

**Kevin R. McClear**  
*General Counsel*

April 26, 2012

**Re: Emerging Markets Sovereign Index  
Clearing CDS Rule Certification Pursuant  
to Section 5c(c)(1) of the Commodity  
Exchange Act and Commission  
Regulation 40.6**

**VIA E-MAIL**

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

Dear Mr. Stawick:

ICE Clear Credit ("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 the amended Rules of ICC to add Section 26C to provide for the clearance of the CDX Emerging Markets Index CDS ("CDX.EM Contracts") CDS as well as a conforming change to the definition of "Restructuring CDS Contract" in Section 26E (CDS Restructuring Rules) to encompass components of CDX.EM Contracts that are subject to a restructuring credit event. ICC is registered with the Commission as a derivatives clearing organization. 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.

ICC has identified CDX.EM Contracts as a product that has become increasingly important for market participants to manage risk and express views with respect to emerging market sovereign credit. ICC's clearance of CDX.EM Contracts will facilitate the prompt and accurate settlement of swaps and contribute to the safeguarding of securities and funds associated with swap transactions.

CDX.EM Contracts have similar terms to the CDX North American Index CDS contracts ("CDX.NA Contracts") currently cleared by ICC and governed by Section 26A of the ICC rules. Accordingly, the proposed rules found in Section 26C largely mirror the ICC rules for CDX.NA Contracts in Section 26A, with certain modifications that reflect the underlying index (sovereign reference entities instead of corporate) and differences in terms and market conventions between CDX.EM Contracts and CDX.NA Contracts. The CDX.EM Contracts reference the CDX.EM Index, the current series of which consists of 15 emerging market sovereign entities: Argentina, Venezuela, Brazil, Malaysia, Colombia, Hungary, Indonesia, Panama, Peru, South

Africa, the Philippines, Turkey, Russia, Ukraine and Mexico. CDX.EM Contracts, consistent with market convention and widely used standard terms documentation, can be triggered by credit events for failure to pay, restructuring and repudiation/mortatorium (by contrast to the credit events of failure to pay and bankruptcy applicable to the CDX.NA Contracts). CDX.EM Contracts will only be denominated in U.S. dollars.

Rule 26C-102 (Definitions) sets forth the definitions used for the CDX.EM Contract Rules. An "Eligible CDX.EM Untranching Index" is defined as "each particular series and version of a CDX.EM index or sub-index, as published by the CDX.EM Untranching Publisher, included from time to time in the List of Eligible CDX.EM Untranching Indexes," which is a list maintained, updated and published from time to time by the ICC board of directors or its designee, containing certain specified information with respect to each index. "CDX.EM Untranching Terms Supplement" refers to the market standard form of documentation used for credit default swaps on the CDX.EM index, which is incorporated by reference into the contract specifications in Chapter 26C. The remaining definitions are substantially the same as the definitions found in ICC Section 26A, other than certain conforming changes.

Specifically, Rules 26C-309 (Acceptance of CDX.EM Untranching Contract), 26C-315 (Terms of the Cleared CDX.EM Untranching Contract), and 26C-316 (Updating Index Version of Fungible Contracts After a Credit Event or a Succession Event; Updating Relevant Untranching Standard Terms Supplement) reflect or incorporate the basic contract specifications for CDX.EM Contracts and are substantially the same as under ICC Section 26A for CDX.NA Contracts. In addition to various non-substantive conforming changes, proposed Rule 26C-317 (Terms of CDX.EM Untranching Contracts) differs from the corresponding Rule 26A-317 to reflect the fact that restructuring and repudiation/mortatorium are credit events for the CDX.EM Contract. (CDX.NA Contracts currently cleared by ICC do not use the restructuring and repudiation/mortatorium credit events.)

In addition, a conforming change is made to the definition of "Restructuring CDS Contract" in Section 26E (CDS Restructuring Rules) to address components of CDX.EM Contracts that become subject to a restructuring credit event. The treatment of such restructuring credit events for CDX.EM Contracts will thus be as set forth in existing Section 26E of the Rules.

