

Maria Alarcon
Staff Attorney

December 12, 2019

Re: Updates to ICC Treasury Operations 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 Treasury Operations Policies and Procedures (“Treasury 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 ICC Treasury Policy. This submission includes a description of the changes to the ICC Treasury 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 revise its Treasury Policy, including clarification updates related to its use of a committed repurchase (“repo”) facility, acceptable forms of United States (“US”) Treasury collateral, and its collateral valuation process. The proposed revisions are described in detail as follows.

ICC proposes amendments to the ‘Funds Management’ section with respect to its use of a committed repo facility. Namely, ICC proposes to clarify that the committed repo facility can be used to generate temporary liquidity through the sale and agreement to repurchase securities pledged by ICC Clearing Participants (“CPs”) to satisfy their Initial Margin (“IM”) and Guaranty Fund (“GF”) requirements. ICC proposes to include that, when applicable, the facility can be used to rehypothecate sovereign debt from overnight repo investments in the event of a counterparty default. ICC also proposes to note that the facility can be used to sell, with the agreement to repurchase, sovereign debt securities that are held by ICC pursuant to direct investments in such securities.

ICC proposes to update the ‘Custodial Assets’ section regarding acceptable forms of US Treasury collateral and ICC’s collateral valuation process. Under the Treasury Policy, acceptable forms of non-cash collateral for IM and GF are limited to US Treasury securities. ICC proposes to specify that Floating Rate Notes and STRIPS are not acceptable forms of US Treasury collateral for IM and GF. ICC also proposes to add language stating that, with respect to its collateral valuation process, Euros that are used to cover a US Dollar denominated product requirement will be subject to a haircut.

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 ICC Treasury Policy are consistent with the financial resources requirements of Core Principle B and the financial resource requirements set forth in Commission Regulation 39.33. ICC believes that the proposed changes enhance its ability to manage its financial resources, including by more clearly articulating details related to the use of the committed repo facility, acceptable forms of US Treasury collateral, and the collateral valuation process. Specifically, the additional details relating to ICC’s use of a committed repo facility clarify, among other things, that when applicable, the facility can be used to rehypothecate sovereign debt from overnight repo investments in the event of a counterparty default. The proposed changes also identify Floating Rate Notes and STRIPS as unacceptable forms of US Treasury collateral for IM and GF and, with respect to the collateral valuation process, specify that Euros that are used to cover a US Dollar denominated product requirement will be subject to a haircut. Such proposed changes strengthen the documentation of ICC’s treasury operations, thereby ensuring that ICC continues to maintain sufficient financial resources to withstand, at a minimum, the default of the two CP AGs 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 revisions to the ICC Treasury Policy are consistent with the risk management requirements of Core Principle D. The proposed changes allow ICC to provide additional clarity regarding its use of the committed repo facility, acceptable forms of US Treasury collateral, and its collateral valuation process. The proposed updates ensure that the documentation of ICC’s Treasury Policy remains up-to-date, transparent, and focused on clearly articulating the policies and procedures used to support ICC’s treasury functions. ICC believes that such updates to the Treasury Policy continue to ensure that ICC possesses the ability to manage the risks associated with discharging its responsibilities.

Treatment of Funds: The revisions to the ICC Treasury Policy are consistent with the treatment of funds requirements of Core Principle F. The proposed changes strengthen ICC’s ability to safeguard assets and limit the potential for loss or delay in access to such assets by ensuring that ICC has clear and comprehensive procedures for the use of the committed repo facility, transparent and well-documented policies regarding acceptable types of US Treasury collateral, and clear and effective procedures for collateral valuation. Moreover, ICC believes that having policies and procedures that clearly and accurately document ICC’s treasury functions are an important component to the effectiveness of ICC’s treasury operations, which promote ICC’s ability to hold assets in a manner that minimizes risk of loss or of delay in its access to them and to invest assets in instruments with minimal credit, market, and liquidity risks. The proposed changes thus serve to ensure the safety of such funds and assets and to allow ICC to continue to hold such funds and assets in a manner by which to minimize the risk of loss or of delay in ICC’s access to the assets and funds.

Amended Rules:

The proposed changes consist of changes to the ICC Treasury Policy. ICC has respectfully requested confidential treatment for the ICC Treasury 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 cursive script that reads "Maria Alarcon".

Maria Alarcon
Staff Attorney