



March 18, 2015

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: ICE Clear Europe Submission Under Commission Rule 39.5(b) with respect to iTraxx Europe 3-Year Swaps

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited ("ICE Clear Europe"), a registered derivatives clearing organization ("DCO") under the Commodity Exchange Act, as amended (the "Act"), hereby submits to the Commodity Futures Trading Commission (the "CFTC" or the "Commission") pursuant to Commission Rule 39.5(b) the swaps described herein (the "New Swaps"), which ICE Clear Europe intends to accept for clearing commencing March 20, 2015.

New Swaps to be Accepted for Clearing

ICE Clear Europe proposes to accept for clearing the following New Swaps: the 3-year tenor in series 18, 19, 20, 21, 22, and 23 of the iTraxx Europe index, maturing on December 20, 2015, June 20, 2016, December 20, 2016, June 20, 2017, December 20, 2017, and June 20, 2018 respectively, with the terms and characteristics described herein.

Table 1 below identifies the characteristics of the New Swaps, including the index type, series and tenor, as follows:

Type

The single-name Credit Default Swap ("CDS") constituents of the Indices all reference the bonds of corporate entities ("Referenced Entities").

Region

All Referenced Entities are incorporated in Europe.

Rating

All Referenced Entities are considered investment grade by the administrator of the Indices.

Spread Level

Not applicable. Applicable only when the reference entity selection criteria include spread-level.

Table 1

Type	Index Classification			Index Name	Swap			
	Region	Rating	Spread Level		Series	Maturity	(Tenor)	Currency
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	23	6/20/2018	(3Y)	Euro
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	22	12/20/2017	(3Y)	Euro
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	21	6/20/2017	(3Y)	Euro
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	20	12/20/2016	(3Y)	Euro
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	19	6/20/2016	(3Y)	Euro
Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe	18	12/20/2015	(3Y)	Euro

Statement of Eligibility

ICE Clear Europe is eligible to clear the New Swaps in accordance with CFTC Rule 39.5(a).

ICE Clear Europe is a registered DCO pursuant to Section 5b of the Act, and as such is supervised by the Commission. ICE Clear Europe became a DCO on January 22, 2010, and since that date, ICE Clear Europe has cleared swaps in compliance with section 5b(c)(2) of the CEA. Additionally, ICE Clear Europe is a registered securities clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934, and as such is supervised by the Securities and Exchange Commission.



ICE Clear Europe Limited is also a Recognised Clearing House (“RCH”) in the United Kingdom (“UK”) under the UK’s Financial Services and Markets Act 2000 (as amended) (“FSMA”) and supervised as such by the Bank of England (the “Bank”). The recognition order having been granted on 12 May 2008 by the UK Financial Services Authority (“FSA”, since 1 April 2013 renamed the Financial Conduct Authority or “FCA”). Supervision of the Clearing House (as with all other RCHs) passed to the Bank on 1 April 2013. ICE Clear Europe has applied for authorization as a central counterparty under the European Market Infrastructure Regulation (EMIR).

The provision of clearing services commenced on 3 November 2008. The clearing services provided at the date hereof comprise clearing of index and single-name CDS, as well as the energy, emissions, financial and commodity derivative markets operated by ICE Futures Europe (“ICE Futures”) (a UK recognised investment exchange or “RIE”), the energy markets operated by ICE Futures US’s (“IFUS”) energy and emissions division, and the energy markets operated by ICE Endex, a Dutch Regulated Market.

The New Swaps are of the same type as the iTraxx Europe index CDS currently cleared by ICE Clear Europe. The New Swaps will be cleared in the same manner as such iTraxx Contracts, consistent with ICE Clear Europe’s existing clearing arrangements and related financial safeguards and risk management and other protections. As one of the leading clearinghouses in the world, ICE Clear Europe will be able to clear the New Swaps in accordance with Section 5b(c)(2) of the CEA.

Information Related to the Act’s Swap Submission Review Requirements

In accordance with §39.5(b)(3)(ii), information is provided below to assist the Commission in its review of ICE Clear Europe’s submission of the New Swaps against market activity, clearinghouse capabilities, impact on systemic risk, competition, and insolvency protection.

(A) Market Activity

“The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data.”

Table 2 below provides data describing the outstanding notional exposures, number of Clearing Members with un-cleared positions and adequacy of end-of-day pricing data for the New Swaps.

Index, Series and Tenor

Three columns identify the New Swaps by index, series and tenor.

Outstanding Positions among 21 ICE Clearing Entities

This column provides the gross notional amount of the positions in the Depository Trust & Clearing Corporation (“DTCC”) Trade Information Warehouse (“TIW”), as-of October 22, 2014, among 21 legal entities that are Clearing Participants of ICE Clear Credit and/or CDS Clearing Members of ICE Clear Europe. Please note that this does not include all CDS Clearing Members.