Certification of the Amended Rules pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6 is also provided below.

Amended Rules:

The proposed rule change consists of the addition of Section 26C (CDX Untranching Emerging Markets) to provide for the clearance of the CDX Emerging Markets Index CDS as well as a conforming change to the definition of "Restructuring CDS Contract" in Section 26E (CDS Restructuring Rules) to encompass components of CDX.EM Contracts that are subject to a restructuring credit event.

Annexed as Exhibits hereto are the following:

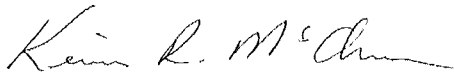
A. Amendments to Chapter 26 of the ICE Clear Credit Rules

Certification:

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

ICE Clear Credit 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) 836-6833.

Sincerely,



Kevin R. McClear  
General Counsel

cc: John C. Lawton (by email)  
Phyllis Dietz (by email)  
Steve Greska (by email)  
Kate Meyer (by email)  
Heidi M. Rauh (by email)  
Brian O'Keefe (by email)



## Clearing Rules

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**26C. CDX Untranchd Emerging Markets.**

The rules in this Subchapter 26C apply to the clearance of CDX.EM Untranchd Contracts.

**26C-102. Definitions.**

**CDX.EM Untranchd Contract**

A credit default swap in respect of any Eligible CDX.EM Untranchd Index and governed by any CDX.EM Untranchd Terms Supplement. A CDX.EM Untranchd Contract is a CDS Contract for purposes of Chapter 20.

**CDX.EM Untranchd Publisher**

Markit North America, Inc., or any successor sponsor of the Eligible CDX.EM Untranchd Indexes it publishes.

**CDX.EM Untranchd Rules**

The rules set forth in Chapters 1 through 8 and 20 through 22, inclusive, as modified by the provisions of this Subchapter 26C.

**CDX.EM Untranchd Terms Supplement**

The "CDX Untranchd Transactions Standard Terms Supplement", as published by Markit North America, Inc. on January 31, 2011.

**Eligible CDX.EM Untranchd Index**

Each particular series and version of a CDX.EM index or sub-index, as published by the CDX.EM Untranchd Publisher, included from time to time in the List of Eligible CDX.EM Untranchd Indexes.

**List of Eligible CDX.EM Untranchd Indexes**

The list of Eligible CDX.EM Untranchd Indexes, maintained, updated and published from time to time by the Board or its designee, specifying the following information with respect to each index:

- (a) the name and series, including any applicable sub-index designation;
- (b) the "Effective Date";
- (c) one or more eligible "Scheduled Termination Dates" and the applicable "Fixed Rate" for each such date;

- (d) the Relevant CDX.EM Untranchéd Terms Supplement;
- (e) the versions (and related annex dates) eligible for clearing; and
- (f) any inactive versions (and related annex dates), i.e., those that have been determined to be fungible with later versions.

**Relevant CDX.EM Untranchéd Terms Supplement**

With respect to an Eligible CDX.EM Untranchéd Index, the CDX.EM Untranchéd Terms Supplement specified for such Eligible CDX.EM Untranchéd Index in the List of Eligible CDX.EM Untranchéd Indexes.

**26C-309. Acceptance of CDX.EM Untranchéd Contracts by ICE Clear Credit.**

- (a) A CDS Participant shall make all reasonable efforts to not submit a Trade for clearance as a CDX.EM Untranchéd Contract, and any such Trade shall not be a Conforming Trade, if the Novation Time would be:
  - (i) at a time when the Fallback Settlement Method is applicable to a Credit Event with respect to such CDX.EM Untranchéd Contract; or
  - (ii) at or after the close of business on the calendar day following the Auction Final Price Determination Date for a Credit Event with respect to such CDX.EM Untranchéd Contract;

(such time with respect to any CDX.EM Untranchéd Contract, the "Clearance Cut-off Time"); provided that ICE Clear Credit may, by written notice to all CDS Participants following consultation with the Risk Committee, designate a time other than the time determined pursuant to clauses (i) or (ii) above as the Clearance Cut-off Time with respect to any CDX.EM Untranchéd Contract. CDS Participants may again submit Trades for clearance as such CDX.EM Untranchéd Contract, and such Trades shall again be Conforming Trades, following receipt of notice from ICE Clear Credit that a Fungibility Date (as defined in Rule 26C-316) has occurred with respect to such CDX.EM Untranchéd Contract.

