

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74053; File No. SR-ICC-2015-001)

January 14, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Revise ICC End-of-Day Price Discovery Policies and Procedures

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 January 5, 2015, 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 End-of-Day Price Discovery Policies and Procedures to incorporate enhancements to its price discovery process. This revision does not require any changes to the ICC 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 End-of-Day Price Discovery Policies and Procedures to incorporate enhancements to its price discovery process.

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 currently utilizes a “cross and lock” algorithm as part of its price discovery process. Under this algorithm, standardized bids and offers derived from Clearing Participant (“CP”) submissions are matched by sorting them from highest to lowest and lowest to highest levels, respectively. This sorting process pairs the CP submitting the highest bid price with the CP submitting the lowest offer price, the CP submitting the second highest bid price with the CP submitting the second-lowest offer price, and so on. The algorithm then identifies crossed and/or locked markets. Crossed markets are the CP pairs generated by the sorting and ranking process for which the bid price of one CP is above the offer price of the matched CP. The algorithm identifies locked markets, where the bid and the offer are equal, in a similar fashion.

Whenever there are crossed and/or locked matched markets, the algorithm applies a set of rules designed to identify standardized submissions that are “obvious errors.” The algorithm sets a high bid threshold equal to the preliminary end-of-day (“EOD”) level plus one EOD bid offer width (“BOW”), and a low offer threshold equal to the preliminary EOD level minus one EOD BOW. The algorithm considers a CP’s standardized submission to be an “obvious error” if the bid is higher than the high bid threshold, or the offer is lower than the low offer threshold.

CP pairs identified by the algorithm as crossed or locked markets are required from time to time, under the End-of-Day Price Discovery Policies and Procedures, to enter into cleared

trades with each other as part of the ICC EOD price discovery process (“Firm Trade”).

Currently, ICC excludes standardized submissions it identifies as obvious errors from Firm Trades and does not use these submissions in its determination of published EOD levels.

ICC proposes implementing consequences for CPs providing price discovery submissions deemed to be obvious errors. Effectively, ICC is extending the process for determining Firm Trades to include all standardized submissions, including those classified as obvious errors. ICC will effectively execute its current EOD algorithm twice, initially in the same way it does today, by eliminating obvious errors, to generate the final EOD levels, and again, without excluding obvious errors, to generate Firm Trades and reversing transactions.³

To limit the potential exposure created through Firm Trades that include a bid or offer from an obvious error submission, ICC will adjust trade prices, where appropriate, to fall within a predefined band on either side of the EOD price such that the potential profit or loss (“P/L”) realized by unwinding the trade at the EOD level is capped.

To prevent CPs from receiving Firm Trades with large P/L impact in Index instruments that are less actively traded, and therefore more difficult and/or more expensive to manage the associated risk, ICC will have the ability to automatically generate reversing transactions at the EOD level for specific Index instruments (i.e., for specific index risk sub-factors as defined by specific combinations of index/sub-index and series) based on liquidity.⁴ Currently, reversing

³ A reversing transaction is a second Firm Trade with identical attributes to the initial Firm Trade, but with the buyer and seller counterparties reversed, and at that day’s EOD price rather than the original Firm Trade price.

⁴ The ICC Risk Department, in conjunction with the ICC Trading Advisory Committee, specifies the index risk sub-factors that are eligible for automatic reversing transactions.

transactions are only available for Single Name instruments. There are no changes to ICC's Clearing Rules as a result of these changes.

Section 17A(b)(3)(F) of the Act⁵ 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 change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17A(b)(3)(F),⁶ because ICC believes that the proposed rule change will assure the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, as the proposed revisions enhance ICC's price discovery process, by ensuring traders are accountable for all price discovery submissions to ICC, not just those submissions nearer to ICC's final EOD level. As such, the proposed change is 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) of the Act.⁷

B. Self-Regulatory Organization's Statement on Burden on Competition

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The enhancements to ICC's price discovery process apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule change

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ Id.

⁷ Id.

imposes any burden on competition that is inappropriate in furtherance of the purposes of the Act.

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-2015-001 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-2015-001. 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-2015-001 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.⁸

Brent J. Fields
Secretary

⁸ 17 CFR 200.30-3(a)(12).