

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-93880; File No. SR-ICEEU-2021-015)

December 30, 2021

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Relating to Adoption of the Counterparty Credit Risk Policy and Counterparty Credit Risk Procedures

I. Introduction

On November 15, 2021, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4,² a proposed rule change to adopt a new Counterparty Credit Risk Policy (the “CC Risk Policy”) and new Counterparty Credit Risk Procedures (the “CC Risk Procedures”) and retire the existing Futures and Options Capital to Margin and Shortfall Margin Policy (the “Capital to Margin Policy”) and existing Unsecured Credit Limits Procedures.³ The proposed rule change was published for comment in the Federal Register on November 30, 2021.⁴ The Commission did not receive comments regarding the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Because the CC Risk Policy and CC Risk Procedures would incorporate the information currently found in the Capital to Margin Policy and Unsecured Credit Limits Procedures in substantially the same form, the proposed rule change would retire those two documents.

⁴ Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change Relating to Amendments to the Counterparty Credit Risk Policy and Counterparty Credit Risk Procedures, Exchange Act Release No. 93668 (Nov. 24, 2021); 86 Fed. Reg. 68014 (Nov. 30, 2021) (SR-ICEEU-2021-015) (“Notice”).

proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

i. Background

Both the CC Risk Policy and CC Risk Procedures would describe how ICE Clear Europe monitors and mitigates counterparty credit risk.⁵ Both documents would define counterparty credit risk as (i) the risk that a Clearing Member misses its next payment to ICE Clear Europe, leaving ICE Clear Europe under-collateralized and therefore increasing the risk of using the Guaranty Fund contributions of other Clearing Members and ICE Clear Europe to manage a potential default of that Clearing Member and (ii) the risk that a Financial Service Provider (“FSP”) defaults without returning cash to ICE Clear Europe, leaving ICE Clear Europe with a loss on its investments or expected return of cash. Both the CC Risk Policy and CC Risk Procedures also would define ICE Clear Europe’s overall objective with respect to counterparty credit risk as managing and minimizing this risk.

To achieve this objective, ICE Clear Europe, under both the CC Risk Policy and CC Risk Procedures, would (i) set and monitor credit eligibility criteria for Clearing Members and FSPs; (ii) establish credit scores for Clearing Members and FSPs; (iii) take mitigating actions to reduce ICE Clear Europe’s exposure; (iv) perform trigger-based and periodic risk reviews of Clearing Members and FSPs; and (v) set and monitor exposure limits for Clearing Members and FSPs. The CC Risk Policy would explain in general how ICE Clear Europe would carry out these

⁵ Capitalized terms not otherwise defined herein have the meanings assigned to them in the CC Risk Policy and CC Risk Procedures.

actions, and the CC Risk Procedures would supplement the CC Risk Policy with further detail regarding these actions. Thus, the description below is organized according to these five steps, with an explanation of those actions under both the CC Risk Policy and CC Risk Procedures.⁶

ii. Credit Eligibility Criteria

ICE Clear Europe would first assess prospective entities against certain credit eligibility criteria. The criteria that ICE Clear Europe would use for this assessment would be set forth in a new Counterparty Credit Risk Parameters and Reviews document, which would be a supporting document of the CC Risk Policy and CC Risk Procedures.⁷ Overall, ICE Clear Europe would use this assessment against the credit criteria to assess the financial stability of Clearing Members and FSPs. ICE Clear Europe would assess prospective Clearing Members and FSPs against such criteria during onboarding and review existing Clearing Members and FSPs against such criteria at least annually.

After conducting the assessment, ICE Clear Europe would produce a credit recommendation for prospective Clearing Members based on financial and qualitative information. For prospective FSPs, ICE Clear Europe would confirm that they are legal entities in approved jurisdictions and comply with the eligibility criteria and unsecured credit limits set forth in the Counterparty Credit Risk Parameters and Reviews document. Moreover, based on the assessment, ICE Clear Europe may disapprove a prospective Clearing Member or FSP or subject it to additional monitoring and potentially mitigating actions, such as requiring Clearing Members to provide a buffer margin and reducing or eliminating usage of a particular FSP.

⁶ As noted further below, ICE Clear Europe is taking the processes described in section vi from the existing Capital to Margin Policy and Unsecured Credit Limits Procedures.