- (b) A CDS Participant shall as soon as reasonably practicable notify ICE Clear Credit if any Trade it has submitted for clearance was not at the time of submission, or ceases to be prior to the Novation Time, a Conforming Trade.

**26C-315. Terms of the Cleared CDX.EM Untranchéd Contract.**

- (a) Any capitalized term used in this Subchapter 26C but not defined in these CDX.EM Untranchéd Rules shall have the meaning provided in the Relevant CDX.EM Untranchéd Terms Supplement.

- (b) For purposes of the CDS Committee Rules, the CDS Region for each CDX.EM Untranch Contract is [the North American Region for Latin American Reference Entities, the European Region for European Reference Entities and the Asian Region for Asian Reference Entities (or for an issue not specific to a particular Reference Entity, the North American Region)].
- (c) Each CDX.EM Untranch Contract will be governed by the Relevant CDX.EM Untranch Terms Supplement, as modified by these CDX.EM Untranch Rules. In the event of any inconsistency between the Relevant CDX.EM Untranch Terms Supplement or the Confirmation (including in electronic form) for a CDX.EM Untranch Contract and these CDX.EM Untranch Rules, these CDX.EM Untranch Rules will govern.

**26C-316. Updating Index Version of Fungible Contracts After a Credit Event or a Succession Event; Updating Relevant Untranch Standard Terms Supplement.**

- (a) Where the CDX.EM Untranch Publisher of an Eligible CDX.EM Untranch Index publishes one or more subsequent versions or annexes of the relevant series following a Credit Event or a Succession Event with respect to a Reference Entity included in such series, and the Board or its designee determines that CDX.EM Untranch Contracts referencing the earlier version or annex of such series are fungible with CDX.EM Untranch Contracts referencing a later version or annex of such series that is an Eligible CDX.EM Untranch Index and so notifies CDS Participants, CDX.EM Untranch Contracts referencing the earlier version or annex of such series shall become CDX.EM Untranch Contracts referencing such later version or annex of such series on the date determined by the Board or its designee (the "**CDX.EM Fungibility Date**"). Any CDX.EM Untranch Contracts referencing the earlier version or annex of such series submitted for clearing after the related CDX.EM Fungibility Date shall, upon acceptance for clearing, become a CDX.EM Untranch Contract referencing the latest version or annex of such series that the Board or its designee has determined is fungible with such earlier version or annex.
- (b) Where a new version of the CDX.EM Untranch Terms Supplement (a "**New CDX.EM Standard Terms**") is published as of a date that is subsequent to the date of the version that is specified as the Relevant CDX.EM Untranch Terms Supplement for any CDX.EM Untranch Contract(s) (the "**Existing CDX.EM Standard Terms**"), and the Board or its designee determines that CDX.EM Untranch Contracts referencing the Existing CDX.EM Standard Terms are fungible with CDX.EM Untranch Contracts referencing the New CDX.EM Standard Terms, and so notifies CDS Participants, CDX.EM Untranch Contracts referencing the Existing CDX.EM Standard Terms shall become CDX.EM Untranch Contracts referencing the New CDX.EM Standard Terms.

on the date determined by the Board or its designee (the "CDX.EM Standard Terms Update Date" and each prior CDX.EM Untranching Terms Supplement subject to such determination, a "Superseded CDX.EM Standard Terms"). Any Trade referencing a Superseded CDX.EM Standard Terms submitted for clearing as a CDX.EM Untranching Contract shall, upon acceptance for clearing, become a CDX.EM Untranching Contract referencing the New CDX.EM Standard Terms.

