SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-102679; File No. SR-ICC-2025-001)

March 14, 2025

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Risk Parameter Setting and Review Policy and the Risk Management Model Description

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 12, 2025, ICE Clear Credit LLC ("ICE Clear Credit" or "ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been primarily prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed rule change is to revise its (i) Risk Parameter Setting and Review Policy (the "RPSRP"), and (ii) the Risk Management Model Description (the "RMMD").

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICC proposes revising the RPSRP and RMMD. The proposed amendments are intended to make certain enhancements and clarifications to the RPSRP and RMMD to improve ICC's documentation of its risk management methodology and processes. ICC believes that such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. ICC proposes to make such changes effective following Commission approval of the proposed rule change. The proposed revisions are described in detail as follows.

RPSRP

ICC proposes to revise the RPSRP, which describes the process of setting and reviewing the risk management model core parameters and the performance of sensitivity analysis related to certain parameter settings. The parameters set and calibrated pursuant to the RPSRP are used in ICC's risk methodology in certain calculations including, without limitation, initial margin and guaranty fund requirements, as described in the RMMD and the ICC Risk Management Framework. Such proposed changes to the RPSRP are intended to (i) transition the risk management mean absolute deviation ("MAD") monthly parameter update for credit default swap ("CDS") single name risk factors to an automatic daily update in the risk management system; (ii) enhance the documentation and calibration details included in the RPSRP regarding the current anti-

procyclical condition ("APC") measure for CDS index options; and (iii) make certain other minor language corrections and clarifications. The proposed changes are described in detail below.

ICC proposes to amend Section 1.7.1 of the RPSRP, 'Univariate Level Parameters' to revise the cadence at which a specific parameter is updated. Such proposed change relates to the univariate level parameters associated with the integrated spread response ("iSR") model component.[3] Namely, ICC proposes to transition the risk management MAD monthly parameter update for CDS single name risk factors to an automatic daily update in the risk management system. With this change to an automatic daily update, single name risk factor level risk management MADs will be updated at the same daily cadence as CDS index risk factors.[4] Section 1.7.1 currently compares the suitability of an automatic daily update for CDS single name risk factors and CDS index risk factors. While an automatic daily update is particularly suitable for CDS index risk factors due to their macro-level dynamic market response, CDS single name risk factors still benefit from an automatic daily update.[5] As automatic daily updates are suitable for both CDS single name risk factors and CDS index risk factors, ICC proposes changes to Section 1.7.1 to remove any comparison of suitability. ICC proposes further changes to Section 1.7.1 of the RPSRP to note that the behavior of single name risk factors is

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3 The iSR is a risk model component that captures credit spread and recovery rate fluctuations and is computed by creating profit/loss distributions from a set of jointly simulated hypothetical credit spread and recovery rate scenarios.

4 Please note that ICC transitioned the risk management MAD monthly parameter updates for index risk factors to an automatic daily update in 2021. *See* Exchange Act Release No. 91951 (May 20, 2021), 86 FR 28425 (May 26, 2021) (SR-ICC-2021-009).

5 For instance, CDS single name risk factors also exhibit a dynamic market response to rapidly changing single name risk factor specific market conditions and are thus also suitable for automatic daily updates.

inherently prone to idiosyncratic events and hence exhibit dynamic market response to rapidly changing single name risk factor specific market conditions, suitable for and benefitting from automatic risk management MAD updates. With the proposed addition of automatic daily updates, ICC proposes to remove the reference to monthly single name risk factor risk management MAD reviews in Section 1.7.1 of the RPSRP.

Furthermore, ICC proposes additional corrective and clarifying changes to Section 1.7.1 of the RPSRP. Specifically, with respect to the description of the ICC risk department's review of univariate iSR parameters, ICC proposes to delete the erroneous qualifier "SN" from the reference to iSR parameters as such reviews are not limited to single name iSR parameters, rather such reviews are conducted with respect to both CDS single name and CDS index iSR parameters. In addition, ICC proposes to add the word "additional" to clarify that the ICC risk department presents on an at least monthly basis to the ICC Risk Working Group ("RWG")[6] the performed analysis, and any "additional" proposed parameter updates. The purpose of this change is to clarify that the ICC risk department will review with the RWG both the automatic parameter updates described in the RPSRP, and any "additional" proposed parameter updates beyond the automatic parameter updates. Such corrective and clarifying changes improve the accuracy of the RPSRP.

