

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76111; File No. SR-ICC-2015-013)

October 8, 2015

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

I. Introduction

On July 6, 2015, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change (SR-ICC-2015-013) to provide the basis for ICC to clear additional Standard Western European Sovereign credit default swap contracts (“SWES Contracts”). The proposed rule change was published for comment in the Federal Register on July 21, 2015.³ The Commission did not receive comments on the proposed rule change. On September 3, 2015, the Commission extended the time period in which to either approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change to October 19, 2015.⁴ For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description 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 SWES Contracts. ICC currently clears seven SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-75456 (July 15, 2015), 80 FR 43146 (July 21, 2015) (SR-ICC-2015-013).

⁴ Securities Exchange Act Release No. 34-75836 (September 3, 2015), 80 FR 54627 (September 10, 2015) (SR-ICC-2015-013).

Kingdom of Belgium, the Republic of Austria, and the Kingdom of the Netherlands. ICC proposes to revise Subchapter 26I (Standard Western European Sovereign (“SWES”) Single Name) of its Rules to provide for the clearance of the additional SWES Contracts by modifying Rule 26I-102 to include the Federal Republic of Germany, the French Republic, and the United Kingdom of Great Britain and Northern Ireland in the list of specific Eligible SWES Reference Entities to be cleared by ICC. ICC plans to offer these additional SWES Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions. ICC stated in its filing that 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, the Republic of Austria, and the Kingdom of the Netherlands.

In addition, ICC stated in its filing that the proposed change is dependent on the approval and implementation of the proposed rule change in SR-ICC-2015-009 and therefore, the text of the proposed rule change in Exhibit 5 should be read in conjunction with the proposed rule change in SR-ICC-2015-009.⁵

III. 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 the proposed rule change is

⁵ In SR-ICC-2015-009, ICC proposed to revise its Risk Management Framework to extend its General Wrong Way Risk (“GWWR”) framework to the portfolio level. The new GWWR methodology is designed to account for the potential accumulation of portfolio Wrong Way Risk (“WWR”) through Risk Factor specific WWR exposures arising from the clearance of credit default swaps referencing sovereign and banking sector names. The Commission approved the proposed rule change SR-ICC-2015-009 on September 10, 2015. See Securities Exchange Act Release No. 34-75887 (September 10, 2015), 80 FR 55672 (September 16, 2015) (SR-ICC-2015-009).

⁶ 15 U.S.C. 78s(b)(2)(C).

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 the proposed rule change is consistent with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder applicable to ICC. The proposed rule change would provide for the clearing of additional SWES Contracts referencing Federal Republic of Germany, the French Republic, and the United Kingdom of Great Britain and Northern Ireland, which are similar to the other SWES Contracts currently cleared by ICC. ICC would clear the additional SWES Contracts using ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures, including the portfolio-level GWR methodology approved in SR-ICC-2015-009, which is designed to account for the potential accumulation of uncollateralized portfolio WWR exposures arising from the clearance of sovereign and banking sector Risk Factors at ICC.⁹ 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

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

⁹ See supra note 5.

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.

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 Act¹⁰ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-ICC-2015-013) be, and hereby is, approved.¹²

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

Robert W. Errett
Deputy Secretary

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 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).

¹³ 17 CFR 200.30-3(a)(12).