- (c) The Board or its designee may determine a different Fungibility Date or CDX.EM Standard Terms Update Date applicable to individual CDX.EM Untranching Contracts or groups of CDX.EM Untranching Contracts or may determine a Fungibility Date or CDX.EM Standard Terms Update Date applicable to all CDX.EM Untranching Contracts referencing the earlier version or annex of a series or standard terms described in clauses (a) or (b) of this Rule, as it deems appropriate.

**26C-317. Terms of CDX.EM Untranching Contracts.**

With respect to each CDX.EM Untranching Contract, the following terms will apply:

- (a) Section 3.2(c)(i) of the Credit Derivatives Definitions is hereby amended by replacing the "or" at the end of subparagraph (B) thereof with an "and" and adding the following as a new subparagraph (C):

"(C) the tenth calendar day after the date of the actual decision by the relevant Regional CDS Committee (or Dispute Resolver) to Resolve (i.e., determined without regard to any Effectiveness Convention or any time of effectiveness specified in a Presented Position) that a Credit Event has occurred for which there is Publicly Available Information, as described in CDS Committee Rule 2101-02(a)(iii), with respect to such CDX.EM Untranching Contracts; or"

- (b) Intentionally omitted.

- (c) For the purposes of any determination as to whether a Credit Event has occurred in respect of a Reference Entity or an Obligation thereof:

(iii) at any time up to but excluding June 20, 2009; or

(iv) if (A) a Credit Event Resolution Request Date occurs or (B) a Credit Event Notice and a Notice of Publicly Available Information are deemed delivered pursuant to Rule 2101-02(f) by a Notifying Party, in either case before June 20, 2009.

the Credit Event Backstop Date with respect to such determination shall be deemed to be the Effective Date.



- (d) Section 6.8 of the CDX.EM Untranching Terms Supplement is hereby modified by inserting "or a Succession Event Notice is deemed delivered pursuant to Rule 2101-02(f), in either case" before the words "before June 20, 2009".
- (e) Except for purposes of Rule 26C-317(c) and Section 1.23 of the Credit Derivatives Definitions, a Credit Event Notice and Notice of Publicly Available Information with respect to a CDX.EM Untranching Contract for a Credit Event other than Restructuring will be deemed to have been effectively delivered by the Notifying Party on the relevant Event Determination Date determined under the CDS Committee Rules only when the Resolution is effective, under the CDS Committee Rules, that a Credit Event other than Restructuring has occurred for which there is Publicly Available Information, as described in CDS Committee Rule 2101-02(a)(iii), with respect to such CDX.EM Untranching Contract. Notwithstanding anything to the contrary in the Credit Derivatives Definitions, any delivery of a Credit Event Notice and/or Notice of Publicly Available Information by a CDS Participant (other than (i) the deemed delivery as provided in this Rule 26C-317(e) or (ii) notices with respect to a Restructuring Credit Event as provided in the CDS Restructuring Rules) shall not be valid. For the avoidance of doubt, Section 6.9 of the CDX.EM Untranching Terms Supplement shall not apply.
- (f) (i) Section 1.8(a)(ii)(A)(1)(3)(v) of the Credit Derivatives Definitions is hereby modified by replacing the term "Auction Final Price Determination Date" with the phrase "date that is one Relevant City Business Day prior to the Auction Settlement Date".
- (ii) Section 1.30 of the Credit Derivatives Definitions is hereby modified by replacing the term "Auction Final Price Determination Date" in clause (ii) of the last sentence thereof with the phrase "date that is one Relevant City Business Day prior to the Auction Settlement Date".
- (g) The Settlement Method for particular CDX.EM Untranching Contracts will be Auction Settlement and the Fallback Settlement Method will be Physical Settlement in accordance with the CDS Physical Settlement Rules.
- (h) With respect to CDX.EM Untranching Contracts for which it is Resolved by the applicable Regional CDS Committee (or applicable Dispute Resolver) or Credit Derivatives Determinations Committee that a Credit Event has occurred for which there is Publicly Available Information, as described in CDS Committee Rule 2101-02(a)(iii) or the DC Rules, as applicable, Buyer may not deliver a Notice of Physical Settlement until after it is determined that the method of settlement for a particular Credit Event is the Fallback Settlement Method due to the occurrence of one of the events in Section 12.1 of the Credit Derivatives Definitions and as further provided in the CDS Physical Settlement Rules. For the avoidance of doubt, the effectiveness of any Notice of Physical Settlement and obligations

