

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-79892; File No. SR-ICC-2016-014)

January 27, 2017

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

I. Introduction

On November 18, 2016, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to revise the ICC Rulebook (the “Rules”) in order to provide for the clearance of Standard Australian Corporate Single Name CDS contracts (collectively, “STAC Contracts”) and Standard Australian Financial Corporate Single Name CDS contracts (collectively, “ST AFC Contracts”). The proposed rule change was published for comment in the Federal Register on December 7, 2016.<sup>3</sup> The Commission did not receive comments on the proposed rule change. On January 18, 2017, the Commission designated a longer period for Commission action on the proposed rule change.<sup>4</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> Securities Exchange Act Release No. 79439 (December 1, 2016), 81 FR 88291 (December 7, 2016) (SR-ICC-2016-014).

<sup>4</sup> Securities Exchange Act Release No. 79821 (January 18, 2017), 82 FR 8450 (January 25, 2017) (SR-ICC-2016-014)

## II. Description of the Proposed Rule Change

The rule change adopts rules that provide the basis for ICC to clear additional credit default swap contracts. Specifically, ICC is amending Chapter 26 of the ICC Rules to add Subchapters 26M and 26N to provide for the clearance of STAC and ST AFC Contracts, respectively. ICC represents clearing of the additional STAC and ST AFC 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.

ICC represents that STAC Contracts have similar terms to the Standard European Corporate Single Name CDS contracts ("STEC Contracts") currently cleared by ICC and governed by Subchapter 26G of the ICC Rules. Therefore, ICC states that the rules found in Subchapter 26M largely mirror the ICC Rules for STEC Contracts in Subchapter 26G, with certain modifications that reflect differences in terms and market conventions between those contracts and STAC Contracts. STAC Contracts will be denominated in United States Dollars.

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

incorporate the basic contract specifications for STAC Contracts and are substantially the same as under Subchapter 26G of the ICC Rules.

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

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

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>5</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that the proposed

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<sup>5</sup> 15 U.S.C. 78s(b)(2)(C).

rule change is 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 Act<sup>6</sup> requires that, 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, 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 rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder applicable to ICC. The rule changes expands clearing to additional products, the STAC and STAFC credit default swap contracts, thus promoting the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions. ICC represents that the STAC and STAFC contracts are similar to the STEC and STEFC Contracts that ICC currently clears, and that the STAC and STAFC Contracts will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. Clearing of the STAC and STAFC Contracts will thus allow market participants an increased ability to manage risk, while ensuring the safeguarding of margin assets pursuant to clearing house rules. Therefore, the Commission believes that acceptance of the STAC and STAFC Contracts, on the terms and conditions set out in the Rules, is consistent with the prompt and

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<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 15 U.S.C. 78q-1.

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.<sup>8</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>9</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (File No. SR-ICC-2016-014) be, and hereby is, approved.<sup>11</sup>

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

Eduardo A. Aleman  
Deputy Secretary

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

<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</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>12</sup> 17 CFR 200.30-3(a)(12).