

Sarah Williams
Staff Attorney

May 17, 2016

**Re: Revisions to the ICC End-of-Day Price
Discovery Policies and Procedures Pursuant
to Section 5c(c)(1) of the Commodity
Exchange Act and Commission Regulation
40.6(a)**

VIA E-MAIL

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC (“ICC”) hereby submits, pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of revisions to the ICC End-of-Day Price Discovery Policies and Procedures (“EOD Pricing Policy”) to change the calculation of single name Firm Trade notional limits to be at a Clearing Participant (“CP”) affiliate group level. ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to make the EOD Pricing Policy revisions effective no sooner than the tenth business day following the filing of this submission with the Commission at its Washington, D.C. headquarters and with its Chicago regional office.

The proposed revisions to ICC’s EOD Pricing Policy are intended to change the calculation of single name Firm Trade notional limits to be at a CP affiliate group level. These revisions do not require any changes to the ICC Clearing Rules. This submission includes a description of the ICC EOD Pricing Policy revisions. Certification of the revisions to the ICC EOD Pricing Policy pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

As part of ICC’s end-of-day price discovery process, ICC CPs are required to submit end-of-day prices for specific instruments related to their open interest at ICC, in accordance with ICC Clearing Rule 404(b) and ICC procedures. ICC determines end-of-day levels directly from these CP price submissions using a proprietary algorithm. To encourage CPs to provide high quality end-of-day submissions, on random days, ICC selects a subset of instruments which are eligible for Firm Trades. In order to determine Firm Trade requirements, the algorithm sorts and ranks all CP submissions and identifies “crossed and/or locked markets.” Crossed markets are pairs of CP submitted prices generated by the sorting and ranking process for which the bid price of one CP is above the offer price of the matched CP. The algorithm identifies locked markets, where the bid and the offer are equal, in a similar fashion.

Certain crossed and/or locked markets are designated as Firm Trades and CPs are entered into cleared transactions. ICC establishes pre-defined notional amounts for Firm Trades. No single Firm Trade can have a larger notional amount than specified by the pre-defined notional amount for the relevant instrument. On a given Firm Trade day, all potential-trades resulting from the cross-and-lock algorithm in any Firm Trade eligible instrument are designated Firm Trades, unless they breach a CP’s notional limits.

Currently single name Firm Trade notional limits are set at the CP level. ICC designed the Firm Trade system to incentivize trading desks to provide quality end-of-day price submissions for use in its end-of-day price discovery process, while limiting the total overnight risk that a given institution may be required to manage in case of submission errors or outlying pricing submissions which may lead to Firm Trades. One mechanism introduced to provide these protections is single name Firm Trade notional limits per CP. At the time of its introduction, this mechanism achieved its goal of limiting overnight risk limits per institution. However, with the increase in client clearing and in multiple CP memberships per holding company, the limit provided to a given institution is multiples of that originally contemplated.

In addition, because of recent changes to ICC's End-of-Day Price Discovery Policies and Procedures to extend the process for determining Firm Trades to include all submissions, including those classified as outlying pricing submissions (or "obvious errors")¹, CPs are eligible to receive Firm Trades on a wider range of price submissions. Due to the broadened scope of the Firm Trade process, there is heightened interest in adjusting the allocation process so that CPs are not over-penalized for Firm Trades in terms of overnight risk exposure.

In order to maintain the original intent of the end-of-day price discovery process, ICC proposes changes to its End-of-Day Price Discovery Policies and Procedures to implement single name Firm Trade notional limits at the CP affiliate group level, as opposed to the CP level. The proposed changes will return the process to its original design and limit the total overnight risk that a given institution may be required to manage in the case of submission errors or outlying pricing submissions which may lead to Firm Trades. A "CP affiliate group" is defined as the set of all affiliated CPs (i.e. any CPs that own, are owned by, or are under common ownership with another CP). As the sequence of crosses is considered, the executed single name Firm Trade notional value will be tracked for all CPs in a CP affiliate group. No additional single name Firm Trades will be executed against any CP in a CP affiliate group once the CP affiliate group notional limit for single name Firm Trades is reached. There are no changes to the Firm Trade algorithm as a result of these changes. Setting single name Firm Trade notional limits on an affiliate group basis is consistent with price submission practices where end-of-day submissions from multiple affiliated entities often reflect the institution's overall view on the market.

The proposal returns single name Firm Trade notional limits to the original design while maintaining the system's price submission incentives. All CPs within an affiliate group are still subject to potential Firm Trades for any given submission, on a randomized basis. Though Firm Trade notional limits will be implemented at the CP affiliate group level, the potential implication for a given trading desk of providing an off-market submission for a given instrument remains the same.

ICC is confident that the changes will have no effect to the integrity and effectiveness of the Firm Trade process. As noted above, under the proposed approach, CPs will still be subject to potential Firm Trades for any given price submission on a randomized basis. As such, ICC believes there will be no change in price submission behavior as a result of the changes, and the Firm Trade process will remain an effective tool for ensuring quality price submissions.

Core Principle Review:

ICC reviewed the DCO core principles ("Core Principles") as set forth in the Commodity Exchange Act. During this review, ICC identified the following Core Principles as being impacted:

Settlement Procedures: The revisions to the EOD Pricing Policy are consistent with the settlement procedures requirements of Core Principle E, as pricing is an integral component of ICC's settlement procedures and the revisions return ICC's price discovery process to its original design.

Risk Management: The revisions to the ICC EOD Pricing Policy are consistent with the risk management requirements of Core Principle D, as the proposed revisions limit the total overnight risk that a given institution may be required to manage as a result of the Firm Trade process.

¹ See Submission Number 1501-1510-2737-44, dated January 15, 2015. The text of this submission can be found on ICC's website at <https://www.theice.com/clear-credit/regulation>.

Amended Rules:

The proposed change consists of revisions to ICC's EOD Pricing Policy to change the calculation of single name Firm Trade notional limits to be at a CP affiliate group level. ICC has respectfully requested confidential treatment for the ICC EOD Pricing Policy which was submitted concurrently with this self-certification submission.

Certifications:

ICC hereby certifies that the revisions to the ICC EOD Pricing Policy comply with the Act and the regulations thereunder. There were no substantive opposing views to the revisions.

ICC further certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, and may be accessed at: <https://www.theice.com/clear-credit/regulation>

ICC would be pleased to respond to any questions the Commission or the staff may have regarding this submission. Please direct any questions or requests for information to the attention of the undersigned at (312) 836-6883.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Williams". The signature is written in black ink and is positioned below the word "Sincerely,".

Sarah Williams
Staff Attorney