relating thereto are subject to the suspension and finality provisions of Sections 6.5 and 9.1(c)(iii) of the Credit Derivatives Definitions.

- (i) ICE Clear Credit is deemed an Index Party for purposes of Paragraph 6.1(b) of the CDX.EM Untranch Standard Terms Supplement.
- (j) Section 6.5(c)(ii) of the CDX.EM Untranch Standard Terms Supplement is amended by adding at the end, immediately after “(such new Transaction, a ‘New Trade’)” the following: “and except that the Reference Obligation for the purposes of the New Trade will be the Reference Obligation for the Restructured Entity in question as specified by ICE Clear Credit following consultation with the CDS Risk Committee.”
- (k) The following terms will apply to each CDX.EM Untranch Contract:

  - (i) The “Agreement” is the Participant Agreement between the relevant CDS Participant and ICE Clear Credit.
  - (ii) The “Source of Relevant Annex” is “Publisher”.
  - (iii) The “Effective Date” is the date specified in the List of Eligible CDX.EM Indexes for the relevant Index.
  - (iv) The “Calculation Agent” is ICE Clear Credit, except as provided in the CDS Committee Rules.
  - (v) There are no “Excluded Reference Entities”.
  - (vi) “De Minimis Cash Settlement” is not applicable.
  - (vii) The “Fixed Rate” is the rate specified in the List of Eligible CDX.EM Indexes for the relevant Index and Scheduled Termination Date.
  - (viii) The “Initial Payment Date” will be the date that is the first Business Day immediately following the Trade Date; provided that with respect to a CDX.EM Untranch Contract that is accepted for clearing pursuant to Rule 309 after the Trade Date thereof, the “Initial Payment Date” will be the date that is the first Business Day following the date as of which such CDX.EM Untranch Contract is accepted for clearing pursuant to Rule 309.
- (l) For each CDX.EM Untranch Contract, the following terms will be determined according to the particular CDX.EM Untranch Contract submitted for clearing:

  - (i) Which of the Eligible CDX.EM Untranch Indexes is the “Index”.
  - (ii) The “Annex Date”.

- (iii) The "Trade Date".
- (iv) Which of the eligible Scheduled Termination Dates specified for the Index in the List of Eligible CDX.EM Untranching Indexes is the "Scheduled Termination Date".
- (v) The "Original Notional Amount".
- (vi) The "Floating Rate Payer".
- (vii) The "Fixed Rate Payer".
- (viii) The "Initial Payment Payer".
- (ix) The "Initial Payment Amount".

## **Restructuring CDS Contract**

A CDS Contract (or, in respect of a CDS Contract that relates to an index, a CDS Contract which is a Component Transaction (including a New Trade)) that is subject to a Restructuring Credit Event Announcement; provided that if, after such announcement has been made, a further DC Credit Event Announcement or Regional CDS Committee Announcement is made of the occurrence of a Credit Event other than Restructuring in relation to the Reference Entity, such CDS Contract, to the extent that it has not become a Triggered Restructuring CDS Contract, will cease to be a Restructuring CDS Contract and provided further that any Restructuring CDS Contract, to the extent that it is not a Triggered Restructuring CDS Contract, in respect of which an effective Restructuring Credit Event Notice can no longer be delivered will cease to be a Restructuring CDS Contract and will thereafter be a CDS Contract subject to the provisions of these Rules.

