

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80324; File No. SR-ICC-2017-002)

March 28, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change to Revise Liquidity Thresholds for Euro Denominated Products

I. Introduction

On January 27, 2017, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change (SR-ICC-2017-002) to amend the ICC Clearing Rules, the ICC Treasury Operations Policies and Procedures and the ICC Liquidity Risk Management Framework to update ICC’s liquidity thresholds for non-client Euro denominated products. The proposed rule change was published for comment in the Federal Register on February 14, 2017.<sup>3</sup> The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICC has proposed changes to Schedule 401 of its Clearing Rules, Treasury Operations Policies and Procedures and Liquidity Risk Management Framework. The proposed changes will reduce Clearing Participants’ Non-Client Initial Margin and Guaranty Fund Liquidity Requirements (“Non-Client Liquidity Requirements”) for products denominated in Euros from

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 34-79988 (February 8, 2017), 82 FR 10611 (February 14, 2017) (SR-ICC-2017-002) (“Notice”).

65% Euro cash to 45% Euro cash.<sup>4</sup> The proposed rule change further gives Clearing Participants the option of posting the next 20% of Non-Client Liquidity Requirements for these products in either Euro or US Dollar cash. The proposed rule change does not alter Clearing Participants' existing ability to post the final 35% of their Non-Client Liquidity requirements in US Treasuries or cash issued by any G7 nation.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>5</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires,<sup>6</sup> among other things, that the rules of a registered 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, in general, to protect investors and the public interest. Rule 17Ad-22(d)(3)<sup>7</sup> requires that a registered clearing agency shall establish, implement, maintain, and enforce written policies and procedures reasonably designed to hold assets in a manner that minimizes risk of loss or of delay in its access to them.

The Commission finds that the proposed rule change, which adjusts the amount of Euro cash required in respect of non-client Euro denominated products, is consistent with Section 17A

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<sup>4</sup> Capitalized terms used in this order, but not defined herein, have the same meaning as in the ICC Clearing Rules.

<sup>5</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 17 CFR 240.17Ad-22(d)(3).

of the Act and Rule 17Ad-22 thereunder. The proposed rule change should not impact ICC's access to liquidity in the event of a clearing participant's default. ICC represented that "the 45% minimum percentage requirement is equivalent to the maximum assumed one day movement in Initial Margin (assuming a 5-day risk horizon)."<sup>8</sup> Moreover, if additional Euro cash is needed, ICC asserts that it can rely on its committed foreign exchange facility for settled spot dollar-to-Euro foreign exchange transactions.<sup>9</sup> Accordingly, because there is unlikely to be a diminution in ICC's ability to meet its obligations, this proposed rule change is consistent with the prompt and accurate clearance and settlement requirement of Section 17A(b)(3)(F) of the Act.<sup>10</sup>

The proposed rule change also is consistent with the requirements in Section 17A(b)(3)(F) and Rule 17Ad-22(d)(3) that assets of a clearinghouse be safeguarded. As noted above, the proposed rule change now permits ICC's Clearing Participants to post an additional 20% of their Non-Client Liquidity Requirements in US Dollars. ICC in turn has represented that "to the extent possible, ICC deposits US Dollar cash in its account at the Federal Reserve Bank of Chicago."<sup>11</sup> Thus, giving ICC's Clearing Participants the option to post additional US Dollar cash, which may result in an increased amount of funds on deposit with a Federal Reserve Bank should further assure the safeguarding of those funds and minimize the risk of loss or delay in

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<sup>8</sup> Notice, 82 FR at 10612.

<sup>9</sup> Id.

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>11</sup> Notice, 82 FR at 10612.

access to those funds, consistent with Section 17A(b)(3)(F) of the Act,<sup>12</sup> and Rule 17Ad-22(d)(3).<sup>13</sup>

IV. Conclusion

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICC-2017-002) be, and hereby is, approved.<sup>14</sup>

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

Brent J. Fields  
Secretary

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<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 U.S.C. 240.17Ad-22(d)(3).

<sup>14</sup> 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).

<sup>15</sup> 17 CFR 200.30-3(a)(12).