

Maria Alarcon
Staff Attorney

April 27, 2020

**Re: Updates to ICC Clearing Participant
Default Management Procedures Pursuant to
Section 5c(c)(1) of the Commodity Exchange
Act and Commission Regulation 40.6(a)**

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 (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to the ICC Clearing Participant (“CP”) Default Management Procedures (“Default Management Procedures”). 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.

ICC proposes revising the ICC Default Management Procedures. This submission includes a description of the changes to the ICC Default Management Procedures. Certification of the changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

The Default Management Procedures set forth ICC’s default management process, including the actions taken by ICC to determine that a CP is in default as well as the actions taken by ICC in connection with such default to close-out the defaulter’s portfolio. The proposed revisions update the default contacts that ICC maintains for each CP, include language on the development of the scope of a default management test, and make additional clarification and clean-up changes throughout the document. The proposed revisions are described in detail as follows.

ICC proposes to amend the list of defined terms in Section 2 (Definitions). Specifically, ICC proposes to update the composition of the individuals that comprise ICC management.

The proposed changes to Subsection 4.3.2.1 (Role-Based Contacts) revise certain types of contacts that ICC maintains for each CP in respect of the default management process. Currently, ICC maintains contact information for the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), and General Counsel of each CP, as well as other role-based contacts that are specific to the default management process. The proposed changes remove the requirement that ICC maintain contact information for the CEO, CFO, and General Counsel of each CP in connection with the default management process and instead require ICC to maintain contact information for the most senior person in charge of the CDS business and the most senior person responsible for providing compliance oversight for the CDS business.

In Subsection 4.5 (Default Management Tests), ICC proposes clarification changes regarding the coordination of a default management test, which is a test of ICC’s default management process. ICC

proposes to clarify that it coordinates default management tests with its Risk Committee and Board of Managers (“Board”), among other external participants. ICC proposes to specify that it conducts a default management test at least every twelve months, rather than once per calendar year. Additionally, the proposed changes direct the ICC Risk Oversight Officer to work with other members of the Close-Out Team, instead of ICC management, to determine the scope of each default management test. The Close-Out Team is responsible for overseeing the default management process and includes ICC management, the most senior member of the ICC Treasury Department, and the ICC Risk Oversight Officer. The proposed amendments also reference proposed Appendix 1 that includes language on the development of the scope of a default management test. The scope would be presented to the Board for review prior to executing the default management test.

In Subsection 6.1.1 (President Pre-Declaration Initiated Actions), ICC proposes to update the contacts that the ICC President notifies of a possible default, including Intercontinental Exchange, Inc. contacts and CP contacts. As discussed above, ICC proposes to replace the requirement that the ICC President contact the CEO or CFO of each CP that is at risk of defaulting or in default (“Default Risk CP”) with the requirement to contact the default contacts of each Default Risk CP.

ICC proposes updates to Subsection 6.1.5 (CCO Pre-Declaration Initiated Actions) regarding particular actions that occur prior to a declaration of default. The Chief Compliance Officer (“CCO”) works with ICC personnel to draft certain notices for CPs that are used as part of the default management process. Under the amended Default Management Procedures, the Close-Out Team, instead of ICC management, reviews and approves such notices, which are addressed to the default contacts at each Default Risk CP, rather than the CEO, CFO, and General Counsel.

ICC proposes further updates to Subsection 6.4 (Default Declaration Notification) regarding specific actions that follow a default declaration. Under the revisions, the CCO sends certain notices to the default contacts of each defaulting CP, rather than the CEO, CFO, and General Counsel of each defaulting CP. Further, the ICC President is required to notify the Risk Committee and Board, rather than the chairman of the Risk Committee, of the CP that has been declared in default.

ICC proposes a clarification update to Subsection 8.6 (Direct Liquidation) to clarify that certain actions relating to direct liquidation are only taken if ICC obtains Board approval.

Amended Subsection 9.1 (Calling for Assessments) includes a minor update to the procedures for calling for assessment contributions. ICC may call for assessment contributions, which CPs are obligated to meet by providing additional amounts to the Guaranty Fund, in the event that the Guaranty Fund has been depleted or ICC anticipates the need for additional funds related to a default. Currently, ICC distributes notices calling for assessment contributions to each CP’s Execution Coordinator. Such role is responsible for coordinating internally and with ICC for hedging and liquidation related activities. ICC proposes replacing “Execution Coordinator” with “Central Point of Contact,” which is a role that has overall responsibility for coordinating internally and with ICC during the default management process and is thus more relevant to the subject task.

In proposed Appendix 1 to the Default Management Procedures, ICC includes language on the development of the scope of a default management test. Specifically, proposed Appendix 1 sets forth key scenario components that ICC may consider when developing a default management test. ICC may supplement the list of factors included in this appendix from time to time as it identifies additional factors to test. This appendix considers (1) scenarios resulting in CP defaults, such as a CP’s failure to meet payment obligations to ICC, insolvency or bankruptcy; (2) default management tools available to ICC in case of default, including consulting with the CDS Default Committee or performing Secondary Default Management Actions (e.g., calling for assessment contributions); (3) timing considerations, such as the time and length of a default event; (4) planning strategy (e.g., whether there is advance notice of a test); and (5) event specific elements that may occur in a default scenario, such as the occurrence of multiple CP defaults or stressed market conditions.