⁷ ICE Clear Europe included the Counterparty Credit Risk Parameters and Reviews document as a confidential Exhibit 3 to the filing.

iii. Credit Scores

In addition to this assessment against initial credit eligibility criteria, on a daily basis ICE Clear Europe would monitor Clearing Members and FSPs using its Counterparty Rating System (“CRS”). The CRS would calculate a credit score that represents a counterparty’s credit quality. For FSPs, this credit score could take into account external ratings and ICE Clear Europe’s exposure limits. ICE Clear Europe would use this credit score, along with its exposure to that counterparty, to identify Clearing Members and FSPs that have questionable financial standing, show signs of financial weakness, or are likely to default. ICE Clear Europe would calculate credit scores daily for all counterparties.

For each counterparty, the CRS would incorporate quantitative financial information, such as capitalization and leverage, and qualitative operational and conduct information, such as regulatory violations and pending litigation. ICE Clear Europe would analyze any material changes in a CRS score and would update the CRS at least quarterly with the latest financial statements from each counterparty.

iv. Mitigating Actions

ICE Clear Europe would rank Clearing Members by their CRS score in order to identify those with lower relative credit quality that may require further examination to determine whether additional actions are necessary to mitigate credit risk. ICE Clear Europe could place those Clearing Members and FSPs with the weakest CRS scores on a list of counterparties for further review and mitigating action known as the Watch List. If ICE Clear Europe placed any entity within a Clearing Member Family (meaning all of the Clearing Members that are linked by a common ownership that has a controlling stake in the entities) on the Watch List, then all members of that Clearing Member Family could also be added to the Watch List. ICE Clear Europe would be able to remove counterparties from the Watch List if (i) their CRS score improves

to a stronger classification or the reason for incorporation into the Watch List has ceased or (ii) their credit risk has been sufficiently mitigated. The Counterparty Credit Risk Parameters and Reviews document would set out the ICE Clear Europe personnel responsible for monitoring the Watch List and the reviews needed to place or not place counterparties on the Watch List and to remove counterparties from the Watch List.

If ICE Clear Europe added a Clearing Member or FSP to the Watch List, ICE Clear Europe would monitor the counterparty more closely and could take mitigating actions to reduce its exposure to the counterparty. These actions would depend on the size of the exposure and the circumstances and could include, among others: (i) additional monitoring; (ii) requiring Clearing Members to post additional collateral to meet a buffer margin requirement; (iii) requiring Clearing Members to post different forms of collateral; (iv) requiring Clearing Members to reduce positions; (v) requiring Clearing Members to improve their capital position (such as by implementing a parental guarantee); (vi) lowering the materiality threshold for intra-day margin calls; and (vii) and reducing or removing ICE Clear Europe's usage of an FSP. As would be set out in the Counterparty Credit Risk Parameters and Reviews document, ICE Clear Europe's Head of Clearing Risk and Chief Risk Officer would determine which risk-mitigating actions to take for counterparties on the Watch List.

v. Trigger-based and Periodic Risk Reviews

ICE Clear Europe would engage in continuous monitoring of Clearing Members and FSPs as well as additional trigger-based reviews. ICE Clear Europe would continuously monitor all Clearing Members and FSPs daily through the CRS credit scores, the Watch List, and exposure limits (as described below). In turn, ICE Clear Europe personnel and committees would review the CRS scores, the Watch List, and exposure limits as set out in the Counterparty Credit Risk Parameters and Reviews document.

In addition to continuous monitoring, ICE Clear Europe would review a Clearing Member or FSP when (i) it is added to the Watch List or (ii) there are concerns about its stability. Such a review could cover data and recent relevant news and an assessment of the incident and its impact. The depth of the review would depend on the circumstances and exposures.

While conducting these trigger-based reviews of higher risk counterparties, ICE Clear Europe also would periodically review lower risk counterparties that do not meet these triggers. Ultimately, the CC Risk Policy would require that ICE Clear Europe review all counterparties at least once every five years, and the CC Risk Procedures would require that ICE Clear Europe review all Clearing Members at least once every four years. ICE Clear Europe would tailor the reviews to the relationship and obligation of the counterparty, and reviews would cover such matters as capital metrics, credit scores, financials, business description, ownership structure, and risks to ICE Clear Europe.

