

Sarah Williams
Staff Attorney

April 20, 2015

Re: Additions to Subchapter 26I of the ICC Rules to Provide for Clearing of Additional Standard Western European Sovereign CDS Contracts Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6

VIA E-MAIL

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC (“ICC”) hereby submits, pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commodity Futures Trading Commission (“Commission”) Regulation 40.6, a self-certification of amended ICC Rules (the “Amended Rules”) to provide for the clearance of additional Standard Western European Sovereign CDS contracts (collectively, “SWES Contracts”), specifically the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark. ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to make the Amended Rules effective no sooner than the tenth business day following the filing of this submission with the Commission at its Washington, D.C. headquarters and with its Chicago regional office.

This submission includes the Amended Rules. A description of the principal changes contained in the Amended Rules follows. Certification of the Amended Rules pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6 is also provided below.

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. ICC currently clears six SWES Contracts: the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, and the Republic of Austria. ICC proposes amending Subchapter 26I of its Rules to provide for the clearance of additional SWES Contracts, specifically the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark. ICC plans to offer these additional SWES Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions. The addition of these SWES 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. These additional SWES Contracts have terms consistent with the other SWES Contracts approved for clearing at ICC and governed by Subchapter 26I of the ICC Rules, namely the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, and the Republic of Austria. Minor revisions to Subchapter 26I (Standard Western European Sovereign (“SWES”) Single Name) are made to provide for clearing the additional SWES Contracts and described as follows.

Rule 26I-102 is modified to include the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark in the list of specific Eligible SWES Reference Entities to be cleared by ICC.

ICC's Risk Management Framework has also been revised to provide enhancements to the General Wrong Way Risk ("GWWR") methodology related to the clearance of additional SWES Contracts. The proposed changes to the ICC Risk Management Framework extend the GWWR framework to the portfolio level. Currently, there exists no Clearing Participant-level cumulative GWWR requirement incorporated in the Jump-to-Default calculations. The uncollateralized WWR exposure of a Risk Factor needs to exceed its corresponding WWR threshold in order to trigger WWR collateralization. The proposed enhancement is introduced to account for the potential accumulation of portfolio WWR through Risk Factor specific WWR exposures. Under the proposed approach, if the cumulative uncollateralized exposure exceeds a pre-determined portfolio GWWR threshold, the amount above the threshold is collateralized.

Core Principle Review:

ICC reviewed the DCO core principles ("Core Principles") as set forth in the Commodity Exchange Act. During this review, ICC identified the following Core Principles as being impacted:

Participant and Product Eligibility: ICC has set appropriate standards in ICC's policies and procedures for determining the eligibility of contracts. The additional SWES Contracts fulfill ICC's standards regarding product eligibility.

Risk Management: ICC currently clears six SWES Contracts. ICC will apply its established margin and pricing methodology to the additional SWES Contracts. In addition, ICC performed a comprehensive risk analysis related to the clearing of additional SWES Contracts and identified the potential for uncollateralized GWWR exposure as a new risk and accounted for this risk in the revised ICC Risk Management Framework, as discussed herein. Except as noted above, ICC identified no additional risk or systemic risk concerns introduced by clearing additional SWES Contracts, not accounted for by ICC's existing risk management procedures.

Settlement Procedures: The additional SWES Contracts are subject to ICC's current physical settlement rules under Chapter 22: CDS Physical Settlement.

Amended Rules:

The proposed change consists of revisions to Subchapter 26I of the ICC Rules to provide for the clearance of additional SWES Contracts, namely the Kingdom of the Netherlands, the Republic of Finland, the Kingdom of Sweden, and the Kingdom of Denmark. ICC has respectfully requested confidential treatment for the ICC Risk Management Framework which was submitted concurrently with this submission.

Annexed as an Exhibit hereto is the following:

- A. Proposed amendments to the ICC Rules

Certifications:

ICC hereby certifies that the Amended Rules comply with the Act and the regulations thereunder. There were no substantive opposing views to the Rules.

ICC certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, which may be accessed at: <https://www.theice.com/clear-credit/regulation>

ICC would be pleased to respond to any questions the Commission or the staff may have regarding this submission. Please direct any questions or requests for information to the attention of the undersigned at (312) 836-6883.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Williams".

Sarah Williams
Staff Attorney

Enclosures

cc: Kate Meyer, Commodity Futures Trading Commission (by email)
Tad Polley, Commodity Futures Trading Commission (by email)
Peter Kals, Commodity Futures Trading Commission (by email)
Eric Nield, ICE Clear Credit (by email)
Michelle Weiler, ICE Clear Credit (by email)