



**Olivia Bazor**  
*Staff Attorney*

August 24, 2023

**Re: Updates to Stress Testing Framework  
Pursuant to Section 5c(c)(1) of the Commodity  
Exchange Act and Commission Regulation  
40.6(a)**

**VIA ELECTRONIC 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”) hereby submits, pursuant to Section 5c(c)(1) of the Commodity Exchange Act (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to the ICC Stress Testing Framework (“STF”). ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to implement the changes 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.

ICC proposes revising the STF which sets forth ICC’s stress testing practices that are focused on ensuring the adequacy of systemic risk protections. The proposed changes are limited to updating the stress period of the default-free Euro discount interest rate curve used in ICC’s interest rate sensitivity analysis and providing additional clarifying language to the STF. Certification of the changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

ICC proposes to update STF Section 11, “Interest Rate Sensitivity Analysis”, which describes ICC’s interest rate sensitivity analysis to account for the risks associated with changes to default-free discount interest rates. The STF currently incorporates two, currency specific, stress test parallel shifts (i.e., up, and down) of the default-free discount interest rate for both CDS and CDS Index Options instruments. The magnitude of the interest rate stress scenarios reflects the largest shock, estimated using the collateral haircut model, during a selected stress period for the applicable sovereign debt, and such selected stress periods are subject to periodic review. Following such review, ICC proposes to update the stress period used to shock the Euro default-free discount interest rate.

The reasoning behind such proposed change is to respond to the current volatile interest rate period which began in 2022 and continues into 2023 due to the fast pace of U.S. Dollar and Euro interest rate increases. The impact to Euro interest rate volatility has been significant due to the sudden and rapid increases in Euro interest rates by the European Central Bank in an effort to curb multi-decade high inflation. Such interest rate volatility observed during this currently ongoing “2022/2023 inflation crisis period” is greater than the interest rate volatility observed in the Euro stress period currently in place in the STF (i.e., the “western European credit crisis period” which occurred in 2011-2012). Specifically, the magnitude of the collateral



haircuts observed in the currently ongoing “2022/2023 inflation crisis period” exceed the collateral haircuts observed during the “western European credit crisis period.”

Therefore, ICC proposes to replace the current “western European credit crisis period” stress period with the “2022/2023 inflation crisis period” stress period in Section 11 of the STF. Such proposed change is prudent, from a risk perspective, as it improves ICC’s interest rate sensitivity analysis by referencing the higher interest rate volatility stress period. As the current inflation crisis remains ongoing, ICC will continue to monitor interest rate volatility for any new volatility peak observed in the current “2022/2023 inflation crisis period.” In addition, ICC proposes to make analogous clarifying language changes to the identification of the default-free USD discount interest rate curve in Section 11 of the STF to remove the specific dates of the applicable stress period (i.e., the 2008/2009 credit crisis period).

#### 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 changes to the STF are consistent with the financial resources requirements of Core Principle B and Commission Regulation 39.33. The proposed changes to the STF update the stress period of the default-free Euro discount interest rate curve used in ICC’s interest rate sensitivity analysis to reflect the interest rate shocks observed during the current 2022-2023 inflation crisis period. Such proposed changes improve ICC’s interest rate sensitivity analysis by referencing the higher interest rate volatility stress period. The updates would thus support ICC’s ability to maintain its financial resources and withstand the pressures of defaults, consistent with the financial resource’s requirements of Core Principle B and Commission Regulation 39.33.

**Risk Management:** The changes to the STF are consistent with the risk management requirements of Core Principle D and the risk management requirements set forth in Commission Regulations 39.13 and 39.36. The changes strengthen the STF by updating the referenced stress period of the Euro interest rate curve which improves ICC’s interest rate sensitivity analysis. Such changes ensure the STF remains current to take into account the high interest rate volatility observed during the current 2022-2023 inflation crisis period. ICC believes that having policies and procedures that are current, and clearly and accurately document its risk management practices, including stress testing are an important component to the effectiveness of ICC’s risk management system. The updates continue to ensure that ICC possesses the ability to manage the risks associated with discharging its responsibilities, consistent with the risk management requirements of Core Principle D. ICC’s risk management practices will also continue to be performed in accordance with the standards and practices set forth in Commission Regulations 39.13 and 39.36.

#### Amended Rules:

The proposed changes consist of revisions to the STF. ICC has respectfully requested confidential treatment for the STF which was submitted concurrently with this self-certification submission.

#### Certifications:

ICC hereby certifies that the changes to the STF comply with the Act and the regulations thereunder. There were no substantive opposing views to the changes.



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/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 904-855-5580.

Sincerely,

A handwritten signature in black ink, appearing to be 'OB'.

Olivia Bazor  
Staff Attorney