

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73941; File No. SR-ICC-2014-21)

December 24, 2014

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Provide for the Clearance of Additional Standard Western European Sovereign Single Names

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on December 16, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change 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 from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap (“CDS”) contracts. Specifically, ICC is proposing to amend Section 26I of its Rules to provide for the clearance of additional Standard Western European Sovereign CDS contracts (collectively, “SWES Contracts”). ICC has been approved to clear four SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, and the Kingdom of Spain.³ The proposed changes to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 34-72941(Nov. 5, 2014), 79 FR 67213 (Nov. 12, 2014) (File No. SR-ICC-2014-14) (order approving rule change to clear other Western European sovereign CDS contracts) (the “Prior WES Order”).

the ICC Rules would provide for the clearance of additional SWES Contracts, specifically the Kingdom of Belgium and the Republic of Austria.

II. Self-Regulatory Organization'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 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. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. ICC has been approved to clear four SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, and the Kingdom of Spain.⁴ ICC proposes amending Subchapter 26I of its Rules to provide for the clearance of two additional SWES Contracts, specifically the Kingdom of Belgium and the Republic of Austria. These two additional SWES Contracts will be offered on the 2003 and 2014 ISDA Credit Derivatives Definitions. The addition of these SWES Contracts will benefit the market for credit default swaps on Western European by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules. Clearing of the additional SWES Contracts will not require any changes in ICC's risk management framework (including relevant policies) or margin model.

⁴ Id.

These additional SWES Contracts have terms consistent with the other SWES Contracts which ICC has been approved to clear and which will be governed by Subchapter 26I of the ICC rules, namely the Republic of Ireland, the Italian Republic, the Portuguese Republic, and the Kingdom of Spain. Minor revisions to Subchapter 26I (Standard Western European Sovereign (“SWES”) Single Name) are made to provide for clearing the additional SWES Contracts and described as follows.

Rule 26I-102 is modified to include the Kingdom of Belgium and the Republic of Austria in the list of specific Eligible SWES Reference Entities to be cleared by ICC.

Additionally, in ICC Rule 26D-102 (Definitions), the definition of “Eligible SES Reference Entity” is modified to correct a typographical error and correctly identify the reference entity for a cleared product as Hungary (as opposed to the Republic of Hungary).

Section 17A(b)(3)(F) of the Act⁵ 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. The clearance of additional SWES Contracts will allow market participants an increased ability to manage risk. ICC believes that acceptance of these new contracts, on the terms and conditions set out in the ICC Rules, is consistent with the prompt and accurate clearance of and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, the safeguarding of securities and

⁵ 15 U.S.C. 78q-1(b)(3)(F).

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.⁶

Clearing of the additional SWES Contracts will also satisfy the requirements of Rule 17Ad-22.⁷ In particular, in terms of financial resources, ICC will apply its existing margin methodology to the additional SWES Contracts. ICC believes that this model will provide sufficient margin to cover its credit exposure to its clearing members from clearing such contracts, consistent with the requirements of Rule 17Ad-22(b)(2).⁸ In addition, ICC believes its Guaranty Fund, under its existing methodology, will, together with the required margin, provide sufficient financial resources to support the clearing of the new contracts consistent with the requirements of Rule 17Ad-22(b)(3).⁹ ICC also believes that its existing operational and managerial resources will be sufficient for clearing of the additional SWES Contracts, consistent with the requirements of Rule 17Ad-22(d)(4),¹⁰ as the new contracts are similar from an operational perspective to existing SWES Contracts. Similarly, ICC will use its existing settlement procedures and account structures for the new contracts, consistent with the requirements of Rule 17Ad-22(d)(5), (12) and (15)¹¹ as to the finality and accuracy of its daily settlement process and avoidance of the risk to ICC of settlement failures. Finally, ICC will apply its existing

⁶ Id.

⁷ 17 CFR 240.17Ad-22.

⁸ 17 CFR 240.17Ad-22(b)(2).

⁹ 17 CFR 240.17Ad-22(b)(3).

¹⁰ 17 CFR 240.17Ad-22(d)(4).

¹¹ 17 CFR 240.17Ad-22(d)(5), (12) and (15).

default management policies and procedures for the new contracts. ICC believes that these procedures allow for it to take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of clearing member insolvencies or defaults in respect of the additional SWES Contracts, in accordance with Rule 17Ad-22(d)(11).¹²

As discussed in further detail in the Prior WES Order, although the margin model applicable to SWES Contracts, including the additional SWES Contracts, may result in Clearing Participants being subject to different margin charges based on their domicile and correlation with the underlying sovereign, ICC believes that the margin model properly aligns the margin requirements to the risks presented by particular Clearing Participants. Moreover, the model operates without the need for ICC (or its management, Board or Risk Committee) to exercise discretion concerning particular Clearing Participants or the margin levels applicable to them. As a result, in ICC's view, the clearing of such contracts does not result in unfair discrimination among Clearing Participants within the meaning of Section 17A(b)(3)(F) of the Act and Rule 17Ad-22(d)(8).¹³

B. Self-Regulatory Organization's Statement on Burden on Competition

The additional SWES Contracts will be available to all ICC Participants for clearing. The clearing of these additional SWES Contracts by ICC does not preclude the offering of the additional SWES Contracts for clearing by other market participants.

¹² 17 CFR 240.17Ad-22(d)(11).

¹³ 15 U.S.C. 78q-1(b)(3)(F); 17 C.F.R. 240.17Ad-22(d)(8).

Although clearance of additional SWES Contracts may result in higher margin requirements for some Clearing Participants as a result of the general wrong way risk component of the margin model, ICC believes that the model properly aligns margin requirements to the risks presented by such clearing members with respect to the additional SWES Contracts. As a result, ICC is of the view that these changes are necessary and appropriate in furtherance of the purpose of the Act and the Commission's regulations thereunder, including the financial resources and risk management requirements of Rule 17Ad-22.¹⁴ Furthermore, ICC does not believe that any such increase in margin requirements would significantly affect the ability of Clearing Participants or other market participants to continue to clear CDS, consistent with the risk management requirements of the clearing house, or otherwise limit market participants' choices for selecting clearing services. Accordingly, ICC does not believe that clearance of the additional SWES Contracts will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization'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

¹⁴ 17 CFR 240.17Ad-22.

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 the 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. Please include File Number SR-ICC-2014-21 on the subject line.

Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICC-2014-21. 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, NE, Washington, DC 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-2014-21 and should be submitted on or before [Commission to insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Brent J. Fields
Secretary

¹⁵ 17 CFR 200.30-3(a)(12).