

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74256; File No. SR-ICC-2014-21)

February 11, 2015

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

I. Introduction

On December 16, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2014-21 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 January 2, 2015.³ The Commission received one comment.⁴ For the reasons discussed below, the Commission is approving 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 (“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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-73941 (Dec. 24, 2014), 80 FR 75 (Jan. 2, 2015) (File No. SR-ICC-2014-21).

⁴ See Comment from Anonymous, dated January 23, 2015, available at <http://www.sec.gov/comments/sr-icc-2014-21/icc201421-1.htm> (stating “Good Idea”).

Kingdom of Spain.⁵ The proposed changes to the ICC Rules would provide for the clearance of additional SWES Contracts, specifically the Kingdom of Belgium and the Republic of Austria (the “Additional SWES Contracts”).

ICC states that these Additional SWES Contracts will be offered on the 2003 and 2014 ISDA Credit Derivatives Definitions. ICC believes that the addition of these SWES Contracts will benefit the market for credit default swaps on Western European sovereigns by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules. According to ICC, the clearing of the additional SWES Contracts will not require any changes in ICC’s risk management framework (including relevant policies) or margin model. ICC represents that the 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.

ICC proposes minor revisions to Subchapter 26I (Standard Western European Sovereign (“SWES”) Single Name) to provide for clearing the additional SWES Contracts. Rule 26I-102 will be 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” will be 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).

⁵ 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”).

III. Comments

The Commission received one comment supporting approval of the proposed rule change. In this anonymous comment, the author expressed general support for the proposal but did not opine on any particular aspects of the proposal or offer any specific comment beyond a statement of general support.

IV. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁶ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁷ 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.

The Commission finds that clearing of the Additional SWES Contracts is consistent with the requirements of Section 17A of the Act⁸ and regulations thereunder applicable to it, including the standards under Rule 17Ad-22.⁹ The proposed change will provide for clearing of Additional SWES Contracts in the same manner as other SWES Contracts. Specifically, the new contracts

⁶ 15 U.S.C. 78s(b)(2)(C).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

⁹ 17 CFR 240.17Ad-22.

will be cleared, and the risk associated with clearing the new contracts will be appropriately managed, pursuant to ICC's existing margin and guaranty fund methodology, operational and managerial procedures, settlement procedures and default management policies. The Commission believes that the proposal is therefore designed to promote the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, to assure the safeguarding of securities and funds in the custody or control of ICC, and to protect investors and the public interest, within the meaning of is designed to promote the prompt and accurate clearance and settlement of securities transactions, consistent with Section 17A(b)(3)(F) of the Act.¹⁰

V. 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 Act¹¹ and the rules and regulations thereunder.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-ICC-2014-21) be, and hereby is, approved.¹³

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Brent J. Fields
Secretary

¹² 15 U.S.C. 78s(b)(2).

¹³ 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).

¹⁴ 17 CFR 200.30-3(a)(12).