



May 15, 2024

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6 –  
Anti-Procyclicality Policy Amendments

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, a new Anti-Procyclicality Policy (“Policy”) to replace the Clearing House’s existing policy.<sup>1</sup> The amendments will become effective on the first business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

*Concise Explanation and Analysis*

ICE Clear Europe is adopting a new Anti-Procyclicality Policy, which will supersede in its entirety the current policy. The new Policy will accommodate the adoption of ICE Risk Model 2, which is used for determining initial margin requirements for certain F&O products, and reflect the termination of CDS clearing. The new Policy will also generally be more consistent with other updated Clearing House policies and procedures (including the F&O Risk Policy and F&O Risk Procedures). The new Policy is not expected to change the Clearing House’s current practices (except as noted below), but will more clearly document its approach to procyclicality of margin requirements.

The new Policy sets out the purpose and scope of the Clearing House’s anti-procyclicality approach, with the overall goal of reducing the potential for increasing demands on clearing members (including with respect to liquidity management) in response to higher volatility.

The new Policy will have a section on mitigating procyclicality in margin requirements, through delivering forward looking, stable and prudent margin requirements. The

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings specified in the Policy or, if not defined therein, the ICE Clear Europe Clearing Rules and Procedures.



Policy addresses overall practices for defining tolerance thresholds, using procyclicality mitigants when setting margin requirements, monitoring procyclicality in margin model output, developing actions to address the outputs the procyclicality metrics and related reporting and internal approvals. The Policy also reflects the need to balance these considerations with the Clearing House's collateralization and financial security.

More specifically, the Policy addresses establishing tolerance thresholds for expected levels of procyclicality based on quantitative metrics, with associated appropriate escalation and remediation actions. With respect to procyclicality mitigants, the Policy sets out key principles, including setting conservative minimum levels to avoid procyclical effects when volatility increases, advance notice of changes in margin requirements where possible, and publication of information on Margin models procyclicality thresholds and procyclicality metrics.

The Policy also sets out the three specific antiprocyclicality measures based on applicable regulations, at least one of which must be used in determining margin requirements: a buffer of at least 25% of the calculated margins, a weight of at least 25% for stressed observations in the parametrisation of the margin rate, or a margin requirement not lower than that calculated using volatility estimated over a 10-year historical lookback period. The Policy includes certain procedures relating to each of these measures. The specific measure to be used for particular product margin calculations will be set forth in the F&O Risk Policy and F&O Risk Procedures.

The Policy will also require procyclicality monitoring to include quantitative metrics for assessment of both short-term (a maximum of 10 business days) and long-term (a minimum of 30 days) procyclicality. Metrics must be calculated on a daily basis. The introduction of the long-term assessment reflects a change in current practice. These same metrics must also be reported on a daily basis to the Head of Risk and on a periodic basis to the Model Oversight Committee. The Policy also requires the Clearing House to determine actions when the procyclicality metrics exceed their thresholds.

The Policy describes procedures for ongoing periodic review of the Policy, breach management, exception handling and document governance, in a manner generally consistent with other ICE Clear Europe policies. The Policy identifies relevant personnel responsible for ensuring that the Policy remains up-to-date and reviewed in accordance with the Clearing House's governance processes. Any changes to the Policy will have to be reviewed by the Executive Risk Committee, followed by review by the Board Risk Committee to recommend for Board approval.

### *Compliance with the Act and CFTC Regulations*

The amendments to the Policy are potentially relevant to the following core principles: (D) Risk Management, and (O) Governance, and the applicable regulations of the Commission thereunder.

- *Risk Management.* The Policy is intended to enhance the Clearing House's margin methodology and overall risk management. In particular, the Policy is

intended to set out a clearer framework for addressing concerns with procyclicality in the margin models used by the Clearing House, consistent with regulatory obligations. The amendments also clarify the Clearing House's practices for identifying and measuring procyclicality, as well as relevant mitigants. The amendments do not otherwise materially change the Clearing House's existing margin practices. The amendments will thus facilitate the Clearing House's ability to manage the risks associated with discharging its responsibilities as a DCO, consistent with the requirements of Core Principle D and Commission Rule 39.13.

- *Governance.* As discussed above, the new Policy establishes the documentation governance, breach management, escalation and approval practices relating to anti-procyclicality measures, in a manner consistent with other ICE Clear Europe policies and procedures. The amendments more clearly set out the roles of relevant personnel and committees in the governance process, among other enhancements. In ICE Clear Europe's view, the amendments are therefore consistent with the requirements of Core Principle O and Commission Rule 39.24.

As set forth herein, the amendments consist of the new Anti-Procyclicality Policy. ICE Clear Europe has requested confidential treatment with respect to the new Policy, which has been submitted concurrently with this self-certification submission.

ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe received no substantive opposing views in relation to the amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent with the filing of this submission.

If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at [George.milton@ice.com](mailto:George.milton@ice.com) or +44 20 7429 4564.

Very truly yours,



George Milton  
Head of Regulation & Compliance