ICE SWAP TRADE

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BY ELECTRONIC TRANSMISSION

Submission No. 13-04
October 4, 2013

Secretary of the Commission
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
via email: submissions@cftc.gov; dmosubmissions@cftc.gov

Re: Listing of Credit Index Contracts and Related Rule Amendments- Submission Pursuant to Section 5c(c)(1) of the Act and Regulations 40.2 and 40.6

Dear Ladies and Gentlemen:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the "CEA") and Commission Regulations 40.2 and 40.6(a), ICE Swap Trade, LLC ("IST" or "SEF", as the context requires) submits by written certification the terms and conditions for three (3) Credit Default Swap ("CDS") contracts, which will be listed for trading by the SEF on October 4, 2013.

The clearing eligible swap contracts will be cleared by ICE Clear Credit and ICE Clear Europe, which currently serve as the derivatives clearing organizations for the SEF. The contract terms and conditions are set forth as additions or amendments to Chapter 12 of the Rulebook, as specified in Exhibit A (all such changes to the IST Rulebook being clearly identified in track changes mode). The underlying cash market analysis is contained in Section I of this letter submission. Please note, IST has also added Rules 1209 – 1219 and identified such rules as being "Reserved" for future use, as and when such rule additions are necessary. For ease of reference, IST is only providing the Commission with Chapter 12 of the IST Rulebook, as that is the only chapter of the IST Rulebook affected by the changes described in this letter submission. Exhibit A is intended to provide the Commission with the marked version of the changes and Exhibit B is the clean version of Chapter 12 with such changes incorporated.

The SEF is listing three (3) cash settled Markit® iTraxx® swap contracts, as described below.

Markit® iTraxx® Contracts

The three (3) Markit® iTraxx® contracts are based on the iTraxx® indices as published by Markit®. The SEF will list contracts on the Asia Ex-Japan Index, Japan Index, and Australia Index.

Contract Name	Code
Markit® iTraxx® Asia Ex-Japan Index	ITRX ASIA EX-JAPAN
Markit® iTraxx® Japan Index	ITRX JAPAN
Markit® iTraxx® Australia Index	iTraxx Australia

The contract sizes, listing cycles, quotation basis and minimum price fluctuations are common amongst other CDS contracts listed by other SEFs.

The final settlement price for each contract, which is described in detail in the product rules, are based upon published prices. Position and accountability limits are based upon the cash market and deliverable supply as described in section I below. Trading hours for the contracts will be from 08:00AM London Time to 5:30PM New York Time the same calendar day.

The indices are administered by Markit Group Limited ("Markit") and its affiliates.

I. The Cash Market

The CDS market developed in the late 1990s out of a need to more effectively hedge the risk that a company or government owing money to third parties may not be willing or able to repay the amount borrowed or otherwise advanced to them in some form. Through CDS, companies that generate these credit risks are able to transfer the risk to a third party, in exchange for the payment of a periodic fee.

CDS are swap contracts in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff upon the occurrence of one of a defined list of events ("Credit Events"). The most typically used Credit Events are: failure to pay (occurs if a credit instrument -- typically a bond or loan -- has failed to make a scheduled payment of interest or principal), bankruptcy filing by the issuer of the credit instrument, or a restructuring of a company's or government's debt obligations (more frequently used in Europe than in North America).

A CDS contract is defined by the following:

- Reference Entity (the underlying legal entity on which one is buying/selling protection)
- Reference Obligation (provides the reference to the specific part of an entity's capital structure that is subject to the contract)
- Term/Tenor
- Notional Principal
- Currency of Notional Principal
- Coupon (Amount of periodic payment that buyer must make)
- Credit Events (the specific events triggering the protection seller to pay the protection buyer)
- Restructuring Clause (Clause that defines the handling of restructurings as credit events that trigger the Single Name CDS contract). The terms of these contracts are prescribed by the ISDA Master Agreement and supporting schedule.

While CDS was initially a product designed to hedge risk to a specific company (single name CDS) demand quickly developed for an index-based CDS product that would allow more efficient hedging of a portfolio of credit risk, both as a more generic hedge against changes in the macro credit environment, and as a reflection that market participants did not usually have credit exposure to one single company, but held many similar exposures. The market for trading CDS has grown significantly over the approximately 15 years since the product began trading frequently. Today there are over 500 institutions globally involved in executing trades in CDS worldwide, ranging from banks, investment companies of all types, and commercial and corporate institutions. Markets are supported by approximately 20 financial institutions globally that provide markets to participants to facilitate liquidity and price discovery.
A credit default swap index is a credit derivative used to hedge credit risk or to take a position on a basket of legal entities. Markit® manages and administers two main families of CDS indices: Markit® CDX® and Markit® iTraxx®. Markit® CDX® indices contain North American and Emerging Market companies and Markit® iTraxx® contains companies from the rest of the world. The CDS indices that are the most liquid (when judged in terms of volume traded) are the Markit® CDX® NA IG, and Markit® CDX® NA HY in North America and the Markit® iTraxx® Europe and Markit® iTraxx® Crossover indices in Europe.

