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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81486; File No. SR-ICC-2017-012)

August 25, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change 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[1] and Rule 19b-4,[2] notice is hereby given that on August 22, 2017, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change 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 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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1 15 U.S.C. 78s(b)(1).

2 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 Stress Testing Framework and its Liquidity Risk Management Framework. Specifically, ICC proposes changes to enhance ICC's stress testing and liquidity stress testing practices following the clearing of Single Name ("SN") credit default swaps ("CDS") referencing ICC Clearing Participants ("CPs"). ICC also proposes changes to the Stress Testing Framework to enhance compliance with U.S. Commodity Futures Trading Commission ("CFTC") regulations including 17 CFR 39.36. 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.

Stress Testing Framework

ICC proposes changes to its Stress Testing Framework following clearing of SN CDS referencing ICC CPs. ICC proposes amendments to the 'Predefined Scenarios' section of the Stress Testing Framework to amend scenarios classified as Hypothetically Constructed (Forward Looking) Extreme but Plausible Market Scenarios to incorporate additional losses related to the Expected Loss-Given-Default ("ELGD") of all names not explicitly assumed to enter a state of default in a CP's portfolio, and not limited to those in the Banking or Sovereign sectors. The ELGD amount will accumulate the LGD of all

of the SNs in the portfolio that do not explicitly enter a state of default, weighted by the market observed 1-year end-of-day Default Probability[3].

ICC proposes to incorporate an enhanced analysis into the 'General Wrong Way Risk and Contagion Stress Tests' section of the Stress Testing Framework that estimates profits and losses ("P/L") arising from general wrong way risk ("GWWR") generated by index and SN RFs that exhibit high degree of association with CPs. All positions in the index and SN instruments are used to construct for each CP a hypothetical sub-portfolio subject to an additional stress test analysis. Under the proposed analysis, if the constructed sub-portfolio presents GWWR stemming from positions in SN Risk Factors ("RFs") that belong to the Banking and Sovereign Sections, additional GWWR related stress losses, deemed to be 'extreme but plausible, will be added. These additional GWWR losses are computed as the product of the correlation-weighted uncollateralized LGDs and the SN-specific Default Probabilities. The proposed analysis is based on ICC's current GWWR P/L calculation, but assumes that the GWWR Kendall-Tau correlation (currently the greatest of the estimate from the full historical time series, the immediate 250 observations prior to the analysis date, or the 250 observations associated with a relevant stress period) of each CP-Sovereign or Banking RF pair are assumed to approach one, modeling the simultaneous occurrence of losses. The Default Probabilities utilized under the proposed approach will reflect the greater of the average 1-year CP SN Default

[3] "Default Probability" as referenced throughout the ICC Stress Testing Framework and ICC Liquidity Risk Management Framework is calculated using the Open Source ISDA CDS Standard Model (available at http://www.cdsmodel.com/cdsmodel/).

Probability and the Default Probability implied by a 500-bp spread level at the 1-year tenor.

Further, ICC proposes moving the current contagion GWWR P/L calculation from the 'Methodology' section to the 'General Wrong Way Risk and Contagion Stress Tests' section of the framework. ICC proposes adding language to the description of the current contagion GWWR P/L calculation, consisting of the correlation-weighted uncollateralized LGDs, to clarify that such scenario is considered extreme (as opposed to extreme but plausible). The extreme scenario is for information purposes only.

ICC proposes adding a new 'Guaranty Fund Sizing Sensitivity Analysis' section to the Stress Testing Framework, which describes ICC's approach to Guaranty Fund ("GF") sizing. ICC's GF model aims to establish financial resources that are sufficient to cover hypothetical losses associated with the simultaneous credit events where up to five SNs are impacted. Currently, two of the selected SNs are CP SNs (i.e., "cover-2" GF sizing) and the other three SNs are non-CP SNs. ICC proposes amending the framework to add an additional combination of impacted five SNs, for monitoring and comparison purposes. Specifically, ICC proposes analyzing three CP SNs (i.e., "cover-3" GF sizing) and two non-CP SNs. This alternative combination analysis is intended to provide guidance to the ICC Risk Department and ICC Risk Committee in situations when changes to the GF sizing approach are considered. For example, if a cover-2 deficiency is observed under the current GF size configuration, ICC will analyze the results from the cover-3 analysis as a potential remedy to address the cover-2 deficiency. Monthly summary reports detailing the analysis will be provided to the ICC Risk Committee.

