

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73790; File No. SR-ICC-2014-17)

December 8, 2014

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 October 17, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2014-17 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> The proposed rule change was published for comment in the Federal Register on November 3, 2014.<sup>3</sup> 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 incorporate enhancements to its price discovery process. This revision does not require any changes to the ICC Clearing Rules.

According to ICC, it utilizes a “cross and lock” algorithm as part of its price discovery process. As described by ICC, under this algorithm, bids and offers derived from Clearing Participant (“CP”) submissions are matched by sorting them from highest to lowest and lowest to highest levels, respectively. This sorting process pairs the CP submitting the highest bid price with the CP submitting the lowest offer price, the CP submitting the second highest bid price

---

<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. 34-73451 (Oct. 28, 2014), 79 FR 65280 (Nov. 3, 2014) (SR-ICC-2014-17).

with the CP submitting the second-lowest offer price, and so on. The algorithm then identifies crossed and/or locked markets. Crossed markets are the Clearing Participant pairs generated by the sorting and ranking process for which the bid price of one Clearing Participant is above the offer price of the matched Clearing Participant. The algorithm identifies locked markets, where the bid and the offer are equal, in a similar fashion. The mid-point of the first non-crossed, non-locked matched market is, as stated by ICC, the final end-of-day level (with additional steps taken to remove off-market submissions from influencing the final level). According to ICC, this process captures the market dynamics of trading; however, final pricing levels are ultimately determined by a single bid and a single offer, which results in the ability for one submission to influence the outcome.

ICC proposes enhancements to its methodology to improve the consistency of prices and reduce the sensitivity of the final level to a single Clearing Participant's submission. ICC states that under the new "cross and lock" methodology, the average of the mid-points of all non-crossed, non-locked matched markets that are less than or equal to one bid-offer width is used as the final level (with additional steps taken to remove off-market submissions from influencing the final level). ICC states that, as a result, prices are less sensitive to outlying submissions. ICC also proposes additional language in the ICC End-of-Day Price Discovery Policies and Procedures to clarify existing policies and practices, including, but not limited to, language to clarify the existing pricing methodology's treatment of identical crossed or locked matched market bids or offers.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> 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 Act<sup>5</sup> 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 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 Act<sup>6</sup> and the rules thereunder applicable to ICC. The revised ICC End-of-Day Price Discovery Policies and Procedures will reduce the sensitivity of the final price level to a single Clearing Participant's submission, resulting in more consistent day-over-day end-of-day levels. The proposed rule change is therefore reasonably expected to provide a pricing methodology to more accurately reflect the market level. As such, the Commission believes that the changes will promote the prompt and accurate settlement of securities and derivatives transactions, and therefore are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, Section 17(A)(b)(3)(F).

---

<sup>4</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

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 Act<sup>7</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (File No. SR-ICC-2014-17) be, and hereby is, approved.<sup>9</sup>

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

Kevin M. O'Neill  
Deputy Secretary

---

<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</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>10</sup> 17 CFR 200.30-3(a)(12).