



8011-01p  
SECURITIES AND EXCHANGE COMMISSION  
[Release No. 74456; File No. SR-ICC-2015-002]

March 6, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change to Revise the ICC Treasury Operations Policies and Procedures

I. Introduction

On January 6, 2015 ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2015-002 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 January 23, 2015.<sup>3</sup> The Commission did not receive any comments. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICC has proposed revising its Treasury Operations Policies and Procedures to provide for the use of a Federal Reserve Account, to provide for the use of a committed repurchase (“repo”) facility and to provide for USD and Euro investment guidelines for use by outside investment managers.

ICC has stated that it has applied for a Federal Reserve Account to hold both USD cash and US Treasuries and that, in its application, it requested separate accounts for house origin

---

<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. 34-74084 (Jan. 16, 2015), 80 FR 3691 (January 23, 2015) (File No. SR-ICC-2015-002).

funds and customer origin funds. ICC has represented that, if it is approved for a single account origin, it will utilize the Federal Reserve Accounts to hold house collateral, and customer collateral will continue to be held in commercial banks. ICC has represented that, if it is approved for an additional account origin, it will utilize the second origin to hold customer collateral at the Federal Reserve.

ICC proposes to use the Federal Reserve Account(s) as a depository account, in which cash will be consolidated on a daily basis and held overnight. ICC will continue using its commercial bank accounts for Clearing Participant money movements, and the net excess/deficit will be deposited to/withdrawn from the Federal Reserve cash Account as necessary. ICC proposes to use a Federal Reserve securities Account as a custody account to hold US Treasuries deposited by Clearing Participants with ICC's commercial banks.

Additionally, ICC has proposed revising its Treasury Operations Policies and Procedures to provide for use of a committed repo facility. ICC represents that it has established a committed repo facility that will allow ICC to consider US Treasury securities deposited at ICC as an additional qualifying liquidity resource, and the facility can be used to convert US Treasuries into cash when the sale of pledged securities needed for liquidity cannot be settled on a timely or same-day basis. Specifically, ICC represents that the facility is to be used to generate temporary liquidity through the sale and agreement to repurchase securities pledged by ICC Clearing Participants to satisfy their Initial Margin and Guaranty Fund requirements. According to ICC, the facility will include counterparties that are banks and/or broker dealers (which may include ICC Clearing Participants and/or their affiliates) that each provide a committed repo line to ICC, and committed repo will be subject to a haircut which will be the greater of 5% or the

haircut that central banks employ for repo transactions using the same or similar purchased securities.

Under ICC's proposal, the committed repo facility can be used on an open or overnight basis. The open repo will be closed as soon as the ICC Treasury Department ("ICC Treasury") can facilitate the sale and settlement of the securities involved in the repo transaction. USD repo will be settled delivery versus payment ("DVP") on a bilateral basis. In order to initiate a committed repo transaction, ICC Treasury can send an email to the counterparty with a list of the securities that will be delivered. The counterparty will reply confirming the trade and providing the "purchase amount" of the repo transaction. The purchase amount will be equal to the mark-to-market ("MTM") of the securities less the haircut. The repo details will then be sent to ICC's custodian for settlement. ICC Treasury will monitor bank activity to ensure settlement is complete. Once ICC Treasury has arranged for the ultimate sale of the securities involved in the repo transaction, it will close-out the repo transaction(s).

Finally, ICC has proposed revising its Treasury Operations Policies and Procedures to provide for the engagement of outside investment managers to invest guaranty fund and margin cash pursuant to ICC's USD and Euro investment guidelines. ICC has proposed extending its current investment guidelines set forth in in the ICC Treasury Operations Policies and Procedures to apply to outside investment managers. ICC represents that its cash investment guidelines for USD and Euro cash provide for the investment of cash in overnight reverse repo with high quality sovereign debt as collateral. Under ICC's proposal, if the investment manager cannot place 100% of the allocated cash in overnight reverse repo, the investment guidelines permit the investment manager to make backup investments in term reverse repo and direct investment in high quality sovereign debt. With respect to Euro cash, ICC proposes that

investment in reverse repo transactions and non-US sovereign debt will be utilized only with respect to house origin cash, and shall not be utilized with respect to customer origin cash pursuant to Commodity Futures Trading Commission regulations. ICC's proposed USD investment guidelines provide for use by outside investment managers with respect to USD cash that is not otherwise invested pursuant to the ICC Treasury Operations Policies and Procedures. ICC represents that these revisions to the Treasury Operations Policies and Procedures do not require any operational changes.

### 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 ICC's proposed revisions to its Treasury Operations Policies & Procedures is consistent with the requirements of Section 17A of the Act<sup>6</sup> and regulations

---

<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.

thereunder applicable to it, including the standards under Rule 17Ad-22.<sup>7</sup> The proposed rule change is designed to facilitate use of Federal Reserve accounts, authorize an additional liquidity resource and authorize use of an outside investment manager to invest guaranty fund and margin cash pursuant to ICC's investment guidelines. The Commission believes that the proposal is designed to promote the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, 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, consistent with Section 17A(b)(3)(F) of the Act.<sup>8</sup> Further, the Commission believes that the proposal is reasonably designed to enhance ICC's ability to hold assets in a manner that minimizes risk of loss or of delay in its access to them and invest assets with minimal credit, market and liquidity risks, consistent with Rule 17Ad-22(d)(3).<sup>9</sup>

#### 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>10</sup> and the rules and regulations thereunder.

---

<sup>7</sup> 17 CFR 240.17Ad-22.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 240.17Ad-22(d)(3).

<sup>10</sup> 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-ICC-2015-002) be, and hereby is, approved.<sup>12</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Jill M. Peterson,  
Assistant Secretary.

[FR Doc. 2015-05608 Filed: 3/11/2015 08:45 am; Publication Date: 3/12/2015]

---

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</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>13</sup> 17 CFR 200.30-3(a)(12).