Markit® CDX® and Markit® iTraxx® Index trades may be executed with a range of different maturities on the contracts, varying usually from 1 to 10 years. The 5 year contract is typically the most frequently traded and is the one on which the SEF's Contracts are based.

Recent surveys from the Bank for International Settlements ("BIS") indicated, as of June 2012, total outstanding notional value for all CDS products to be approximately

USD 26,931 BN, of which USD 9,731 BN was in index products, and USD 15, 566 BN in single name CDS products (other CDS products accounting for the remainder of outstanding gross notional). [Source: http://www.bis.org/statistics/derdetailed.htm]

CDS Indices are the most actively traded instruments with approximate average daily global volume of USD 87BN across all indices SEF wishes to list, for the period September 20, 2012 to August 23, 2013 [Source: DTCC]. Today, the majority of the dealer-to-dealer and dealer-to-client index volume is cleared at ICE Clear Credit and ICE Clear Europe ("Clearing Houses"). Clearing of indices was launched in March 2009 for North American indices and July 2009 for European indices. As of September 20, 2013 the Clearing Houses have cleared USD 24.2 TN and EUR 11.3 TN of index products. [Source: https://www.theice.com/clear_credit.jhtml]

Below is a breakdown of average daily volume for the relevant indices on which the SEF is launching contracts:

Index	**Total USD (or USD equivalent) Average Daily Notional Traded**	**On-the-run USD (or USD equivalent) Average Daily Notional Traded**
Markit iTraxx Asia Ex-Japan	USD 360 MM	USD 224 MM
Markit iTraxx Japan	USD 355 MM	USD 208 MM
Markit iTraxx Australia	USD 374 MM	USD 247 MM

[Source: DTCC]

As described further in this submission, a new series of each index is created every 6 months, and while older series of each index continue to trade after the launch of a new index series, the majority of volume and liquidity typically occurs in the most recently created index series (the "on-the-run" index series). This reflects the fact that the new index is intended to reflect the liquidity in the section of the credit markets relevant to the index (e.g., investment grade Australian corporate credit risk for Markit iTraxx Australia) at the time of the construction of the new index series.

The process for determination of the constituents for a new series is administered by Markit, based on a publicly available set of rules. Attached as Schedule 1 is an index roll timeline delineating the transparent process by which Markit determines the constituents and publishes the next series of the index. As noted therein, this process draws upon publicly reported information and an open public comment period before finalization.

II. The Index Administrator

Markit is a financial information services company with over 2,800 employees in Europe, North America, and Asia Pacific. Markit is a provider of financial information services to the global financial markets, offering independent data, valuations, risk analytics, and related services across regions, asset classes and financial instruments. Markit's products and services are used by a large number of market participants to reduce risk, increase transparency, and improve the operational efficiency in their financial markets activities. Please see www.markit.com for additional information. Markit's indices cover most asset classes including fixed income, loans, credit, securitized products and equity. Markit's indices are used by investment banks, asset managers, hedge funds and insurance companies for products including exchange traded funds, index funds, structured products and derivatives. Markit administers and publishes the composition of Markit's CDX and iTraxx Indexes in accordance with a transparent rule set available on www.markit.com.

III. Description of Indexes

Markit iTraxx Asia Ex-Japan

The index is composed of forty (40) Asian investment grade reference entities, excluding companies domiciled in Japan, representing those reference entities (excluding affiliates of the same company) for which the greatest notional volume was reported to DTCC over the prior 6 months (subject to certain objective filters). Each constituent is given equal weighting within the index. A new series of the index is created every 6 months on March and September 20th of each year (or on the next business day if that date is not a business day in Hong Kong) and swaps referencing this index begin trading on that day. From the date of creation of a new index series, the contract becomes known as the "on the run" index series, and this series is typically the most heavily traded of all existing index series.

