



Eric Nield
General Counsel

March 31, 2023

Re: Changes to ICC Rules and ICC Treasury Policy to add cash British pounds sterling as eligible margin to meet Client-Related Initial Margin Requirements Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6

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 and Commodity Futures Trading Commission ("Commission") Regulation 40.6, a self-certification of changes to the ICC Rulebook (the "Rules") and ICC Treasury Operations Policies and Procedures ("ICC Treasury Policy") to add cash British pounds sterling ("GBP") as eligible margin to meet Client-Related Initial Margin requirements. ICC is registered with the Commission as a derivatives clearing organization ("DCO"). ICC intends to make the amended Rules effective 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.

This submission includes the amended Rules and amended Treasury Policy. A description of the principal changes contained in the amended Rules and amended Treasury Policy follows. Certification of the amended Rules and amended Treasury Policy pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6 is also provided below.

The purpose of the proposed changes is to modify certain provisions to the ICC Rules and ICC Treasury Policy to add cash British pounds sterling ("GBP") as eligible margin to meet Client-Related Initial Margin requirements. ICC Clearing Participants are required to post Client-Related Initial Margin to collateralize their individual credit exposure to ICC. Such Client-Related Initial Margin is intended to collateralize the risk arising from the client related positions cleared at ICC by ICC Clearing Participants. ICC limits the assets it accepts as collateral to those with low credit, liquidity and market risks. Currently, an ICC Clearing Participant may meet their Client-Related Initial Margin requirements with US dollar cash, Euro cash or US Treasuries. ICC has received verbal feedback from several market participants requesting that ICC Clearing Participants have the ability to post GBP in addition to the asset types currently accepted by ICC, specifically to support United Kingdom (UK) and European Union (EU) based customer clearing activity. Several UK and EU market participants have requested the addition of GBP as an ICC acceptable collateral type in connection with their exploration of migrating their credit default swap (CDS) clearing activity to ICC from ICE Clear Europe Limited (ICEU) following the recent ICEU announcement that it plans to cease its CDS clearing services¹. ICC previously accepted GBP to meet Client-Related Initial Margin, Non-Client Initial

¹ See ICE Clear Europe public circular dated September 26, 2022, and available here: https://www.ice.com/publicdocs/clear_europe/circulars/C22109.pdf.



Margin and Guaranty Fund requirements, but that option was revoked in 2017². ICC chose to cease accepting GBP cash in 2017 because no ICC Clearing Participants posted GBP cash while it was an acceptable collateral type; and ICC considered GBP cash a less liquid resource due to the potential need to convert it to either US dollar cash or Euro cash.³

Recently, ICC has received customer feedback that there is a renewed interest in posting GBP, as many UK and EU based customers maintain GBP balances; and if ICC Clearing Participants were permitted to pass on customer GBP assets to ICC to meet Client-Related Initial Margin requirements, customers could decrease their overall cost of capital and reduce foreign exchange risk by posting GBP instead of converting GBP into another form of eligible collateral. Furthermore, ICC desires to structure its collateral acceptance policy to better serve UK and EU based market participants who may be seeking alternative CDS clearing services given the impending cessation of ICEU's current CDS clearing services. Therefore, allowing ICC Clearing Participants to post GBP to meet Client-Related Initial Margin requirements will facilitate a more effective and efficient transition from alternative CDS clearing services that generally accept GBP as collateral.

For the aforementioned reasons, ICC proposes revising the ICC Rules and ICC Treasury Policy to add GBP to the list of eligible collateral to satisfy Client-Related Initial Margin requirements. With the addition of GBP, the list of eligible collateral to satisfy ICC Client-Related Initial Margin requirements shall be: US dollar cash, Euro cash, US Treasuries and GBP cash. It should be noted that with respect to liquidity, ICC's Liquidity Risk Management Framework does not consider any collateral posted for Client-Related Initial Margin to be counted as an available liquidity resource, therefore the addition of GBP as an acceptable form of Client-Related Initial Margin collateral will not impact the amount of ICC's liquidity resources or its liquidity stress testing processes. The proposed revisions to the ICC Rules and ICC Treasury Policy are described in detail as follows. Only in the event of an ICC Clearing Participant default would ICC potentially need to convert posted GBP Client-Related Margin to either US dollar cash or Euro cash. The FX risk stemming from the acceptance of GBP as Client-Related Initial Margin is addressed by applying a set of conservative currency haircuts.