In addition, ICC proposes further enhancements to the RPSRP to address recommendations from a recent independent validation report. Such enhancements relate to the anti-procyclicality level parameters associated with the iSR that are designed to

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[6] The ICC Risk Working Group or RWG, which generally meets weekly, is composed of risk employees of ICC Clearing Participants. The RWG consults with the ICC risk department to provide input into ICC's systemic risk approach.

help achieve anti-procyclicality of the iSR.[7] ICC analyzes instrument price changes during extreme market events to achieve anti-procyclicality of the iSR. The RPSRP discusses stress scenarios associated with historically observed extreme price changes, which serve as inputs in estimating the anti-procyclical portfolio response used to establish the final portfolio iSR. ICC proposes to revise Section 1.7.3 of the RPSRP, 'Anti-Procyclicality Level Parameters' to add calibration details regarding the current APC measure for CDS index options describing such stress scenario of "asynchronous"[8] hedging risk. The proposed enhanced description of the calibration details in Section 1.7.3 of the RPSRP documents that the applicable stress scenario for CDS index options is constructed such that CDS index options prices are not consistent with the CDS index price levels. The proposed enhancements to the description of the calibration details in Section 1.7.3 of the RPSRP do not revise ICC's parameter setting methodology, rather such additional details are intended to increase clarity and provide additional detail to ICC's description of its parameter setting methodology set forth in the RPSRP.

In connection with the proposed enhanced details in Section 1.7.3 of the RPSRP, ICC proposes to formally define the current "underlying price dislocation factor for

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7 The iSR is ultimately used to compute ICC's initial margin requirements, as the iSR is added along with other requirements to establish the total initial margin requirement for a portfolio.

8 "Asynchronous" hedging risk stress scenario corresponds to the dislocation of the underlying CDS index versus CDS index option hedges in the event of a liquidation auction (e.g., in the event the CDS index options sub-portfolio is auctioned at a different time from the CDS index sub-portfolio). In contrast, "Synchronous" hedging risk stress scenario corresponds to the preservation of the underlying CDS index versus CDS index option hedges in the event of a liquidation auction.

options extreme asynchronous price scenarios"[9] by adding to the list of core risk model parameters contained in Section 1.1., Table 1 of the RPSRP.

Lastly, ICC proposes to revise Section 3 'Revision History' of the RPSRP to include the proposed revisions.

RMMD

ICC proposes to revise the RMMD, which provides a description of ICC's quantitative risk models and the associated methods and techniques used in connection with ICC's determination of initial margin and guaranty fund requirements. Specifically, ICC proposes changes to the RMMD to (i) update the calculation of the risk factor level maximum loss ("MaxLoss") to make it more robust, conservative, and stable from a risk perspective; and (ii) enhance the documentation and calibration details included in the RMMD regarding the current APC measure for CDS index options (consistent with the analogous proposed changes to the RPSRP described above). The proposed changes are described in detail below.

ICC proposes to revise Section III.2 'Maximum Loss Conditions' of the RMMD to enhance the CDS index and CDS single name MaxLoss boundary condition to make them more stable and conservative. Currently, for the index risk factor and risk sub-factor ("RSF")[10] MaxLoss boundary conditions, the methodology considers both the loss responses of the underlying CDS index only portfolios, and the loss responses to the combined underlying CDS index and the CDS index option sub-portfolios. Currently the

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[9] Price dislocation factor refers to the current factor that captures the potential asynchronous repricing/liquidation of the option sub-portfolio and the underlying index sub-portfolio, and thus breaking existing hedges.

