

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-66500; File No. SR-ICC-2012-01)

March 1, 2012

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of 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

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> notice is hereby given that on February 17, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes 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. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

ICC proposes rule amendments that 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.

II. Self-Regulatory Organization'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 and discussed any comments it received on the proposed rule change. 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

significant aspects of these statements.<sup>3</sup>

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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.<sup>4</sup>

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 or US Treasuries or G7 cash. Again, 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

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<sup>3</sup> The Commission has modified the text of the summaries prepared by ICC.

<sup>4</sup> ICC applies haircuts to US Treasuries to mitigate liquidity risk. The current haircuts are: 1.25% for US Treasuries maturing in less than one year, 2.5% for US 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](https://www.theice.com/publicdocs/clear_credit/ICE_Clear_Credit_Collateral_Management.pdf))

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.<sup>5</sup>

(B) Self-Regulatory Organization's Statement on Burden on Competition

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition.

(C) Self-Regulatory Organization'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:

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<sup>5</sup> Currently at least 45% of house initial margin and the guaranty fund requirements must 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.

(A) by order approve or disapprove the proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### 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-2012-01 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICC-2012-01. 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 Section, 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 ICC and on ICC's website at

[https://www.theice.com/publicdocs/regulatory\\_filings/ICEClearCredit\\_021712.pdf](https://www.theice.com/publicdocs/regulatory_filings/ICEClearCredit_021712.pdf)

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2012-01 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>6</sup>

Kevin O'Neill  
Deputy Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).