SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95200; File No. SR-ICC-2022-008)

July 5, 2022

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Stress Testing Framework and the Liquidity Risk Management Framework

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 23, 2022, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change, security-based swap submission, or advance notice from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed rule change is to revise the ICC Stress Testing Framework ("STF") and the ICC Liquidity Risk Management Framework ("LRMF"). These revisions do not require any changes to the ICC Clearing Rules ("Rules").

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICC proposes revising the STF and LRMF to introduce new stress scenarios, clarify existing stress scenarios, and make other minor edits. ICC believes the proposed changes will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. ICC proposes to move forward with implementation of these changes following Commission approval of the proposed rule change. The proposed rule change is described in detail as follows.

I. STF

The proposed amendments to the STF introduce new stress scenarios related to the Coronavirus pandemic and oil price war (the "COVID-19/Oil Crisis"), clarify existing stress scenarios related to credit default index swaptions ("index options"), and make other minor edits.

The proposed changes amend Section 5.1 containing the historically observed extreme but plausible market scenarios. ICC proposes a minor edit to abbreviate a term. ICC proposes to introduce additional stress scenarios related to the COVID-19/Oil Crisis. ICC previously introduced price-based stress scenarios related to the COVID-19/Oil

Crisis in the STF, which replicate observed instrument price changes during this period.[3] ICC proposes to incorporate complementing spread-based stress scenarios related to the COVID-19/Oil Crisis, which reflect observed relative spread increases and decreases during this period (the "COVID-19/Oil Crisis Spread Scenarios"). Additionally, the stress scenarios related to index options (i.e., the stress options-implied Mean Absolute Deviation ("MAD") scenarios) would be moved into a separate section and corresponding references throughout the STF would accordingly refer to this new Section 9.

ICC proposes additional clarifications in Section 5 and throughout the STF. To distinguish from the COVID-19/Oil Crisis Spread Scenarios, ICC would refer to the price-based stress scenarios as the COVID-19/Oil Crisis Price Scenarios in Section 5.2 and throughout the STF. ICC also proposes to incorporate the COVID-19/Oil Crisis Spread Scenarios in the other categories of scenarios, namely in Section 5.3 (hypothetically constructed (forward looking) extreme but plausible market scenarios) and Section 5.4 (extreme model response test scenarios), as well as in Section 14 (interpretation of results).

ICC proposes further details to describe how the existing stress scenarios for index option positions are integrated within the current set of stress scenarios for CDS index and single name instruments. Currently, the stress options-implied MAD scenarios are generated for index option positions. Such scenarios are not applied to portfolios independently but rather directly incorporated into the CDS stress scenarios. As such, the

3 See SR-ICC-2020-009 for additional information on the introduction of the COVID-19/Oil Crisis price-based stress scenarios.

proposed changes clarify that the stress options-implied MAD scenarios complement the underlying stress scenarios (in Section 6) and reference proposed Section 9 for more detail on the stress options-implied MAD approach (in Section 8).

Moreover, proposed Section 9 memorializes the stress options-implied MAD scenarios and approach more clearly. Information from Section 5.1 on these scenarios would reside in Section 9 with certain amendments. The proposed amendments do not change the stress testing methodology and instead add detail and update terminology to be clearer. Proposed language explains that when index options are present in a portfolio, the underlying market stress test scenarios incorporate the stress options-implied MAD scenarios. Terminology changes specify that the scenarios consider an increase/decrease in the options-implied MAD upon spread widening/tightening and clarification changes detail the incorporation of the options-implied MAD in the scenarios. The proposed changes more clearly set forth the creation of the stress options-implied MAD, including how the necessary components are derived. No changes are proposed with respect to what the final scenario prices of the index option instruments reflect. The following sections are renumbered accordingly throughout the STF, including in Table 1 in Section 14. Finally, proposed Section 17 adds a revision history to track changes.

