

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-88929; File No. SR-ICC-2020-003)

May 21, 2020

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the Clearance of Additional Credit Default Swap Contracts

I. Introduction

On March 26, 2020, 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 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to revise the ICC Rulebook (the “Rules”)<sup>3</sup> to provide for the clearance of an additional Standard Emerging Market Sovereign CDS contract (the “EM Contract”) and additional Standard Western European Sovereign CDS contracts (collectively, the “SWES Contracts”). The proposed rule change was published for comment in the Federal Register on April 7, 2020.<sup>4</sup> The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

The principal purpose of the proposed rule change is to revise the Rules to provide for the clearance of an additional EM Contract and additional SWES Contracts.<sup>5</sup> Specifically, ICC

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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> Capitalized terms used but not defined herein have the meanings specified in the Rules.

<sup>4</sup> Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Clearance of Additional Credit Default Swap Contracts; Exchange Act Release No. 88537 (April 1, 2020); 85 FR 19551 (April 7, 2020) (“Notice”).

<sup>5</sup> The description that follows is excerpted from the Notice, 85 FR 19551.

proposes amending Subchapter 26D of its Rules to provide for the clearance of the additional EM Contract, the Republic of Croatia. This additional EM Contract has terms consistent with the other EM Contracts approved for clearing at ICC and governed by Subchapter 26D of the Rules. Minor revisions to Subchapter 26D (Standard Emerging Market Sovereign (“SES”) Single Name) are made to provide for clearing the additional EM Contract. Specifically, in Rule 26D-102 (Definitions), “Eligible SES Reference Entities” is modified to include the Republic of Croatia in the list of specific Eligible SES Reference Entities to be cleared by ICC.

Additionally, ICC proposes amending Subchapter 26I of its Rules to provide for the clearance of the additional SWES Contracts, the Republic of Finland and the Hellenic Republic. These additional SWES Contracts have terms consistent with the other SWES Contracts approved for clearing at ICC and governed by Subchapter 26I of the Rules. Minor revisions to Subchapter 26I (Standard Western European Sovereign Single Name) are made to provide for clearing the additional SWES Contracts. Specifically, in Rule 26I-102 (Definitions), “Eligible SWES Reference Entities” is modified to include the Republic of Finland and the Hellenic Republic in the list of specific Eligible SWES Reference Entities to be cleared by ICC.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.<sup>6</sup> Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as

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<sup>6</sup> 15 U.S.C. 78s(b)(2)(C).

well as to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible.<sup>7</sup>

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.<sup>8</sup> The Commission has reviewed the terms and conditions of these additional contracts proposed for clearing and has determined that they are substantially similar to the other contracts listed in Subchapters 26D and 26I of the ICC Rules, all of which ICC currently clears, with the key difference being that the underlying reference obligations will be issuances by the Republic of Croatia, the Republic of Finland, and the Hellenic Republic. Moreover, after reviewing the Notice and ICC's Rules, policies and procedures, the Commission finds that the additional EM and SWES Contracts will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. In addition, based on its own experience and expertise, including a review of data on volume, open interest, and the number of ICC clearing participants ("CPs") that currently trade in the additional EM and SWES Contracts as well as certain model parameters for the additional EM and SWES Contracts, the Commission finds that ICC's rules, policies, and procedures are reasonably designed to price and measure the potential risk presented by these products, collect financial resources in proportion to such risk, and liquidate these products in the event of a CP default, all of which should help ensure ICC's ability to maintain the financial resources it needs to provide its critical services and function as a central counter party, thereby promoting the prompt and accurate settlement of EM and SWES Contracts and other credit default swap transactions. For the same reasons, the Commission believes that the proposed rule change

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<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

should help assure the safeguarding of securities or funds in the custody or control of ICC, and would be consistent with the protection of investors and the public interest.

Therefore, the Commission finds that acceptance of the additional EM and SWES Contracts, on the terms and conditions set out in ICC's Rules, is consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions cleared by ICC and the safeguarding of securities and funds in the custody or control of ICC, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>9</sup>

#### IV. 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(b)(3)(F) of the Act.<sup>10</sup>

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<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act<sup>11</sup> that the proposed rule change (SR-ICC-2020-003), be, and hereby is, approved.<sup>12</sup>

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

J. Matthew DeLesDernier  
Assistant Secretary

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

<sup>12</sup> 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).

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