ICC also proposes changes to the Stress Testing Framework to ensure compliance with CFTC Regulation 17 CFR 39.36. Specifically, ICC proposes adding an 'Interest Rate Sensitivity Analysis' section to the Stress Testing Framework to ensure compliance with CFTC Regulation 17 CFR 39.36(b). Under the proposed analysis, ICC would shock the Euro and USD interest rate curves up and down to see which scenario lead to further erosion of the GF under the two worst spread based stress test scenarios. The addition of the interest rate sensitivity analysis will have no impact on ICC's GF sizing methodology. ICC also proposes changes to the 'Methodology' section of the Stress Testing Framework related to the calculation of the P/L attributable to sequential or simultaneous defaults, to ensure compliance with 17 CFR 39.36(a). Under the current framework, for each CP Affiliate Group ("AG"), the Specific Wrong Way Risk ("SWWR") P/L shows losses associated with positions that are self referencing to that CP AG; the remaining GF is then calculated for each CP AG. Under the proposed changes, the SWWR P/L will be expanded to also reflect the accumulation of losses associated with defaulted CP specific exposure and re-labeled "CP-WWR P/L", where the new CP-WWR P/L for each CP AG will include losses associated with exposure to itself, i.e. SWWR P/L, as well as on previously defaulted CP AG(s). Finally, ICC proposes edits to the 'Portfolio Selection' section of the Stress Testing Framework, to incorporate a description of ICC's current client stress testing practices. There are no changes being proposed to ICC's client stress testing practices; rather the proposed edits are designed to explicitly state and document ICC's current client stress testing practices. Specifically, ICC applies the stress test scenarios to all currently cleared portfolios consisting of a CP's House and/or Client accounts. ICC executes individual client legal entity stress testing at least monthly, and

the results are reported on a monthly basis to the Risk Committee. The clients selected for analysis exhibit the largest stress loss over financial resources being tested for each of the top Futures Commission Merchants ("FCMs") and Broker Dealers ("BDs") with the largest client Initial Margin. This selection is designed to capture the clients with the largest risk exposure, who are deemed to be "large traders."

Liquidity Risk Management Framework

ICC proposes revisions to its Liquidity Risk Management Framework to ensure unification of the stress testing scenarios in the Liquidity Risk Management Framework and the Stress Testing 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 liquidity stress testing scenarios are necessary to ensure scenario unification, in light of the proposed changes to the stress testing scenarios related to ICC's clearing of SN CDS on its CPs.

Specifically, ICC proposes to revise the "Hypothetically Constructed (Forward Looking) Extreme but Plausible Market Scenarios" to ensure consistency with the proposed changes to the Stress Testing Framework to incorporate additional losses related to the ELGD of all names in a CP's portfolio, not limited to those in the Banking or Sovereign sectors. The ELGD amount will accumulate the LGD of all of the SNs in the portfolio that do not explicitly enter a state of default, weighted by the market observed 1-year end-of-day Default Probability.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act[4] 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)[5], 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 Stress Testing Framework describes ICC's stress testing practices, which are designed to ensure the adequacy of systemic risk protections. The Stress Testing Framework sets forth the methodology by which ICC evaluates potential portfolio profits/losses, compared to the Initial Margin and GF funds maintained, in order to identify any potential weakness in the risk methodology. The proposed changes to the Stress Testing Framework enhance ICC's approach to identifying potential weaknesses in the risk methodology. 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)[6] of the Act. The proposed changes will also

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4 15 U.S.C. 78q-1(b)(3)(F).

5 Id.

6 Id.

satisfy the requirements of Rule 17Ad-22[7]. In particular, the proposed changes to the stress testing practices set forth in the Stress Testing Framework ensure that ICC maintains sufficient financial resources to withstand a default by the CP family to which it has the largest exposure in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad-22(b)(3)[8]. Finally, the proposed changes to the Stress Testing Framework ensure regulatory compliance with CFTC regulations, including 17 CFR 39.36.

Further, the changes to the Liquidity Risk Management Framework to unify the liquidity stress testing scenarios with the stress testing scenarios set forth in Stress Testing Framework are necessary given the proposed changes to the Stress Testing Framework, as ICC operates its stress testing and liquidity stress testing on a unified set of stress testing scenarios and system. ICC's liquidity stress testing practices will continue to ensure the sufficiency of ICC's liquidity resources. 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)[9] of the Act.

(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. To the extent the Stress Testing Framework and Liquidity Risk Management Framework changes impact CPs, the Stress Testing

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[7] 17 CFR 240.17Ad-22.

[8] 17 CFR 240.17Ad-22(b)(3).

[9] Id.

Framework and Liquidity Risk Management 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 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. Please include File Number SR-ICC-2017-012 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ICC-2017-012. 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 Section, 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-2017-012 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.[10]

Eduardo A. Aleman
Assistant Secretary

[10] 17 CFR 200.30-3(a)(12).

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