

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80858; File No. SR-ICC-2017-003)

June 5, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Amendment No. 1 and Order Approving Proposed Rule Change, as modified by Amendment No. 1 Thereto, Relating to ICC's End-of-Day Price Discovery Policies and Procedures

I. Introduction

On February 16, 2017, ICE Clear Credit LLC ("ICC" or "ICE Clear Credit") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change (SR-ICC-2017-003) to amend ICC's End-of-Day Price Discovery Policies and Procedures ("Pricing Policy") to implement a new price submission process for Clearing Participants ("CPs"). The proposed rule change was published for comment in the Federal Register on March 9, 2017.³ The Commission did not receive comments regarding the proposed changes. On April 21, 2017, the Commission extended the period in which to approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change to June 7, 2017.⁴ On May 25, 2017, ICC filed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-80150 (March 3, 2017), 82 FR 13173 (March 9, 2017) (SR-ICC-2017-003) ("Notice").

⁴ Securities Exchange Act Release No. 34-80506 (April 21, 2017), 82 FR 19412 (April 27, 2017).

Amendment No. 1 to the proposal.⁵ For the reasons discussed below, the Commission is approving the proposed rule changes, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change

ICC has proposed changes to its Pricing Policy that are designed to implement a new price submission process. As part of its current price submission process, ICC requires CPs to submit certain required price information to an intermediary, which ICC then obtains and uses as part of its price discovery process. The proposed rule changes would eliminate the use of the intermediary in the price submission process and instead require CPs to submit required price information directly to ICC. In order to implement the direct price submission process, ICC proposed to amend its Pricing Policy to (1) require CPs establish direct connectivity with ICC and use a FIX API to provide ICC with the required price information, (2) add references to FIX API terminology, and (3) make revisions reflecting the replacement of existing trade date files with FIX API firm trade messages.⁶ Moreover, ICC proposed amending the Pricing Policy to note that ICC will send FIX API messages directly to CPs, and removed references to the intermediary and its “Valuation Service API” previously used.⁷ Although ICC proposed additional

⁵ ICE Clear Credit filed Amendment No. 1 to clarify that the implementation date for the proposed rule change will be July 10, 2017, and to note that ICE Clear Credit will issue a circular confirming this timeline in advance of the July 10, 2017 implementation date. Because Amendment No. 1 is a clarifying amendment that does not alter the substance of the proposed rule change the Commission is not publishing it for comment.

⁶ Notice, 82 FR at 13173-74.

⁷ Notice, 82 FR at 13173.

minor changes to the timing of various steps in the pricing process, these proposed changes would not affect the actual settlement submission windows.⁸

In addition to the changes described above, ICC also proposed changes with respect to the format of information required to be submitted by CPs for the iTraxx Australia and iTraxx Asia Ex-Japan Indices, as well as the CDX.NA.HY and CDS.EM indices. ICC also proposed modifications to the process for distributing end-of-day prices, which will result in ICC publishing to CPs separate messages setting forth end-of-day price information for single name and index CDS.⁹

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a propose 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.¹⁰ Section 17A(b)(3)(F) of the Act requires, 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.¹¹ Rule 17Ad-22(d)(4) requires, in relevant part, that a registered clearing agency shall establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development of appropriate

⁸ Notice, 82 FR at 13174.

⁹ Id.

¹⁰ 15 U.S.C. 78s(b)(2)(C).

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

systems, controls, and procedures; implement systems that are reliable, resilient and secure, and have adequate, scalable capacity.¹²

The Commission finds that the proposed rule change, which modifies ICC's Pricing Policy to implement a direct price submission process for CPs, is consistent with Section 17A of the Act and Rule 17Ad-22 thereunder. The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) 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. By reducing operational risk the proposed rule changes reduce the likelihood that ICC will be unable to complete its end-of-day price discovery process. Completion of the end-of-day price discovery process is a necessary and essential element in ICC's clearance and settlement processes. The Commission believes that the proposed changes should enhance ICC's ability to complete the necessary pricing process effectively and thereby promote the prompt and accurate clearance and settlement of derivative agreements, contracts and transactions consistent with Section 17A(b)(3)(F).

For similar reasons, the proposed rule changes are also consistent with Rule 17Ad-22(d)(4) in that they are designed to reduce operational risk outside of ICC's control.¹³ The proposed rule changes are intended to reduce ICC's external operational risk by allowing ICC to control the price submission process through the implementation of systems designed to provide for direct connection and communication with CPs instead of relying on an intermediary to collect price information needed for ICC's price discovery process. As a result, because ICC will be able to reduce its reliance on

¹² 17 CFR 240.17Ad-22(d)(4).

¹³ Id.

intermediaries and thereby reduce operational risk that is outside of its control, the proposed rule changes are consistent with the requirements of Rule 17Ad-22(d)(4).

IV. Conclusion

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICC-2017-003), as amended by Amendment No. 1, be, and hereby is, approved.¹⁴

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

Robert W. Errett
Deputy Secretary

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).