



Olivia Bazor
Staff Attorney

November 7, 2024

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 (“CFTC”) Regulation 40.6(a), a self-certification of changes to the ICC End-of-Day Price Discovery Policies and Procedures (“EOD Procedures”). ICC is registered with the CFTC 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 CFTC at its Washington, D.C. headquarters and with its Chicago regional office.

ICC proposes revising the EOD Procedures, 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 EOD Procedures. Certification of the changes pursuant to Section 5c(c)(1) of the Act and CFTC Regulation 40.6(a) is also provided below.

The primary purpose of the proposed revisions is to address CFTC exam findings. As requested for clarification purposes by the CFTC, the proposed changes highlight that the meaning of the term ‘Most-Actively-Traded-Instrument’ (“MATI”) is context-dependent. As MATI is defined to refer to the most-liquid instrument in a specified group of instruments, application of MATI is context-dependent on the specific group of instruments under review.

In order to clarify the meaning of MATI the proposed revisions provide examples of the meaning of MATI when used in the context of different groups of instruments defined as: (i) index risk factors,¹ (ii) single

¹ Index risk factor is defined in Section 1.2.1.a. of the EOD Procedures as a group of clearable CDS index instruments sharing the same index or sub-index (e.g., CDX.NA.IG), but having any combination of series, version and scheduled termination date (i.e., tenor).



name risk factors² and (iii) single name risk sub-factors.³ The proposed examples illustrate the most common contexts for the use of the term MATI throughout the EOD Procedures. Specifically, ICC proposes to revise Section 1.2.3., in which the term MATI is defined, to include the following examples of the application of the term MATI to different groups of instruments. In the context of index risk factors, the proposed revisions provide that the MATI for this category typically is the contract (i) with a scheduled termination date corresponding to the 5-year “tenor” and (ii) being the most recent series and version of the applicable cleared credit default swap (“CDS”) index instrument. In the context of single name risk factors, the proposed revisions provide an example of the MATI for a Standard North American Corporate single name risk factor (which is an example of a single name risk factor) which typically is the contract (i) with a scheduled termination date corresponding to the 5-year “tenor,” (ii) having US Dollar as the currency of denomination, (iii) having a coupon of 100 basis points, (iv) referencing deliverable obligations having a senior debt tier, and (v) having ‘XR14’⁴ restructuring clause. In the context of single name risk sub-factor, proposed revisions provide the example of the MATI which is the most actively traded coupon and scheduled termination date in the group of single name instruments sharing the same reference entity, currency of denomination, reference entity debt tier and restructuring clause. In addition, ICC proposes to add a second example of the MATI in the context of a specific coupon within a single name risk sub-factor, which is the most actively traded schedule termination date (i.e., tenor) in the group of single name instruments sharing the same reference entity, currency of denomination, reference entity debt tier, restructuring clause and coupon.

In addition, ICC proposes additional clarifying revisions to Section 1.2.3. of the EOD Procedures to clarify that the term Most Actively Traded Coupon (“MATC”) refers to the coupon of the MATI for a single name risk factor, or single name risk sub-factor, depending on the stated context.

ICC believes its proposed revisions to describe the use of the terms MATI and MATC provides a clearer, more robust context to the information presented in the EOD Procedures. Also, ICC proposes to revise Section 5, Table 12 ‘Glossary of Commonly Used Terms’, to align with the revised terms presented earlier in the EOD Procedures.

Furthermore, ICC proposes revisions to Sections 2.1.2. of the EOD Procedures to clarify the definition and use of consensus bid-offer widths (“BOW”). As background, BOWs are estimates of the bid-offer widths for the two-way market available for each clearing-eligible instrument at a specific time on each business day.⁵ ICC proposes to clarify in Section 2.1.2. to describe consensus BOW as the estimate of the prevailing market BOW during a given period. In addition, such revisions clarify that ICC determines a consensus BOW for each on-the-run index and for all single name benchmark-instruments at the appropriate EOD BOW execution time. ICC also proposes to add further detail to Section 2.1.2. with respect to ICC’s estimates of consensus BOWs to add that such estimations are performed with respect to each index risk factor MATI. Also, with respect to consensus BOWs for single name instruments, ICC proposes to add

² Single name risk factor is defined in Section 1.2.1.b. of the EOD Procedures as the group of clearable single name CDS instruments sharing the same reference entity but having any combination of currency of denomination, reference obligation debt tier, restructuring clause, coupon and scheduled termination date.

³ Single name sub-risk factor is defined in Section 1.2.1.b. of the EOD Procedures as a group of clearable single name CDS instruments sharing the same reference entity, currency of denomination, reference obligation debt tier, but having any combination of coupon and scheduled termination date.

⁴ Under applicable ISDA Credit Derivatives Definitions, ‘XR14’ references no restructuring under the 2014 ISDA Definitions.

