March 15, 2019

Via Electronic Submission

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/RIN 3064–AE80
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E–218
Washington, DC 20219

Re: Standardized Approach for Counterparty Credit Risk ("SA-CCR")
Board: Docket No. R-1629
FDIC: RIN 3064-AE80,
OCC: Docket ID OCC-2018-0030

Dear Sir/Madam:

Intercontinental Exchange, Inc. ("ICE") appreciates the opportunity to comment on the request for public comment from Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporate and the Office of the Comptroller of the Currency ("the Agencies") on a proposal that would implement a new approach for calculating the exposure amount of derivatives contracts under the Agencies' regulatory capital rule ("Proposal").[1] The Proposal would replace the current method for calculating advanced approaches to total risk-weighted assets under the Agencies' regulatory capital rule, the current exposure method ("CEM"), with a standardized approach for counterparty credit risk ("SA-CCR").

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[1]Standardized Approach for Calculating the Exposure Amount of Derivative Contracts; Notice of Proposed Rulemaking, 83 Fed. Red. 64,660 (Dec. 17, 2018), *available at* https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-24924.pdf.

As background, ICE owns and operates six clearing houses that serve global markets across North America, Europe and Asia. ICE has a successful history of clearing exchange traded and OTC derivatives across a spectrum of asset classes including energy, agriculture and financial products. ICE Clear Credit, a CDS clearing house, is designated as a FMU under Title VIII of the Dodd-Frank Act.

Background

ICE supports the move from CEM to a more risk-based measure and believes that an appropriately tailored version of SA-CCR is an improvement over the current framework. The Proposal also addresses changes to the cleared transaction framework and the supplemental leverage ratio ("SLR")[2]. ICE thanks the Agencies for their continued engagement with the industry to understand the various implications of SA-CCR. ICE however believes the Proposal does not go far enough in certain areas and we support further refinement going forward. We are also concerned about the potential cost implications for commercial end-users who benefit from using derivatives for hedging purposes. Requirements that constrain the use of derivatives may affect the ability of commercial end users ("CEU") to hedge their commercial risks.

Discussion

a. Client Clearing

ICE urges the Agencies to ensure that the SA-CCR framework does not negatively impact client clearing. Specifically, the final SLR methodology should include an offset for initial margin ("IM") and variation margin ("VM") provided by a client in a cleared derivatives transaction. CEM overstates clearing member leverage exposure because it does not account for the exposure-reducing effect of appropriately segregated margin held by a clearing member. CEM also overstates exposures associated with cleared derivatives generally because it applies a calculation method that does not appropriately differentiate between cleared and uncleared derivatives.

b. Margin Period of Risk

Additionally, it is also important for the Agencies to clarify that the five business-day Margin Period of Risk ("MPOR") floor applies to client cleared exposures if a clearing member that is a bank acts as an agent or intermediary for those transactions. The Proposal states that the five business-day MPOR floor is applicable to cleared derivatives however the Proposal also provides that a client cleared exposure is an "OTC derivative" and not a "cleared derivative". As a result, the Proposal would not extend the five business-day floor to client cleared exposures. ICE encourages the Agencies to ensure that the most favorable margin period of risk is applied for cleared derivatives, and one that is consistent with the commitments made at the Pittsburgh G-20 Summit encouraging central clearing.

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[2] Regulatory Capital Rules: Regulatory Capital, Revisions to the Supplementary Leverage Ratio; Final Rule, 79 Fed. Reg. 57,725 (Sept. 26, 2014), *available at* https://www.govinfo.gov/content/pkg/FR-2014-09-26/pdf/2014-22083.pdf.

c. Supervisory Factors

The Proposal includes supervisory factors for commodities that are more conservative than the Basel Committee standards.[3] The Proposal includes one supervisory factor for both the electricity and the oil/gas components of commodities rather than distinguishing between the two. This results in the application of a uniform 40% supervisory factor for the entire energy hedging set, whereas the Basel Committee standards apply 40% to the electricity sub-hedging set while all other energy assets receive an 18% supervisory factor. The approach in the Proposal would result in a more conservative calibration for oil/gas in the United States, which in turn could increase costs for end users and constrain access to perform risk management functions. ICE urges the Agencies to recalibrate the supervisory factors for the commodities asset class so that they, at a minimum, do not exceed the levels in the Basel Committee standards.

Conclusion

ICE supports a transition from CEM to SA-CCR and appreciates the Proposal's request for public comment. As the Agencies continue to review the contours of the Proposal, ICE encourages the Agencies to strongly consider regulatory changes that support continued liquidity in the U.S. markets, while promoting fair, transparent, and efficient markets that serve the interest of investors and end-users.

Sincerely,

Scott Hill
Chief Financial Officer
Intercontinental Exchange, Inc.

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[3] *Compare* Standardized Approach for Calculating the Exposure Amount of Derivative Contracts; Notice of Proposed Rulemaking, 83 Fed. Red. 64,660, 64,675 (Dec. 17, 2018), *available at* https://www.govinfo.gov/content/pkg/FR-2018-12-17/pdf/2018-24924.pdf *with* Basel Committee on Banking Supervision, The Standardised Approach for Measuring Counterparty Credit Risk Exposures, 19, Table 2 (Apr. 2014), *available at* https://www.bis.org/publ/bcbs279.pdf.