

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74593; File No. SR-ICC-2015-003)

March 26, 2015

Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Provide for the Clearance of Additional Standard Emerging Market Sovereign Single Names

I. Introduction

On January 23, 2015 ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICC-2015-003 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the Federal Register on February 9, 2015.³ The Commission did not receive any comments. On March 25, 2015, ICC filed Amendment No. 1 to the proposed rule change.⁴ The Commission is publishing this notice to solicit comments on Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change

A. Description of the Initial Rule Filing

ICC proposes to adopt rules that will provide the basis for ICC to clear additional credit default swap contracts. Specifically, ICC is proposing to amend Subchapter 26D-102 of its rules

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-74192 (Feb. 3, 2015), 80 FR 7070 (Feb. 9, 2015) (File No. SR-ICC-2015-003) (hereinafter referred to as the “Initial Rule Filing”).

⁴ ICC filed Amendment No. 1 to remove Ukraine from the list of proposed additional Standard Emerging Market Sovereign single-name constituents of the CDX Emerging Markets Index set forth in the Initial Rule Filing, as further described below.

to provide for the clearance of additional Standard Emerging Market Sovereign single-name constituents of the CDX Emerging Markets Index (collectively, “SES Contracts”). Currently, ICC is approved to clear eight SES Contracts: the Federative Republic of Brazil, the United Mexican States, the Bolivarian Republic of Venezuela, the Argentine Republic, the Republic of Turkey, the Russian Federation, the Republic of Hungary, and the Republic of South Africa.⁵ The proposed change to the ICC Rules would provide for the clearance of five additional SES Contracts: the Republic of Chile, the Republic of Peru, the Republic of Colombia, Ukraine, and the Republic of Poland (“Additional SES Contracts”).

ICC believes that the addition of these SES Contracts will benefit the market for emerging market 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. ICC states that the Additional SES Contracts will be offered on the 2014 ISDA Credit Derivatives Definitions and have terms consistent with the other SES Contracts approved for clearing at ICC and governed by Subchapter 26D of the ICC rules. According to ICC, the clearing of the Additional SES 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 states that, in connection with the clearance of the new contracts, it will apply its existing margin and guaranty fund methodology, operational and managerial resources,

⁵ See Securities Exchange Act Release No. 34-65588 (Oct. 18, 2011), 76 FR 65763 (Oct. 24, 2011) (File No. SR-ICC-2011-01) (order approving rule change to clear SES Contracts referencing the Federative Republic of Brazil, the United Mexican States, the Bolivian Republic of Venezuela, and the Argentine Republic); Securities Exchange Act Release No. 34-70849 (Nov. 12, 2013), 78 FR 69167 (Nov. 18, 2013) (File No. SR-ICC-2013-07) (order approving rule change to clear SES Contracts referencing the Republic of Turkey and the Russian Federation); and Securities Exchange Act Release No. 34-73220 (Sep. 25, 2014), 79 FR 59340 (Oct. 1, 2014) (File No. SR-ICC-2014-13) (order approving rule change to clear SES Contracts referencing the Republic of Hungary and the Republic of South Africa).

settlement procedures and account structures, and default management policies and procedures, which, together, it believes will provide sufficient financial, operational, and managerial resources to support the clearing of the new contracts.

B. Description of Amendment No. 1

On March 25, 2015, ICC filed Amendment No. 1 to the proposed rule change. The purpose of the proposed rule change in Amendment No. 1 is to modify the list of proposed contracts set forth in the Initial Rule Filing. Specifically, ICC proposes removing Ukraine from the proposed list of contracts. Therefore, the proposed rule change, as amended, seeks approval for the clearance of the Republic of Chile, the Republic of Peru, the Republic of Columbia, and the Republic of Poland. ICC states that Amendment No. 1 does not significantly change the purpose of, and statutory basis for, the proposed rule change. ICC believes the proposed rule change, as modified by Amendment No. 1, remains consistent with the promotion of the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act, as described in the Initial Rule Filing.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁶ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable

⁶ 15 U.S.C. 78s(b)(2)(C).

to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁷ requires, among other things, that the rules of a clearing agency are 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 clearing of the Additional SES Contracts, as modified by Amendment No. 1, is consistent with the requirements of Section 17A of the Act⁸ and regulations thereunder applicable to it, including the standards under Rule 17Ad-22.⁹ The proposed rule change will provide for clearing of Additional SES Contracts, as modified by Amendment No. 1, which are similar to the other SES contracts currently cleared by ICC, in the same manner as other SES Contracts already cleared by ICC. Specifically, the Commission believes that ICC's proposal to clear the new contracts pursuant to ICC's existing margin and guaranty fund methodology, operational and managerial procedures, settlement procedures and default management policies is designed to promote the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, to assure the safeguarding of securities and funds in the custody or control of ICC, and to protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.¹⁰

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.

⁹ 17 CFR 240.17Ad-22.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

IV. Accelerated Approval of Proposed Rule Change as Modified by Amendment No. 1

As discussed above, ICC submitted Amendment No. 1 to the proposed rule change to removing Ukraine from the proposed list of the Additional SES Contracts. The Commission believes that the modification by Amendment No. 1 to the Initial Rule Filing is consistent with the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act¹¹. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act¹², to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of Amendment No. 1 in the Federal Register.

V. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether Amendment No. 1 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 No. SR-ICC-2015-003 on the subject line.

Paper Comments:

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 15 U.S.C. 78s(b)(2)(C)(iii).

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 21049-1090.

All submissions should refer to File Number SR-ICC-2015-003. 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 filing also will be available for inspection and copying at the principal office of ICC and on ICC'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-2015-003 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

VI. 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 Act¹³ and the rules and regulations thereunder.

¹³ 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-ICC-2015-003), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.¹⁵

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

Brent J. Fields
Secretary

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 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).

¹⁶ 17 CFR 200.30-3(a)(12).