model revalidations for the Shortfall Margin Model, ICUS is proposing to change how the "shortfall allowance" is determined to make it more clearly risk based, and more transparent. Currently, the "shortfall allowance" for a given Clearing Member is set at the lower of: (a) 20% of its regulatory capital and (b) 2,500 times the square root of its regulatory capital. Based on specific feedback, this formulation lacks transparency for Clearing Members and for the independent validators of the Shortfall Margin Model.

The new proposal will group ICUS's Clearing Members into one of 3 credit quality bands, based on Intercontinental Exchange, Inc.'s internal credit score which is already used by ICUS -- and its affiliated DCOs -- generally, to monitor Clearing Members and financial service providers. Each credit band will have a specific "shortfall allowance" (or capital allowance) determined as a percentage of a given Clearing Member's regulatory capital. ICUS has successfully submitted this proposed change to the Shortfall Margin Model for independent validation, consistent with applicable Commission regulations.

Stress Loss Charge Parameters: ICUS determines 2 types of Stress Loss Charge. Stress Loss Charge 1 is designed to limit any individual Clearing Member from having outsized exposure to the Guaranty Fund. Stress Loss Charge 2 is designed to limit the combined exposure of 2 Clearing Members from having outsized exposure to the Guaranty Fund. These Stress Loss Charges are connected to the Shortfall Margin requirement. As a result of the proposed changes to the Shortfall Margin Model, ICUS has determined to make related and complimentary changes to the Stress Loss Charge parameters.

Finally, and also related and complimentary to the foregoing changes, ICUS is proposing to modify the USD cash component for both the Shortfall Margin and Stress Loss Charge requirements. To keep cash collected by ICUS largely unchanged for liquidity purposes, ICUS has determined that the cash component for both Shortfall Margin and Stress Loss Charges should be rebalanced to 70%, from the current 45%, for Shortfall Margin, and 100% for Stress Loss Charges.

ICUS has respectfully requested confidential treatment for the foregoing Risk Management Framework amendments which were submitted concurrently with this submission.

initial margin contributions that support the positions. The calculation is performed for each scenario (separately for the house and customer origins) producing, after initial margin offsets, the House and Customer Stress Loss Amounts, which are either positive or negative numbers. The Customer Stress Loss Amount is capped at zero because, consistent with Commission regulations, if there is a default, ICUS's Rules provide that financial resources in the customer origin are not available to cover losses in the house origin, whereas financial resources in the house origin can cover losses in the customer origin. The House and Customer Stress Loss Amounts for each scenario are aggregated, and the largest resulting negative sum is the Uncollateralized Stress Loss Amount. The worst case from the stress loss scenarios, reduced by Guaranty Fund contributions, is the final Uncollateralized Stress Loss Amount.



3. Compliance with the Act and Regulations

ICUS reviewed the foregoing 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, ICUS reviewed the derivatives clearing organizations core principles (“Core Principles”) and determined that the amendments are potentially relevant to the following Core Principle and the applicable regulations of the Commission thereunder:

Risk Management (Core Principle D): The proposed amendments to the ICUS Risk Management Framework ensure that both the Shortfall Margin Model, and the resulting Shortfall Margin requirement, are more closely aligned with the actual risk presented by a given Clearing Member. In addition, the proposed amendments to the Shortfall Margin Model, and the resulting Shortfall Margin requirement, ensure that both are more appropriately commensurate with the risks presented by the products and portfolios cleared by ICUS. Moreover, this Shortfall Margin Model amendment has been independently validated. Finally, the proposed changes to the Stress Loss Charge parameters complement these amendments to the Shortfall Margin Model. For these reasons, the proposed amendments to the ICUS Risk Management Framework are consistent with the requirements of Core Principle D and Commission Regulations 39.13 and 39.36.

4. Certifications

ICUS certifies that the proposed Risk Management Framework amendments comply with the Act and the rules and regulations promulgated by the Commission thereunder. ICUS is not aware of any substantive opposing views expressed regarding the amendments. ICUS further certifies that, concurrent with this filing, a copy of the submission was posted on ICUS’s website and may be accessed at <https://www.theice.com/clear-us/regulation>.

If you or your staff have any questions or require further information regarding this submission, please do not hesitate to contact the undersigned at (212) 748-3964 or Eamonn.Hahessy@theice.com.

Sincerely,

A handwritten signature in black ink that reads "Eamonn Hahessy".

Eamonn Hahessy
General Counsel and Chief Compliance Officer