

**Sarah Williams**  
Staff Attorney

October 5, 2017

**Re: Changes to ICC Rulebook Relating to  
Venezuela CDS Contracts Pursuant to  
Section 5c(c)(1) of the Commodity Exchange  
Act and Commission Regulation 40.6(a)**

**VIA E-MAIL**

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

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC (“ICE Clear Credit” or “ICC”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, the amendments to its Clearing Rules (the “ICC Rules”) discussed herein. The amendments are to become 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.

*Concise Explanation and Analysis*

The purpose of the proposed changes is to modify certain provisions of the ICE Clear Credit Clearing Rules (the “Rules”) applicable to cleared CDS Contracts (or components thereof) for which the Bolivarian Republic of Venezuela is a reference entity, in light of the sanctions (the “Venezuela Sanctions”) imposed by Executive Order 13808 of August 24, 2017 *Imposing Additional Sanctions With Respect to the Situation in Venezuela* (the “Executive Order”) and related implementing actions by the U.S. Treasury Department Office of Foreign Asset Control (“OFAC”).

The amendments will incorporate in the terms and conditions for such contracts the *Additional Provisions for Certain Venezuelan Entities: Excluded Obligation and Excluded Deliverable Obligations* published by the International Swaps and Derivatives Association, Inc. (“ISDA”) on September 19, 2017 (the “Venezuela Additional Provisions”). Consistent with the approach expected to be taken throughout the cleared and uncleared CDS market, ICE Clear Credit will make the Venezuela Additional Provisions applicable to relevant CDS contracts cleared by ICE Clear Credit beginning on the industry-wide implementation date (currently anticipated to be on or around October 20, 2017 (the “Additional Provisions Effective Date”).

Among other provisions, the Executive Order prohibits transactions in or relating to certain bonds issued by the government of Venezuela, except to the extent permitted by a license issued by OFAC (“Restricted Debt”). The Venezuela Additional Provisions implement this prohibition by excluding Venezuela government bonds that are Restricted Debt from being “Obligations” or “Deliverable Obligations” under the terms of a CDS contract. As such, credit events with respect to such Restricted Debt could not be used to trigger credit protection under a CDS contract, and such Restricted Debt could not be used in settlement of a CDS contract. These limitations would cease to apply upon the lifting of sanctions under the Executive Order.

ICE Clear Credit understands, through discussions with market participants, that market participants generally are expected to adhere to a protocol implementing the Venezuela Additional Provisions for existing uncleared CDS contracts, effective as of the Additional Provisions Effective Date. In an effort to maintain consistency across the cleared and uncleared CDS market, ICE Clear Credit plans to implement the amendments discussed herein as of the same time.

ICE Clear Credit is amending its Rules to incorporate the Venezuela Additional Provisions into existing Contracts.<sup>1</sup> ICE Clear Credit is amending Rule 26C-316, which applies to CDX.EM Contracts, an index CDS contract for which Venezuela may be an index component. New subsection (e) provides that all open positions in CDX.EM Contracts that have a component transaction in which Venezuela is a reference entity will be amended, effective as of the Additional Provisions Effective Date, such that the Venezuela Additional Provisions apply. For clarity, the amendment also updates the transaction terms to reference the updated September 2017 ISDA Credit Derivatives Physical Settlement Matrix that takes into account the Venezuela Additional Provisions.

Similarly, ICE Clear Credit is amending Rule 26D-616, which applies to emerging market sovereign single name CDS contracts. New subsection (c) provides that a sovereign single-name CDS contract referencing Venezuela will be amended, effective as of the Additional Provisions Effective Date, such that the Venezuela Additional Provisions apply. For clarity, the amendment also updates the transaction terms to reference the updated September 2017 ISDA Credit Derivatives Physical Settlement Matrix that takes into account the Venezuela Additional Provisions.

#### *Compliance with the Act and CFTC Regulations*

The proposed changes to the Rules implement the Venezuela Additional Provisions in conjunction with an industry-wide effort to amend relevant CDS contract terms in light of the Venezuela Sanctions. As part of this effort, CDS market participants have developed the Venezuela Additional Provisions to ensure compliance with the Executive Order. ICE Clear Credit believes the revisions to the Rules are consistent with the Act and Commission rules and are necessary in order to permit continued clearing of contracts referencing Venezuela on terms consistent with the Executive Order.

The rule amendments are potentially relevant to the following core principles: (C) Participant and Product Eligibility and (R) Legal Risk, and the applicable regulations of the Commission thereunder.

*Product Eligibility.* As set forth above, the amendments revise the terms of single-name and index CDS contracts referencing Venezuela, in order to implement the Venezuela Additional Provisions and comply with the relevant restrictions in the Executive Order. These changes will facilitate ICE Clear Credit's ability to continue clearing of such contracts, consistent with the requirements of the Act and other applicable law. As a result, ICE Clear Credit believes that the affected CDS contracts, as modified by the amendments, will continue to comply with the requirements of Core Principle C and Commission Rule 39.12(b).

*Legal Risk.* The amendments are intended to facilitate compliance by ICE Clear Credit and its clearing participants with the Venezuela Sanctions imposed by the Executive Order, by permitting clearing of contracts to continue in accordance with the restrictions on Restricted Debt imposed by the Executive Order. As such, ICE Clear Credit believes that the amendments comply with the requirements of Core Principle R and Commission Rule 39.27.

As set forth herein, the amendments consist of changes to the ICC Rules, a copy of which is attached hereto as Exhibit A.

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<sup>1</sup> In addition, commencing on the Additional Provisions Effective Date, ICE Clear Credit will only accept new single-name or index Contracts referencing Venezuela that incorporate the Venezuela Additional Provisions. No amendment to the Rules is needed to effect such change.

ICE Clear Credit hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

ICE Clear Credit has received no substantive opposing views in relation to the proposed rule amendments.

ICC further certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, and 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". The signature is written in black ink and is positioned below the word "Sincerely,".

Sarah Williams  
Staff Attorney