## **Restructuring Credit Event Announcement**

A DC Credit Event Announcement in respect of Restructuring Credit Event or a Regional CDS Committee Restructuring Announcement.

## **Restructuring Reference Entity**

The Reference Entity in respect of which a DC Credit Event Announcement or Regional CDS Committee Restructuring Announcement has been made in respect of a Restructuring Credit Event.

## **Triggered Restructuring CDS Contract**

An Open CDS Position (or portion thereof) in a Restructuring CDS Contract that is the subject of an effective Restructuring Credit Event Notice pursuant to the CDS Restructuring Rules.

## **26E-103 Allocation of Matched Restructuring Pairs**

- (a) With respect to a Restructuring CDS Contract, following the occurrence of the DC Credit Event Announcement or Regional CDS Committee Restructuring Announcement:
- (i) ICE Clear Credit will match each Seller with one or more Buyers each of which is party to a Restructuring CDS Contract of the same type (such Restructuring CDS Contracts thereby becoming Matched CDS Contracts and each matched CDS Seller and CDS Buyer becoming a Matched Restructuring Pair), such that the Floating Rate Payer Calculation Amount related to each Matched CDS Seller under each Matched CDS Contract is fully allocated to one or more CDS Buyers under Matched CDS

## Schedule 502: List of Pre-Approved Products

### Index Credit Default Swaps\*:

- 1) CDX.NA.IG.17 – 5 year and 10 year maturities
- 2) CDX.NA.IG.16 – 5 year and 10 year maturities
- 3) CDX.NA.IG.15 – 5 year and 10 year maturities
- 4) CDX.NA.IG.14 – 5 year and 10 year maturities
- 5) CDX.NA.IG.13 – 5 year and 10 year maturities
- 6) CDX.NA.IG.12 – 5 year and 10 year maturities
- 7) CDX.NA.IG.11 – 5 year and 10 year maturities
- 8) CDX.NA.IG.10 – 5 year, 7 year and 10 year maturities
- 9) CDX.NA.IG.9 – 5 year, 7 year and 10 year maturities
- 10) CDX.NA.IG.8 – 5 year, 7 year and 10 year maturities
- 11) CDX.NA.IG.HVOL.16 – 5 year maturity
- 12) CDX.NA.IG.HVOL.15 – 5 year maturity
- 13) CDX.NA.IG.HVOL.14 – 5 year maturity
- 14) CDX.NA.IG.HVOL.13 – 5 year maturity
- 15) CDX.NA.IG.HVOL.12 – 5 year maturity
- 16) CDX.NA.IG.HVOL.11 – 5 year maturity
- 17) CDX.NA.IG.HVOL.10 – 5 year maturity
- 18) CDX.NA.IG.HVOL.9 – 5 year maturity
- 19) CDX.NA.IG.HVOL.8 – 5 year maturity
- 20) CDX.NA.HY.17 – 5 year maturity
- 21) CDX.NA.HY.16 – 5 year maturity
- 22) CDX.NA.HY.15 – 5 year maturity
- 23) CDX.NA.HY.14 – 5 year maturity
- 24) CDX.NA.HY.13 – 5 year maturity
- 25) CDX.NA.HY.12 – 5 year maturity
- 26) CDX.NA.HY.11 – 3 year and 5 year maturities
- 27) CDX.NA.HY.10 – 5 year maturity
- 28) CDX.NA.HY.9 – 5 year maturity
- 29) CDX.NA.HY.8 – 5 year maturity
- 30) CDX.EM.17—5 year maturity
- 31) CDX.EM.16—5 year maturity
- 32) CDX.EM.15—5 year maturity
- 33) CDX.EM.14—5 year maturity

\* New series are added semiannually quarterly during March and September. IG contracts have five and ten year maturities and HVOL and HY contracts have five year maturities.