

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-91489; File No. SR-ICC-2021-007)

April 7, 2021

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to ICC's Treasury Operations Policies and Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 29, 2021, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II and III below, which Items have been prepared primarily 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 the ICC Treasury Operations Policies and Procedures ("Treasury Policy"). These revisions do not require any changes to the ICC Clearing Rules (the "Rules").

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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 to revise its Treasury Policy. The proposed amendments consist of clarifications and updates with respect to governance arrangements and collateral asset haircuts and include other minor clean-up changes. 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.

ICC proposes to amend the "Revision History" section of the Treasury Policy. The proposed changes correct a statement indicating that the document's revision history is limited to the last three years. The proposed changes memorialize the review and approval process of the document, which consists of review by the Risk Committee and review and approval by the Board at least annually. Additionally, ICC would update the revision history table to include the most recent changes to the document.

ICC proposes updates and clarification changes to the "Collateral Assets Risk Management Framework" appendix ("Appendix 6"). Under the Treasury Policy, ICC accounts for the risk associated with fluctuations in the value of collateral assets by applying haircuts. Haircuts are calculated by the ICC Risk Department (the "Risk Department") on an on-going basis and described in more detail in Appendix 6. ICC proposes changes in Appendix 6 that update the measure of daily changes for collateral

assets such as sovereign debt. The proposed changes would amend and remove certain language that differentiates between yield rates greater than and less than or equal to one basis point in respect of sovereign debt collateral haircuts. Such amendments do not represent a change to the methodology and would provide a more generalized and consistent collateral risk management framework for sovereign debt. ICC proposes additional clarifications, including with respect to time series used for sovereign debt collateral haircuts and a formula regarding a risk factor specific haircut. ICC also proposes a grammatical update to change a reference to “haircuts” from plural to singular.

ICC further proposes additional detail on the process of reviewing and updating collateral asset haircuts. Appendix 6 currently states that such haircuts are reviewed monthly. ICC proposes to clarify that haircuts are established by the Risk Department within their respective intervals and are reviewed at least monthly to determine the need for updates. ICC also proposes to specify any discretion provided to the Risk Department during periods of extreme market stress with respect to updating collateral asset haircuts.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>3</sup> 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 which are in the custody or control of the clearing agency or for which it is responsible; and to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that

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<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F).

the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F)<sup>4</sup>, because ICC believes that the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, and contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. As described above, the proposed rule change would allow ICC to make certain clarifications and updates to the Treasury Policy, including with respect to collateral asset haircuts in the appendix. The proposed amendments to Appendix 6 update the measure of daily changes for collateral assets such as sovereign debt. Such amendments do not represent a change to the methodology and would provide a more generalized and consistent collateral risk management framework for sovereign debt. The additional clarifications and updates strengthen the governance arrangements set out in the Treasury Policy and promote clarity, including by memorializing the review and approval process for the document, providing additional detail on the Risk Department's process for reviewing and updating haircuts, and making clean-up changes to improve readability. The proposed updates thus 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, which promotes the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and contributes to the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible. As such, the

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<sup>4</sup> Id.

proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and to contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible within the meaning of Section 17A(b)(3)(F) of the Act.<sup>5</sup>

The amendments would also satisfy relevant requirements of Rule 17Ad-22.<sup>6</sup> Rule 17Ad-22(e)(2)(i) and (v)<sup>7</sup> 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. The proposed changes strengthen the governance procedures and arrangements detailed in the Treasury Policy. The amended "Revision History" section memorializes the review and approval of the document by relevant groups at least annually. Amended Appendix 6 more clearly defines the roles and responsibilities of the Risk Department regarding reviewing and updating collateral asset haircuts, including any discretion provided to the Risk Department during periods of extreme market stress with respect to updating collateral asset haircuts. As such, in ICC's view, the proposed rule change continues to ensure that ICC maintains policies and procedures that are reasonably designed to provide for clear and transparent governance

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<sup>5</sup> Id.

<sup>6</sup> 17 CFR 240.17Ad-22.

<sup>7</sup> 17 CFR 240.17Ad-22(e)(2)(i) and (v).

arrangements and specify clear and direct lines of responsibility, consistent with Rule 17Ad-22(e)(2)(i) and (v).<sup>8</sup>

Rule 17Ad-22(e)(3)(i)<sup>9</sup> requires each covered clearing agency 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 the covered clearing agency, 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 the covered clearing agency, 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. As described above, ICC accounts for the risk associated with fluctuations in the value of collateral assets by applying haircuts under the Treasury Policy. The proposed changes update the measure of daily changes for collateral assets such as sovereign debt, which would provide a more generalized and consistent collateral risk management framework for sovereign debt, and make other clarifications to ensure that the Treasury Policy remains effective and clear. Moreover, the Treasury Policy is a key aspect of ICC's risk management approach, and the proposed amendments would memorialize that the document is reviewed by the Risk

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<sup>8</sup> Id.

<sup>9</sup> 17 CFR 240.17Ad-22(e)(3)(i).

Committee and reviewed and approved by the Board at least annually. As such, the amendments would satisfy the requirements of Rule 17Ad-22(e)(3)(i).<sup>10</sup>

Rule 17Ad-22(e)(5)<sup>11</sup> requires each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually. The Treasury Policy limits the assets ICC accepts as collateral to those with low credit, liquidity, and market risks. The proposed amendments provide additional detail on the process of reviewing and updating collateral asset haircuts, including clarifying that haircuts are established by the Risk Department within their respective intervals and are reviewed at least monthly to determine the need for updates. As such, the amendments would satisfy the requirements of Rule 17Ad-22(e)(5).<sup>12</sup>

(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 ICC's Treasury Policy will apply uniformly across all market participants. Therefore, ICC does not believe the proposed

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<sup>10</sup> Id.

<sup>11</sup> 17 CFR 240.17Ad-22(e)(5).

<sup>12</sup> Id.

rule change imposes any burden on competition that is inappropriate in furtherance of the purposes of the Act.

(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/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICC-2021-007 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ICC-2021-007. This file number should be included on the subject line if e-mail 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/sro.shtml>). 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, D.C. 20549, on official business days between the hours of 10:00 am and 3:00 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.theice.com/clear-credit/regulation>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2021-007 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).