

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75068; File No. SR-ICC-2015-007)

May 29, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, to Provide for the Clearance of an Additional Western European Sovereign Single Name Credit Default Swap Contract

I. Introduction

On April 7, 2015, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2015-007 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> The proposed rule change was published for comment in the Federal Register on April 15, 2015.<sup>3</sup> The Commission did not receive comments on the proposed rule change. On May 27, 2015, ICC filed Amendment No. 1 to the proposed rule change.<sup>4</sup> The Commission is publishing this notice to solicit comments on Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change

A. Description of the Initial Rule Filing

In the Initial Rule Filing, ICC proposed changes to its Clearing Rules (“Rules”) to provide the basis for ICC to clear additional Standard Western European Sovereign credit default

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 34-74687 (Apr. 9, 2015), 80 FR 20278 (Apr. 15, 2015) (File No. SR-ICC-2015-007) (hereinafter referred to as the “Initial Rule Filing”).

<sup>4</sup> ICC filed Amendment No. 1 to remove the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark from the proposed list of contracts to be cleared and to remove proposed changes to the ICC Risk Management Framework from the proposed rule change, as further described below.

swap (“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 have provided for the clearance of additional SWES Contracts referencing the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark using either the 2003 or the 2014 ISDA Credit Derivatives Definitions. These additional SWES Contracts have terms consistent with the six SWES Contracts approved for clearing at ICC and governed by Subchapter 26I of the ICC Rules. Specifically, ICC proposed to revise Rule 26I-102 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.

Additionally, ICC proposed changes to its Risk Management Framework in connection with the General Wrong Way Risk (“GWWR”) methodology related to the clearance of additional SWES Contracts. The proposed changes to the ICC Risk Management Framework would have extended the GWWR framework to the portfolio level. ICC’s risk methodology does not currently incorporate a Clearing Participant-level cumulative GWWR requirement in the Jump-to-Default calculations. Currently, the uncollateralized wrong-way risk (“WWR”) exposure of a particular Risk Factor needs to exceed its corresponding WWR threshold in order to trigger WWR collateralization. In the Initial Rule Filing, ICC proposed to introduce an enhancement to this calculation to account for the potential accumulation of portfolio WWR through Risk Factor specific WWR exposures. Under the proposed approach, if the cumulative uncollateralized exposure exceeded a pre-determined portfolio GWWR threshold, the amount above the threshold would be collateralized.

B. Description of Amendment No. 1

On May 27, 2015, ICC filed Amendment No. 1 to the proposed rule change. The purpose of the amendment was to remove the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark from the proposed list of additional SWES Contracts to be cleared. Additionally, Amendment No. 1 removed from the proposed rule change the proposed revisions to the ICC Risk Management Framework related to the GWWR methodology submitted in the Initial Rule Filing. Accordingly, the proposed rule change, as amended, seeks approval only to revise Rule 26I-102 to provide for the clearing of one additional SWES Contract, specifically the Kingdom of the Netherlands.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>5</sup> 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 Act<sup>6</sup> 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.

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<sup>5</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder applicable to ICC. The proposed rule change, as amended, will provide for the clearing of an additional SWES Contract referencing the Kingdom of the Netherlands, which is similar to the other SWES Contracts currently cleared by ICC, using ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. The Commission therefore finds that the proposed rule change is 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 assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

IV. Accelerated Approval of Proposed Rule Change as Modified by Amendment No. 1

As discussed above, ICC submitted Amendment No. 1 to the proposed rule change to remove the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark from the proposed list of contracts to be cleared and to remove proposed changes to the ICC Risk Management Framework related to its GWWR methodology from the proposed rule change. The Commission believes that the modification by Amendment No. 1 to the Initial Rule Filing is consistent with the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>8</sup> Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,<sup>9</sup> to approve the proposed rule change, as

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<sup>7</sup> 15 U.S.C. 78q-1.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 15 U.S.C. 78s(b)(2)(C)(iii).

modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of Amendment No. 1 in the Federal Register.

V. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether Amendment No. 1 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](mailto:rule-comments@sec.gov). Please include File No. 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 filing also will be available for inspection and copying at the principal office of ICC and on ICC'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 [insert date 21 days from publication in the Federal Register].

VI. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>10</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-ICC-2015-007), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.<sup>12</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Brent J. Fields  
Secretary

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<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> In approving the proposed rule change, the Commission considered the proposed rule change's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 17 CFR 200.30-3(a)(12).