



8011-01  
SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81132; File No. SR-ICC-2017-011)

July 12, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to ICC's Liquidity Risk Management Framework and ICC's Stress Testing Framework

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 28, 2017, 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 Liquidity Risk Management Framework and the ICC Stress Testing Framework. These revisions do not require any changes to the ICC Clearing Rules ("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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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

<sup>2</sup> 17 CFR 240.19b-4.

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 revisions to its Liquidity Risk Management Framework and to its Stress Testing Framework. ICC believes 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. The proposed revisions are described in detail as follows.

**Liquidity Risk Management Framework**

ICC proposes to revise its Liquidity Risk Management Framework in order to make revisions to its liquidity monitoring program in order to enhance compliance with U.S. Commodity Futures Trading Commission ("CFTC") regulations including 17 CFR 39.11, 17 CFR 39.33 and 17 CFR 39.36.

ICC proposes to reorganize the format of the Liquidity Risk Management Framework to consist of three elements: Liquidity Risk Management Model; Measurement and Monitoring; and Governance. The "Regulatory Requirements" section, previously included as an element of the framework, will be deleted; however, the regulatory requirements applicable to liquidity risk management are still referenced in the framework. The changes to each element of the Liquidity Risk Management Framework are described below.

I. Liquidity Risk Management Model

ICC proposes to enhance the description of the components which comprise its liquidity risk management model. As revised, the liquidity risk management model now includes, but is not limited to, the following components: currency-specific risk requirements; acceptable collateral; liquidity requirements; collateral valuation methodology; investment strategy; Clearing Participant (“CP”) deposits as a liquidity pool; liquidity facilities (including committed repo facilities and committed foreign exchange (“FX”) facilities); and liquidity waterfall. Each of these components are described thoroughly within the Liquidity Risk Management Framework, and changes to each component are described below.

#### *Currency-Specific Risk Requirements*

ICC proposes to add language to the ‘currency-specific risk requirements’ section to cross reference ICC’s current policy of maintaining cash and collateral assets posted by CPs (on behalf of themselves and/or their clients) to meet currency-specific Initial Margin (“IM”) and GF requirements, to ensure ICC has sufficient total resources in the required currencies of denomination.

#### *Acceptable Collateral*

The ‘acceptable collateral’ section remains the same, and notes that CPs may post IM and GF deposits that meet ICC’s acceptable collateral criteria as described in ICC’s Treasury Operations Policies and Procedures and Schedule 401 of the ICC Rules.

#### *Liquidity Requirements*

The ‘liquidity requirements’ section sets forth ICC’s liquidity requirements for house/proprietary accounts and client-related accounts. Such requirements are also set forth in ICC’s Treasury Operations Policies and Procedures and Schedule 401 of the ICC

Rules. The ‘liquidity requirements’ section will reflect the changes to ICC’s liquidity thresholds for Euro (“EUR”) denominated products set forth in filing SR-ICC-2017-002.<sup>3</sup> ICC revised the ‘liquidity requirements’ section to cross reference ICC’s minimum U.S. Dollar (“USD”) contribution to the Guaranty Fund (“GF”) of \$20 million required from every CP. This is not a change, but rather a statement of current policy<sup>4</sup>. ICC proposes revisions to the ‘liquidity requirements’ section to extend ICC’s margin risk horizon up to 6-days, to account for the risk associated with clearing Asia Pacific products. This change will apply throughout the framework; the risk horizon is reflected as “N-day” where  $N \geq 5$  is the margin risk horizon or Margin Period of Risk (MPOR). The margin risk horizon is based on the greatest MPOR (rounded up to the nearest integer) for the CDS instruments currently eligible for clearing in order to capture the risk associated with clearing products across multiple time zones (i.e. if an instrument is subject to 5.5 day MPOR estimations, then the scenarios will reflect  $N=6$ ).

#### *Collateral Valuation Methodology*

The ‘collateral valuation methodology’ section remains substantially the same, and sets forth the method by which ICC prices the assets posted as collateral, including haircut calculations.

#### *Investment Strategy*

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<sup>3</sup> See Securities Exchange Act Release No. 34-79988 (February 8, 2017), 82 FR 10611 (February 14, 2017). This rule change has been approved by the Commission. See Securities Exchange Act Release No. 34-80324 (March 28, 2017), 82 FR 16244 (April 3, 2017). The text of the proposed rule change for rule filing SR-ICC-2017-002 can also be found on ICC’s website at <https://www.theice.com/clear-credit/regulation>.

