



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81030; File No. SR-ICC-2017-009)

June 27, 2017

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to the Clearance of Additional Credit Default Swap Contracts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4² notice is hereby given that on June 13, 2017, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission the proposed rule change, security-based swap submission, or advance notice as described in Items I, II and III below, which Items have been primarily prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed rule change is to revise the ICC Rulebook (the “Rules”) to provide for the clearance of Standard Asia Corporate Single Name CDS contracts (collectively, “STASC Contracts”), Standard Asia Financial Corporate Single Name CDS contracts (collectively, “STASFC Contracts”), and Standard Emerging Market Corporate Single Name CDS contracts (collectively, “STEMC Contracts”).

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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. Clearing Agency'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. Specifically, ICC proposes amending Chapter 26 of the ICC Rules to add Subchapters 26O, 26P, and 26Q to provide for the clearance of STASC, STASFC, and STEMC Contracts, respectively. ICC believes the addition of these 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. Clearing of the STASC, STASFC, and STEMC Contracts will not require any changes to ICC's Risk Management Framework or other policies and procedures constituting rules within the meaning of the Act.

STASC Contracts have similar terms to the Standard European Corporate Single Name CDS contracts ("STEC Contracts") and Standard Australian Corporate Single Name CDS contracts ("STAC Contracts") currently cleared by ICC and governed by Subchapters 26G and 26M of the ICC Rules, respectively. Accordingly, the proposed rules found in Subchapter 26O largely mirror the ICC Rules for STEC Contracts in Subchapter 26G and STAC Contracts in Subchapter 26M, with certain modifications that

reflect differences in terms and market conventions between those contracts and STASC Contracts. STASC Contracts will be denominated in United States Dollars.

ICC Rule 26O-102 (Definitions) sets forth the definitions used for the STAC Contracts. The definitions are substantially the same as the definitions found in Subchapters 26G and 26M of the ICC Rules, other than certain conforming changes. ICC Rules 26O-203 (Restriction on Activity), 26O-206 (Notices Required of Participants with respect to STASC Contracts), 26O-303 (STASC Contract Adjustments), 26O-309 (Acceptance of STASC Contracts by ICE Clear Credit), 26O-315 (Terms of the Cleared STASC Contract), 26O-316 (Relevant Physical Settlement Matrix Updates), 26O-502 (Specified Actions), and 26O-616 (Contract Modification) reflect or incorporate the basic contract specifications for STASC Contracts and are substantially the same as under Subchapters 26G and 26M of the ICC Rules.

STASFC Contracts have similar terms to the Standard European Financial Corporate Single Name CDS contracts (“STEFC Contracts”) and Standard Australian Financial Corporate Single Name CDS contracts (“STAFSC Contracts”) currently cleared by ICC and governed by Subchapters 26H and 26N of the ICC Rules, respectively. Accordingly, the proposed rules found in Subchapter 26P largely mirror the ICC Rules for STEFC Contracts in Subchapter 26H and STAFSC Contracts in Subchapter 26N, with certain modifications that reflect differences in terms and market conventions between those contracts and STASFC Contracts. STASFC Contracts will be denominated in United States Dollars.

ICC Rule 26P-102 (Definitions) sets forth the definitions used for the STASFC Contracts. The definitions are substantially the same as the definitions found in

Subchapters 26H and 26N of the ICC Rules, other than certain conforming changes. ICC Rules 26P-203 (Restriction on Activity), 26P-206 (Notices Required of Participants with respect to STASFC Contracts), 26P-303 (STASFC Contract Adjustments), 26P-309 (Acceptance of STASFC Contracts by ICE Clear Credit), 26P-315 (Terms of the Cleared STASFC Contract), 26P-316 (Relevant Physical Settlement Matrix Updates), 26P-502 (Specified Actions), and 26P-616 (Contract Modification) reflect or incorporate the basic contract specifications for STASFC Contracts and are substantially the same as under Subchapters 26H and 26N of the ICC Rules.

STEMC Contracts also have similar terms to the STEC and STAC Contracts currently cleared by ICC and governed by Subchapters 26G and 26M of the ICC Rules, respectively. Accordingly, the proposed rules found in Subchapter 26Q largely mirror the ICC Rules for STEC Contracts in Subchapter 26G and STAC Contracts in Subchapter 26M, with certain modifications that reflect differences in terms and market conventions between those contracts and STEMC Contracts. STEMC Contracts will be denominated in United States Dollars.

ICC Rule 26Q-102 (Definitions) sets forth the definitions used for the STEMC Contracts. The definitions are substantially the same as the definitions found in Subchapters 26G and 26M of the ICC Rules, other than certain conforming changes. ICC Rules 26Q-203 (Restriction on Activity), 26Q-206 (Notices Required of Participants with respect to STEMC Contracts), 26Q-303 (STEMC Contract Adjustments), 26Q-309 (Acceptance of STEMC Contracts by ICE Clear Credit), 26Q-315 (Terms of the Cleared STEMC Contract), 26Q-316 (Relevant Physical Settlement Matrix Updates), 26Q-502 (Specified Actions), and 26Q-616 (Contract Modification) reflect or incorporate the basic

contract specifications for STEMC Contracts and are substantially the same as under Subchapters 26G and 26M of the ICC Rules.

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. As described above, the STASC, STASFC, and STEMC Contracts proposed for clearing are similar to contracts currently cleared by ICC, and will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. Clearing of the STASC, STASFC, and STEMC Contracts will allow market participants an increased ability to manage risk and ensure the safeguarding of margin assets pursuant to clearing house rules. ICC believes that acceptance of the STASC, STASFC, and STEMC Contracts, on the terms and conditions set out in the 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

Clearing of the STASC, STASFC, and STEMC Contracts will also satisfy the requirements of Rule 17Ad-22.⁵ In particular, in terms of financial resources, ICC will

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 240.17Ad-22.

apply its existing initial margin methodology to the additional contracts. 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).⁶ In addition, ICC believes its Guaranty Fund, under its existing methodology, will, together with the required initial margin, provide sufficient financial resources to support the clearing of the additional contracts consistent with the requirements of Rule 17Ad-22(b)(3).⁷ 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),⁸ 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)⁹ 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 STASC, STASFC, and STEMC Contracts for clearing in accordance with its governance process, which included review of the contracts and related risk management considerations by the ICC Risk Committee and approval by its Board. These governance arrangements are consistent with the requirements of Rule 17Ad-22(d)(8)¹⁰. Finally, ICC will apply its existing default

⁶ 17 CFR 240.17Ad-22(b)(2).

⁷ 17 CFR 240.17Ad-22(b)(3).

⁸ 17 CFR 240.17Ad-22(d)(4).

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

¹⁰ 17 CFR 240.17Ad-22(d)(8).

management policies and procedures for the STASC, STASFC, and STEMC 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).¹¹

B. Clearing Agency's Statement on Burden on Competition

The STASC, STASFC, and STEMC Contracts will be available to all ICC participants for clearing. The clearing of these STASC, STASFC, and STEMC Contracts by ICC does not preclude the offering of the STASC, STASFC, and STEMC Contracts for clearing by other market participants. Accordingly, ICC does not believe that clearance of the STASC, STASFC, and STEMC Contracts will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Clearing Agency's Statement on Comments on the Proposed Rule 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 such proposed rule change, or

¹¹ 17 CFR 240.17Ad-22(d)(11).

(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-2017-009 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-2017-009. 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-2017-009 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Robert W. Errett
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).

