



January 3, 2022

BY ELECTRONIC TRANSMISSION

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

Re: Amendment to ICE Clear U.S., Inc. Rules - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE Clear U.S., Inc. (“ICUS”) is submitting this self-certification to amend the ICUS Rules,¹ specifically the ICUS Risk Management Framework and the ICUS Clearing Member Default Management Procedures. ICUS intends to revise the Risk Management Framework, as well as the Default Management Procedures, no sooner than the tenth business day following the filing of this submission with the Commission, or such later date as ICUS may determine.

1. Overview

The Risk Management Framework (“RMF”) revisions fall into 2 main categories: (i) changes to the minimum percentage of cash that is required to meet certain margin obligations (“RMF Cash Requirement Revisions”); and (ii) changes to the way the RMF is organized (“RMF Organizational Changes”). This section first contains an overview of these proposed RMF amendments, followed by an overview of the proposed Default Management Procedures revisions (“Default Management Procedures Revisions”), with additional details in the next section, following the same order.

RMF Cash Requirement Revisions: With the introduction of ICE Risk Model 2.0 (“IRM 2.0”), there is a possibility that some Clearing Members will have to post more cash to satisfy margin obligations than they currently must. ICUS has analyzed this potential issue and is proposing to amend the RMF to minimize the impact on Clearing Members while still ensuring that ICUS has appropriate levels of liquid resources.

RMF Organizational Changes: For administrative ease, ICUS is proposing to remove 2 discrete sets of policies, procedures, and a methodology from the RMF itself and maintain them as free-standing documents that will still be referenced in, and be part of, the RMF. There are in addition

¹ Capitalized terms used and not defined in this submission have the meaning set forth in the ICUS Rules.



a small number of conforming changes being proposed stemming from ICUS's on-going review of the RMF.

Default Management Procedures Revisions: These changes are designed to reflect regulatory amendments, as well changes to the size of the skin-in-the-game.

2. Details of Rule Changes

RMF Cash Requirement Revisions: At present, 100% of shortfall margin and a minimum 35% of house initial margin must be met in USD. With the introduction of IRM 2.0, our analysis shows that Clearing Members in general will have to post somewhat less initial margin with an offsetting, overall increase in the amount of shortfall margin being posted. All else being equal, this would result in Clearing Members, on average, posting more cash than securities to meet these margin obligations. This would impose a burden on Clearing Members in terms of managing their cash resources that they do not face today. ICUS has determined that this burden can be addressed by reducing the percentage of cash required to meet shortfall margin requirements to a minimum of 45%, while increasing the minimum cash requirement for house initial margin to 45%. The result has no material impact on the overall cash requirement, liquidity resources or liquidity stress testing.

RMF Organizational Changes: ICUS's RMF contains the policies and procedures used by ICUS to perform Clearing Member risk management reviews.² The same policies and procedures are followed by other Intercontinental Exchange, Inc. ("ICE, Inc.") clearing houses. Similarly, with respect to the methodology used by ICUS to determine haircuts for non-cash collateral,³ the same methodology is followed by other ICE, Inc. clearing houses. For administrative ease in keeping these policies, procedures and methodology harmonized, ICUS is proposing that the ICE Risk Review Policy and Procedures and the Collateral Risk Management; Collateral Asset Haircut Methodology be embodied in separate documents which will nonetheless be referenced in, and a part of, the RMF.

Default Management Procedures Revisions: Amendments to Parts 39 and 190 of the CFTC's Regulations went into effect during the past year, the Default Management Procedures are being amended to reflect those amendments, to the extent applicable. And, in addition, to memorialize a reduction in the digital currency contract specific skin-in-the-game and an increase in the listing exchange skin-in-the-game.

ICUS has respectfully requested confidential treatment for the Risk Management Framework revisions, and the Default Management Procedures revisions, which were submitted concurrently with this submission.

3. Compliance with the Act and Regulations

ICUS reviewed the foregoing amendments and determined that they comply with the requirements of the Act and the rules and regulations promulgated by the Commission in implementing the Act. In this regard, ICUS reviewed the derivatives clearing organizations Core

² This is referred to as the "ICE Risk Review Policy and Procedures."

³ This is referred to as the "Collateral Risk Management; Collateral Asset Haircut Methodology."



Principles and determined that the amendments are potentially relevant to the following Core Principles and the applicable regulations of the Commission thereunder:

Financial Resources (Core Principle B): The proposed RMF Cash Requirement Revisions provide for more effective management of ICUS's liquidity risks. They balance ICUS's obligation to maintain sufficient eligible liquidity resources with the needs of Clearing Members to manage their cash resources. For these reasons, these proposed amendments to the RMF are consistent with the requirements of Core Principle B and Commission Regulations 39.11 and 39.33.⁴

Risk Management (Core Principle D): The proposed RMF Organizational Changes will further harmonize how ICUS monitors Clearing Members (and values collateral) with the approach used by affiliated ICE, Inc. clearing houses. These changes are intended to streamline ICUS's procedures and ensure that the ICE, Inc. clearing houses make consistent assessments of their clearing members or participants, as well as consistently valuing collateral. With these changes ICUS will have a more streamlined and robust monitoring framework. In many cases, the ICE, Inc. clearing houses share the same clearing members, or they are part of the same integrated financial group. As a result, consistency is important. For these reasons, these RMF amendments are consistent with the requirements of Core Principle D and Commission Regulations 39.13 and 39.36.

Default Rules and Procedures (Core Principle G): The Default Management Procedures Revisions clarify (consistent with current regulations) the actions ICUS may take upon a Clearing Member default, including changes to the resources available to ICUS to manage any such default. As a result, these revisions are consistent with the requirements of Core Principle G and Commission Regulation 39.16.

4. Certifications

ICUS certifies that the amendments to the ICUS Risk Management Framework, and the ICUS Clearing Member Default Management Procedures, comply with the Act and the rules and regulations promulgated by the Commission thereunder. ICUS is not aware of any substantive opposing views expressed regarding the amendments. ICUS further certifies that, concurrent with this filing, a copy of the submission was posted on ICUS's website and may be accessed at <https://www.theice.com/clear-us/regulation>.

If you or your staff have any questions or require further information regarding this submission, please do not hesitate to contact the undersigned at (212) 748-3964 or Eamonn.Hahessy@ice.com.

Sincerely,

Eamonn Hahessy
General Counsel and Chief Compliance Officer

⁴ The proposed RMF Cash Requirement Revisions can be found in Sections 3.3.1 and 3.9 of the RMF.