



Maria Alarcon
Staff Attorney

May 4, 2021

Re: Updates to ICC End-of-Day Price Discovery Policies and 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 End-of-Day Price Discovery Policies and Procedures (“Pricing 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 Pricing Policy, which sets out ICC’s end-of-day (“EOD”) price discovery process that provides prices for cleared contracts using submissions made by Clearing Participants (“CPs”). This submission includes a description of the changes to the ICC Pricing 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 updates related to firm trade obligations and other clarifications. Under the Pricing Policy, to encourage CPs to provide the best possible EOD submissions, ICC selects a subset of the potential trades generated and designates them as firm trades, which CPs are entered into as cleared transactions. ICC selects specific dates on which it can require CPs to execute firm trades (“firm trade days”). For each firm trade day, ICC specifies the instruments that may become firm trade eligible, subject to certain specified criteria. Amended Section 2.4.1 incorporates additional criteria that must be met for the generation of firm trades, referred to as the trade price deviation constraint (the “constraint”). The proposed changes reference the constraint throughout Section 2.4.1, specifically in subsections (a), (b), and (c), and describe the constraint in subsection (d). Under the constraint, ICC avoids creating a high number of trades around its EOD levels by not designating potential trades as firm trades if the magnitude of the hypothetical profit/loss is smaller in magnitude than the absolute value of the difference between the EOD level and either the bid price or offer price. ICC would only designate a potential trade as a firm trade if the trade level fell outside the EOD level plus/minus one half the EOD bid-offer width (“BOW”) for the given instrument. The purpose of EOD firm trades is to maintain the robustness of the established price discovery process, and on-market firm trades do not incentivize the correction of outlying submissions. Such constraint would not apply when the potential firm trade is formed by crossing two outlying submission trades.

With respect to credit default index swaptions (“Index Options”), ICC proposes additional language on the designation of a potential trade as a firm trade, subject to the CP open interest and ICC open interest requirements in amended Subsection 2.4.1.c. Similar requirements are currently incorporated in the Pricing Policy for indices and single names. Under the CP open interest requirement, for ICC to designate a potential trade as a firm trade, both parties must have cleared open interest, as of the designated times, in



one or more Index Option instrument sharing the same underlying index instrument, expiration date, strike convention, exercise style and transaction type. Under the ICC open interest requirement, ICC only designates a potential trade in a given Index Option instrument as a firm trade if ICC has cleared open interest in that instrument.

ICC proposes additional clarifications to the Pricing Policy. In Section 2.2.2, ICC proposes to abbreviate a term. ICC proposes revisions to Section 2.6 to more clearly set out the circumstances under which a CP may participate in the EOD price discovery process on behalf of another CP. The amendments specify that a CP may allow an affiliated CP to participate in the EOD price discovery process on its behalf. In Section 3, ICC proposes to memorialize that the Pricing Policy is subject to review by the Risk Committee and review and approval by the Board at least annually.

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:

Risk Management: The revisions to the Pricing Policy are consistent with the risk management requirements of Core Principle D. ICC believes that the proposed constraint is appropriately designed to support and maintain the effectiveness of ICC’s EOD price discovery process that provides reliable prices, which ICC uses for risk management purposes. The additional clarifications further ensure that the Pricing Policy remain effective, clear, and up-to-date to support the effectiveness of ICC’s EOD price discovery process, including by adding language on the designation of a potential trade in an Index Option as a firm trade, subject to the CP open interest and ICC open interest requirements, and by clarifying the circumstances under which a CP may participate in the EOD price discovery process on behalf of another CP. ICC believes that such updates to the Pricing Policy continue to ensure that ICC possesses the ability to manage the risks associated with discharging its responsibilities.

Settlement Procedures: The revisions to the Pricing Policy are consistent with the settlement procedures requirements of Core Principle E. ICC believes that the proposed changes are appropriately designed to promote and maintain the effectiveness and integrity of the Pricing Policy and the EOD price discovery process used to determine daily settlement prices.

Amended Rules:

The proposed changes consist of changes to the ICC Pricing Policy. ICC has respectfully requested confidential treatment for the ICC Pricing 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". The signature is written in a cursive, flowing style.

Maria Alarcon
Staff Attorney