



SECURITIES AND EXCHANGE COMMISSION  
[Release No. 34-81037; File No. SR-ICC-2017-010]

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to the ICC Clearing Rules and the ICC Treasury Operations Policies and Procedures  
June 28, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 16, 2017, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission the proposed rule change, security-based swap submission, or advance notice, as 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, security-based swap submission, or advance notice from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed changes is to make changes to the ICC Clearing Rules (the “ICC Rules”) and ICC Treasury Operations Policies and Procedures (“Treasury Policy”) to remove eligibility of Japanese yen (“JPY”), Great British pounds (“GBP”), and Canadian dollars (“CAD”) to meet Initial Margin and Guaranty Fund requirements.

II. Clearing Agency’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

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

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

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 significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

ICC Clearing Participants are required to post Initial Margin and contribute to the Guaranty Fund to collateralize their individual credit exposure to ICC. Currently, a Clearing Participant may meet the final 35% of their Initial Margin and Guaranty Fund requirements with JPY, GBP, or CAD, in aggregate. To date, ICC has never received GBP and CAD, and has received small deposits of JPY from a limited number of Clearing Participants (i.e. less than 1% of total margin deposits). JPY, GBP, and CAD are not considered to be 'liquid' resources from an ICC perspective, as they must be converted to another currency (USD or Euro). JPY additionally has a significant timing issue related to conversion. Further, ICC has found securitization for these currencies impractical, especially for the small balances of JPY received.

For the aforementioned reasons, ICC proposes revising the ICC Rules and ICC Treasury Operations Policies and Procedures to remove eligibility of JPY, GBP, and CAD to meet Initial Margin and Guaranty Fund requirements. Clearing Participants will continue to be able to meet their Initial Margin and Guaranty Fund requirements using Euro cash, US cash and/or US Treasuries, in accordance with the collateral thresholds set forth in Schedule 401 of the ICC Rules. The proposed revisions to the ICC Rules and ICC Treasury Policy are described in detail as follows.

### *ICC Rules*

ICC proposes updates to Schedule 401 of the ICC Rules. Specifically, ICC proposes removing references to G7 cash<sup>3</sup>, and defining ‘All Eligible Collateral’ for both Non-Client Initial Margin and Guaranty Fund Liquidity Requirements and Client-Related Initial Margin Liquidity Requirements to be US cash, Euro cash, and/or US Treasuries. Under the proposed changes, US cash, Euro cash, and/or US Treasuries will be eligible for meeting the final 35% of Initial Margin and Guaranty Fund requirements for all Non-Client Initial Margin and Guaranty Fund Liquidity Requirements and Client-Related USD denominated Initial Margin Requirements; and US cash, Euro cash, and/or US Treasuries will be eligible for meeting a maximum of 100% of Initial Margin requirements for Client-Related Euro Denominated Product Requirements.

### *ICC Treasury Policy*

ICC also proposes updates to the ICC Treasury Policy to remove references to CAD, GBP, and JPY as eligible collateral. ICC proposes removing references to CAD, GBP, and JPY in the ‘Collateral Liquidation Assumptions’ tables (for both Euro and US Dollar denominated requirements). Under the proposed changes, the tables will set forth collateral liquidity assumptions for US cash, Euro cash, and US Treasuries only.

ICC proposes updating the House Initial Margin and Guaranty Fund Liquidity Requirements (for Non-Client US Dollar and Euro denominated requirements) chart to remove reference to G7 cash and to define ‘All Eligible Collateral’ to be US cash, Euro cash, and/or US Treasuries. ICC proposes updating the list of acceptable forms of collateral for Initial Margin to specifically include US Treasury Securities, US cash, and

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<sup>3</sup> G7 cash includes US cash, Euro cash, JPY, GBP, and CAD.

Euro cash, and to remove the general reference to G7 currencies. ICC also proposes updating the list of acceptable forms of collateral for the Guaranty Fund to include US Treasury Securities, US cash, and Euro cash, and to remove the general reference to G7 currencies. ICC proposes updates to the ‘Eligible Client Collateral’ section of the Treasury Policy to note that ICC’s eligible collateral for client Initial Margin includes US cash, Euro cash, and US government securities in line with current eligible collateral for House exposures (i.e. US Treasuries). ICC also proposes updates to the ‘Client-Related Initial Margin Liquidity Requirements’ section of the Treasury Policy to reflect the proposed liquidity requirement changes, namely US denominated product requirements of 65% US cash and/or US Treasuries, and 35% remainder eligible US cash, US Treasuries, and/or Euro cash; and Euro denominated product requirements of 100% US cash, Euro cash, and/or US Treasuries.

Section 17A(b)(3)(F) of the Act<sup>4</sup> 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; 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 to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17A(b)(3)(F)<sup>5</sup>, because ICC believes that removing eligibility of JPY, GBP, and CAD to meet Initial

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<sup>4</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>5</sup> Id.

Margin and Guaranty Fund requirements will promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, and contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. The proposed update will promote the liquidity of ICC collateral. Such changes are consistent with the eligible collateral accepted by other market participants. Further, from a practical standpoint, the proposed updates will have minimal impact on ICC's financial resource composition, as such currencies have been rarely utilized by Clearing Participants to meet Initial Margin and Guaranty Fund requirements. ICC will continue to accept US cash, Euro cash, and US Treasuries as eligible collateral, in accordance with Schedule 401 of the ICC Rules. Such collateral will continue to be held in a manner whereby risk of loss or of delay in access to them is minimized, consistent with Section 17A(b)(3)(F)<sup>6</sup> and Rule 17Ad-22(d)(3)<sup>7</sup>.

(B) Clearing Agency's Statement on Burden on Competition

ICC does not believe the proposed rule changes would have any impact, or impose any burden, on competition. The changes to ICC's eligible collateral apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule changes impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

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<sup>6</sup> Id.

<sup>7</sup> 17 CFR 240.17Ad-22(d)(3).

(C) Clearing Agency'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:

- (A) by order approve or disapprove such 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-2017-010 on the subject line.

Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ICC-2017-010. 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 Room, 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 ICE Clear Credit and on ICE Clear Credit's website at <https://www.theice.com/clear-credit/regulation>.

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-2017-010 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>8</sup>

Robert W. Errett  
Deputy Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).

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