vi. Exposure Limits

Clearing Members

ICE Clear Europe would monitor its uncollateralized exposure to each Clearing Member, assuming the Clearing Member were to default, at least daily against exposure limits. ICE Clear Europe would use a Clearing Member's Uncollateralised Stress Loss ("USL") as a proxy for the exposures. ICE Clear Europe would set an exposure limit in relation to USL as a percentage of a Clearing Member's capital, subject to a minimum amount. Where exposure to a CM exceeds the exposure limit, ICE Clear Europe could (i) require additional buffer margin, (ii) require the Clearing Member to reduce positions leading to a reduction in their initial margin, or (iii) require the Clearing Member to increase its capital or implement a parental guarantee or subordinated debt to increase the exposure limit. The Counterparty Credit Risk Parameters and Reviews document would set forth the percentages of capital for the exposure limit, the minimum amount,

types of eligible capital, the frequencies of review, and the approvals needed to change those values.

In addition to monitoring a Clearing Member's USL, ICE Clear Europe also would monitor a Clearing Member's initial margin relative to its capital at least daily against threshold limits. ICE Clear Europe, for each Clearing Member and on each business day, would monitor whether the size of a Clearing Member's positions are large relative to the Clearing Member by monitoring the ratio of its total margin to its capital (known as the margin to capital ratio). When a Clearing Member's margin to capital ratio is above a certain threshold, ICE Clear Europe would investigate the breach to understand its cause. If the margin to capital ratio over a set period of time is above the threshold, then ICE Clear Europe would take mitigating actions including (i) enhanced monitoring of the Clearing Member to assess whether the increased ratio is temporary, (ii) requiring the Clearing Member to reduce positions leading to a reduction in its initial margin, and (iii) requiring the Clearing Member to increase its capital or implement a parental guarantee or subordinated debt to increase the exposure limit. The Counterparty Credit Risk Parameters and Reviews document would set forth the threshold, the period of time, and the frequency of reviews. This aspect of the CC Risk Policy and CC Risk Procedures would replace provisions of the Capital to Margin Policy, which would be retired.⁸ Consistent with current

⁸ Certain other provisions of the Capital to Margin Policy relating to shortfall margin are already part of ICE Clear Europe's existing Futures and Options Risk Procedures. ICE Clear Europe would retain those provisions relating to shortfall margin in the Futures and Options Risk Procedures but would not make any changes to the Futures and Options Risk Procedures. Notice, 86 Fed. Reg. at 68015. ICE Clear Europe last filed amendments to the Futures and Options Risk Procedures with the Commission in filing 2021-007. See Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the ICE Clear Europe Futures and Options Risk Policy and Futures and Options Risk Procedures

practice, ICE Clear Europe would monitor the capital to margin ratio of Clearing Members in both ICE Clear Europe's CDS clearing service and ICE Clear Europe's Futures and Options clearing service.⁹ With respect to Futures and Options Clearing Members, however, ICE Clear Europe would eliminate the use of two separate ratios based on house and customer margin, respectively, and would instead use a single combined margin ratio, which ICE Clear Europe believes is more representative of the overall risk.¹⁰

ICE Clear Europe also would monitor certain clients of Clearing Members. For a client that is not an affiliate of a Clearing Member, ICE Clear Europe would monitor the client against the Tiering Concentration Indicator, to consider whether default of the client could cause default of the Clearing Member. The Counterparty Credit Risk Parameters and Reviews document would set forth the Tiering Concentration Indicator, the frequency of reviews, and approvers.

Finally, ICE Clear Europe could also set a limit for collateral posted by Clearing Members, which would be further described in the Counterparty Credit Risk Parameters and Reviews document. With respect to issuers of collateral, the ICE Clear Europe could set an overall limit with sub-limits for CM collateral, Treasury (reverse repo and other collateral), and Finance (investment of ICE Clear Europe's own capital and Skin-in-the-Game). The overall limit would equal the sum of the sub-limits and could be borrowed between departments.

and Retirement of the Futures and Options Concentration Charge Policy, Exchange Act Release No. 91290 (Mar. 10, 2021); 86 Fed. Reg. 14478 (Mar. 16, 2021) (SR-ICEEU-2021-007).

⁹ Notice, 86 Fed. Reg. at 68015.

¹⁰ Notice, 86 Fed. Reg. at 68015.

