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## # 0. Preface

We got a spicy new post today of a few more rules being passed (SR-ICC-2021-008 + SR-ICC-2021-014 + SR-OCC-2021-006) and put into effect:

[[https://www.reddit.com/r/Superstonk/comments/nfhswb/3\\_new\\_filings\\_sricc2021008\\_sricc2021014/](https://www.reddit.com/r/Superstonk/comments/nfhswb/3_new_filings_sricc2021008_sricc2021014/)]([https://www.reddit.com/r/Superstonk/comments/nfhswb/3\\_new\\_filings\\_sricc2021008\\_sricc2021014/](https://www.reddit.com/r/Superstonk/comments/nfhswb/3_new_filings_sricc2021008_sricc2021014/))

Along with ICC-007, the haircut rule for ICC, being put into effect:

[[https://www.reddit.com/r/Superstonk/comments/nfjivc/icc2021007\\_passed\\_approved\\_today/](https://www.reddit.com/r/Superstonk/comments/nfjivc/icc2021007_passed_approved_today/)]([https://www.reddit.com/r/Superstonk/comments/nfjivc/icc2021007\\_passed\\_approved\\_today/](https://www.reddit.com/r/Superstonk/comments/nfjivc/icc2021007_passed_approved_today/))

And this is some **\*\*good\*\*** ■■ **\*\*shit\*\*** ■■ **\*\*right here\*\***. ■■■■■

**\*\*Tldr:** ICC might have just pulled the plug on its members (banks) via ICC-005, ICC-007, and ICC-008, or is about to.

Edit: GameStop must have acquired the infinity stones... [[https://www.instagram.com/p/CPBzJMhtUms/?utm\\_medium=share\\_sheet](https://www.instagram.com/p/CPBzJMhtUms/?utm_medium=share_sheet)]([https://www.instagram.com/p/CPBzJMhtUms/?utm\\_medium=share\\_sheet](https://www.instagram.com/p/CPBzJMhtUms/?utm_medium=share_sheet))

## # 1. Rule "Prefixes" and ICC

For any apes confused on the prefixes, DTC, ICC, and OCC are all different clearing entities and they all submit their own rules. They all operate different parts of the market.

In a more general sense, DTC = stocks, ICC = default swaps, OCC = options.

Since we're talking ICC, you probably want to know who's a member of them. Well, it's banks. Lots of banks. Lots of big banks for that matter:

>ICE apparently operates the NYSE group.

>

>ICC is composed of all of these banks: Bank of America, N.A., Barclays Bank PLC, Barclays Capital Inc., BNP Paribas, BNP Paribas Securities Corp., BofA Securities, Inc., Citibank N.A., Citigroup Global Markets Inc., Credit Suisse International, Credit Suisse Securities (USA) LLC, Deutsche Bank AG, Goldman Sachs & Co. LLC, Goldman Sachs International, HSBC Bank USA, N.A., HSBC Bank plc, HSBC Securities (USA) Inc., JPMorgan Chase Bank, National Association, J.P. Morgan Securities LLC, Merrill Lynch International, Morgan Stanley Capital Services LLC, Morgan Stanley & Co. LLC, Nomura International PLC, Nomura Securities International, Inc., Société Générale, SG Americas Securities, LLC, The Bank of Nova Scotia, UBS AG, London Branch, UBS Securities LLC, Wells Fargo Securities, LLC

Quote from [this comment by Ridn2Lo]([https://www.reddit.com/r/Superstonk/comments/ncq8jt/sricc2021005\\_filed\\_today\\_with\\_the\\_sec\\_basically/gy6loes?utm\\_source=share&utm\\_medium=web2x&context=3](https://www.reddit.com/r/Superstonk/comments/ncq8jt/sricc2021005_filed_today_with_the_sec_basically/gy6loes?utm_source=share&utm_medium=web2x&context=3))

## # 2. New Rule Summaries

**\*\*SR-ICC-2021-008 -\*\*** [Link](<https://www.sec.gov/rules/sro/icc/2021/34-91918.pdf>)

\* Approved and I believe in effect.

