

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79988; File No. SR-ICC-2017-002)

February 8, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to ICC's Liquidity Thresholds for Euro Denominated Products

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4,² notice is hereby given that on January 27, 2017, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change, security-based swap submission, or advance notice as described in Items I, II and III below, which Items have been primarily prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change, security-based swap submission, or advance notice from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

The principal purpose of the proposed changes is to amend the ICC Clearing Rules ("ICC Rules"), the ICC Treasury Operations Policies and Procedures, and the ICC Liquidity Risk Management Framework to update ICC's liquidity thresholds for Euro denominated products.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

security-based swap submission, or advance notice. 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.

A. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

The proposed revisions are intended to update ICC's liquidity thresholds for Euro denominated products. Currently, for Euro denominated products, 65% of Clearing Participant Non-Client Initial Margin and Guaranty Fund Liquidity Requirements ("Non-Client Liquidity Requirements") must be posted in Euro cash and the next 35% may be posted in Euro cash, United States ("US") Dollar cash, US Treasury securities, and/or other G7 cash. ICC proposes updating the liquidity thresholds for Euro denominated products, set forth in Schedule 401 of the ICC Rules, to require the first 45% of Non-Client Liquidity Requirements to be satisfied with Euro cash. The next 20% may be posted in Euro cash or US Dollar cash, and the final 35% may be posted in Euro cash, US Dollar cash, US Treasury securities, and/or other G7 cash. The 45% minimum percentage requirement is equivalent to the maximum assumed one day movement in Initial Margin (assuming a 5-day risk horizon).

The proposed revisions will provide Clearing Participants with the option to cover 20% of the current Euro liquidity threshold with either Euro cash or US Dollar cash. ICC's Euro liquidity will not be negatively impacted by the proposed changes as ICC's committed foreign exchange ("FX") facility provides for same day settled spot FX transactions. The facility allows ICC to use available US Dollar cash to convert into Euro cash to meet a Euro liquidity need, for example in the unlikely event of a Clearing

Participant default when Euro cash is needed for liquidity but only US Dollar cash is available.³

The ICC Treasury Operations Policies and Procedures and ICC Liquidity Risk Management Framework have also been updated to reflect the update to ICC's Non-Client Liquidity Requirements for Euro denominated products. The changes to the Euro cash Non-Client Liquidity Requirements do not require any operational changes.

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 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 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 17A(b)(3)(F),⁵ because ICC believes that the update to its liquidity thresholds for Euro denominated products will promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, and contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. The proposed update to ICC's liquidity thresholds for Euro denominated products will permit Clearing Participants to

³ See Securities Exchange Act Release No. 34-78566 (Aug. 12, 2016), 81 FR 55254 (Aug. 18, 2016) (File No. SR-ICC-2016-009).

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ Id.

post more US Dollar cash to meet Euro Non-Client Liquidity Requirements. Given the fact that, to the extent possible, ICC deposits US Dollar cash in its account at the Federal Reserve Bank of Chicago, the use of additional US Dollar cash provides superior safety and security for depositors, as the US Dollar cash is held in a manner whereby risk of loss or of delay in access to them is minimized, consistent with Section 17A(b)(3)(F)⁶ and Rule 17Ad-22(d)(3).⁷

Additionally, the change to the liquidity thresholds for Euro denominated products will not adversely impact ICC's liquidity levels because ICC's committed FX facility provides for same day settled spot FX transactions, which allows ICC to use available US Dollar cash to convert into Euro cash to meet a Euro liquidity need. As such, the proposed change would increase the safety and security of ICC's assets without any diminishment of its ability to meet its liquidity needs. Further, the changes promote liquidity and ensure assets are available in the event of a participant default. As previously stated, ICC will hold the additional US Dollar cash at the Federal Reserve Bank of Chicago. In doing so, ICC reduces the likelihood that assets securing participant obligations would be unavailable when ICC needs to draw on them, thus safeguarding ICC's ability to meet its settlement obligations. For the foregoing reasons, the updated liquidity thresholds for Euro denominated products are designed consistent with ICC's objective to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, and contribute to the safeguarding of securities and funds associated with security-based swap transactions in

⁶ Id.

⁷ 17 CFR 240.17Ad-22(d)(3).

ICC's custody or control, or for which ICC is responsible, consistent with Section 17A(b)(3)(F).⁸

In addition, the proposed revisions are consistent with the relevant requirements of Rule 17Ad-22.⁹ ICC's Euro liquidity or financial resources will not be negatively impacted by the proposed changes as ICC's committed FX facility provides for same day settled spot FX transactions, to convert US Dollar cash into Euro cash. As such, the changes are therefore reasonably designed to meet the requirements of Rule 17Ad-22(b)(3).¹⁰

B. Clearing Agency'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 proposed update to ICC's liquidity thresholds for Euro denominated products applies consistently across all market participants and the implementation of the proposed liquidity thresholds for Euro denominated products does not preclude the implementation of similar changes by other market participants. Therefore, ICC does not believe the update to its liquidity thresholds for Euro denominated products imposes any burden on competition that is inappropriate in furtherance of the purposes of the Act.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 17 CFR 240.17Ad-22.

¹⁰ 17 CFR 240.17Ad-22(b)(3).

C. Clearing Agency's Statement on Comments on the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice 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 , Security-Based Swap Submission, or Advance Notice 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, security-based swap submission, or advance notice 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-2017-002 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-2017-002. 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, security-based swap submission, or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission, or advance notice 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-2017-002 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.¹¹

Eduardo A. Aleman
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).