<sup>4</sup> Set forth in Schedule 401 of the ICC Rulebook.

The ‘investment strategy section’ remains substantially the same, and sets forth a summary of ICC’s investment strategy. ICC proposes revisions to the ‘investment strategy’ section to note that when beneficial, ICC diversifies its cash investments across multiple depository institutions to reduce its liquidity exposure to any single depository.

#### *CP Deposits as a Liquidity Pool*

The ‘CP deposits as a liquidity pool’ section remains substantially the same, and refers to the ability of ICC, pursuant to ICC Rules 402 and 804, to borrow GF and house origin IM cash deposits of non-defaulting CPs and pledge non-cash and cash assets of an equivalent value deposited by the defaulting and/or non-defaulting CP(s) as collateral for this loan.

#### *Liquidity Facilities*

ICC proposes revisions to the ‘liquidity facilities’ section to add reference to its committed repurchase facilities (as opposed to committed repurchase agreements). ICC added reference to its recently available committed FX facilities for converting USD cash to EUR cash. ICC also proposes removing reference to FX Swaps, Immediate FX Spot Transactions, because these arrangements do not count as “qualifying liquidity resources” under CFTC Regulation 39.33<sup>5</sup>, as they are not committed. ICC also proposes removing reference to the Intercontinental Exchange, Inc. committed line of credit, as ICC no longer participates in the arrangement. ICC’s liquidity is not negatively impacted by the proposed changes, as the committed repo facilities and committed FX facilities (coupled with ICC cash and collateral deposits) ensure ICC remains fully able to timely and

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<sup>5</sup> 17 CFR 39.33

effectively contain liquidity pressures consistent with Rule 17Ad-22(d)(11)<sup>6</sup>. ICC proposes analogous changes to the ‘liquidity waterfall’ section to reflect the deletion and addition of these references.

*Liquidity Waterfall*

Under the ‘liquidity waterfall’ section, ICC proposes revisions to its definition of Available Liquidity Resources (“ALR”) to note that ALR consist of the available deposits currently in cash of the required denomination, and the cash equivalent of the available deposits in collateral types that ICC can convert to cash, in the required currency of denomination, using all sources of liquidity available to it. For reference, the liquidity waterfall classifies ALR on any given day into four Levels. Level One includes the House IM and GF cash deposits of the defaulting CP. Level Two includes GF cash deposits of: (i) ICC; and (ii) non-defaulting CPs, which until ICC has consumed the cash equivalent value of all defaulting CPs’ IM and GF deposits, are available to ICC after pledging an equivalent value of non-cash assets (or cash assets in a different currency) from the defaulting CP’s IM deposits or GF deposits. Level Three includes House IM cash deposits of the non-defaulting CPs, which are available to ICC after pledging an equivalent value of non-cash assets (or cash assets in a different currency) from the defaulting CP’s IM deposits or GF deposits. Level Three cash used by ICC is always a loan, against which it must provide the equivalent Pledgeable Collateral from the GF deposits of the non-defaulting CPs and ICC, and/or from the IM and/or GF deposits of the defaulting CPs.

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<sup>6</sup> 17 CFR 240.17Ad-22(d)(11).

Level Four includes ICC's committed repo facilities to convert U.S. Treasuries to USD cash and ICC's committed FX facilities to convert USD cash to EUR cash. Note that when determining ALR for stress testing analyses purposes, to account for the risk associated with Foreign Exchange ("FX") rate fluctuations, i.e. USD/EUR and EUR/USD, when profits and funds denominated in one currency are used to offset losses denominated in other currencies, appropriate FX "haircuts" are applied.

ICC noted that ICC's liquidity stress testing and historical liquidity analysis scenarios do not consider any tolerance for delayed payouts. ICC also noted that, during a default management period, ICC may initiate the liquidation of non-cash collateral and/or conversion of cash collateral into the required currencies of denomination, so that ICC has additional ALR to use according to the liquidity waterfall on subsequent days of default management and/or is able to pay back some or all of the cash previously borrowed in Levels Two to Four of the liquidity waterfall.

