



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74588; File No. SR-ICEEU-2015-004]

### Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Relating to Additional European Sovereign CDS Contracts

March 26, 2015

#### I. Introduction

On January 27, 2015, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to provide for the clearance of additional European sovereign credit default swap (“CDS”) contracts. The proposed rule change was published for comment in the Federal Register on February 11, 2015.<sup>3</sup> The Commission did not receive comments on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

The purpose of the proposed rule change is to provide for the clearing of Western European sovereign CDS contracts referencing four additional reference entities: the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden and the Kingdom of Denmark (the “Additional WE Sovereign Contracts”). ICE Clear Europe currently clears CDS contracts

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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. 34-74213 (February 5, 2015), 80 FR 7661 (February 11, 2015) (SR-ICEEU-2015-004).

referencing six other Western European sovereigns: Ireland, the Republic of Italy, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium and the Republic of Austria.<sup>4</sup> ICE Clear Europe believes clearance of the Additional WE Sovereign Contracts will benefit the markets for credit default swaps on Western European sovereigns by offering to market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules.

ICE Clear Europe has stated that the Additional WE Sovereign Contracts will constitute “Non-STEC Single Name Contracts” for purposes of the CDS Procedures and, accordingly, will be governed by Paragraph 10 of the CDS Procedures consistent with the treatment of the other Western European sovereign CDS contracts currently cleared by ICE Clear Europe. ICE Clear Europe has represented that clearing of the Additional WE Sovereign Contracts will not require any changes to ICE Clear Europe’s existing Clearing Rules and Procedures, risk management framework (including relevant policies), or margin model.<sup>5</sup>

### III. Discussion and Commission Findings

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<sup>4</sup> See Securities Exchange Act Release No. 34-71920 (April 9, 2014), 79 FR 21331 (April 15, 2015) (SR-ICEEU-2014-04) (order approving proposed rule change to clear Western European sovereign CDS contracts referencing Ireland, the Republic of Italy, the Portuguese Republic and the Kingdom of Spain) and Securities Exchange Act Release No. 34-73737 (December 4, 2014), 79 FR 73372 (December 10, 2014) (SR-ICEEU-2014-18) (order approving proposed rule change to clear additional Western European sovereign CDS contracts referencing Kingdom of Belgium and the Republic of Austria) (collectively, the “Prior WE Sovereigns Orders”).

<sup>5</sup> For a description of previously approved changes to ICE Clear Europe’s risk management framework to accommodate clearing of Western European sovereign CDS contracts, see the Prior WE Sovereigns Orders. *Id.* ICE Clear Europe represents that it has performed a variety of empirical analyses related to clearing of the Additional WE Sovereign Contracts under its margin methodology, including back tests and stress tests.

Section 19(b)(2)(C) of the Act<sup>6</sup> 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. Section 17A(b)(3)(F) of the Act<sup>7</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.

After careful review, the Commission finds that the proposed rule change is consistent with Section 17A of the Act<sup>8</sup> and the rules thereunder applicable to ICE Clear Europe. The proposed rule change will provide for clearing of the Additional WE Sovereign Contracts, which are similar to the other Western European sovereign CDS contracts currently cleared by ICE Clear Europe, in accordance with the existing rules and procedures applicable to Western European sovereign CDS contracts. Specifically, the Commission believes that ICE Clear Europe's proposal to clear the Additional WE Sovereign Contracts pursuant to its current risk management framework (including margin and guaranty fund methodology), operational procedures, settlement procedures and default management policies is designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of ICE Clear Europe or

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

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

<sup>8</sup> 15 U.S.C. 78q-1.

for which it is responsible, and in general, to protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.<sup>9</sup>

#### 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 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-ICEEU-2015-004) 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>

**Brent J. Fields,**  
*Secretary.*

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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.

<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).