\* Updates to their "model" on determining margin requirements / risk management.

\* Makes a note that the model will take into account scenarios of \*\*extreme price decreases and extreme price increases\*\*.

\* The model will take into account \*\*hypothetical extreme movements\*\*. So it is forward-looking. If they determine a security \*\*will have\*\* an extreme movement, they'll take that into account in their model. AKA, "X is going to go up next week. We are going to calculate your risk is based on IF it actually goes up".  
\*\*That's nuts!!\*\*

\* Pair this with SR-ICC-2021-007, the haircut rule, which eliminates some collateral, and you've got an easy way to just rip the plug from these guys and margin call them (have a defaulting member).  
SR-ICC-2021-007 will be in effect TOMORROW.

\*\*SR-ICC-2021-007 -\*\* [Link](https://www.sec.gov/rules/sro/icc/2021/34-91894.pdf)

\* Updates to haircut rule and collateral that can be used for your capital.

\* Haircuts are additional subtractions to your total capital. You want to maintain enough capital to not default.

\* They are allowed to introduce higher haircuts depending on volatility of securities and the general market. Easier to margin call.

\* Badly-backed collateral cannot be used any more, which eats away more at your net capital.

\* E.g. Think of Citadel's BBB- bonds. Those are poorly backed, literally the worst kind of bonds. If you had \$600 million in these bonds as collateral, then the ICC could say, "Nope. Can't use that". \*\*It's possible that the \$10-15 Billion bonds the big banks got in April are going to be rejected for collateral.\*\*

\*\*SR-ICC-2021-014 -\*\* [Link](https://www.sec.gov/rules/sro/icc/2021/34-91922.pdf)

\* Immediately effective, but starting \*\*June 1, 2021\*\*

\* They're giving discounts on credit default swaps to make them more enticing for the 2nd half of 2021.

\* They are giving out ~25% discounts, which seems pretty damn big.

\* They're basically allowing entities to short things much easier. Think MBS from 2008.

\*\*SR-OCC-2021-006 -\*\* [Link](https://www.sec.gov/rules/sro/occ/2021/34-91920.pdf)

\* Reducing fees of option contracts for clearing because they believe it can be reduced while still maintaining enough revenue for the OCC.

\* Just them wanting to reduce fees to the OCC members because they have enough money sloshing around already.

\* They propose it will come into effect \*\*June 1, 2021\*\*, "because OCC believes that this date is the first date that the industry could be prepared to process the new fee without disruption based on consultations with market participants."

\* Does this mean they expect some disruption between now and June 1? Maybe.

\*\*SR-ICC-2021-005 -\*\* [Link](https://www.sec.gov/rules/sro/icc/2021/34-91806.pdf)

\* Already in effect as of Friday, May 14, 11:59PM EST. Literally last minute filing.

\* This is basically the DTC-004 equivalent for ICC. This is their unwinding plan in the event of extreme market stress in order to remain afloat by wiping out members with high risk positions.

\* Something really cool is they'll not only wipe out members who default on a certain security, they'll wipe out similar positions in that same security of all their other members IF it's high risk/stress to the market. E.g. if a member defaults due to their position in X, then they'll cascade that to all other members who hold a position on X and tell them to get rid of it. This could inevitably lead to more defaulting members.

\* This means ICC is getting ready for member defaults

1. SR-ICC-008 will perform a **\*\*HYPOTHETICAL\*\*** situation of extreme price movements when determining margin requirements.
2. SR-ICC-007 will rip their collateral from them and introduce higher haircuts, making the model from 008 easier to hit their risk threshold and be margin called.
3. SR-ICC-005 will cause all other members to eliminate their risky position if it causes any member to default from that same position. Cascade/snowball effect.

And with lots of things pointing to this week or next being the bang... well, this just adds to that pile.