## II. Measurement and Monitoring

### *Methodology*

ICC proposes changes to the 'methodology' section to change the calculation for available liquidity resources. In the historical and stress testing analysis, ICC proposes replacing the estimation of minimum available liquid resources based on risk requirements with the observation of cash and collateral on deposit (excluding cash that will be unavailable by the applicable ICC Payout Deadline because it has been invested by ICC). As such, ICC proposes removing the section from the Liquidity Risk Management Framework which described the process for computing the estimation of minimum available liquid resources. In addition, ICC proposes removing other references

throughout the framework related to the estimation of minimum available liquid resources. ICC is changing its approach based on feedback from the CFTC, to ensure consistency with CFTC regulations, including CFTC Regulation 39.33<sup>7</sup>. Under the previous approach, ICC executed its stress test analysis by using the minimum requirement amounts based on ICC's liquidity thresholds set forth in Schedule 401 of the ICC Rules. Under the revised approach, ICC proposes executing stress test analysis by using the amount of assets currently on deposit.

ICC also proposes additional changes to the 'methodology' section. Among other things, the proposed revisions will clarify that ICC's measurement and monitoring methodology assesses the adequacy of ICC's established liquidity resources in response to historically observed and hypothetically created (forward looking) scenarios with risk horizons up to and including 6-days. The analyzed scenarios feature assumptions that directly impact the ability of ICC to meet its payment obligations. From available IM and GF collateral on deposit on the day of the considered default(s), the analysis determines currency-specific ALR by liquidity waterfall level, and compares these ALRs to the currency-specific Liquidity Obligations resulting from the analyzed scenarios on each day of the considered time horizon. To be conservative, the analysis assumes no client-related ALR and that only the day-1 ALR are available throughout the considered time horizon (i.e. the analysis does not consider ICC's ability during the considered time horizon to liquefy non-cash collateral on deposit or transform the currency of cash on deposit).

#### *Historical Analysis*

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<sup>7</sup> 17 CFR 39.33.

ICC proposes changes to the ‘historical analysis’ section of the framework. ICC proposes adding language to note that, as part of its historical liquidity analysis, ICC analyzes historical data sets to assess the level of liquidity coverage achieved for each currency. Under the revised framework, ICC will continue to conduct a historical liquidity analysis on both an individual AG basis and a cover-2 basis.

ICC proposes the use of the Basel Traffic Light System<sup>8</sup> to determine if the minimum cash component of its risk requirements truly covers historically observed 1-day liquidity obligations with a 99% level of confidence. The proposed revisions are part of the ‘historical analysis’ section. ICC’s risk requirements are designed to meet at least a 99% N-day VaR equivalent level of coverage. CPs must meet their IM and GF requirements with a minimum cash component equivalent to the 1-day portion of the N-day requirement, computed using the square-root-of-time approach<sup>9</sup>.

ICC proposes additional enhancements to the ‘historical analysis’ section to consider the simultaneous default of the two worst-case Affiliate Groups (“AGs”)<sup>10</sup> of CPs, rather than the two worst-case CPs, in line with regulations, including 17 CFR 39.33(c)(1)(ii). Under the revised framework, when computing a CP’s combined house and client origin liquidity obligation for the purposes of selecting which AGs are

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<sup>8</sup> “Supervisory Framework for the use of “Backtesting” in Conjunction with the Internal Models Approach to Market Risk Capital Requirements”, Section III: Supervisory framework for the interpretation of backtesting results, Basel Committee on Banking Supervision, January 1996.

<sup>9</sup> “Amendment to the Capital Accord to Incorporate Market Risk”, Basel Committee on Banking Supervision, January 1996.

<sup>10</sup> An affiliated CPs is defined as any other CP that owns, is owned by or is under common ownership with such a CP. The set of all affiliated CPs is considered as a CP affiliate group. This term is consistent with “participant family” as defined in 17 CFR 240.17Ad-22(12).

considered to be in a state of default, ICC proposes to eliminate the application of house origin gains against client origin losses, or house origin losses against client origin gains. This analysis is designed to demonstrate to what extent the liquidity resources available to ICC were sufficient to meet historical single and multi-day cover-2 Liquidity Obligations, consistent with 17 CFR 39.33(c)(1)(ii).

ICC proposes enhancements to the ‘historical analysis’ section to note that, for each day of its historical analysis, and on a currency specific basis, the Risk Department explores predefined cover-2 scenarios considering the default of the CPs within two AGs creating the largest remaining Liquidity Obligation after applying the IM and GF cash deposits of each constituent CP to that CP’s Liquidity Obligation. ICC’s cover-2 analysis considers the liquidity resources provided by the defaulting CPs, the GF and IM liquidity resources provided by the non-defaulting CPs and ICC, and any externally available liquidity resources.

