

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73666; File No. SR-ICC-2014-16)

November 21, 2014

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Related to ICC's Use of House Initial Margin as an Internal Liquidity Resource

I. Introduction

On October 1, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-16 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on October 20, 2014.³ The Commission did not receive comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICC has stated that the purpose of the proposed rule change is to amend ICC Clearing Rule 402(j) to provide further clarity regarding ICC's obligation to return any Clearing Participant's House Initial Margin used as an internal liquidity resource. Under Rule 402(j), ICC may, in connection with a Clearing Participant default, (i) exchange House Initial Margin held in the form of cash for securities of equivalent value and/or (ii) exchange House Initial Margin held in the form of cash in one currency for cash of equivalent value in a different currency. The proposed rule change clarifies that the exchanges involving a Clearing Participant's Initial Margin in its House Account will occur on a temporary basis and that ICC will reverse any such

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-73347 (Oct. 14, 2014), 79 FR 62683 (Oct. 20, 2014) (SR-ICC-2014-16).

exchange as soon as practicable following the conclusion of event which gave rise to the liquidity need. ICC states that the duration of the liquidity event will likely be significantly shorter than the amount of time necessary to complete the default management process for the event which gave rise to the liquidity need. The proposed rule change will also delete general references to ICC's liquidity policies and procedures and instead will use the defined term "ICE Clear Credit Procedures" found throughout the ICC Rules.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁵ requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act⁶ and the rules and regulations thereunder applicable to ICC. The proposed modification to Rule 402(j) provides clarity regarding ICC's obligation and timing to return any House Initial Margin used as an internal liquidity resource and is reasonably designed to allow ICC to manage its liquidity needs in the event of one or more Clearing Participant

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ 15 U.S.C. 78q-1.

defaults. Accordingly, the Commission believes that the proposed rule change is reasonably 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 assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.⁷

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-ICC-2014-16) be, and hereby is, approved.¹⁰

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill
Deputy Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹¹ 17 CFR 200.30-3(a)(12).