FSPs

Through its investment program, ICE Clear Europe aims to secure the cash that Clearing Members have transferred to ICE Clear Europe to cover margin and Guaranty Fund contributions. Given that, ICE Clear Europe's exposure to an FSP is primarily from leaving cash with that FSP unsecured overnight.¹¹ Thus, ICE Clear Europe would measure its exposure to an FSP in terms of time deposits and other cash deposits provided to a FSP that ICE Clear Europe can lose in the event of the FSP defaulting. ICE Clear Europe would set a maximum value on such exposure which would be the overall Unsecured Credit Limit for that FSP.

ICE Clear Europe would allocate and monitor Unsecured Credit Limits with respect to FSPs, based on a percentage of the FSP's capital, with a minimum and maximum total limit. ICE Clear Europe would reduce an FSP's limit by other exposures ICE Clear Europe may have to the FSP, such as the USL if the FSP is also a Clearing Member. The CC Risk Procedures would set out roles and responsibilities for ICE Clear Europe's Credit and Treasury teams in assessing FSPs and applying the limits, which would be the same as under the current Unsecured Credit Limits Procedures. Moreover, the Counterparty Credit Risk Parameters and Reviews document would set forth other information pertinent to these limits, such as the types of eligible capital, percentage of capital for the limits, the reverse repo exposure percentage, and the maximum and minimum values. The Counterparty Credit Risk Parameters and Reviews document also would set forth the reviewers, frequency of review, and the approvals needed to change those values.

¹¹ ICE Clear Europe would assume deposits left with central banks to be secured.

Where exposure to an FSP breaches the limit, ICE Clear Europe’s mitigating responses could include allocating unsecured cash to different FSPs, securing the cash exposure, and escalating material breaches.

Finally, an FSP would have to meet certain minimum requirements set out in the CC Risk Procedures. For example, the FSP would need to be regulated by a competent authority with valid jurisdiction and satisfy the credit eligibility criteria discussed above. Moreover, FSPs that are Committed Repo providers must be Legal Entities registered in the United States, the United Kingdom, or in countries in the European Union that satisfy the Minimum External Rating, and ICE Clear Europe would give preference to FSPs with direct access to central bank lending facilities for the currency of issue.

These provisions of the CC Risk Policy and CC Risk Procedures would replace, but not change the substance of, provisions of the existing Unsecured Credit Limits Procedures.

vii. Document Governance and Exception Handling

In addition to the steps that ICE Clear Europe would take to monitor and mitigate counterparty credit risk, both the CC Risk Policy and the CC Risk Procedures would describe ICE Clear Europe’s procedures for governance of, and exceptions to, both documents. This document governance and exception handling section would be similar to those of other ICE Clear Europe policies and would be the same under both the CC Risk Policy and the CC Risk Procedures.¹² Specifically, the document owner would be responsible for maintaining up-to-date

¹² See, e.g., Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the ICE Clear Europe Futures and Options Stress Testing Policy and the Adoption of the Futures and Options Stress Testing Methodology Document, Exchange Act Release No. 89621 (Aug. 20, 2020); 85 Fed. Reg. 52650 (Aug. 26, 2020) (SR-ICEEU-2020-008); Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Partial

documents and reviewing documents in accordance with ICE Clear Europe’s governance processes. The document owner would be required to report material breaches or unapproved deviations to the Head of Department, the Chief Risk Officer, and the Head of Compliance (or their delegates) who would together determine if further escalation should be made to relevant senior executives, the Board, or competent authorities. Exceptions to the CC Risk Policy and CC Risk Procedures would be approved in accordance with ICE Clear Europe’s governance process for approval of changes to the documents.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.¹³ For the reasons discussed below, the Commission finds that the proposed rule

Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment No. 1, Relating to the ICE Clear Europe Investment Management Procedures and Treasury and Banking Services Policy, Exchange Act Release No. 89211 (July 1, 2020); 85 Fed. Reg. 41082 (July 8, 2020) (SR-ICEEU-2020-002); Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Partial Amendment No. 2 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment No. 1 and Partial Amendment No. 2, To Revise the ICE Clear Europe Treasury and Banking Services Policy, Liquidity Management Procedures, Investment Management Procedures and Unsecured Credit Limits Procedures, Exchange Act Release No. 86891 (Sept. 6, 2019); 84 Fed. Reg. 48191 (Sept. 12, 2019) (SR-ICEEU-2019-012).

