

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73444; File No. SR-ICC-2014-18)

October 28, 2014

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Revise the ICC Risk Management Framework

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on October 22, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“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. Self-Regulatory Organization’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 Risk Management Framework to incorporate certain risk model enhancements. These revisions do not require any changes to the ICC Clearing Rules (“Rules”).

II. Self-Regulatory Organization’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 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

ICC proposes revising the ICC Risk Management Framework to incorporate risk model enhancements related to anti-procyclicality, devolatilization, liquidity charges, and concentration charges. 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.

ICC proposes revising the ICC Risk Management Framework to facilitate compliance with requirements under the European Market Infrastructure Regulations, specifically anti-procyclicality conditions described in Article 28 of the Regulatory Technical Standards.³ Currently, ICC considers three levels of volatility in its Risk Management Framework to account for stable but prudent margin requirements. ICC proposes adding a fourth volatility scale that assigns a 25% weight to a stress period (currently the stress period is set to January 14, 2008 to December 31, 2008) and the remaining 75% to the immediate most recent 250 observations, consistent with Article 28(b) of the Regulatory Technical Standards. The revised initial margin requirements are expected to result in more conservative initial margin figures for some risk factors. In addition, ICC proposes introducing devolatilization enhancements to describe spread log-return time series that span market periods associated with different volatility regimes.

Additionally, ICC proposes a revised approach to computing index liquidity charges. The enhancement consists of reducing the portfolio liquidity benefits across different index series. As part of its product offering, ICC clears credit default swap ("CDS") index series. A

³ Commission Delegated Regulation (EU) No. 153/2013 of 19 December 2012 Supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to Regulatory Technical Standards on Requirements for Central Counterparties (the "Regulatory Technical Standards").

new series of CDS indices is issued every six months, and the new series is referred to as being “on-the-run,” while previous series is referred to as being “off-the-run.” The revised calculation establishes series-specific liquidity charges by considering the series-specific positions and establishing series-specific position directionality based on the corresponding 5-year equivalent notional amount directionality. Further, to capture the market behavior around index rolls when the bid/offer width for index-roll transactions (i.e., trading the on-the-run vs. first off-the-run indices) is typically smaller than the bid/offer width of each individual leg, ICC proposes implementing time-dependent long/short liquidity charge portfolio benefits for the on-the-run and the first off-the run series. The proposed revisions to the liquidity charges are expected to result in more conservative requirements than the ones associated with the current approach.

ICC also proposes enhancements to the calculation of its concentration charges by introducing index series-specific concentration charges. The revised calculation establishes series-specific concentration charges for positions exceeding series-specific concentration threshold limits based on the direction of the 5-year equivalent notional amount or the net notional amount. Under the revised calculation, ICC will estimate series-specific concentration charge threshold limits based on the distribution of series-specific open interest information at the Clearing House. The estimated series-specific concentration charge threshold limits reflect the average open interest over a 5-day period. The proposed revisions to the concentration charge are expected to result in more conservative requirements than the ones associated with the current approach.

Section 17A(b)(3)(F) of the Act⁴ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities

⁴ 15 U.S.C. 78q-1(b)(3)(F).

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, as the proposed risk model revisions enhance risk policies and are expected to impose more conservative initial margin requirements, which would enhance the financial resources available to ICC and thereby facilitate its ability to promptly and accurately clear and settle its cleared CDS contracts. In addition, the proposed revisions are consistent with the relevant requirements of Rule 17Ad-22. In particular, the amendments to the Risk Management Framework will enhance the financial resources available to the Clearing House by imposing a more conservative initial margin requirement, and are therefore reasonably designed to meet the margin and financial resource requirements of Rule 17Ad-22(b)(2-3). 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.

B. Self-Regulatory Organization’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 risk model enhancements apply uniformly across all market participants. 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.

⁵ Id.

⁶ Id.

C. Self-Regulatory Organization'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. Please include File Number SR-ICC-2014-18 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-ICC-2014-18. 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, DC 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-2014-18 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.⁷

Kevin M. O’Neill
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).