



November 13, 2024

VIA CFTC PORTAL

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Amendments to ICE Clear U.S., Inc. Rules Related to ICE Risk Model 2 - Submission Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), ICE Clear U.S., Inc. (“ICUS”) is submitting this self-certification to amend the ICUS Rules,¹ specifically the ICUS Risk Management Framework. ICUS intends to revise the Risk Management Framework no sooner than the tenth business day following the filing of this submission, or such later date as ICUS may determine. ICUS has respectfully requested confidential treatment for these amendments to the Risk Management Framework which were submitted concurrently with this submission.

1. Overview

ICUS’s Risk Management Framework contains the models used by ICUS to determine initial margin requirements. Specifically, ICE Risk Model 1 (“IRM 1”) and ICE Risk Model 2 (“IRM 2”).² Initially, IRM 2 was used to determine -- on a portfolio basis -- the initial margin requirement for all contracts cleared by ICUS that reference equity indices³ but it was designed to cover additional asset classes, and to do so on a portfolio basis, when portfolio margining is determined to be appropriate and consistent with the Commission’s regulations. ICUS subsequently started to clear contracts referencing interest rates, on a portfolio basis, using IRM 2.⁴ ICUS is proposing to amend its Risk Management Framework to add futures that reference indices of bonds (“Corporate Bond Index Futures”) to the other ICUS cleared contracts margined using IRM 2.⁵

2. Details of Rule Changes

¹ Capitalized terms used and not defined in this submission have the meaning set forth in the ICUS Rules.

² IRM 2 has been live since January 24, 2022, following a voluntary submission to the Commission, filed on September 1, 2021 (the “Original IRM 2 Submission”).

³ After implementing IRM 2, ICUS subsequently started to clear total return futures on equity indices using, at least initially, IRM 1. All other contracts cleared by ICUS that reference equity indices continue to be margined using IRM 2.

⁴ The initial margin requirements for all other contracts currently cleared by ICUS, including, for time being, total return futures on equity indices, is determined using IRM 1.

⁵ ICUS is planning, in the first instance, to clear 4 futures that reference indices of corporate bonds.



ICUS is proposing amendments to its Risk Management Framework to accommodate margining Corporate Bond Index Futures using IRM 2. Using IRM 2 to portfolio margin Corporate Bond Index Futures was independently validated as part of a regularly scheduled revalidation of the IRM 2 margin model. That independent revalidation was performed by a qualified, unaffiliated, third-party contractor, consistent with Commission Regulation 39.13(g)(3).

3. Compliance with the Act and Regulations

ICUS reviewed the foregoing amendments and determined that they comply with the requirements of the Act and the rules and regulations promulgated by the Commission in implementing the Act. In this regard, ICUS reviewed the derivatives clearing organizations core principles (“Core Principles”) and determined that the amendments are potentially relevant to the following Core Principle and the applicable regulations of the Commission thereunder:

Risk Management (Core Principle D):

These amendments ensure that the Risk Management Framework is clear, and appropriately documented, with language that reflects the prudent risk management of Corporate Bond Index Futures. These amendments, however, reflect a small part of ICUS’s overall analysis and review of Corporate Bond Index Futures and the prudent and appropriate risk management of them. As part of that broader analysis and review, ICUS has determined that portfolio margining Corporate Bond Index Futures using IRM 2 will meet an established confidence level of at least 99%, both in terms of actual coverage of the resulting initial margin requirements, and the projected measures of the performance of IRM 2 for this purpose, consistent with Commission Regulation 39.13(g)(2)(iii). ICUS has also determined, consistent with Commission Regulation 39.13(g)(7), with back tests using data from an appropriate historic time period, that IRM 2 performs at the required confidence level in establishing the margin requirements for Corporate Bond Index Futures, on both a freestanding and portfolio basis. And, as detailed in the Original IRM 2 Submission, in determining portfolio level risk and associated initial margin requirements, to the extent that IRM 2 allows for reductions in initial margin requirements for related positions, the model will provide for reductions for positions that are reliably and significantly correlated, with a reasonable conceptual and theoretical basis for doing so, consistent with Commission Regulation 39.13(g)(4)(i).⁶ Finally, as outlined above, using IRM 2 to portfolio margin Corporate Bond Index Futures was independently validated, consistent with Commission Regulation 39.13(g)(3). As a result, the proposed amendments to the ICE Clear U.S. Risk Management Framework are consistent with the requirements of Core Principle D and Commission Regulations 39.13 and 39.36.

4. Certifications

ICUS certifies that the proposed amendment to its Risk Management Framework complies with the Act and the rules and regulations promulgated by the Commission thereunder. ICUS is not

⁶ IRM 2 limits netting benefits, if any, between correlated product groups by establishing a “diversification benefit cap” of 50%, which means that the potential margin reduction between these product groups will not be greater than 50% of the sum of the initial margin requirements computed without offsets, mitigating the adverse effect of unanticipated changes in the correlation between the products in advance.



aware of any substantive opposing views expressed regarding the amendment. ICUS further certifies that, concurrent with this filing, a copy of this submission was posted on ICUS's website and may be accessed at <https://www.theice.com/clear-us/regulation>.

If you or your staff have any questions or require further information regarding this submission, please do not hesitate to contact the undersigned at (212) 748-3964 or Eamonn.Hahessy@ice.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Eamonn Hahessy", with a long, sweeping horizontal line extending from the end of the signature.

Eamonn Hahessy
General Counsel and Chief Compliance Officer