⁵ Section 2.1 of the EOD Procedures.



additional detail to Section 2.1.2. to clarify that ICC estimates a consensus BOW from CP' submitted mid-prices for all single name benchmark-instruments.

In addition, ICC proposes to revise Section 2.1.4. of the EOD Procedures to more accurately describe the calculation of EOD BOWs, which is the BOW calculated for each clearing-eligible instrument at the applicable end of the clearing day. Specifically, ICC proposes to revise Section 2.1.4.a. to clarify that the reference to consensus BOW means such consensus BOW established of the instrument for which the EOD BOW is being calculated. Furthermore, ICC proposes to revise Section 2.1.4.b. which describes the process for calculating EOD BOWs for single name instruments. Such proposed revisions are intended to improve clarity and readability. In the description of the factors ICC applies to each consensus BOW, the proposed revisions clarify that such list of factors includes observed intraday price variability. Also, the proposed revisions add the description that the benchmark-instrument BOW resulting after applying the listed factors to the benchmark-instrument consensus BOW is referred to in the EOD Procedures as the benchmark-instrument 'systematic' BOW. Further, ICC proposes to add details related to ICC's determination of the systematic BOW for each benchmark-instrument for non-MATC coupons to clarify that ICC's calculation involves use of the benchmark-instrument consensus BOW established for non-MATC benchmark-instruments belonging to the given single name risk sub-factor. The proposed amendments also modify the titles in Table 2, Table 4, and Table 6, which present very similar information, to clarify their distinct uses. ICC proposes to (i) modify the title of Table 2 to indicate the presented data is for the purpose of determining the variability band for each market proxy group, (ii) modify the title of Table 4 to indicate the presented data is for the purpose of selecting which market proxy group's variability band to apply to each index risk factor, and (iii) modify the title of Table 6 to indicate the presented data is for the purpose of selecting which market-proxy groups' variability band to apply to the benchmark-instruments associated with each given single name risk factor. Furthermore, ICC proposes to revise the content of Table 4 to remove obsolete references to the CDX-NAIGHVOL and iTraxx HiVol index risk factors as those index types are no longer clearing eligible at ICC. Also, ICC proposes to update the content of Table 6 to clarify that both the Standard Latin American and Standard Australia single name risk factors includes not only sovereign single instruments, but also corporate instruments, to more accurately reflect the single name risk factors currently cleared at ICC.

Finally, ICC purposes to revise Section 2.5. of the EOD Procedures to revise the instruments for which ICC publishes daily EOD prices on the Intercontinental Exchange, Inc. ("ICE, Inc.") website. This proposed change is to address a CFTC exam finding related to publication of CDS index instrument daily settlement prices. ICC currently publishes EOD prices for a subset of cleared index instruments to the website but proposes to revise this practice to instead publish EOD prices for every clearing eligible index instrument as required by the CFTC. Furthermore, ICC proposes to revise Section 2.5. to clarify the description of the single name instruments for which it publishes daily EOD prices on the website. Section 2.5. currently states that ICC publishes prices for every listed risk sub-factor, and ICC proposes to clarify this description to state that for every single name risk sub-factor, ICC publishes the price of all MATI for each clearable coupon, which is a more accurate description of the daily single name settlement prices ICC publishes on the ICE, Inc. website. ICC believes the proposed daily publication of settlement prices for all clearing eligible index instruments will improve pricing transparency to market participants and the public.

ICC also proposes a number of other drafting clarifications and conforming changes to the EOD Procedures, such as updating the use of relevant defined terms, section cross-references and other non-substantive drafting improvements. The amendments would also update the revision history section to the EOD Procedures.

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 EOD Procedures are consistent with the risk management requirements of Core Principle D. ICC maintains a sound risk management framework that identifies, measures, monitors, and manages the range of risks that it faces. The EOD Procedures is a key aspect of ICC's risk management approach. The proposed amendments provide for additional clarity regarding the calculation of EOD prices, and the expansion of the daily publication of EOD prices. In ICC's view, such changes would clarify and promote transparency in ICC's price discovery process and thus enhance implementation of the EOD Procedures. The proposed changes would thus strengthen ICC's ability to manage risk associated with its price discovery process, and ICC's risk management more generally as ICC uses the resulting EOD prices for risk management purposes, and ICC would continue to derive reliable, market-driven prices from its price discovery process.

Settlement Procedures: The revisions to the EOD Procedures 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 EOD Procedures and the EOD price discovery process used to determine daily settlement prices.

Amended Rules:

The proposed changes consist of changes to the EOD Procedures. ICC has respectfully requested confidential treatment for the EOD Procedures, 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.ice.com/clear-credit/regulation>.

ICC would be pleased to respond to any questions the CFTC or the staff may have regarding this submission. Please direct any questions or requests for information to the attention of the undersigned at 904-371-8568

Sincerely,

Olivia Bazor

Olivia Bazor
Staff Attorney