



**Maria Alarcon**  
Staff Attorney

April 27, 2021

**Re: Updates to ICC Risk Parameter Setting and Review Policy 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 21<sup>st</sup> 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 Risk Parameter Setting and Review Policy. 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 Risk Parameter Setting and Review Policy, which describes the process of setting and reviewing the risk management model core parameters and the performance of sensitivity analyses related to certain parameter settings. This submission includes a description of the changes to the Risk Parameter Setting and Review Policy. Certification of the changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

ICC proposes to amend the “Univariate Level Parameters” subsection (Subsection 1.7.1). ICC proposes changes related to the univariate level parameters associated with the integrated spread response model component. Namely, ICC proposes to transition the risk management mean absolute deviation (“MAD”) monthly parameter update for index risk factors to an automatic daily update in the risk management system. Such changes would timely capture any significant MAD changes and minimize the cumulative effect of MAD changes between parameter updates, and thus reduce the level of initial margin procyclicality. The proposed revisions would also specify that single name risk factor level risk management MADs are not subject to automatic updates and that the ICC Risk Department estimates and reviews the univariate single name integrated spread response parameters and their assumptions at least on a monthly basis.

ICC proposes minor clarifications to the “Implied Distribution Parameters for Index Option Instruments” subsection (Subsection 1.7.4). ICC previously replaced naming conventions for stress scenarios associated with the Lehman Brothers (“LB”) default with more generic naming conventions associated with extreme price changes, namely extreme price decreases and increases (the “Extreme Price Change Scenarios”).<sup>1</sup> Relatedly, ICC proposes minor updates to replace references and notations to the scenarios associated with the LB default with the Extreme Price Change Scenarios. ICC also proposes to more clearly refer to “stress MAD factors” as “stress implied MAD factors.”

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<sup>1</sup> See Submission number 2007-1014-1830-99 (July 10, 2020) for more information on the incorporation of the Extreme Price Change Scenarios into ICC’s risk management policies and procedures, including the Risk Parameter Setting and Review Policy.



ICC proposes amendments to the “Routinely Updated Parameters” subsection (Subsection 2.4). As described above, ICC proposes changes specifying that the index risk factor level risk management MADs are automatically updated daily in the risk management system and the other risk factor parameters are reviewed at least monthly.

#### 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 Risk Parameter Setting and Review Policy are consistent with the financial resources requirements of Core Principle B and the financial resource requirements in Commission Regulation 39.33. The proposed changes promote the soundness of the model including by transitioning the risk management MAD monthly parameter update for index risk factors to an automatic daily update. Such changes would timely capture any significant MAD changes and minimize the cumulative effect of MAD changes between parameter updates, and thus reduce the level of initial margin procyclicality. ICC believes that such changes would enhance ICC’s ability to manage risks and ensure that ICC continues to maintain sufficient financial resources to withstand, at a minimum, the default of the two Clearing Participant Affiliate Groups to which it has the largest exposure in extreme but plausible market conditions.

**Risk Management:** The revisions to the Risk Parameter Setting and Review Policy are consistent with the risk management requirements of Core Principle D and the risk management requirements in Commission Regulation 39.36. The proposed clarifications would further ensure readability and clarity with respect to ICC’s process of setting and reviewing the model core parameters to ensure that the documentation remains up-to-date, clear, and transparent to support the effectiveness of ICC’s risk management system. ICC believes that such updates to the Risk Parameter Setting and Review Policy continue to ensure that ICC possesses the ability to manage the risks associated with discharging its responsibilities.

#### Amended Rules:

The proposed changes consist of changes to the ICC Risk Parameter Setting and Review Policy. ICC has respectfully requested confidential treatment for the ICC Risk Parameter Setting and Review Policy, which was 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,

A handwritten signature in black ink that reads 'Maria Alarcon' in a cursive script.

Maria Alarcon  
Staff Attorney