At the time of construction a constituent must meet detailed criteria, including but not limited to the following:

- Not be subject to a credit event, as defined under ISDA documentation
- Not be the subject of a request for adjudication on the occurrence of a credit event that has been accepted by the relevant ISDA Determinations Committee
- Be rated by the Moody's, S&P and Fitch (the "Rating Agencies") as follows:
    - o when rated by all three Rating Agencies, the median rating must be investment grade;
    - o when rated by two of three Rating Agencies, both ratings must be investment grade, and

   - when rated by one of three Rating Agencies, the rating must be investment grade.
- Not be a subsidiary or affiliate of a reference entity currently in the most recently issued index series
- Not be subject to a corporate action that will cause the company's debt structure to change (e.g. merger or spin-off)

Twenty (20) index series for Markit iTraxx Asia Ex-Japan have been created (as of October 3, 2013).

Markit iTraxx Japan 50

The index is composed of fifty (50) Japanese investment grade reference entities, representing those reference entities (excluding affiliates of the same company) for which the greatest notional volume was reported to DTCC over the prior 6 months (subject to certain objective filters). Each constituent is given equal weighting within the index. A new series of the index is created every 6 months on March and September 27th of each year (or on the next business day if that date is not a business day in Tokyo) and swaps referencing this index begin trading on that day. From the date of creation of a new index series, the contract becomes known as the "on the run" index series, and this series is typically the most heavily traded of all existing index series.

At the time of construction a constituent must meet detailed criteria, including but not limited to the following:

- Not be subject to a credit event, as defined under ISDA documentation
- Not be the subject of a request for adjudication on the occurrence of a credit event that has been accepted by the relevant ISDA Determinations Committee
- Be rated by the Rating Agencies as follows:
   - when rated by two or more Rating Agencies, the highest rating is used, and this rating must be investment grade
   - when rated by one of three Rating Agencies, the rating must be investment grade.
- Not be a subsidiary or affiliate of a reference entity currently in the most recently issued index series
- Not be subject to a corporate action that will cause the company's debt structure to change (e.g. merger or spin-off)

Twenty (20) index series for Markit iTraxx Japan have been created (as of October 4, 2013).

Markit iTraxx Australia

The index is composed of twenty-five (25) Australian investment grade reference entities, representing those reference entities (excluding affiliates of the same company) for which the greatest notional volume was reported to DTCC over the prior 6 months (subject to certain objective filters). Each constituent is given equal weighting within the index. A new series of the index is created every 6 months on March and September 20th of each year (or on the next business day if that date is not a business day in New York) and swaps referencing this index begin trading on that day. From the date of creation of a new index series, the contract becomes known as the "on the run" index series, and this series is typically the most heavily traded of all existing index series.

At the time of construction a constituent must meet detailed criteria, including but not limited to the following:

- Not be subject to a credit event, as defined under ISDA documentation
- Not be the subject of a request for adjudication on the occurrence of a credit event that has been accepted by the relevant ISDA Determinations Committee
- Be rated by the Rating Agencies as follows:
  - when rated by more than one Rating Agency, the lowest rating must be investment grade;
  - when rated by one of three Rating Agencies, the rating must be investment grade.
- Not be a subsidiary or affiliate of a reference entity currently in the most recently issued index series
- Not be subject to a corporate action that will cause the company's debt structure to change (e.g. merger or spin-off)

Twenty (20) index series for Markit iTraxx Australia have been created (as of October 3, 2013).

More detailed information regarding the Markit criteria for each of the indexes underlying the SEF Contracts can be found at:
http://www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/iTraxx/Markit%20iTraxx%20Asia%20ex-Japan%20S20%20Rulebook%20Final%20v2.pdf

http://www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/iTraxx/Markit%20iTraxx%20Japan%20S20%20Rulebook.pdf http://www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/iTraxx/Markit%20iTraxx%20Australia%20S20%20Rulebook%20Final%20v2.pdf

IV. Price Sources

Market participants rely on a variety of sources for pre-trade transparency. Swap dealers typically submit price runs to their clients throughout the day, indicating levels at which they are willing to trade. In addition, a variety of execution platforms provide market participants with pre-trade price transparency and electronic execution of CDS indexes. Real-time public reporting of swap transactions began on December 31, 2012 and provisionally registered swap dealers are required to report credit index swap transactions to swap data repositories (SDRs) and the public can access the real-time swap transaction and pricing data through the SDRs' websites. Data aggregation companies, such as Bloomberg, Markit, and CMA make available data feeds identifying a composite bid, mid and offer based upon the data they have received across the entire market. DTCC provides additional price and volume information for a range of CDS products. Price data is available through their public reporting service and can be found at https://rtdata.dtcc.com/gtr/dashboard.do. DTCC also provides weekly volume data for CDS products (single names, indices and index tranches), based on trade submissions to its data warehouse. Index data can be found at http://www.dtcc.com/products/derivserv/data_table_iv.php?tbid=1, and single name data (top 1,000 reference entities by volume) at: http://www.dtcc.com/products/derivserv/data_table_iv.php.