¹³ 15 U.S.C. 78s(b)(2)(C).

change is consistent with Section 17A(b)(3)(F) of the Act,¹⁴ and Rules 17Ad-22(e)(2)(i), (e)(2)(v), (e)(3)(i), and (e)(19).¹⁵

i. Consistency with Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICE Clear Europe be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as well as to assure the safeguarding of securities and funds which are in the custody or control of ICE Clear Europe or for which it is responsible.¹⁶

As discussed above, the CC Risk Policy and the CC Risk Procedures¹⁷ would describe how ICE Clear Europe monitors and mitigates counterparty credit risk by (i) setting and monitoring credit eligibility criteria for Clearing Members and FSPs; (ii) establishing a credit

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹⁵ 17 CFR 240.17Ad-22(e)(2)(i), (e)(2)(v), (e)(3)(i), and (e)(19).

¹⁶ 15 U.S.C. 78q-1(b)(3)(F).

¹⁷ As discussed above, ICE Clear Europe is importing the processes described in Section II.vi above from its existing Capital to Margin Policy and Unsecured Credit Limits Procedures. The Commission published notice of the Capital to Margin Policy in 2019. See Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating To Adoption of a New Futures & Options Capital-to-Margin and Shortfall Margin Policy (the “F&O Margin Shortfall Policy”), Exchange Act Release No. 85439 (Mar. 28, 2019); 84 Fed. Reg. 13087 (April 3, 2019) (SR-ICEEU-2019-005). Moreover, the Commission approved the Unsecured Credit Limits Procedures in 2019. See Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Partial Amendment No. 2 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment No. 1 and Partial Amendment No. 2, To Revise the ICE Clear Europe Treasury and Banking Services Policy, Liquidity Management Procedures, Investment Management Procedures and Unsecured Credit Limits Procedures, Exchange Act Release No. 86891 (Sept. 6, 2019); 84 Fed. Reg. 48191 (Sept. 12, 2019) (SR-ICEEU-2019-012).

score for each Clearing Member and FSP; (iii) taking mitigating actions to reduce ICE Clear Europe's exposure; (iv) performing trigger-based and periodic risk reviews of Clearing Members and FSPs; and (v) setting and monitoring exposure limits for Clearing Members and FSPs. The Commission believes that through these actions, ICE Clear Europe would be in a position to monitor and mitigate the risk of default by a Clearing Member or FSP. For example, the Commission believes that setting and monitoring eligibility criteria would help to ensure that all Clearing Members and FSPs have a similar baseline of financial reliability and that establishing and monitoring CRS scores for Clearing Members and FSPs would help to identify those counterparties whose financial situation may be deteriorating and posing a risk to ICE Clear Europe.

Similarly, the Commission believes that trigger-based and periodic reviews, as well as setting and monitoring exposure limits, would help ICE Clear Europe to determine counterparties who may pose an increased risk and limit its exposure to those counterparties. Finally, the Commission believes that ICE Clear Europe's mitigating actions, such as requiring a Clearing Member to post additional margin or reducing usage of an FSP, would help to reduce or eliminate its exposure to a Clearing Member or FSP, as needed in response to a change in that counterparty's credit risk.

As discussed in the CC Risk Policy and CC Risk Procedures, counterparty credit risk poses a risk to ICE Clear Europe's financial resources because default by a Clearing Member could leave ICE Clear Europe under-collateralized and default by an FSP could cause ICE Clear Europe to lose its investments or expected return of cash. The Commission believes that such losses could, in turn, threaten ICE Clear Europe's ability to operate and therefore clear and settle transactions. Thus, the Commission believes that effective management of ICE Clear Europe's

counterparty credit risk could help ICE Clear Europe control risks to the financial resources needed to continue clearing and settling transactions. The Commission therefore believes that, by establishing the actions ICE Clear Europe would take to manage and mitigate counterparty credit risk, the CC Risk Policy and CC Risk Procedures would help to manage counterparty credit risk and thereby would promote the prompt and accurate clearance and settlement of securities transactions.

Moreover, the Commission believes that the minimum requirements applicable to FSPs, as well as the setting of monitoring of exposure limits with respect to FSPs would be consistent with the assurance of safeguarding of securities and funds in ICE Clear Europe's custody or control or for which it is responsible. The Commission believes that the minimum requirements would help to ensure that FSPs are financially stable and subject to competent regulation, which should help to ensure that ICE Clear Europe is able to access securities and funds placed with such FSPs.

