Sarah Williams
Staff Attorney

January 15, 2015

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)

<u>VIA E-MAIL</u>
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 incorporate enhancements to its price discovery process. 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 incorporate enhancements to ICC's price discovery process. 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.

ICC currently utilizes a "cross and lock" algorithm as part of its price discovery process. Under this algorithm, standardized 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 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 CP pairs 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.

Whenever there are crossed and/or locked matched markets, the algorithm applies a set of rules designed to identify standardized submissions that are "obvious errors". The algorithm sets a high bid threshold equal to the preliminary end-of-day ("EOD") level plus one EOD bid offer width ("BOW"), and a low offer threshold equal to the preliminary EOD level minus one EOD BOW. The algorithm considers a CP's standardized submission to be an "obvious error" if the bid is higher than the high bid threshold, or the offer is lower than the low offer threshold.

CP pairs identified by the algorithm as crossed or locked markets are required from time to time, under the End-of-Day Price Discovery Policies and Procedures, to enter into cleared trades with each other as part of the ICC EOD price discovery process ("Firm Trade"). Currently, ICC excludes standardized submissions it identifies as obvious errors from Firm Trades and does not use these submissions in its determination of published EOD levels.

ICC proposes implementing consequences for CPs providing price discovery submissions deemed to be obvious errors. Effectively, ICC is extending the process for determining Firm Trades to include all standardized submissions, including those classified as obvious errors. ICC will effectively execute its current EOD algorithm twice, initially in the same way it does today, by eliminating obvious errors, to generate the final EOD levels, and again, without excluding obvious errors, to generate Firm Trades and reversing transactions[1].

To limit the potential exposure created through Firm Trades that include a bid or offer from an obvious error submission, ICC will adjust trade prices, where appropriate, to fall within a predefined band on either side of the EOD price such that the potential profit or loss ("P/L") realized by unwinding the trade at the EOD level is capped.

To prevent CPs from receiving Firm Trades with large P/L impact in Index instruments that are less actively traded, and therefore more difficult and/or more expensive to manage the associated risk, ICC will have the ability to automatically generate reversing transactions at the EOD level for specific Index instruments (i.e., for specific index risk sub-factors as defined by specific combinations of index/sub-index and series) based on liquidity[2]. Currently, reversing transactions are only available for Single Name instruments. There are no changes to ICC's Clearing Rules as a result of these changes.

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 ICC 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 enhance ICC's price discovery process.

Risk Management: The revisions to the ICC EOD Pricing Policy are consistent with the risk management requirements of Core Principle D.

Amended Rules:

The proposed change consists of revisions to ICC's EOD Pricing Policy to incorporate enhancements to ICC's price discovery process. 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

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[1] A reversing transaction is a second Firm Trade with identical attributes to the initial Firm Trade, but with the buyer and seller counterparties reversed, and at that day's EOD price rather than the original Firm Trade price.
[2] The ICC Risk Department, in conjunction with the ICC Trading Advisory Committee, specifies the index risk sub-factors that are eligible for automatic reversing transactions.

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,

Sarah Williams
Staff Attorney

cc: Kate Meyer, Commodity Futures Trading Commission (by email)
        Tad Polley, Commodity Futures Trading Commission (by email)
        Eric Nield, ICE Clear Credit (by email)
        Michelle Weiler, ICE Clear Credit (by email)