

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73220; File No. SR-ICC-2014-13)

September 25, 2014

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change to Provide for the Clearance of Additional Standard Emerging European and Middle Eastern Sovereign Single Names

I. Introduction

On July 31, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2014-13 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on August 15, 2014.³ The Commission did not receive any comments on the proposed rule change.⁴ This order approves the proposed rule change.

II. Description of the Proposed Rule Change

ICC proposes to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. Specifically, ICC is proposing to amend Section 26D of its Rules to provide for the clearance of additional Standard Emerging Sovereign Single Name constituents of the CDX Emerging Markets Index (“SES Contracts”). Currently, ICC clears six SES Contracts: four Standard Latin America Sovereign Single Name constituents and two Standard Emerging European and Middle Eastern Sovereign Single Name constituents of the CDX Emerging Markets Index (the “SEEME Contracts”). The proposed rule change would provide

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Exchange Act Release No. 34-72802 (Aug. 11, 2014), 79 FR 48280 (Aug. 15, 2014) (SR-ICC-2014-13).

⁴ On August 18, 2014, ICC filed Amendment No. 1 to the proposed rule change. ICC withdrew Amendment No. 1 on August 21, 2014.

for the clearance of two additional SEEME Contracts: the Republic of Hungary and the Republic of South Africa.

ICC currently clears Series 14-21 of the CDX Emerging Markets Index. Of the CDX Emerging Markets Indices cleared by ICC, the Republic of Hungary is a constituent of the CDX Emerging Markets Index, Series 14-18, and the Republic of South Africa is a constituent of the CDX Emerging Markets Index, Series 14-21. These two additional SEEME Contracts would initially be offered on the 2014 ISDA Credit Derivatives Definitions. ICC states that the addition of these SEEME Contracts will allow market participants an increased ability to manage risk, by providing market participants the ability to offset related index positions.

These additional SEEME Contracts would have terms consistent with the other SEEME Contracts currently cleared by ICC and governed by Subchapter 26D of the ICC rules, namely the Russian Federation and the Republic of Turkey. Minor revisions to Subchapter 26D (Standard Emerging Sovereign (“SES”) Single Name) are proposed to provide for clearing the additional SEEME Contracts. Rule 26D-102 would be modified to include the Republic of Hungary and the Republic of South Africa in the list of specific Eligible SES Reference Entities to be cleared by ICC. ICC represents that the addition of these products would not require any changes to ICC’s Risk Management Framework or other policies and procedures constituting rules within the meaning of the Act. ICC states that, in connection with the clearance of the new contracts, it will apply its existing margin and guaranty fund methodology, operational and managerial resources, settlement procedures and account structures, and default management policies and procedures, which, together, it believes will provide sufficient financial, operational, and managerial resources to support the clearing of the new contracts.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁵ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁶ 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.

After careful review, the Commission finds that the proposed rule change is consistent with Section 17A of the Act⁷ and the rules thereunder applicable to ICC. The proposed rule change will provide for clearing of additional SEEME Contracts, which are substantially similar to other SEEME Contracts cleared by ICC, and the new contracts will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management framework, including policies and procedures. The Commission believes that the proposal is therefore consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, the safeguarding of securities and funds in the custody or control of ICC, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.⁸

⁵ 15 U.S.C. 78s(b)(2)(C).

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 15 U.S.C. 78q-1.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

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 Act⁹ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-ICC-2014-13) be, and hereby is, approved.¹¹

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹²

Kevin M. O'Neill
Deputy Secretary

⁹ 15 U.S.C. 78q-1.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 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).

¹² 17 CFR 200.30-3(a)(12).