

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66825; File No. SR-ICC-2012-01)

April 18, 2012

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule to Provide that One Hundred Percent (100%) of the Initial Margin Requirement for Client-related Positions Cleared in a Clearing Participant's Customer Account Origin May be Satisfied by a Clearing Participant Utilizing US Treasuries

I. Introduction

On February 17, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2012-01 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ The proposed rule change was published for comment in the Federal Register on March 7, 2012.² The Commission received no comment letters. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

This rule change will allow clearing participants to satisfy the initial margin-related liquidity requirements for client-related positions cleared in a clearing participant's customer account origin by posting US Treasuries.

The proposed rule changes provide that one hundred percent (100%) of the initial margin requirement for client-related positions cleared in a clearing participant's customer account origin may be satisfied by the clearing participant utilizing US Treasuries.³

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 34-66500 (March 1, 2012), 77 FR 13678 (March 7, 2012).

³ ICC applies haircuts to US Treasuries to mitigate liquidity risk. The haircuts as of April 1, 2012 are: 1.25% for US Treasuries maturing in less than one year, 2.5% for US

The ICC rules currently provide that for all accounts at least forty-five percent (45%) of initial margin must be posted in US dollar cash. The next twenty percent (20%) must be posted in US dollar cash or US Treasuries. The remaining thirty-five percent (35%) must be posted in US dollar cash or US Treasuries or G7 cash.

The proposed rules provide that at least sixty-five percent (65%) of the initial margin requirement for client-related positions cleared in a clearing participant's customer account origin must be posted in US dollar denominated assets (US dollar cash and/or US Treasuries) and the remaining thirty-five percent (35%) must be posted in US dollar cash, US Treasuries, or G7 cash. The proposed changes will apply only to the initial margin liquidity requirements associated with the initial margin requirement for client-related positions cleared in a clearing participant's customer account origin. The proposed changes will not apply to the ICC liquidity requirements for house initial margin and the guaranty fund.

The proposed rule changes are intended to facilitate client-related clearing. Customers of ICC's clearing participants have indicated that the current US dollar cash liquidity requirement is too restrictive and serves as a barrier to clearing. The proposed rule changes are consistent with the recently promulgated CFTC regulation 39.11(e)(1) that provides that the CFTC's "cash" liquidity requirement includes US Treasury obligations. ICC routinely monitors its potential liquidity needs and reevaluates its liquidity requirements to ensure that it has sufficient intraday liquidity to manage cash payments in the event of a member default.⁴

Treasuries maturing in one to five years, 5.0% for US Treasuries maturing in five to ten years, and 10.0% for US Treasuries maturing in more than ten years (available at: https://www.theice.com/publicdocs/clear_credit/ICE_Clear_Credit_Collateral_Management.pdf).

⁴ Currently at least 45% of house initial margin and the guaranty fund requirements must

III. Discussion

Section 19(b)(2)(B) of the Act⁵ 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 Act⁶ 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.

The proposed rule change is intended to facilitate client-related clearing. Because the proposed rule change will expand the use of US Treasuries for the initial margin requirement for client-related positions cleared in a clearing participant's customer account origin, it will help remove certain barriers to client-related clearing, thereby promoting the prompt and accurate clearance and settlement of derivative agreements, contracts, and transactions, and therefore is consistent with the requirements of Section 17A(b)(3)(F) of the Act.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with

be posted in US dollar cash and the ICC contribution to the guaranty fund is in US dollar cash. Additionally, ICC requires all members to meet and maintain their minimum guaranty fund requirement deposit of \$20 million in US dollar cash regardless of the amount of each member's total guaranty fund requirement. In addition, in the event of immediate liquidity needs in the event of a member's default, ICC may borrow (through IntercontinentalExchange, Inc.) up to an aggregate principal amount of \$100 million against IntercontinentalExchange, Inc.'s senior unsecured revolving credit facility.

⁵ 15 U.S.C. 78s(b)(2)(B).

⁶ 15 U.S.C. 78q-1(b)(3)(F).

the requirements of the Act and in particular with the requirements of Section 17A of the Act⁷ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (File No. SR-ICC-2012-01) be, and hereby is, approved.⁹

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Kevin O'Neill
Deputy Secretary

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78s(b)(2).

⁹ 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).

¹⁰ 17 CFR 200.30-3(a)(12).