

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81644; File No. SR-ICC-2017-008)

September 18, 2017

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 June 13, 2017, 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”)¹ and Rule 19b-4 thereunder,² a proposed rule change to revise the ICC Rulebook (the “Rules”) in order to provide for the clearance of additional Standard Emerging Market Sovereign CDS contracts (together, “EM Contracts”). The proposed rule change was published for comment in the Federal Register on July 3, 2017.³ The Commission did not receive comments on the proposed rule change. On August 17, 2017, the Commission designated a longer period for Commission action on the proposed rule change.⁴ For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

The purpose of this rule change is to provide the basis for ICC to clear additional credit default swap contracts. Specifically, ICC has proposed amending Subchapter 26D

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-81029 (June 27, 2017), 82 FR 30931 (July 3, 2017) (SR-ICC-2017-008) (“Notice”).

⁴ Securities Exchange Act Release No. 34-81413 (August 17, 2017), 82 FR 40026 (August 23, 2017) (SR-ICC-2017-008).

of its Rules to provide for the clearance of additional EM Contracts by including the Kingdom of Saudi Arabia and the Republic of Kazakhstan in the list of specific Eligible SES Reference Entities in Rule 26D-102. ICC represents that these additional EM Contracts have terms consistent with the other EM Contracts approved for clearing at ICC and governed by Subchapter 26D of the Rules.⁵ ICC has also represented that clearing of the additional EM 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.⁶

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 the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization.⁷ Section 17A(b)(3)(F) of the Act⁸ 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.

⁵ Notice, 82 FR at 30931.

⁶ Id. at 30931-32.

⁷ 15 U.S.C. 78s(b)(2)(C).

⁸ 15 U.S.C. 78q-1(b)(3)(F).

The Commission finds that the rule change is consistent with the requirements of Section 17A of the Act⁹ and the rules and regulations thereunder applicable to ICC. The Commission has reviewed the terms and conditions of these contracts and has determined that they are 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 Kingdom of Saudi Arabia and the Republic of Kazakhstan, the new Eligible SES Reference Entities. Moreover, the Commission has reviewed the Notice and ICC's Rules, policies and procedures, which provide that the additional EM Contracts will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures.¹⁰ In addition, the Commission has evaluated information submitted by ICC, including data on volume, open interest, and the number of ICC clearing participants ("CPS") that currently trade in the additional EM Contracts as well as certain model parameters for the additional EM Contracts. Based on this review, 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. Thus, the Commission finds that acceptance of the additional EM Contracts, on the terms and conditions set out in ICC's 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

⁹ 15 U.S.C. 78q-1.

¹⁰ Notice, 82 FR at 30932.

of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.¹¹

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 Act¹² and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (File No. SR-ICC-2017-008) be, and hereby is, approved.¹⁴

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

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Assistant Secretary

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 15 U.S.C. 78q-1.

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 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).

¹⁵ 17 CFR 200.30-3(a)(12).