Therefore, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.¹⁸

ii. Consistency with Rules 17Ad-22(e)(2)(i), (v) under the Act

Rule 17Ad-22(e)(2)(i) requires that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent.¹⁹ As discussed above, both the CC Risk Policy and the CC Risk Procedures would establish the general governance and exceptions process for those

¹⁸ 15 U.S.C. 78q-1(b)(3)(F).

¹⁹ 17 CFR 240.17Ad-22(e)(2)(i).

documents, identical to the governance and exceptions process that ICE Clear Europe has established in other policies and procedures. The Commission believes that, in doing so, the CC Risk Policy and CC Risk Procedures would establish clear and transparent arrangements for ensuring that ICE Clear Europe personnel adhere to the documents and for modifying the documents as needed.

Rule 17Ad-22(e)(2)(v) requires that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that specify clear and direct lines of responsibility.²⁰ As discussed above, the CC Risk Procedures would set out roles and responsibilities for ICE Clear Europe's Credit and Treasury teams in assessing FSPs and applying limits to FSPs. The Commission believes these provisions would specify clear and direct lines of responsibility for the Credit and Treasury teams.

Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(2)(i) and (e)(2)(v).²¹

iii. Consistency with Rule 17Ad-22(e)(3)(i) under the Act

Rule 17Ad-22(e)(3)(i) requires that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by ICE Clear Europe, which includes risk management policies, procedures, and systems

²⁰ 17 CFR 240.17Ad-22(e)(2)(v).

²¹ 17 CFR 240.17Ad-22(e)(2)(i) and (e)(2)(v).

designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by ICE Clear Europe, that are subject to review on a specified periodic basis and approved by the board of directors annually.²² As discussed above, the CC Risk Policy and the CC Risk Procedures would describe how ICE Clear Europe monitors and mitigates counterparty credit risk. The Commission believes that together these documents would allow ICE Clear Europe to comprehensively measure the credit risk posed by Clearing Members and FSPs through, among other things, assessing prospective Clearing Members and FSPs against certain credit eligibility criteria. The Commission further believes that CRS scores, periodic reviews, trigger-based reviews, and exposure limits would provide ICE Clear Europe a comprehensive means of monitoring the credit risk posed by Clearing Members and FSPs. Finally, the Commission believes that the mitigating actions discussed above would reduce or eliminate ICE Clear Europe's exposure to a Clearing Member or FSP, thereby helping ICE Clear Europe manage overall credit risk.

Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(3)(i).²³

iv. Consistency with Rule 17Ad-22(e)(19) under the Act

Rule 17Ad-22(e)(19) requires that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage the material risks to ICE Clear Europe arising from arrangements in which firms that are indirect participants in ICE Clear Europe rely on the services provided by direct participants to access

²² 17 CFR 240.17Ad-22(e)(3)(i).

²³ 17 CFR 240.17Ad-22(e)(3)(i).

ICE Clear Europe's payment, clearing, or settlement facilities.²⁴ As discussed above, the CC Risk Policy and the CC Risk Procedures would require that ICE Clear Europe monitor clients of Clearing Members that are not affiliates of the Clearing Member to consider whether default of the client could cause the default of the Clearing Member. The Commission believes this would help ICE Clear Europe to monitor and manage the risks that clients, as indirect participants, could pose to Clearing Members, as direct participants in ICE Clear Europe. The Commission further believes that such client/Clearing Member arrangements could pose material risks to ICE Clear Europe through its relationships with Clearing Members.

Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(19).²⁵

²⁴ 17 CFR 240.17Ad-22(e)(19).

²⁵ 17 CFR 240.17Ad-22(e)(19).

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act,²⁶ and Rules 17Ad-22(e)(2)(i), (e)(2)(v), (e)(3)(i), and (e)(19).²⁷

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act²⁸ that the proposed rule change (SR-ICEEU-2021-015), be, and hereby is, approved.²⁹

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁰

Eduardo A. Aleman
Deputy Secretary

²⁶ 15 U.S.C. 78q-1(b)(3)(F).

²⁷ 17 CFR 240.17Ad-22(e)(2)(i), (e)(2)(v), (e)(3)(i), and (e)(19).

²⁸ 15 U.S.C. 78s(b)(2).

²⁹ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³⁰ 17 CFR 200.30-3(a)(12).