ICC proposes clarifying changes to the ‘historical analysis section’ to note that the prices considered for historical analysis purposes are “dirty” prices as they include riskless (deterministic) payments (i.e. upfront fees, coupon payments, credit event payments and interest on mark-to-market margin). ICC proposes adding explanatory language regarding its calculation of the N-day worst-case cumulative (combined house and client origin) liquidity obligations. ICC proposes removal of a measurement and monitoring framework diagram, deemed no longer relevant or necessary in light of the larger changes to the framework. Finally, ICC proposes revisions to note that ICC reports cover-2 results from the observed immediate liquidity obligation scenarios and the worst-case five-day liquidity obligation scenarios. This audience of this reporting will depend

on the results. ICC notes that the results should exhibit no deficiencies of the combined resources in Levels One through Four of the liquidity waterfall.

#### *Stress Testing Analysis*

ICC proposes changes to the ‘stress testing’ section of the framework. Under the previously approved framework, ICC used predefined scenarios believed to be potential market outcomes historically observed, but with a very low probability of occurrence, as well as scenarios that replicated observed instrument price changes during the Lehman Brothers default. ICC also used predefined scenarios designed to test the performance of the risk methodology under extreme conditions, which ICC did not expect the market to realize.

ICC proposes re-categorizing and adding to the stress testing scenarios set forth in the ‘stress testing’ section of the framework. Under the revised framework, ICC has enhanced its description of its historically observed extreme but plausible market scenarios, to note that the scenarios define spread or price shocks based on observations during specific historical events. The historical data set from which ICC derives the proposed scenarios will continue to begin on April 1, 2007 and include periods of extreme market events such as the Bear Stearns collapse, the Lehman Brothers default, the 2009 Credit Crisis, the US “Flash Crash” event, and the European Sovereign Crisis. The scenarios are similar to the stress testing currently performed under the financial resources Stress Testing Framework.

ICC proposes eliminating all scenarios not expected to be realized as market outcomes (i.e. those considered extreme and not plausible). Under the revised framework, ICC will continue to have the ability to execute liquidity analyses based on extreme but

not plausible scenarios, on an ad-hoc basis. Further, ICC proposes revising the ‘stress testing’ section to add 1-day, 2-day, and N-day analogues in place of existing 5-day scenarios. Under the revised framework, each historically observed scenario will have three analogues, one representing a 1-day horizon, one representing a 2-day horizon and one representing a N-day horizon. Previously, only analogues representing a N-day horizon were considered. The addition of the 1-day analogue will demonstrate ICC’s ability to meeting its immediate payment obligations over a one-day period (e.g. intraday and same-day obligations), while the 2-day and N-day analogues will demonstrate ICC’s ability to meet its payment obligations over a multiday period.

ICC also proposes revising the ‘stress testing’ section of the framework to add a number of hypothetically constructed (forward looking) extreme but plausible market scenarios comprised of a given historically observed extreme but plausible market scenario and additional stress enhancements representing forward looking hypothetical adverse market events. Specifically, two sets of hypothetically constructed (forward looking) extreme but plausible market scenarios are proposed: loss-given default scenarios, and one-service-provider-down scenarios. The loss-given default scenarios consider the addition of up to three adverse credit events including the holder of the considered portfolio, one additional CP name and one additional non-CP name. The one-service-provider-down scenarios consider a reduction in ALR designed to represent ICC’s worst-case exposure to a single service provider at which it maintains cash deposits or investments, due to ICC’s potential inability to access those deposits and/or investments when required. ICC proposes that the reduction in ALR used in the one-

service-provider-down scenarios is based on ICC’s analysis of the diversification of its deposits and investments across its multiple service providers.

ICC proposes revisions to the ‘stress testing’ section to further describe its analysis under the above referenced scenarios. ICC proposes revisions to consider the simultaneous default of the two worst-case Affiliate Groups (“AGs”)<sup>11</sup> of CPs, rather than the two worst-case CPs, in line with regulations, including 17 CFR 39.33(c)(1)(ii). ICC will perform cover-2 analysis in which, for each scenario, it determines the two AGs creating the largest remaining Liquidity Obligation after applying the IM and GF cash deposits of each constituent CP to its own Liquidity Obligation. ICC compares the remaining Liquidity Obligation of the AG to the remaining liquidity resources to determine if there are sufficient resources to meet the obligation.