Amended Rules:

ICC proposes updates to Schedule 401 of the ICC Rules. Specifically, ICC proposes adding GBP to the list of "all eligible collateral" to meet Client-Related Initial Margin requirements identified in Schedule 401 of the ICC Rules. In addition, ICC proposes to modify the Client-Related Initial Margin liquidity requirements set forth in Schedule 401 of the ICC Rules as follows: For US dollar denominated products, ICC proposes changing the (i) minimum percentage of the overall Initial Margin requirement to be met in US dollar denominated assets (i.e., US dollar cash and US Treasuries) from 65% to 45% and; (ii) percentage of the overall Initial Margin requirement that may be met in any eligible collateral (US dollar cash, Euro cash, GBP cash and US Treasuries) from 35% to 55%. For Client-Related Initial Margin requirements for Euro denominated products, ICC proposes changing (i) the minimum percentage of the overall Initial Margin requirement to be met in US dollar cash, Euro cash or US Treasuries from 100% to 45% and; (ii) adding a new category that permits the remaining 55% of the overall Initial Margin requirement to be met in any eligible collateral (US dollar cash, Euro cash, GBP cash and US Treasuries). Such proposed changes to the Client-Related Initial Margin thresholds are intended to modify the current conservative thresholds which are very restrictive as Client-Related Initial Margin is not part of ICC's Liquidity Risk Management Framework. The proposed modified thresholds reflect the fact that only the first-day liquidity needs (measured as 45% of Initial Margin requirements) must be met in a form of collateral for which ICC maintains committed repurchase agreements and committed FX facilities. The remaining 55% can be met

² See Submission Number 1706-2914-4022-98, dated June 29, 2017, for additional information on the revocation of GBP collateral.

³ Id.



in any type of accepted collateral. With the proposed modified thresholds, ICC continues to maintain a conservative approach by directly requiring that Client-Related first-day liquidity needs (i.e., 45% of Initial Margin requirements) are met in the forms of permitted collateral for which either collateral transformations are not necessary or committed agreement are in place to provide all necessary immediate liquidity.

Amended Treasury Policy:

ICC also proposes updates to the ICC Treasury Policy to add GBP cash as eligible margin to meet Client-Related Initial Margin requirements. The purpose of the ICC Treasury Policy is to articulate the policies and procedures used to support the ICC Treasury Department, which is responsible for daily cash and collateral management of margin and guaranty fund assets, including Client-Related Initial Margin assets. ICC proposes adding a 'British Pound Sterling' sub-section to the 'Investment Strategy' section of the ICC Treasury Policy to indicate that GBP cash posted to meet Client-Related Initial Margin will not be invested, rather, such GBP cash will be held in bank deposits.

Also, ICC proposes updating the 'Cash Settlement' section of the ICC Treasury Policy to add GBP to the existing 9:00 a.m. eastern time deadline for ICC Clearing Participants to notify ICC of its desire for EUR margin withdrawals or substitutions for EUR cash. With this change GBP Client-Related Initial Margin withdrawals and GBP substitutions will have the same 9:00 a.m. eastern time deadline as EUR for ICC Clearing Participants to notify ICC of their desire to withdraw available excess GBP Client-Related Initial Margin or to substitute for GBP cash. Further, ICC proposes to update the 'Acceptable Collateral' section of the ICC Treasury Policy to add GBP cash to ICC's list of acceptable forms of collateral for Initial Margin, noting that GBP cash is only acceptable for Client-Related Initial Margin.

In addition, ICC proposes to update the 'Collateral Valuation' section of the ICC Treasury Policy to describe the valuation processes for GBP cash collateral as follows: (i) for GBP used to cover a US dollar denominated product requirement it is first converted to the US dollar value and then such US dollar value is haircut at the GBP currency haircut and (ii) for GBP used to cover a EUR denominated product requirement it is first converted to the US dollar value and then such US dollar value is haircut at the GBP currency haircut. In addition, the EUR denominated product requirement is converted to the US dollar value which is then grossed up by the EUR currency haircut. Furthermore, ICC proposes language clean up changes to this same section of the ICC Treasury Policy.

