

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-72802; File No. SR-ICC-2014-13)

August 11, 2014

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Provide for the Clearance of Additional Standard Emerging European and Middle Eastern Sovereign Single Names

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> notice is hereby given that on July 31, 2014, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of 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 is proposing to amend Section 26D of its Rules to provide for the clearance of additional Standard Emerging Sovereign Single Name constituents of the CDX Emerging Markets Index (“SES Contracts”). Currently, ICC clears six SES Contracts: four Standard Latin America Sovereign Single Name constituents of the CDX Emerging Markets Index and two Standard Emerging European and Middle Eastern Sovereign Single Names that have been constituents of the CDX Emerging Markets Index (the “SEEME Contracts”). The proposed changes to the ICC Rules would provide for the clearance of additional SEEME Contracts, specifically the Republic of Hungary and the Republic of South Africa.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. Currently, ICC clears six SES Contracts: four Standard Latin America Sovereign Single Name constituents of the CDX Emerging Markets Index (the Federative Republic of Brazil, the United Mexican States, the Argentine Republic, and the Bolivarian Republic of Venezuela) and two SEEME Contracts (the Republic of Turkey and the Russian Federation). ICC proposes amending Subchapter 26D of its Rules to provide for the clearance of two additional SEEME Contracts, specifically the Republic of Hungary and the Republic of South Africa. ICC currently clears Series 14-21 of the CDX Emerging Markets Index. Of the CDX Emerging Markets Indices cleared by ICC, the Republic of Hungary is a constituent of the CDX Emerging Markets Index, Series 14-18, and the Republic of South Africa is a constituent of the CDX Emerging Markets Index, Series 14-21. These two additional SEEME Contracts will initially be offered on the 2014 ISDA Credit Derivatives Definitions. The addition of these SEEME Contracts will allow market participants an increased ability to manage risk, by providing market participants the ability to offset related index positions.

These additional SEEME Contracts have terms consistent with the other SEEME Contracts currently cleared by ICC and governed by Subchapter 26D of the ICC rules, namely the Russian Federation and the Republic of Turkey. Minor revisions to Subchapter 26D (Standard Emerging Sovereign (“SES”) Single Name) are made to provide for clearing the additional SEEME Contracts and described as follows.

ICC Rule 26D-102 is also modified to include the Republic of Hungary and the Republic of South Africa in the list of specific Eligible SES Reference Entities to be cleared by ICC. The addition of these products does not require any changes to ICC’s Risk Management Framework or other policies and procedures constituting rules within the meaning of the Act.

Section 17A(b)(3)(F) of the Act<sup>3</sup> 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. The clearance of additional SEEME Contracts will allow market participants an increased ability to manage risk. ICC believes that acceptance of these new contracts, on the terms and conditions set out in the ICC 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.<sup>4</sup>

Clearing of the additional SEEME Contracts will also satisfy the requirements of Rule 17Ad-22.<sup>5</sup> In particular, in terms of financial resources, ICC will apply its existing margin methodology to the additional SEEME Contracts. ICC believes that this model will provide

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

<sup>4</sup> Id.

<sup>5</sup> 17 CFR 240.17Ad-22.

sufficient margin to cover its credit exposure to its clearing members from clearing such contracts, consistent with the requirements of Rule 17Ad-22(b)(2).<sup>6</sup> In addition, ICC believes its Guaranty Fund, under its existing methodology, will, together with the required margin, provide sufficient financial resources to support the clearing of the new contracts consistent with the requirements of Rule 17Ad-22(b)(3).<sup>7</sup> ICC also believes that its existing operational and managerial resources will be sufficient for clearing of the additional SEEME Contracts, consistent with the requirements of Rule 17Ad-22(d)(4),<sup>8</sup> as the new contracts are similar from an operational perspective to existing SEEME 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)<sup>9</sup> as to the finality and accuracy of its daily settlement process and avoidance of the risk to ICC of settlement failures. Finally, ICC will apply its existing default management policies and procedures for the new 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 SEEME Contracts, in accordance with Rule 17Ad-22(d)(11).<sup>10</sup>

B. Self-Regulatory Organization's Statement on Burden on Competition

The additional SEEME Contracts will be available to all ICC Participants for clearing. The clearing of these additional SEEME Contracts by ICC does not preclude the offering of the

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<sup>6</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>7</sup> 17 CFR 240.17Ad-22(b)(3).

<sup>8</sup> 17 CFR 240.17Ad-22(d)(4).

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

<sup>10</sup> 17 CFR 240.17Ad-22(d)(11).

additional SEEME Contracts for clearing by other market participants. Therefore, ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change 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 the proposed rule change or

(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](mailto:rule-comments@sec.gov). Please include File Number SR-ICC-2014-13 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-2014-13. 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 also will 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-2014-13 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.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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