

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79439; File No. SR-ICC-2016-014)

December 1, 2016

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on November 18, 2016, 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 principal purpose of the proposed rule change is to revise the ICC Rulebook (the “Rules”) 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, “STAF C Contracts”).

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, 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 proposes 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 believes the addition of these contracts will benefit the market for 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. 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 Securities Exchange Act of 1934 ("Act").

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. Accordingly, the proposed 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. The definitions are substantially the same as the definitions found in Subchapter 26G of the ICC Rules, other than certain conforming changes. ICC 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.

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

ICC Rule 26N-102 (Definitions) sets forth the definitions used for the ST AFC Contracts. The definitions are substantially the same as the definitions found in Subchapter 26H of the ICC Rules, other than certain conforming changes. ICC Rules 26N-203 (Restriction on Activity), 26N-206 (Notices Required of Participants with respect to ST AFC Contracts), 26N-303 (ST AFC Contract Adjustments), 26N-309 (Acceptance of ST AFC Contracts by ICE Clear Credit), 26N-315 (Terms of the Cleared ST AFC 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 ST AFC Contracts and are substantially the same as under Subchapter 26H of the ICC Rules.

Section 17A(b)(3)(F) of the Act³ 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 and to comply with the provisions of the Act and the rules and regulations thereunder. The STAC and STAF C Contracts proposed for clearing are similar to the STE C and STEFC Contracts currently cleared by ICC, and will be cleared pursuant to ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. Clearing of the STAC and STAF C Contracts will allow market participants an increased ability to manage risk and ensure the safeguarding of margin assets pursuant to clearing house rules. ICC believes that acceptance of the STAC and STAF C Contracts, on the terms and conditions set out in the 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.⁴

Clearing of the STAC and STAF C Contracts will also satisfy the requirements of Rule 17Ad-22.⁵ In particular, in terms of financial resources, ICC will apply its existing initial margin methodology to the additional contracts. ICC believes that this model will provide sufficient initial margin requirements to cover its credit exposure to its clearing members from clearing such contracts, consistent with the requirements of Rule 17Ad-

³ 15 U.S.C. 78q-1(b)(3)(F).

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 240.17Ad-22.

22(b)(2).⁶ In addition, ICC believes its Guaranty Fund, under its existing methodology, will, together with the required initial margin, provide sufficient financial resources to support the clearing of the additional contracts consistent with the requirements of Rule 17Ad-22(b)(3).⁷ ICC also believes that its existing operational and managerial resources will be sufficient for clearing of the additional contracts, consistent with the requirements of Rule 17Ad-22(d)(4),⁸ as the new contracts are substantially the same from an operational perspective as existing 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)⁹ as to the finality and accuracy of its daily settlement process and avoidance of the risk to ICC of settlement failures. ICC determined to accept the STAC and STAFC Contracts for clearing in accordance with its governance process, which included review of the contracts and related risk management considerations by the ICC Risk Committee and approval by its Board. These governance arrangements are consistent with the requirements of Rule 17Ad-22(d)(8)¹⁰. Finally, ICC will apply its existing default management policies and procedures for the STAC and STAFC 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 single names, in accordance with Rule 17Ad-22(d)(11).¹¹

(B) Self-Regulatory Organization's Statement on Burden on Competition

⁶ 17 CFR 240.17Ad-22(b)(2).

⁷ 17 CFR 240.17Ad-22(b)(3).

⁸ 17 CFR 240.17Ad-22(d)(4).

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

¹⁰ 17 CFR 240.17Ad-22(d)(8).

¹¹ 17 CFR 240.17Ad-22(d)(11).

The STAC and STAF C Contracts will be available to all ICC participants for clearing. The clearing of these STAC and STAF C Contracts by ICC does not preclude the offering of the STAC and STAF C Contracts for clearing by other market participants. Accordingly, ICC does not believe that clearance of the STAC and STAF C Contracts will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

(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. Please include File Number SR-ICC-2016-014 on the subject line.

Paper Comments:

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ICC-2016-014. 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, N.E., Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also 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-2016-014 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.¹²

Brent J. Fields
Secretary

¹² 17 CFR 200.30-3(a)(12).