

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76696; File No. SR-ICEEU-2015-020)

December 18, 2015

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to ICC End-of-Day Price Discovery Policy

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 3, 2015, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule changes as described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. ICE Clear Europe filed the proposed rule changes pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(i)⁴ thereunder, so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule changes 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 changes is to revise the ICE Clear Europe End-of-Day Price Discovery Policy (the “Price Discovery Policy”) to accommodate industry changes regarding the reduction of the frequency for which Single Name (“SN”) Credit Default Swap (“CDS”) contracts roll to the new on-the-run-contract.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4)(i).

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

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

ICE Clear Europe proposes revising its Price Discovery Policy to accommodate industry change regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run-contract. The changes affect the labeling convention for cleared SN CDS contracts for price reporting purposes, but will not alter the terms of the contracts or the range of tenors of SN CDS contracts currently cleared by ICE Clear Europe.

ICE Clear Europe believes such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions cleared by ICE Clear Europe. The proposed revisions are described in detail as follows.

As part of ICE Clear Europe's end-of-day price discovery process, ICE Clear Europe Clearing Members are required to submit end-of-day prices for specific instruments related to their open interest at ICE Clear Europe, in accordance with Rule 503(g) and the ICE Clear Europe Procedures. These end-of-day price submissions are used by ICE Clear Europe in its calculation of settlement prices.

ICE Clear Europe refers to a group of SN instruments with the same risk sub-factor and coupon as a “curve.” Each point, or tenor, along the curve is labeled with a tenor name. Currently for SN instruments, the market convention is to describe tenors based on the period remaining until the scheduled termination date of the contract. Under this convention, the nearest-to-expiring contract is referred to as the 0M tenor, the next nearest to expiring is referred to as the three month (3M) tenor, and so on (with scheduled termination dates spaced at 3 month intervals), up to ten years (10Y). ICE Clear Europe supports the clearing of all 41 SN tenors from 0M to 10Y. As such, ICE Clear Europe also calculates settlement prices for the 41 SN tenors on the curve. However, ICE Clear Europe defines a subset of the 41 tenors as “benchmark-tenors”, which are tenors for which Clearing Members provide submissions in the end-of-day price discovery process. The nine benchmark tenors are 0M, 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, and 10Y, which correspond to so-called “on-the-run” contracts.

Currently, as a matter of CDS market practice, the on-the-run contract for a particular tenor is the contract expiring on the next following quarterly International Money Market (“IMM”) dates (i.e., March 20, June 20, September 20, and December 20) for the relevant year. For example, the SN CDS contract expiring December 20, 2020 will be considered the five-year on-the-run contract until December 20, 2015, from which time the contract expiring March 20, 2021 will be viewed as the 5Y on-the-run contract, until the next quarterly roll date, etc. Accordingly, market participants seeking to maintain exposure at a particular CDS tenor will typically “roll” SN CDS contracts into the new on-the-run contract (i.e., terminate positions in the old on-the-run contract and establish positions in the new on-the-run contract) on a quarterly basis on the IMM dates.

To account for this practice, at each quarterly roll date, ICE Clear Europe re-labels the 41 SN tenors to reflect the rolling and expiration of contracts.

The CDS industry has proposed reducing the frequency at which SN CDS contracts roll to the new on-the-run contract. Specifically, the CDS industry has proposed moving from quarterly roll dates to semi-annual roll dates for SN CDS contracts. Under the revised approach, market participants are expected to roll SN CDS contracts only on the March 20 and September 20 IMM dates, and the on-the-run contracts will be determined based on the next following June 20 and December 20 expiration dates. As a result, a particular contract tenor will generally remain the on-the-run contract for six months, rather than three.

ICE Clear Europe proposes changes to its Price Discovery Policy to accommodate the change in roll frequency for on-the-run contracts. Under the revised policy, ICE Clear Europe will re-label scheduled termination dates with benchmark tenor names every six months, on the March 20 and September 20 IMM dates for CDS contracts (i.e., the on-the-run roll dates). The re-labeling is based on the remaining time to maturity that will apply to a given scheduled termination date on the next quarterly IMM date (i.e. the next December 20 or June 20 standard maturity date). Upon the semi-annual re-labeling, the nearest to maturity contract is referred to as the 0M tenor, and the tenor label for each longer-date contract is based on that contract's time to maturity relative to the scheduled termination date labeled as the 0M tenor.

The new nine benchmark tenors will be the 0/3M, 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y and 10Y, which correspond to the on-the-run contracts for those tenors. Eight of the nine benchmark tenors remain constant and refer to individual scheduled termination dates

that are fixed for the six-month periods between semi-annual re-labeling, specifically the 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, and 10Y. However, the 0M tenor matures three months after a semi-annual labeling, and ICE Clear Europe defines the first (shortest-dated) benchmark tenor as the 0M tenor from a semi-annual re-labeling until the maturity of that tenor, and defines the first benchmark tenor as the 3M tenor from the maturity of the 0M tenor through the next semi-annual re-labeling. The label 0/3M tenor refers to this re-mapping of the first benchmark tenor to different IMM dates on a quarterly basis. Throughout the policy, references to the 0M SN tenor have been updated to 0/3M to reflect this change.

Consistent with the approach being taken throughout the CDS market, the changes to accommodate the change in SN roll frequency will take effect with the December 20, 2015 roll.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act⁵ 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. ICE Clear Europe believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICE Clear Europe, including Section 17(A)(b)(3)(F).⁶ ICE Clear Europe's end of day price discovery process allows ICE Clear Europe to determine reliable,

⁵ 15 U.S.C. 78q-1(b)(3)(F).

⁶ Id.

market-driven prices for the CDS instruments it clears, which are in turn necessary to facilitate accurate daily settlement in such instruments. The proposed revisions to the Price Discovery Policy will accommodate industry changes regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run contract, and in particular will enable ICE Clear Europe to continue to perform its end of day price discovery process in an effective manner in light of such industry changes. As such, the proposed changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F)⁷ of the Act.

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

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes are designed to accommodate industry changes regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run-contract, and will apply uniformly across all market participants. ICE Clear Europe is not changing the products or tenors of SN CDS offered, and does not believe that the amendments will adversely affect access to clearing or the cost of clearing for Clearing Members or other market participants. Therefore, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is inappropriate 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

⁷ Id.

Written comments relating to the proposed changes to the rules have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule changes have become effective upon filing pursuant to Section 19(b)(3)(A)⁸ of the Act and Rule 19b-4(f)(4)(i)⁹ thereunder. The amendments principally effect a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible, and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within 60 days of the filing of the proposed rule changes, the Commission summarily may temporarily suspend such rule changes if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule changes are 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

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(4)(i).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-ICEEU-2015-020 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-ICEEU-2015-020. 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 will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation#rule-filings>.

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-ICEEU-2015-020 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.¹⁰

Robert W. Errett
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).