ICC further proposes to update the 'Eligible Client Collateral' section of the Treasury Policy to add GBP cash to ICC's list of eligible collateral for Client-Related Initial Margin, which currently includes US dollar cash, Euro cash, and US Treasuries. ICC proposes updates to the 'Client-Related Initial Margin Liquidity Requirements' section of the Treasury Policy to reflect the proposed liquidity requirement changes, namely, for US dollar denominated products, ICC proposes changing the (i) minimum percentage of the overall Initial Margin requirement to be met in US dollar denominated assets (i.e., US dollar cash and US Treasuries) from 65% to 45% and (ii) percentage of the overall Initial Margin requirement that may be met in any eligible collateral (US dollar cash, Euro cash, GBP cash and US Treasuries) from 35% to 55%. For Client-Related Initial Margin requirements for Euro denominated products, ICC proposes changing (i) the minimum percentage of the overall Initial Margin requirement to be met in US dollar cash, Euro cash or US Treasuries from 100% to 45% and (ii) adding a new category that permits the remaining 55% of the overall Initial Margin requirement to be met in any eligible collateral (US dollar cash, Euro cash, GBP cash and US Treasuries).

Such proposed changes to the Client-Related Initial Margin thresholds are intended to modify the current conservative thresholds which are very restrictive as Client-Related Initial Margin is not part of ICC's Liquidity Risk Management Framework. The proposed modified thresholds reflect the fact that only the first-day liquidity needs (measured as 45% of Initial Margin requirements) must be met in a form of collateral for which ICC maintains committed repurchase agreements and committed FX facilities. The remaining 55% can be met in any type of accepted collateral. With the proposed modified thresholds, ICC continues to



maintain a conservative approach by directly requiring that Client-Related first-day liquidity needs (i.e., 45% of Initial Margin requirements) are met in the forms of permitted collateral for which either collateral transformations are not necessary or committed agreement are in place to provide all necessary immediate liquidity.

Core Principle Review:

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

Financial Resources: The proposed changes are consistent with the financial resources requirements of Principle B and Commission Regulation 39.33. The proposed changes will provide cost of capital benefits and a reduction in foreign exchange risk for market participants while maintaining adequate liquidity resources at ICC. Further, the proposed changes will not impact ICC’s liquidity resources, as the Client-Related Initial Margin collateral posted does not count as an available liquidity resource, therefore the addition of GBP cash as an acceptable form of Client-Related Initial Margin collateral will not impact the amount of ICC’s liquidity resources or its liquidity stress testing processes. ICC will continue to accept US cash, Euro cash, and US Treasuries and proposes to add GBP cash as eligible collateral, in accordance with Schedule 401 of the ICC Rules. Such collateral will continue to be held in a manner whereby risk of loss or of delay in access to them is minimized.

Treatment of Funds: The proposed changes are consistent with the treatment of funds requirements of Principle F and Commission Regulation 39.15. The GBP cash posted to meet Client-Related Initial Margin will be held in a consistent manner as the other forms of collateral accepted by ICC. ICC will continue to use safe and secure banking arrangements for Clearing Participants collateral deposits, and such collateral will continue to be held in a manner whereby risk of loss or of delay in access to them is minimized.

Amended Rules:

The proposed change consists of revisions to the ICC Rules, and the ICC Treasury Policy, which were submitted concurrently with this submission.

Annexed as an Exhibit hereto is the following:

- A. Proposed amendments to the ICC Rules

Certifications:

ICC hereby certifies that the amended Rules and amended Treasury Policy comply with the Act and the regulations thereunder. There were no substantive opposing views to the rules.

ICC certifies that, concurrent with this filing, a copy of the submission was posted on ICC’s website, which 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 eric.nield@ice.com or 312-836-6742.

Sincerely,

Eric Nield
General Counsel