

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95244; File No. SR-ICC-2022-009)

July 11, 2022

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Risk Management Framework and the Risk Management Model Description

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 30, 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. ICC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ such that the proposed rule change was immediately effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, 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 Risk Management Framework (“RMF”) and the ICC Risk Management Model Description (“RMMD”) (collectively, the “Risk Management Policies”). These revisions do not require any changes to the ICC Clearing Rules (the “Rules”).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(1).

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 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 revisions to the Risk Management Policies. The proposed amendments consist of clarifications that are intended to promote consistency across related provisions in ICC's Rules and procedures and would not change any current risk methodologies, practices, or requirements. 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 make such changes effective shortly after filing with the Commission, on or about July 18, 2022. The proposed rule change is described in detail as follows.

ICC proposes language clarifications to the Risk Management Policies to ensure consistency with the ICC Rules. Under ICC Rule 801(a)(ii), the required contribution to the Guaranty Fund ("GF") for each Clearing Participant ("CP") is recalculated daily, and if such calculation results in an increase of 5% or more, the required contribution for such CP is reset to the higher level. The proposed changes replicate the "increase of 5% or

more” language in related provisions in the RMF and RMMD to ensure that language in the RMF and RMMD clearly and consistently reflects ICC’s current practices. Section IV.E.4 of the RMF calls for additional GF contributions if a CP’s daily estimated GF requirements exceed 5% of their prior day’s GF collateral on deposit. The proposed changes specify that the estimated GF requirements exceed by an increase of 5% or more the prior day’s GF collateral on deposit. Under Section XI of the RMMD, ICC executes a GF call if the model GF allocation for a CP exceeds the total GF amount on deposit by more than 5%. The proposed changes specify that the model GF allocation exceed by an increase of 5% or more the total GF amount on deposit. These revisions would not change current risk methodologies, practices, or requirements and are intended to ensure that language in the RMF and RMMD clearly reflects ICC’s current practices. Moreover, such changes ensure consistency across related provisions in the ICC Rules and procedures.

(b) Statutory Basis

ICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ 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 Act⁷ requires that the rule change be consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions

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.

The proposed rule change is limited to language clarifications designed to promote consistency across related provisions in ICC's Rules and procedures. Namely, the proposed changes incorporate the "increase of 5% or more" language from ICC Rule 801(a)(ii) in related provisions in the RMF and RMMD to ensure that language in these documents clearly reflects ICC's current practices. The amendments would not change current risk methodologies, practices, or requirements. These amendments strengthen the Risk Management Policies as they provide clarity with respect to current practices to ensure that the RMF and RMMD remain up-to-date, transparent, and effective. Such changes also promote readability and understanding regarding current provisions associated with GF calls, thereby promoting the successful maintenance and operation of the Risk Management Policies. 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

The amendments would also satisfy relevant requirements of Rule 17Ad-22.⁹ Rule 17Ad-22(e)(3)(i)¹⁰ requires ICC to establish, implement, maintain, and enforce

⁸ Id.

⁹ 17 CFR 240.17Ad-22.

¹⁰ 17 CFR 240.17Ad-22(e)(3)(i).

written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by it, which includes risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by it, that are subject to review on a specified periodic basis and approved by the Board annually. ICC maintains a sound risk management framework that identifies, measures, monitors, and manages the range of risks that it faces. The Risk Management Policies are key aspects of ICC's risk management approach, and the proposed amendments would ensure further clarity and transparency in the documentation, which would promote the successful maintenance and operation of the Risk Management Policies. As such, the amendments would satisfy the requirements of Rule 17Ad-22(e)(3)(i).¹¹

Rule 17Ad-22(e)(4)(ii)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 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 proposed changes promote uniformity

¹¹ Id.

¹² 17 CFR 240.17Ad-22(e)(4)(ii).

across related provisions in the ICC Rules and procedures to avoid potential confusion and to ensure clarity with respect to GF calls in the Risk Management Policies, such that ICC's Rules and procedures remain consistent, effective, clear, and transparent. The changes more clearly articulate current practices regarding GF calls, thereby strengthening the Risk Management Policies by ensuring completeness and clear guidance. As such, the proposed amendments would 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).¹³

Rule 17Ad-22(e)(6)(i)¹⁴ requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. As described above, the proposed language updates promote clarity and transparency in the Risk Management Policies, ensure consistent language with the ICC Rules, and do not change current risk methodologies, practices, or requirements. ICC's margin methodology will continue to consider and produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, consistent with the requirements of Rule 17Ad-22(e)(6)(i).¹⁵

¹³ Id.

¹⁴ 17 CFR 240.17Ad-22(e)(6)(i).

¹⁵ Id.

(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 to the Risk Management Policies will apply uniformly across all market participants. They are limited to language clarifications and designed to promote consistency across related provisions in ICC's Rules and procedures without changing any current risk methodologies, practices, or requirements. 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2022-009 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-2022-009. 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-2022-009 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).