

Maria Alarcon
Staff Attorney

October 14, 2020

**Re: Updates to ICC Rules Pursuant to
Section 5c(c)(1) of the Commodity Exchange
Act and Commission Regulation 40.6(a)**

VIA ELECTRONIC PORTAL

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 (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to the ICC Clearing Rules (the “Rules”)¹ to incorporate credit default index swaptions (“Index Swaptions”) into its summary assessment approach. ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to implement the changes 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.

ICC proposes revisions to the Rules to incorporate Index Swaptions into the summary assessment approach described in Rule 702(e) and Schedule 702 of the Rules. This submission includes a description of the changes to the ICC Rules. Certification of the changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

ICC proposes to make such changes to the Rules effective following the completion of the ICC governance process surrounding the Index Swaptions product expansion and any regulatory review or approval process. ICC has previously filed with the Commission changes to certain other policies and procedures related to clearing Index Swaptions (the “Swaption Rule Filings”).² As discussed in the Swaption Rule Filings, pursuant to an Index Swaption, one party (the “Swaption Buyer”) has the right (but not the obligation) to cause the other party (the “Swaption Seller”) to enter into an index credit default swap transaction at a pre-determined strike price on a specified expiration date on specified terms. In the case of Index Swaptions that would be cleared by ICC, the underlying index credit default swap would be limited to certain CDX and iTraxx Europe index credit default swaps that are accepted for clearing by ICC, and which would be automatically cleared by ICC upon exercise of the Index Swaption by the Swaption Buyer in accordance with its terms. The proposed amendments to incorporate Index Swaptions into the summary assessment approach in Rule 702(e) and Schedule 702 of the Rules are described in detail as follows.

¹ Capitalized terms used but not defined herein have the meanings specified in the Rules.

² As set out in the Swaption Rule Filings, ICC intends to implement the changes described in the Swaption Rule Filings following completion of the ICC governance process surrounding the Index Swaptions product expansion. Submission Number 1907-1516-4754-53, dated July 15, 2019; Submission Number 2001-1415-3739-55, dated January 14, 2020; Submission Number 2006-1815-5824-31, dated June 18, 2020; Submission Number 2008-1015-2026-64, dated August 10, 2020.

As part of ICC's end-of-day price discovery process, ICC Clearing Participants ("CPs") are required to submit end-of-day prices in accordance with the ICC Procedures, and the failure of a CP to provide submissions in accordance with the ICC Procedures constitutes a Missed Submission pursuant to Rules 404(b) and 702(b) and (e). In order to provide incentive against Missed Submissions, ICC has adopted a summary assessment approach described in Rule 702(e) and Schedule 702 of the Rules.

The proposed amendments incorporate Index Swaptions in Rule 702(e). Under current Rule 702(e)(i)(2), CPs are required to submit end-of-day prices for each Contract in which they hold a cleared interest in accordance with the ICC Procedures and each price not submitted as required is a Missed Submission. The proposed changes to Rule 702(e)(i)(2) would specify that CPs that hold a cleared interest in one or more Index Swaption Contracts sharing the same underlying index and expiration date are required to provide prices for all Index Swaption Contracts sharing the same underlying index and expiration date. Additionally, under current Rule 702(e)(ii)(2), a CP is eligible for one waiver per calendar year for single name Missed Submissions and one waiver per calendar year for index Missed Submissions caused by technical failures. Under amended Rule 702(e)(ii)(2), a CP would also be eligible for one waiver per calendar year for Index Swaption Missed Submissions caused by technical failures. The process for requesting and reviewing waivers for Missed Submissions remains unchanged. Moreover, amended Rule 702(e)(ii)(4) includes Index Swaption, along with single name and index, as a type of Missed Submission that may satisfy the requirements of Rule 702(e)(ii)(2).

Additionally, ICC proposes updates to Schedule 702 to the Rules, which sets forth an assessment schedule, to include an assessment amount for Index Swaption Missed Submissions and correct a typographical error. Current Schedule 702 sets out assessment amounts (per missed price) in respect of index and single names. With respect to Index Swaptions, the proposed revisions would establish an assessment amount for each Missed Submission (\$250) as well as a maximum assessment per day for Missed Submissions on Index Swaption instruments sharing the same underlying index (\$10,000) and for all Index Swaption instruments during one day (\$50,000). ICC also proposes to correct a typographical error with respect to single names in the assessment schedule and replace "Submissions" with "Submission" in the phrase "For each Missed Submissions."

Core Principle Review:

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

Participant and Product Eligibility: The revisions to the ICC Rules are consistent with the participant eligibility requirements of Core Principle C. The revisions are designed to provide a fair structure under which to assess on-going compliance with participant requirements, including the submission of appropriate end-of-day prices with respect to Index Swaptions.

Rule Enforcement: The revisions to the ICC Rules are consistent with the rule enforcement requirements of Core Principle H. The amended Rules are designed to ensure that CPs are appropriately disciplined for violations of the ICC Procedures and Rules related to the price submission process with respect to Index Swaptions, through an appropriate and fair fining structure. Under the amended Rules, ICC maintains adequate arrangements and resources for the effective monitoring and enforcement of compliance with its Rules and Procedures, as related to the price submission process.

Amended Rules:

The proposed changes consist of changes to Rule 702(e) and Schedule 702 of the Rules to incorporate Index Swaptions into ICC's summary assessment approach.

Annexed as an Exhibit hereto is the following:

- A. Proposed amendments to the ICC Rules

Certifications:

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

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) 836-6854.

Sincerely,

A handwritten signature in cursive script that reads "Maria Alarcon".

Maria Alarcon
Staff Attorney