

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74257; File No. SR-ICC-2014-23)

February 11, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Granting Approval of Proposed Rule Change to Revise ICC End-of-Day Price Discovery Policies and Procedures

I. Introduction

On December 18, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2014-23 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 January 5, 2015.³ The Commission received no comment letters regarding the proposed change. 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 this change to revise the ICC End-of-Day Price Discovery Policies and Procedures to remove the ability for Clearing Participants to submit end-of-day submissions for Single Name instruments in terms of spread and associated recovery rate. This revision does not require any changes to the ICC Clearing Rules.

ICC requires all Clearing Participants to provide end-of-day submissions for specific instruments related to their cleared open interest. ICC states that it uses these submissions as inputs to its price discovery algorithm, which determines end-of-day levels.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-73951 (Dec. 29, 2014), 80 FR 269 (Jan. 5, 2015) (SR-ICC-2014-23).

According to ICC, it computes margin and guaranty fund requirements, and all other money movements, in price terms, but currently supports Clearing Participant submissions in terms of price (or the equivalent points upfront), or spread and associated recovery rate. As a result, according to ICC, the first step in the price discovery algorithm for Single Name instruments is to convert any submissions in terms of spread and associated recovery rate to the equivalent submission in price terms using the ISDA standard model.

ICC therefore proposes to revise its End-of-Day Price Discovery Policies and Procedures to remove the ability for Clearing Participants to provide end-of-day submissions for Single Name instruments in terms of spread and associated recovery rate. Rather, ICC will require price (or the equivalent points upfront) submissions for all Single Name instruments. According to ICC, this change will result in the elimination of the use of the ISDA standard model to determine end-of-day prices for Single Name instruments. Furthermore, ICC also proposes to add clarifying language regarding its determination of implied recovery rates.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁴ 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 to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁵ 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

⁴ 15 U.S.C. 78s(b)(2)(C).

⁵ 15 U.S.C. 78q-1(b)(3)(F).

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.

The Commission finds that the proposed rule change is consistent with Section 17A of the Act⁶ and the rules thereunder applicable to ICC. The revised ICC End-of-Day Price Discovery Policies and Procedures will ensure ICC uses data that reflect its Clearing Participants' view of the price of a given Single Name instrument, without the use of a model to imply a given price, resulting in an end-of-day price that is not subject to any potential model limitations or assumptions. As such, the Commission believes that the proposed rule change will promote the prompt and accurate settlement of securities and derivatives transactions, and therefore is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, Section 17A(b)(3)(F).⁷

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 Act⁸ and the rules and regulations thereunder.

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-ICC-2014-23) be, and hereby is, approved.¹⁰

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Brent J. Fields
Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 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).

¹¹ 17 CFR 200.30-3(a)(12).