

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74687; File No. SR-ICC-2015-007)

April 9, 2015

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 7, 2015, 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 contracts. Specifically, ICC is proposing to amend Subchapter 26I of its rules to provide for the clearance of additional Standard Western European Sovereign CDS contracts (collectively, “SWES Contracts”). ICC currently clears six SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, and the Republic of Austria. The proposed changes to the ICC Rules would provide for the clearance of additional SWES Contracts, specifically the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 currently clears six SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, and the Republic of Austria. ICC proposes amending Subchapter 26I of its Rules to provide for the clearance of additional SWES Contracts, specifically the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark. ICC plans to offer these additional SWES Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions. The addition of these SWES Contracts will benefit the market for credit default swaps by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules.

These additional SWES Contracts have terms consistent with the other SWES Contracts approved for clearing at ICC and governed by Subchapter 26I of the ICC Rules, namely the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, and the Republic of Austria. 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 the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark in the list of specific Eligible SWES Reference Entities to be cleared by ICC.

ICC’s Risk Management Framework has also been revised to provide enhancements to the General Wrong Way Risk (“GWWR”) methodology related to the clearance of additional SWES Contracts. The proposed changes to the ICC Risk Management Framework extend the GWWR framework to the portfolio level. Currently, there exists no Clearing Participant-level cumulative GWWR requirement incorporated in the Jump-to-Default calculations. The uncollateralized WWR exposure of a Risk Factor needs to exceed its corresponding WWR threshold in order to trigger WWR collateralization. The proposed enhancement is introduced to account for the potential accumulation of portfolio WWR through Risk Factor specific WWR exposures. Under the proposed approach, if the cumulative uncollateralized exposure exceeds a pre-determined portfolio GWWR threshold, the amount above the threshold is collateralized.

Section 17A(b)(3)(F) of the Act³ 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 and to comply with the provisions of the Act and the rules and regulations thereunder. These contracts are similar to the SWES Contracts currently cleared by ICC, and the additional SWES Contracts will be cleared pursuant to ICC’s existing clearing arrangements and related financial safeguards, protections and risk management procedures, except as described herein. The

³ 15 U.S.C. 78q-1(b)(3)(F).

additional SWES Contracts will allow market participants an increased ability to manage risk. ICC believes that acceptance of the 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 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.⁴ ICC performed a comprehensive risk analysis related to the clearing of additional SWES Contracts and identified the potential for uncollateralized GWWR exposure as a new risk and accommodated for this risk in the ICC Risk Management Framework, as discussed herein. ICC identified no additional risk or systemic risk concerns introduced by clearing additional SWES Contracts, not accounted for by ICC's existing risk management procedures. As such, clearing the additional SWES Contracts is consistent with the requirement of promoting and protecting the public interest in Section 17A(b)(3)(F).⁵

Clearing of the additional SWES Contracts will also satisfy the requirements of Rule 17Ad-22.⁶ In particular, in terms of financial resources, ICC will apply its existing initial margin methodology to the additional contracts, with enhancements to the GWWR methodology discussed above. ICC believes that this model will provide sufficient initial margin requirements to cover its credit exposure to its clearing members from clearing such contracts, consistent with the requirements of Rule 17Ad-22(b)(2).⁷ In addition, ICC believes its Guaranty Fund, under its existing methodology, will, together with the required initial margin, provide sufficient financial

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ Id.

⁶ 17 CFR 240.17Ad-22.

⁷ 17 CFR 240.17Ad-22(b)(2).

resources to support the clearing of the additional contracts consistent with the requirements of Rule 17Ad-22(b)(3).⁸ ICC also believes that its existing operational and managerial resources will be sufficient for clearing of the additional contracts, consistent with the requirements of Rule 17Ad-22(d)(4),⁹ as the new contracts are substantially the same from an operational perspective as existing 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)¹⁰ as to the finality and accuracy of its daily settlement process and avoidance of the risk to ICC of settlement failures. ICC determined to accept the additional SWES Contracts for clearing in accordance with its governance process, which included review of the contracts and related risk management considerations (and the enhancements to the GWWR methodology discussed herein) by the ICC Risk Committee and approval by its Board. These governance arrangements are consistent with the requirements of Rule 17Ad-22(d)(8).¹¹ Finally, ICC will apply its existing default management policies and procedures for the additional SWES 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 single names, in accordance with Rule 17Ad-22(d)(11).¹²

⁸ 17 CFR 240.17Ad-22(b)(3).

⁹ 17 CFR 240.17Ad-22(d)(4).

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

¹¹ 17 CFR 240.17Ad-22(d)(8).

¹² 17 CFR 240.17Ad-22(d)(11).

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. 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 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-2015-007 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-2015-007. 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-2015-007 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.¹³

Brent J. Fields
Secretary

¹³ 17 CFR 200.30-3(a)(12).