II. LRMF

ICC proposes corresponding changes to the LRMF to introduce new stress scenarios related to the COVID-19/Oil Crisis, clarify existing stress scenarios related to index options, and make other minor edits.

ICC proposes to revise Section 2.3 regarding liquidity requirements for client-related accounts. The amended language specifies that Clearing Participants deposit

100% of their Euro denominated client gross margin in any acceptable collateral to match Schedule 401 in the ICC Rules. This is intended to be a clean-up change to remove an outdated provision to ensure consistency across the LRMF and ICC Rules and would not change current requirements.

ICC proposes updates to Section 3.3.2 regarding the historically observed extreme but plausible market scenarios. The proposed changes define extreme market events to include COVID-19 and the simultaneous occurrence of the oil price war and make grammatical edits to change a term to its plural form. ICC also previously introduced the COVID-19/Oil Crisis price-based stress scenarios in the LRMF[4] and proposes to incorporate the complementing COVID-19/Oil Crisis Spread Scenarios, which are also referred to as the COVID19OCSS, in the LRMF. The price-based stress scenarios would be referred to as the COVID-19/Oil Crisis Price Scenarios or COVID19OCPS throughout the document.

Revisions to the existing stress options-implied MAD scenarios are proposed in Section 3.3.2. To ensure consistency with the STF, ICC proposes the inclusion of similar language and changes in subsection (b). The proposed changes memorialize the stress options-implied MAD scenarios and approach more clearly in the LRMF, including how the scenarios for index option positions are integrated within the current set of stress scenarios for CDS index and single name instruments. The proposed amendments do not change the methodology and instead add detail and update terminology to be clearer. Terminology changes specify that the scenarios consider an increase/decrease in the options-implied MAD and clarification changes detail the incorporation of the options-

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4 Id.

implied MAD in the scenarios. The proposed changes more clearly set forth the creation of the stress options-implied MAD, including how the necessary components are derived. No changes are proposed with respect to what the final scenario prices of the index option instruments reflect. A typographical fix is made in the footnotes to refer to the correct reference document. In addition, ICC proposes to amend subsection (d) to add a section symbol and to set out how the stress options-implied MAD scenarios that complement the extreme model response test scenarios are derived to match language currently in the STF.

ICC proposes additional minor updates to Section 3.3. ICC would incorporate the COVID-19/Oil Crisis Spread Scenarios in Section 3.3.3 in Table 1 containing the liquidity stress testing scenarios and in Section 3.3.4 related to the interpretation of results. ICC also proposes a minor edit to the extreme market scenarios in Table 1 to specify that the COVID19OCPS are extreme.

(b) Statutory Basis

ICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act[5] and the regulations thereunder applicable to it, including the applicable standards under Rule 17Ad-22.[6] In particular, Section 17A(b)(3)(F) of the Act[7] requires that the rule change be consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions

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[5] 15 U.S.C. 78q-1.

[6] 17 CFR 240.17Ad-22.

[7] 15 U.S.C. 78q-1(b)(3)(F).

cleared by ICC, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest.

As discussed herein, the proposed amendments introduce new stress scenarios, clarify existing stress scenarios, and make other minor edits. Such changes strengthen the STF and LRMF by introducing spread-based COVID-19/Oil Crisis scenarios that complement the current scenarios and by memorializing the stress options-implied MAD scenarios more clearly to ensure transparency and that responsible parties effectively carry out their assigned duties. The additional clarification and clean-up changes further ensure readability and clarity, including by adding a revision history to track changes, updating terminology, ensuring that references are accurate, and ensuring consistency between the LRMF and the ICC Rules regarding client-related liquidity requirements to avoid potential confusion. ICC believes that having policies and procedures that clearly and accurately document its risk management practices, including stress testing and liquidity stress testing, are an important component to the effectiveness of ICC's risk management system and support ICC's ability to maintain adequate financial resources and sufficient liquid resources. Accordingly, in ICC's view, the proposed rule change is consistent with the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.[8]

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[8] Id.