ICC proposes other non-material changes that would fix typographical or grammatical errors by amending:

- Section 4 (Operational Readiness), to replace “described” with “describes” in the phrase “This section described the steps taken.”
- Subsection 4.4 (Secure Trading Facility), to replace “review” with “reviewed” in the phrase “periodically review by the Risk Department.”
- Subsection 4.5 (Default Management Tests), to add “to” to the phrase “also be included.”
- Subsection 5.2 (Close-Out Team Activation), to add “to” to the phrase “Default Risk Alert the President.”
- Subsection 6.1.3 (COO Pre-Declaration Initiated Actions), to add “and” to the phrase “the Court a no action.”
- Subsection 6.4 (Default Declaration Notification), to replace “confirm” with “confirms” in the phrase “and confirm with.”
- Subsection 7.3 (Initial CDS Default Committee Meeting), to replace “provide” with “provides” in the phrase “ICC provide” and replace the phrase “receive” with “receives” in the phrase “ICC receive.”
- Subsection 9.1 (Calling for Assessments), to remove “are subject” from the phrase “CPs are subject are considered.”
- Subsection 9.2 (Initiating a Cooling-Off Period), to replace “Colling-Off Period” with “Cooling-Off Period.”
- Subsection 9.3 (Liquidation by Secondary Auction), to replace “addition” with “additional” in the phrase “on or more addition CP Default”; remove an unfinished sentence; and replace “extend” with “extent” in the phrase “to the extend.”
- Subsections 9.4 (Entering a Loss Distribution Period) and 9.5 (Continuing a Loss Distribution Period), to remove reference to a section that does not exist.
- Subsection 9.7 (Termination of Clearing), to replace “Partial Tear-Up” with “Termination” in the phrase “Partial Tear-Up Circular.”
- Subsection 10.7 (Execute Transfers), to change the title to “Execution of Transfers.”

Core Principle Review:

ICC reviewed the DCO core principles (“Core Principles”) as set forth in the Act. During this review, ICC identified the following Core Principles as being impacted:

Financial Resources: The revisions to the Default Management Procedures are consistent with the financial resources requirements of Core Principle B and the financial resource requirements set forth in Commission Regulation 39.33. The proposed revisions update certain types of contact information that ICC maintains as part of the default management process to ensure that relevant individuals are notified and can take timely action. The proposed revisions also include language on the development of the scope of a default management test in Appendix 1, which promotes robust and effective default management tests that ensure operational readiness by ICC and its CPs to execute the default management process. Such changes strengthen ICC’s ability to manage its financial resources and withstand the pressures of defaults, thereby ensuring that ICC maintains sufficient financial resources to withstand, at a minimum, the default of the two 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 amendments to the Default Management Procedures are consistent with the risk management requirements of Core Principle D and the risk management requirements set forth in Commission Regulation 39.36. The proposed changes enhance ICC’s ability to manage the risk of a default by providing updates and additional clarity with respect to ICC’s default management process and procedures, including by updating the default contacts that ICC maintains and setting forth key scenario components that ICC may consider in proposed Appendix 1. The proposed changes thus serve to promote the soundness of ICC’s risk management system, thereby ensuring that ICC possesses the

ability to manage the risks associated with discharging its responsibilities, consistent with the risk management requirements of Core Principle D.

Default Management: ICC's default management rules and procedures contained in the ICC Rules, the Default Auction Procedures - Initial Default Auctions, and the Secondary Auction Procedures are publically available on ICC's website. The proposed changes to the Default Management Procedures clarify and augment ICC's default management process and enhance ICC's ability to withstand defaults and continue providing clearing services. Namely, the proposed changes update certain contacts that ICC maintains so relevant individuals are notified and can take timely action as part of the default management process, promote robust and effective default management tests that ensure operational readiness by ICC and its CPs through the additional detail included in proposed Appendix 1, and make clarification and clean-up changes to ensure that the documentation of ICC's Default Management Procedures remains up-to-date, transparent, and focused on clearly articulating the procedures used to support ICC's default management process, to ensure that ICC can take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of a participant default. In ICC's view, the Default Management Procedures are thus consistent with the requirements of Core Principle G and Commission Regulations 39.16 and 39.35.

Amended Rules:

The proposed changes consist of changes to the ICC Default Management Procedures. ICC has respectfully requested confidential treatment for the ICC Default Management Procedures, which were submitted concurrently with this self-certification submission.

Certifications:

ICC hereby certifies that the changes comply with the Act and the regulations thereunder. There were no substantive opposing views to the changes.

ICC further certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, and 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 (312) 836-6854.

Sincerely,



Maria Alarcon
Staff Attorney