ICC proposes enhancements to the ‘stress testing’ section to describe its cover-N analysis in which, for each scenario, it first considers the default of one AG, then the defaults of two AGs, then three AGs, and so forth. The sequence of selecting AGs is based on the remaining Liquidity Obligation associated with the constituent CP’s portfolios after applying the IM and GF cash deposits of each constituent CP to its own Liquidity Obligation. AGs are sequenced from largest to smallest remaining Liquidity Obligation. For each set of AGs considered to be in a state of default (1 AG, 2 AGs, 3 AGs, etc.), ICC compares the total remaining Liquidity Obligation to the remaining liquidity resources to determine if there are sufficient resources to meet the obligation. In

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<sup>11</sup> An affiliated CPs is defined as any other CP that owns, is owned by or is under common ownership with such a CP. The set of all affiliated CPs is considered as a CP affiliate group. This term is consistent with “participant family” as defined in 17 CFR 240.17Ad-22(12).

this way, ICC determines how many AGs it would require to be in a state of default to consume all available liquidity resources.

To determine the Liquidity Obligations in the above analysis, ICC applies the stress scenarios to actual cleared portfolios to determine a currency-specific profit/loss for each CP, representing the largest cumulative loss over the specified risk horizon. The considered profit/loss in the analysis is the sum of the upfront fee changes corresponding to the clean prices associated with the hypothetical scenarios, and excluding the riskless (deterministic) payments.

To determine ICC's liquidity needs for each scenario, the Risk Department computes Liquidity Obligations for FCM/BD CPs by combining the net payments for house and client origin accounts. For the purposes of selecting defaulting AGs, the Risk Department does not offset client origin losses with house origin gains, or offset house origin losses with client origin gains.

### III. Governance

#### *Required Analysis*

The 'required analysis' section remains substantially the same. The ICC Risk Department executes stress testing daily, with weekly reporting to different audiences depending on the results. The Risk Department also executes monthly historical liquidity adequacy analyses and reviews the results monthly, with monthly reporting to different audiences depending on the results.

#### *Interpretation of Results and Potential Actions*

The 'interpretation of results and potential actions' section remains substantially the same. Depending on the scenarios and the frequency and severity of any resulting

deficiencies, the Risk Department may choose to make appropriate enhancements to its model. Before enhancing its liquidity risk management model, ICC first discusses such enhancements with its senior management team, and subsequently consults with its Risk Working Group and Risk Committee before submitting to the Board of Managers for approval.

#### *Materiality and Reporting Framework*

ICC proposes changing the ‘materiality and reporting framework’ section to note that, at each Risk Committee meeting, the Risk Department provides a summary of historical liquidity analysis and liquidity stress testing analysis, which demonstrates the adequacy of ICC’s liquidity resources to cover Liquidity Obligations over N-days. Such analyses will also include any instance where Level Three resources were required to meet Liquidity Obligations in response to any of the considered historical liquidity or liquidity stress testing scenarios.

ICC proposes revisions to the ‘materiality and reporting framework’ to note that, when exceedances of funded and/or unfunded resources are identified, the Risk Department is required to report them to the senior management team and the ICC Risk Committee, and i) demonstrate breaches do not highlight a significant liquidity risk management weaknesses, or ii) recommend specific liquidity risk management model enhancements that produce an adequate increase in funded and/or unfunded liquidity resources under the identified scenario(s). In addition to the reporting described above, the Risk Department will also report to the Risk Committee any instances where the Basel Traffic Light System categorizes the number of observed exceedances in its individual AG historical analysis as being in the predefined “red zone”. In these

instances, the Risk Department will discuss with the Risk Committee the appropriateness of its liquidity thresholds, and if appropriate, make revisions.

#### *Model Validation*

ICC proposes revisions to the ‘model validation’ section to note that its Liquidity Risk Management Framework is under the purview of the Model Validation Framework, and subject to initial validations.

#### **Stress Testing Framework**

ICC proposes revisions to its Stress Testing Framework to unify the stress testing scenarios with the liquidity stress testing scenarios set forth in the Liquidity Risk Management Framework. ICC operates its stress testing and liquidity stress testing on a unified set of stress testing scenarios and system. As such, revisions to the stress testing scenarios are necessary to ensure scenario unification, following changes to the Liquidity Risk Management Framework. Such changes are consistent with recently issued guidance for certain principles and key considerations in the Committee on Payments and Market Infrastructures-Board of the International Organization of Securities Commissions Principles for Financial Market Infrastructures<sup>12</sup>. The proposed revisions are described in detail as follows.

