

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74399; File No. SR-ICC-2014-19)

March 2, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Granting Approval of Proposed Rule Change to Formalize the ICC Operational Risk Management Framework

I. Introduction

On November 18, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2014-19 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 December 2, 2014.³ The Commission received no comment letters regarding the proposed change. On January 16, 2015, the Commission extended the time period in which to either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change to March 2, 2015.⁴ For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description of the Proposed Rule Change

ICC is proposing to update and formalize ICC’s Operational Risk Management Framework. According to ICC, the Operational Risk Management Framework is designed to create a program of risk assessment and oversight to identify, monitor, and manage plausible

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-73684 (Nov. 25, 2014), 79 FR 71495 (Dec. 2, 2014) (SR-ICC-2014-19).

⁴ Securities Exchange Act Release No. 34-74082 (Jan. 16, 2015), 80 FR 3687 (Jan. 23, 2015) (SR-ICC-2014-19).

sources of operational risk,⁵ and to timely manage and report operational performance measures. ICC further states that the operational risk program is designed to evaluate and mitigate operations risk presented to ICC by its partners, related entities, and vendors. According to ICC, the Operational Risk Management Framework is overseen by the ICC Board, ICC department heads and the Chief Compliance Officer, and internal audit performs reviews of the operational risk management processes.

Under the Operational Risk Management Framework, the Operational Risk Manager has the responsibility and authority to develop and enforce, in consultation with the ICC Board and appropriate members of senior management, the operational risk program, which applies to all ICC activities, groups, functions and locations. The Operational Risk Management Framework further provides that the Operational Risk Manager is the owner of the Operational Risk Management Framework document, that the initial document and any material amendments require review and approval by the appropriate members of senior management and the ICC Board, and that the Operational Risk Manager reports to the Chief Compliance Officer who reports directly to the ICC Board.

There are several components to the ICC Operational Risk Management Framework. ICC states that the Operational Risk Management Framework establishes clearly defined operational performance objectives that serve as benchmarks to evaluate efficiency and effectiveness, promote confidence among management and participants, and evaluate operational performance against expectations. The Operational Risk Management Framework states ICC's goals of identifying, monitoring, and managing all plausible sources of operational risk and

⁵ "Operational risk" is defined in the ICC Operational Risk Management Framework as the risk that deficiencies in information systems, internal processes, personnel, or disruptions from external events will result in the reduction, deterioration, or breakdown of services.

establishing clear policies and procedures to address presented risk scenarios. For example, the Operational Risk Management Framework incorporates ICC's risk assessment methodology to identify and evaluate potential operational risks in each of its major clearing processes, as well as procedures for recommending controls to mitigate risks identified in the risk assessment. The Operational Risk Management Framework also contains information regarding how ICC leverages certain shared infrastructures within the Intercontinental Exchange, Inc. family as part of its operational risk management program.

Additionally, the Operational Risk Management Framework details the Operational Risk Manager's responsibilities in terms of business continuity planning, vendor risk management, and the release of new products, processes, and initiatives. Under the Operational Risk Management Framework, the Operational Risk Manager is responsible for operational risk reporting, which includes reporting and addressing significant operational risk weaknesses or failures timely and appropriately (including escalation to the appropriate members of senior management and the ICC Audit Committee and the Board when necessary), and providing ongoing reporting to appropriate members of senior management and periodic reporting to the ICC Board and the ICC Audit Committee on the operational risk program and significant control matters.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁶ 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

⁶ 15 U.S.C. 78s(b)(2)(C).

to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁷ 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. In addition, Rule 17Ad-22(d)(4)⁸ requires registered clearing agencies, among other things, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development and implementation of appropriate systems, controls, and procedures and have business continuity plans that allow for timely recovery of operations and fulfillment of a clearing agency's obligations.

The Commission finds that the proposed rule change is consistent with Section 17A of the Act⁹ and the rules thereunder applicable to ICC. ICC's Operational Risk Management Framework establishes clear policies and procedures to identify and evaluate potential operational risks in each of its major clearing processes, and to recommend controls to mitigate identified risks, each of which are reasonably designed to identify, monitor, and manage of all plausible sources of operational risk. Furthermore, the Operational Risk Management Framework establishes clearly defined operational performance objectives that are expected to serve as benchmarks for evaluating operational efficiency and effectiveness, and to evaluate operational performance measurements against such objectives, each of which are expected to

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 240.17Ad-22(d)(4).

⁹ 15 U.S.C. 78q-1.

enhance ICC's ability to mitigate operational risk. Finally, the Operational Risk Management Framework incorporates a business continuity plan that is expected to allow for timely recovery of operations and fulfillment of ICC's obligations upon disruption. The Commission therefore believes that the proposed rule change is reasonably designed to identify sources of operational risk and minimize them through the development and implementation of appropriate systems, controls, and procedures and have business continuity plans that allow for timely recovery of operations and fulfillment of a clearing agency's obligations, consistent with the requirements of Rule 17Ad-22(d)(4).¹⁰ Accordingly, the Commission believes that the proposed rule change is designed to promote the prompt and accurate settlement of securities and derivatives transactions, consistent with Section 17A(b)(3)(F) of the Act.¹¹

¹⁰ 17 CFR 240.17Ad-22(d)(4).

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

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 Act¹² and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (File No. SR-ICC-2014-19) be, and hereby is, approved.¹⁴

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Brent J. Fields
Secretary

¹² 15 U.S.C. 78q-1.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 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).

¹⁵ 17 CFR 200.30-3(a)(12).