

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87549; File No. SR-ICC-2019-012)

November 15, 2019

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to ICC's Treasury Operations Policies and Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1) and Rule 19b-4, 17 CFR 240.19b-4, notice is hereby given that on November 1, 2019, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange 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. Clearing Agency'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 Treasury Operations Policies and Procedures ("Treasury Policy"). These revisions do not require any changes to the ICC Clearing Rules (the "Rules").

II. Clearing Agency'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, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change, 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

(a) Purpose

ICC proposes to revise its Treasury Policy. Specifically, ICC proposes clarification updates related to its use of a committed repurchase (“repo”) facility, acceptable forms of United States (“US”) Treasury collateral, and its collateral valuation process. ICC believes that 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. ICC proposes to make such changes effective following Commission approval of the proposed rule change. The proposed revisions are described in detail as follows.

ICC proposes amendments to the ‘Funds Management’ section with respect to its use of a committed repo facility. Namely, ICC proposes to clarify that the committed repo facility can be used to generate temporary liquidity through the sale and agreement to repurchase securities pledged by ICC Clearing Participants (“CPs”) to satisfy their Initial Margin (“IM”) and Guaranty Fund (“GF”) requirements. ICC proposes to include that, when applicable, the facility can be used to rehypothecate sovereign debt from overnight repo investments in the event of a counterparty default. ICC also proposes to note that the facility can be used to sell, with the agreement to repurchase, sovereign debt securities that are held by ICC pursuant to direct investments in such securities.

ICC proposes to update the ‘Custodial Assets’ section regarding acceptable forms of US Treasury collateral and ICC’s collateral valuation process. Under the Treasury Policy, acceptable forms of non-cash collateral for IM and GF are limited to US Treasury securities. ICC proposes to specify that Floating Rate Notes and STRIPS are not

acceptable forms of US Treasury collateral for IM and GF. ICC also proposes to add language stating that, with respect to its collateral valuation process, Euros that are used to cover a US Dollar denominated product requirement will be subject to a haircut.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>1</sup> 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 change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F)<sup>2</sup>, because ICC believes that the proposed rule change 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 changes allow ICC to provide additional clarity regarding its use of the committed repo facility, acceptable forms of US Treasury collateral, and its collateral valuation process. The proposed updates ensure that the documentation of ICC's Treasury Policy remains up-to-date, transparent, and focused on clearly

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

<sup>2</sup> Id.

articulating the policies and procedures used to support ICC’s treasury functions, which promotes the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and contributes to the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible. As such, the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and to 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 within the meaning of Section 17A(b)(3)(F) of the Act.<sup>3</sup>

In addition, the proposed rule change is consistent with the relevant requirements of Rule 17Ad-22.<sup>4</sup> Rule 17Ad-22(b)(3)<sup>5</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain sufficient financial resources to withstand, at a minimum, a default by the two CP families to which it has the largest exposures in extreme but plausible market conditions. ICC believes that the proposed changes enhance its ability to manage its financial resources, including by more clearly articulating details related to the use of the committed repo facility, acceptable forms of US Treasury collateral, and the collateral valuation process. Specifically, the additional details relating to ICC’s use of a committed repo facility clarify, among other things, that when applicable, the facility can be used to

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<sup>3</sup> Id.

<sup>4</sup> 17 CFR 240.17Ad-22.

<sup>5</sup> 17 CFR 240.17Ad-22(b)(3).

rehypothecate sovereign debt from overnight repo investments in the event of a counterparty default. The proposed changes also identify Floating Rate Notes and STRIPS as unacceptable forms of US Treasury collateral for IM and GF and, with respect to the collateral valuation process, specify that Euros that are used to cover a US Dollar denominated product requirement will be subject to a haircut. Such proposed changes strengthen the documentation of ICC's treasury operations, which supports ICC's ability to maintain sufficient financial resources to withstand, at a minimum, a default by the two CP families to which it has the largest exposures in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad-22(b)(3).<sup>6</sup>

Rule 17Ad-22(d)(3)<sup>7</sup> requires ICC to 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 and to invest assets in instruments with minimal credit, market, and liquidity risks. The proposed changes strengthen ICC's ability to safeguard assets and limit the potential for loss or delay in access to such assets by ensuring that ICC has clear and comprehensive procedures for the use of the committed repo facility, transparent and well-documented policies regarding acceptable types of US Treasury collateral, and clear and effective procedures for collateral valuation. Moreover, ICC believes that having policies and procedures that clearly and accurately document ICC's treasury functions are an important component to the effectiveness of ICC's treasury operations, which promote ICC's ability to hold assets in

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<sup>6</sup> Id.

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

a manner that minimizes risk of loss or of delay in its access to them and to invest assets in instruments with minimal credit, market, and liquidity risks. Such changes are therefore reasonably designed to meet the requirements of Rule 17Ad-22(d)(3).<sup>8</sup>

(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 changes to ICC's Treasury Policy will apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule change imposes any burden on competition that is inappropriate in furtherance of the purposes of the Act.

(C) Clearing Agency'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.

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<sup>8</sup> Id.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-ICC-2019-012 on the subject line.

##### Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

All submissions should refer to File Number SR-ICC-2019-012. 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, N.E., Washington, D.C. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2019-012 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.<sup>9</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).