The amendments would also satisfy relevant requirements of Rule 17Ad-22.[9] Rule 17Ad-22(e)(4)(ii)[10] requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by maintaining additional financial resources at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the two participant families that would potentially cause the largest aggregate credit exposure for ICC in extreme but plausible market conditions. The introduction of the COVID-19/Oil Crisis Spread Scenarios would complement the current scenarios and add additional insight into potential weaknesses in the ICC risk management methodology, thereby supporting ICC's ability to manage its financial resources. Additional proposed changes ensure consistency across the STF and LRMF and more clearly describe the stress options-implied MAD scenarios, including how the scenarios for index option positions are integrated within the current set of stress scenarios for CDS index and single name instruments. The proposed amendments add detail and update terminology to be clearer, which would ensure transparency and strengthen the documentation, thereby supporting the effectiveness of ICC's risk management system. The proposed clarification and clean-up changes further enhance the readability of the STF and LRMF and ensure that it remains up-to-date, clear, and transparent. As such, the proposed amendments would

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9 17 CFR 240.17Ad-22.

10 17 CFR 240.17Ad-22(e)(4)(ii).

strengthen ICC's ability to maintain its financial resources and withstand the pressures of defaults, consistent with the requirements of Rule 17Ad-22(e)(4)(ii).[11]

Rule 17Ad-22(e)(4)(vi)[12] requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements, including by conducting stress testing of its total financial resources once each day using standard predetermined parameters and assumptions; conducting a comprehensive analysis on at least a monthly basis of the existing stress testing scenarios, models, and underlying parameters and assumptions; and reporting the results of its analyses to appropriate decision makers at ICC. The proposed rule change continues to ensure that ICC's policies and procedures provide a clear framework for ICC to conduct stress testing and analysis and report the results to appropriate decision makers at ICC, in compliance with this requirement. As such, ICC believes the proposed rule change is consistent with the requirements of Rule 17Ad-22(e)(4)(vi).[13]

Rule 17Ad-22(e)(7)(i)[14] requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure,

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11 Id.

12 17 CFR 240.17Ad-22(e)(4)(vi).

13 Id.

14 17 CFR 240.17Ad-22(e)(7)(i).

monitor, and manage the liquidity risk that arises in or is borne by it, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by maintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for ICC in extreme but plausible market conditions. The introduction of the COVID-19/Oil Crisis Spread Scenarios would complement the current scenarios and add additional insight into potential weaknesses in the ICC liquidity risk management methodology, thereby supporting ICC's ability to ensure that it maintains sufficient liquidity resources. The proposed clarification and clean-up changes provide further clarity and transparency regarding ICC's liquidity risk management practices in the LRMF, including by promoting uniformity with the STF, ensuring consistency between the LRMF and the ICC Rules regarding the client-related liquidity requirements, and ensuring that information and references are current, including in Table 1 which sets out the liquidity stress testing scenarios. As such, the proposed amendments would promote ICC's ability to ensure that it maintains sufficient liquid resources in accordance with the requirements of Rule 17Ad-22(e)(7)(i).[15]

(B) Clearing Agency's Statement on Burden on Competition

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The proposed changes introduce complementing COVID-

15 Id.

19/Oil Crisis Spread Scenarios, add clarification on the existing stress scenarios related to index options, and make other minor edits, which ICC believes are appropriate in furtherance of the risk management of the clearing house. The changes to the STF and LRMF will apply uniformly across all market participants. ICC does not believe these amendments would affect the costs of clearing or the ability of market participants to access clearing. Therefore, ICC does not believe the proposed rule change would impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ICC-2022-008 on the subject line.

Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-ICC-2022-008. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's website at https://www.theice.com/clear-credit/regulation.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2022-008 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

J. Matthew DeLesDernier,
Assistant Secretary.

[16] 17 CFR 200.30-3(a)(12).