

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84130; File No. SR-ICC-2018-007)

September 14, 2018

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

I. Introduction

On June 13, 2018, 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<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 (“EM Contract”). The proposed rule change was published for comment in the Federal Register on July 3, 2018.<sup>4</sup> The Commission did not receive comments regarding the proposed rule change. On August 16, 2018, the Commission designated a longer period for Commission action on the proposed rule change.<sup>5</sup> For the reasons discussed below, the Commission is approving the proposed rule change.

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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 herein but not otherwise defined have the meaning set forth in the ICC Rules. Available at [https://www.theice.com/publicdocs/clear\\_credit/ICE\\_Clear\\_Credit\\_Rules.pdf](https://www.theice.com/publicdocs/clear_credit/ICE_Clear_Credit_Rules.pdf).

<sup>4</sup> Securities Exchange Act Release No. 34-83545 (June 28, 2018), 83 FR 31244 (July 3, 2018) (SR-ICC-2018-007) (“Notice”).

<sup>5</sup> Securities Exchange Act Release No. 34- 83864 (August 16, 2018), 83 FR 42540 (August 22, 2018) (SR-ICC-2018-007).

## II. Description of the Proposed Rule Change

The proposed rule change will provide the basis for ICC to clear an additional credit default swap contract. ICC proposes to amend Subchapter 26D of its Rules to provide for the clearance of an additional EM Contract, the Lebanese Republic. ICC represents that this additional EM Contract has terms consistent with the other EM Contracts approved for clearing at ICC and is governed by Subchapter 26D of the Rules.<sup>6</sup> Minor revisions to Subchapter 26D (Standard Emerging Market Sovereign (“SES”) Single Name) are being made to provide for clearing the additional EM Contract. Specifically, in Rule 26D-102 (Definitions), “Eligible SES Reference Entities” is modified to include the Lebanese Republic in the list of specific Eligible SES Reference Entities to be cleared by ICC. ICC has also represented that clearing of the additional EM Contract will not require any changes to ICC’s Risk Management Framework or other policies and procedures constituting rules within the meaning of the Securities Exchange Act of 1934 (“Act”).<sup>7</sup>

## 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>8</sup> Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to promote the prompt

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<sup>6</sup> Notice, 83 FR at 31245.

<sup>7</sup> Id.

<sup>8</sup> 15 U.S.C. 78s(b)(2)(C).

and accurate clearance and settlement of securities transactions, assure the safeguarding of securities and funds which are in the custody or control of the clearing agency for which it is responsible and, in general, to protect investors and the public interest.<sup>9</sup>

The Commission finds that the rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>10</sup> and the rules and regulations thereunder applicable to ICC. The Commission has reviewed the terms and conditions of this contract and has determined that it is substantially similar to the other contracts listed in Subchapter 26D of the ICC Rules, all of which ICC currently clears, the key difference being that the underlying reference obligations will be issuances by the Lebanese Republic. Moreover, after reviewing the Notice and ICC's Rules, policies and procedures, the Commission finds that the additional EM Contract will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures.<sup>11</sup> 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 Contract as well as certain model parameters for the additional EM Contract, the Commission finds that ICC's rules, policies, and procedures are reasonably designed to price and measure the potential risk presented by this product, collect financial resources in proportion to such risk, and liquidate this product 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

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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> Notice, 83 FR at 31245.

counter party, thereby promoting the prompt and accurate settlement of EM Contracts and other credit default swap transactions. For the same reasons, the Commission believes that the rule change would 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 Contract, 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, 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.<sup>12</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 of the Act,<sup>13</sup> and the rules and regulations thereunder.

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<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act<sup>14</sup> that the proposed rule change (SR-ICC-2018-007) be, and hereby is, approved.<sup>15</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</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>16</sup> 17 CFR 200.30-3(a)(12).