Historical end of day prices for many contracts are available from a variety of data providers, who source their data from many of the above sources as well as directly from dealer end of day internal marks. This data is subject to a number of tests and comparison to multiple data sources to determine the quality and completeness of the data, and to ensure that erroneous submissions are excluded from the final published price.

V. Description of the SEF Contracts

Specifications for the SEF Contracts are contained in Exhibit C.

Trading will be conducted from 8:00 am London Time to 5:30 pm New York time, except on the last trading day of a contract; on the last trading day trading will halt at 4:30 p.m. New York time.

No clearing house currently offers clearing services for any of the contracts, so daily and final settlement price procedures are not defined.

VI. Rules and Rule Amendments Setting Forth Contract Terms and Conditions

Exhibit A sets forth the Rules embodying most of the contract terms and conditions for each of the CDS Contracts the SEF is listing. The remaining terms and conditions are contained in amendments to existing SEF rules and procedures, as set forth in Exhibits B and D and summarized below:

VII .Certifications

The SEF certifies that the rules and amendments related to the listing of the Credit Index Contracts comply with the requirements of the Commodity Exchange Act and the rules and regulations promulgated by the Commission thereunder. The SEF has reviewed the designated contract market Core Principles and has determined that the listing of the contracts impacts the following relevant Core Principles:

COMPLIANCE WITH RULES (Principle 2): The terms and conditions of the new Credit Index Contracts are set forth in new Chapter 12 and will be enforced by the SEF. In addition, trading of the Credit Index Contracts is subject to all relevant SEF rules which are enforced by the Market Regulation Department.

CONTRACTS NOT READILY SUSCEPTIBLE TO MANIPULATION (Principle 3): The new contracts should not be readily subject to manipulation as they are liquid index contracts with widely available pricing information and public reporting requirements and are subject to position reporting and position, or accountability limits. The underlying index constituents are determined in accordance with a transparent set of rules

In addition, the contracts will be subject to market surveillance by the SEF's Market Regulation staff to detect attempted manipulation.

MONITORING OF TRADING (Principle 4): All contracts listed for trading by IST are subject to prohibitions against abusive trading practices as set forth in Chapter 5 of the Rules. The Market Regulation Department actively monitors all IST markets to detect and sanction abusive practices.

ABILITY TO OBTAIN INFORMATION (Principle 5): All contracts listed for trading by IST are subject to SEF Rules, which includes the right of the SEF to obtain any information deemed necessary by the SEF's Market Regulation staff.

TIMELY PUBLICATION OF TRADING INFORMATION (Principle 9): Prior to the commencement of trading, the terms and conditions for the contracts will be available on IST's website. The SEF will publish on its website and distribute through quote vendors contract trading volume, and daily price information.

EXECUTION OF TRANSACTIONS (Principle 9): The new contracts will be listed on the SEF's trading platform, which provides a competitive, centralized market for transparent execution of transactions. In addition, the SEF will permit certain noncompetitive transactions pursuant to existing SEF Rules which specifically provide for the execution of block trades.

RECORDKEEPING AND REPORTING (Principle 10): The SEF has rules and procedures in place to provide for the recording and storage of the requisite trade information sufficient for the Market Regulation Department to detect and prosecute customer and market abuses.

FINANCIAL INTEGRITY OF CONTRACTS (Principle 11): The clearing eligible contracts will be cleared by ICE Clear Europe and ICE Clear Credit, both registered DCOs subject to Commission regulation, and carried by registered futures commission merchants qualified to handle customer business.

DISCIPLINARY PROCEDURES (Principle 13): Pursuant to Chapters 8 of the Rules, the Market Regulation Department and the Business Conduct Committee have the authority to sanction, suspend or expel members and market participants that violate SEF rules.

DISPUTE RESOLUTION (Principle 14): Market participants may arbitrate claims arising from trading of the Contracts in accordance with Chapter 9 of the Rules. Such arbitration is mandatory for claims by customers against SEF Participants and for claims by SEF Participants against each other. Non-Participants with claims arising from trading of the contracts may also opt for SEF arbitration.

The SEF is not aware of any substantive opposing views expressed specifically with respect to the amendments. The SEF further certifies that concurrent with this filing, a copy of this submission was posted on the SEF's website, which may be accessed at: (https://www.theice.com/notices/Notices.shtml?regulatoryFilings). If you have any questions or need further information, please contact me at 212-323-8512 (cathy.oconnor@theice.com).

Sincerely,

Catherine O'Connor
Chief Compliance Officer

cc: Division of Market Oversight
New York Regional Office