**Olivia Bazor**
*Staff Attorney*

August 31, 2023

**Re: Changes to ICC Treasury Policy 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 the changes to the ICC Treasury Operations Policies & Procedures (the "Treasury Policy"). 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.

This submission includes proposed revisions to the Treasury Policy. A description of the changes contained in the Treasury Policy follows. 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 revise its Treasury Policy, which articulates 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. The proposed changes consist of clarifications and updates with respect to collateral asset haircuts, and additional details on ICC's foreign exchange conversion methods should British pound sterling ("GBP") cash need to be converted to another currency in the context of a Clearing Participant default. The proposed revisions are described in detail as follows.

ICC proposes to revise the 'Collateral Valuation' section of the Treasury Policy[1] to clarify the description of ICC's collateral valuation process across all collateral types. The ICC collateral valuation process is based on accurately and effectively pricing the assets posted as collateral and appropriately haircutting the assets for their native market risks (i.e., the risk of a decrease in value of the asset posted as collateral) as well as related cross-currency risk (i.e., the risk of the change in value of one currency as compared to the value of another currency) when the collateral is to be used to cover an obligation denominated in a different currency. All such proposed changes are non-material and clarifying, except for the haircut process for GBP

[1] Treasury Policy section V.B.2.

cash posted as Client-Related Initial Margin[2] used to cover a Euro denominated product requirement. Currently, with respect to GBP cash used to cover a Euro denominated product requirement, ICC first converts the GBP cash value to its USD value. The USD value is haircut at the GBP currency haircut. Then, the EUR denominated product requirement is converted to the USD value. The resulting USD requirement is grossed up by the EUR currency haircut. The effect of the current approach is to haircut GBP cash margin twice, which ICC believes is unnecessary as a matter of risk management and inefficient.[3] Under the proposed changes, the value of GBP cash posted to cover a Euro denominated obligation will no longer be subjected to two currency haircuts. Rather, GBP cash posted to cover a Euro obligation, will first be converted to its Euro value and then haircut to capture the potential foreign exchange risk between GBP and Euro. ICC believes the proposed revised treatment of GBP cash posted to cover a Euro obligation is more efficient while still maintaining ICC's conservative collateral valuation practices.

Along with this specific change for GBP cash, relevant language in the Collateral Valuation section is being clarified and simplified to apply generally without need to refer to specific currencies. Thus, consistent with the above, the revised section would state generally that cash posted in one currency to cover an obligation denominated in another currency is first converted to its value in the currency of the obligation, and then haircut to capture the potential foreign exchange risk. References to specific currencies (which note for example that Euro and GBP cash used to cover a USD denominated product requirement are first converted to USD value and then the USD value is haircut) would be removed as they are unnecessary. Similarly, the revised section would state generally that cash posted to cover an obligation in the same currency will not be subject to a haircut, rather than include multiple currency specific statements to the same effect. ICC also is proposing non-material drafting changes to the description of the valuation process for collateral posted in the form of U.S. Treasuries. ICC is not proposing in those amendments to change the currencies that are currently accepted as margin or collateral.

Also, ICC proposes the addition of Section III.G., "Non-Committed FX Facility" to the Treasury Policy. Such proposed section would reflect that ICC has access to non-committed foreign exchange facilities with a diverse set of commercial counterparties. Such facilities may be used to convert one currency to another for same day settlement, on a non-committed basis. Such section would provide additional details with respect to Client-Related Initial Margin posted by Clearing Participants in GBP cash. The amendments would note that the circumstances where ICC would need to convert such GBP cash collateral to another currency are very narrow (as no ICC contracts are settled in GBP, and GBP would not be needed for daily settlement). In addition, such section would be amended to further note that as ICC accepts GBP cash collateral only with respect to Client-Related Initial Margin, and that use of Client-Related Initial Margin by ICC in the context of a Clearing Participant default is very limited, the circumstances where ICC would need to covert GBP cash collateral into another currency is further limited. However, if the narrow circumstances did arise and ICC needed to convert GBP cash collateral to either USD or EUR in the context of a Clearing Participant default, ICC would use one of its existing non-committed foreign exchange arrangements to convert the GBP into the applicable currency.

2 GBP cash currently is only accepted as Client-Related Initial Margin (a/k/a "Client Margin"). GBP cash collateral is not accepted by ICC with respect to (i) House Margin (i.e., margin posted by an ICC Clearing Participant to support their proprietary positions cleared at ICC) or (ii) General Guaranty Fund contributions.

3 ICC recently completed a system change to modify its clearing system business logic so that it is no longer necessary from a systems standpoint for GBP cash posted to cover a EUR denominated to be subjected to two currency haircuts. Due to the completed system change, ICC is now in the position to propose this rule change to eliminate the inefficient double haircut.

Certain other typographical and similar non-substantive corrections are made throughout the Treasury Policy, including references to "haircuts." Lastly, ICC proposes amending Appendix X., Revision History, to reflect the changes and approvals of the Treasury Policy.

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. ICC accounts for foreign exchange and market risk by applying haircuts to posted collateral under the Treasury Policy. The proposed changes to the Treasury Policy make certain clarifications and updates, in particular to avoid an unnecessary double haircut that currently applies to GBP cash posted to cover a Euro denominated obligation. Under the proposed changes, the value of GBP cash posted to cover a Euro denominated obligation will no longer be subjected to two currency haircuts, which is disadvantageous to those customers of Clearing Participants that post GBP cash collateral. From a risk perspective, such double haircut is unnecessary and inefficient, and therefore, the proposed revised treatment of GBP cash posted to cover a Euro obligation is more efficient while ensuring that ICC continues to maintain sufficient financial resources to withstand, at a minimum, the default of the two Clearing Participant ("CP") Affiliate Groups to which it has the largest exposure in extreme but plausible market conditions, consistent with the requirements of Commission Regulation 39.33.

Risk Management: The changes to the Treasury Policy 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 proposed amendments make certain clarifications and updates to ICC's Treasury Policy, in particular to avoid an unnecessary double haircut that currently applies to GBP cash posted to cover a Euro denominated obligation. Such changes would ensure transparency and clarity to ICC collateral valuation processes and provide additional details on ICC's foreign exchange conversion methods. ICC believes that such changes to the Treasury Policy 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.

Treatment of Funds: The proposed changes are consistent with the treatment of funds requirements of Principle F and Commission Regulation 39.15. The proposed amendments provide additional details on ICC's foreign exchange conversion methods which are designed to provide that such collateral will continue to be held in a manner whereby risk of loss or of delay in access to them is minimized, consistent with the requirements of Core Principle F and Commission Regulation 39.15.

Amended Rules:

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

Certifications:
ICC hereby certifies that the 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 olivia.bazor@ice.com or 904-855-5580.

Sincerely,

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Olivia Bazor
Staff Attorney