[10] A risk sub-factor or RSF is a specific single name reference obligation seniority and document clause combination.

loss response, in both cases, only account for the liability associated with the defaulting net protection buyers and sellers for a given CDS index risk factor and RSF. As amended, for the index risk factor and RSF MaxLoss boundary conditions, the enhancement consists of always considering loss responses of the combined underlying CDS index and the CDS index option sub-portfolios, namely, replacing the underlying CDS index-only portfolios loss responses' component of the MaxLoss boundary condition, with the combined underlying CDS index and the CDS index option sub-portfolio loss responses associated with extreme price moves. The incorporation of the combined underlying CDS index and the CDS index option sub-portfolios' response to extreme price moves provides additional conservative bias because the index risk factor and RSF MaxLoss will only consider loss responses to the combined underlying CDS index and CDS index option sub-portfolios under which the loss response to the extreme price moves can lead to larger losses for the combined underlying CDS index and the CDS index option sub-portfolio. Similarly, for single names, the enhancement of the risk factor and RSF level MaxLoss boundary condition consists of also considering the portfolio responses to extreme price moves to extend the enhancement made to the index risk factor and RSF MaxLoss boundary condition, for consistency. Currently, for single name risk factor and RSF MaxLoss boundary conditions, the methodology only considers the liability associated with defaulting net protection buyers and sellers for a given single name risk factor and RSF. The incorporation of the single name risk factor and RSF sub-portfolio response to extreme price moves provides additional conservative bias because the loss response to extreme price moves can lead to larger losses for the single name risk factor and RSF sub-portfolio.

In addition, ICC proposes further enhancements to the RMMD to address recommendations from a recent independent validation report analogous to the proposed changes to the RPSRP to address independent validation report recommendations described above. Specifically, ICC proposes revising Section VII.5.3 of the RMMD, 'Anti-Procyclicality Measures' to add calibration details regarding the current APC measure for CDS index options describing the stress scenarios of synchronous and asynchronous hedging risk. The proposed enhanced description of the calibration details in Section VII.5.3 of the RMMD documents the different calculations performed for synchronous scenarios as compared to the calculations performed for asynchronous scenarios. Specifically, the proposed changes would formally clarify the synchronous and asynchronous scenarios, when synchronous and asynchronous scenarios could occur, and where to find information related to index risk factor specific price dislocation factor. Calibration details are also updated for this price dislocation factor. The underlying price dislocation factor for asynchronous scenarios is currently set to a specific value in the RMMD. As amended, the underlying price dislocation factor would be calibrated by considering a ratio between peak price decreases or increases. ICC believes the proposed calibration provides a more informed estimate, as the underlying price dislocation factor is no longer static. The proposed enhancements to calibration details in Section VII.5.3 of the RMMD do not revise ICC's parameter setting methodology. The methodology already sets a specific value for the price dislocation factor in the context of asynchronous scenarios. Rather, ICC would calibrate the price dislocation factor by using a ratio of the current extreme price moves. The additional calibration details are intended to increase clarity, provide additional detail to ICC's description of its risk methodology

set forth in the RMMD, and address independent validation recommendations to ensure robustness of ICC's methodology.

Lastly, ICC proposes to add a 'Revision History' Section to the RMMD to document revisions made to the RMMD on a going forward basis.

(b) Statutory Basis

ICC believes that the proposed rule change is consistent with the requirements of Section 17A of the Securities Exchange Act of 1934 (the "Act")[11] and the regulations thereunder applicable to it, including the applicable standards under Rule 17Ad-22.[12] In particular, Section 17A(b)(3)(F) of the Act[13] requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts and transactions, to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible, and to protect investors and the public interest.

The proposed amendments include the transition of the risk management MAD monthly parameter updates for CDS single name risk factors to an automatic daily update. Such change would timely capture any significant MAD changes and minimize the cumulative effect of MAD changes between parameter updates, and thus reduce the level of initial margin procyclicality. The proposed amendments to the RMMD to update the calculation of risk factor level MaxLoss will make the methodology more anti-

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11 15 U.S.C. 78q-1.

12 17 CFR 240.17ad-22.

13 15 U.S.C. 78q-1(b)(3)(F).

procyclical, thereby making it more robust, conservative, and stable from a risk perspective. The remaining proposed amendments to the RPSRP and RMMD address independent validation recommendations and provide further detail and language clarifications and corrections which would strengthen and further ensure readability and clarity with respect to ICC's process of setting and reviewing the model core parameters to ensure that the documentation remains up-to-date, clear and transparent to support the effectiveness of ICC's risk management. Accordingly, in ICC's view, the proposed rule change is consistent with the prompt and accurate clearance and settlement of the contracts cleared at ICC, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.[14]