ICC proposes to introduce Risk Factor specific scenarios for all stress test scenarios. Previously, corporate single names were considered at the sector level (as opposed to the Risk Factor level). This change is reflected throughout the framework.

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<sup>12</sup> See CPMI-IOSCO Consultative Report, Resilience and recovery of CCPs: Further guidance on the PFMI, dated August 2016 (<http://www.bis.org/cpmi/publ/d149.pdf>).

ICC also proposes to add clarifying language to note that the predefined stress testing scenarios set forth in its Stress Testing Framework are applied to all cleared instruments, and that name-specific scenarios are applied to all sovereign and corporate reference entities.

ICC also proposes revisions to extend ICC's margin risk horizon up to 6-days, to account for the risk associated with clearing Asia Pacific products. This change will apply throughout the framework; the risk horizon is reflected as "N-day" where  $N \geq 5$  is the margin risk horizon or Margin Period of Risk (MPOR). The margin risk horizon is based on the greatest MPOR (rounded up to the nearest integer) for the CDS instruments currently eligible for clearing in order to capture the risk associated with clearing products across multiple time zones (i.e. if an instrument is subject to 5.5 day MPOR estimations, then the scenarios will reflect  $N=6$ ).

ICC also proposes to revise its description of the "Historically Observed Extreme but Plausible Market Scenarios" to note that the stress spread changes considered as part of each scenario are extracted from the market history of the most actively traded instrument for the considered Risk Factors.

ICC proposes to revise the "Hypothetically Constructed (Forward Looking) Extreme but Plausible Market Scenarios" to ensure consistency with the loss-given default stress scenario set forth in the Liquidity Risk Management Framework, which combines a given historically observed extreme but plausible market scenario with explicit Jump-to-Default events. The proposed revisions specify that there will be up to two reference entities selected for a hypothetical adverse credit event.

ICC proposes to revise the description of the discordant scenarios (i.e. scenarios under which selected risk factors move in opposite directions; commonly the behavior deviates from historically observed behavior) in the Stress Testing Framework, in order to reflect the introduction of Risk Factor specific scenarios. The discordant scenarios are designed to reproduce significant discordant market outcomes observed during the considered historical period. ICC creates discordant scenarios for North American corporate single names and indices; European corporate single names and indices; and sovereign reference entities.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>13</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 and to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule changes are 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>14</sup>, because ICC believes that the proposed rule changes will promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions. ICC's Liquidity Risk Management Framework describes ICC's liquidity resources as well as the methodology for testing the sufficiency of these resources. The various elements set forth in the Liquidity Risk Management Framework, and described above, ensure that ICC has

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<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>14</sup> Id.

sufficient liquidity resources to effectively measure, monitor and manage its liquidity risk. Further, the Liquidity Risk Management Framework supports ICC’s ability to maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios. As such, the proposed rule changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F)<sup>15</sup> of the Act.

Further, the changes to the Stress Testing Framework to unify the stress testing scenarios with the stress testing scenarios set forth in the Liquidity Risk Management Framework are necessary following recent changes to the Liquidity Risk Management Framework, as ICC operates its stress testing and liquidity stress testing on a unified set of stress testing scenarios and system. ICC’s stress testing practices will continue to ensure the adequacy of systemic risk protections. As such, the proposed rule changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F)<sup>16</sup> of the Act. The proposed changes will also satisfy the requirements of Rule 17Ad-22<sup>17</sup>. The revised stress test scenarios set forth in the Stress Testing Framework will continue to ensure that ICC maintains sufficient financial resources to withstand a default by the Clearing Participant (“CP”) family to which it has

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<sup>15</sup> Id.

<sup>16</sup> Id.

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

the largest exposure in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad-22(b)(3)<sup>18</sup>.

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

ICC does not believe the proposed rule changes would have any impact, or impose any burden, on competition. The Liquidity Risk Management Framework and the Stress Testing Framework apply uniformly across all CPs. Therefore, ICC does not believe the proposed rule changes impose 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

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

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<sup>18</sup> 17 CFR 240.17Ad-22(b)(3).

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-2017-011 on the subject line.

Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ICC-2017-011. 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, security-based swap submission, or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission, or advance notice 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, N.E., Washington, D.C. 20549, on official business days between

the hours of 10:00 a.m. and 3:00 p.m. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2017-011 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).

[FR Doc. 2017-14985 Filed: 7/17/2017 8:45 am; Publication Date: 7/18/2017]