Rule 17Ad-22(e)(2)(i) and (v)[15] requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility. ICC's RPSRP clearly assigns and documents responsibility and accountability for the estimation and review of the model core parameters and the performance of sensitivity analysis. Regarding the univariate level parameters, the proposed changes continue to ensure that ICC maintains clear and transparent governance procedures and arrangements, including by describing the frequency of the parameter reviews and updates, the group involved in the review process, and prerequisites to implementing parameter updates. As such, in ICC's view,

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14 *Id.*

15 17 CFR 240.17ad-22(e)(2)(i) and (v).

the proposed rule change continues to ensure that ICC maintains policies and procedures that are reasonably designed to provide for clear and transparent governance arrangements and specify clear and direct lines of responsibility, consistent with Rule 17Ad-22(e)(2)(i) and (v).[16]

Rule 17Ad-22(e)(3)(i)[17] requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to 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 it, which includes risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by it, that are subject to review on a specified periodic basis and approved by the Board annually. ICC maintains a sound risk management framework that identifies, measures, monitors, and manages the range of risks that it faces. The RPSRP and RMMD are key aspects of ICC's risk management approach, and the proposed clarifying amendments would ensure further clarity and transparency in the documentation, which would promote the successful maintenance and operation of the RPSRP and RMMD. As such, the amendments would satisfy the requirements of Rule 17Ad-22(e)(3)(i).[18]

Rule 17Ad-22(e)(4)(ii)[19] requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from

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16 *Id.*

17 17 CFR 240.17ad-22(e)(3)(i).

18 *Id.*

19 17 CFR 240.17ad-22(e)(4)(ii).

its payment, clearing, and settlement processes, including by maintaining additional financial resources at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the two participant families that would potentially cause the largest aggregate credit exposure for ICC in extreme but plausible market conditions. The proposed changes promote the soundness of the model including by (i) transitioning the risk management MAD monthly parameter update for single name risk factors to an automatic daily update and (ii) enhancing the documentation to update the calculation of risk factor level MaxLoss to make the methodology more robust, conservative and stable from a risk perspective. ICC believes that the proposed rule change would thus enhance ICC's ability to manage risks and maintain appropriate financial resources. ICC proposes additional enhancements and clarifications, including enhancements to the documentation and calibration details regarding the APC measure for CDS index options. ICC believes that such changes address independent validation recommendations and enhance the readability and transparency of the RPSRP and RMMD, which would strengthen the methodology and documentation and ensure it remains up-to-date, clear and transparent. As such, the proposed amendments would strengthen ICC's ability to maintain its financial resources and withstand the pressures of defaults, consistent with the requirements of Rule 17Ad-22(e)(4)(ii).[20]

Rule 17Ad-22(e)(6)(i)[21] requires ICC to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures

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20 *Id.*

21 17 CFR 240.17ad-22(e)(6)(i).

to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. As described above, the single name risk factor level MADs would be automatically updated daily in the risk management system, which would timely capture any significant MAD changes and minimize the cumulative effect of MAD changes between parameter updates, and thus reduce the level of initial margin procyclicality. The additional clarifications would further promote clarity and transparency in the RPSRP and RMMD. In ICC's view, the proposed changes thus enhance and strengthen ICC's process for reviewing and setting the model core parameters, which in turn serves to promote the soundness of ICC's risk management model and system, which will continue to consider and produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market, consistent with the requirements of Rule 17Ad-22(e)(6)(i).[22]

(B) Clearing Agency's Statement on Burden on Competition

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The proposed changes to the RSPRP and RMMD will apply uniformly across all market participants. ICC does not believe these amendments would affect the costs of clearing or the ability of market participants to access clearing. Therefore, ICC does not believe the proposed rule change would impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

[22] *Id.*

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the *Federal Register* or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (*http://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking*); or
- Send an e-mail to *rule-comments@sec.gov*. Please include file number SR-ICC-2025-001 on the subject line.

Paper Comments:

Send paper comments in triplicate to [Name of Secretary], Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to file number SR-ICC-2025-001. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*http://www.sec.gov/rules-regulations/self-regulatory-organization-rulemaking*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 am and 3 pm. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's website at *https://www.ice.com/clear-credit/regulation*.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-ICC-2025-001 and should be submitted on or before [INSERT DATE 21 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[23]

Vanessa A. Countryman,

Secretary.

[23] 17 CFR 200.30-3(a)(12).