EOD Price Collection Summary

ICE Clear Europe’s rules require CDS Clearing Members to submit end-of-day pricing data for any swap for which they have a relevant cleared interest. ICE Clear Europe recently demonstrated the ability of CDS Clearing Members to provide end-of-day price discovery submissions for the New Swaps. During a two-week price collection period from February 9 to February 20, 2015, ICE Clear Europe asked all 21 providers of End of Day Prices to provide submissions for all indices. This Table 2 entry consists of two columns summarizing the results of the two-week price collection period. The first column provides the number of submissions received. The second column provides the average bid-offer width (“BOW”) normalized dispersion of submissions over the ten business day period. For the purposes of this analysis, ICE Clear Europe defines dispersion as the difference between the highest and lowest submission mid-level after removing the submissions with the highest two and lowest two mid-levels from the sample. The table expresses dispersion as a percentage of the BOW established each day for the given swap by ICE Clear Europe.

Table 2

Index	Series	Tenor	Outstanding Positions Among 21 ICE Clearing Legal Entities ¹		ICEU EOD Price Collection Summary ²	
			One Sided Gross Notional (EUR millions)	Number of CMs with Positions	CM Submissions	Dispersion (% of ICE BOW)
iTraxx Europe	23	3Y	N/A ³	N/A ³	N/A ³	N/A ³
iTraxx Europe	22	3Y	2,103	7	21	44.01%
iTraxx Europe	21	3Y	9,038	11	21	21.32%
iTraxx Europe	20	3Y	14,920	12	21	21.07%
iTraxx Europe	19	3Y	14,218	14	21	19.08%
iTraxx Europe	18	3Y	12,464	11	21	19.04%

(B) Clearinghouse Capabilities

“The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded.”

ICE Clear Europe Rules and Procedures are publicly available on the clearing house website:
https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Clearing_Rules.pdf
https://www.theice.com/publicdocs/clear_europe/rulebooks/procedures/CDS_Procedures.pdf
https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Continuing_CDS_Rule_Provisions_1_February_2014.pdf

Since its launch of CDS clearing in July 2009 ICE Clear Europe has cleared more than 913,000 CDS transactions valued at approximately €17 trillion. ICE Clear Europe currently clears 54 CDS indices and 167 corporate single names. ICE Clear Europe currently maintains a cleared open interest in corporate CDS valued at approximately €522 billion.

As of February 27, 2016 ICE Clear Europe held on deposit CDS Guaranty Fund deposits of approximately €764 million and \$457 million and the Initial Margin requirement for CDS was

¹ Source: DTCC data providing positions among 21 unique legal entities that are Clearing Participants of ICE Clear Credit and/or Clearing Members of ICE Clear Europe, as-of October 22, 2014

² Price collection period from February 9, 2015 through February 20, 2015

³ Series 23 will be available for trading starting March 20, 2015

approximately €3.6 billion and \$2.3 billion for Euro-denominated and USD-denominated products, respectively.

A list of ICE Clear Europe CDS Clearing Members may be found at <https://www.theice.com/clear-europe/membership###members>.

(C) Impact on Systemic Risk

“The effect on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the derivatives clearing organization available to clear the contracts.”

The effect on mitigation of systemic risk from the clearing of the New Swaps is believed to be material for the following reasons:

- The swaps to be accepted for clearing are actively traded and cleared, with significant outstanding positions.
- ICE Clear Europe’s Clearing Members are amongst the most active CDS market participants and continue to clear a significant portion of their clearing-eligible portfolio.
- The multilateral netting achieved through the clearing process has been significant historically and has substantially reduced the number and notional amount of outstanding bilateral positions.
- ICE Clear Europe has developed a robust risk management framework that has been extensively reviewed by regulators, industry participants and third-party experts.
- ICE Clear Europe’s price discovery process is working successfully to provide reliable inputs to its risk models.

(D) Competition

“The effect on competition, including appropriate fees and charges applied to clearing.”

ICE Clear Europe’s fee structure is appropriate and its margin and guaranty fund computations suitably account for the risk brought to the Clearing House. The initial expected clearing fees for the new swaps are as set forth below.

Dealer:

https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_CDS_Dealer_Pricing.pdf

Client: https://www.theice.com/publicdocs/CDS_Clearing_Client_Fees.pdf



(E) Insolvency Protection

“The existence of reasonable legal certainty in the event of the insolvency of the relevant derivatives clearing organization or one or more of its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property.”

ICE Clear Europe believes that there is reasonable legal certainty in the event of the insolvency of ICE Clear Europe or a Clearing Member of ICE Clear Europe with regard to the treatment of house and customer positions, funds and property in connection with the clearing of the New Swaps, as required by CFTC Rule 39.5(b)(3)(ii)(E).

ICE Clear Europe Clearing Members consist of several types of institutions, principally U.K. and EU financial institutions and clearing firms but also futures commission merchants (“FCMs”) (including FCMs that are also broker-dealers). In the event of a Clearing Member insolvency, ICE Clear Europe is of the view, based on the advice of counsel in the relevant jurisdictions, that ICE Clear Europe would be permitted to exercise its rights to close out house and customer positions and apply margin and other property of the defaulting Clearing Member in accordance with its rules. Specifically, as a matter of English law, ICE Clear Europe is protected by Part VII of the Companies Act 1989, the Financial Markets and Insolvency (Settlement Finality Regulations 1999) and the EU Settlement Finality Directive (Directive 98/26/EC) from the general application of the insolvency laws of England and Wales, meaning that the clearinghouse's default rules prevail over insolvency laws, such as any applicable moratorium on transactions.

With respect to customer positions carried through an FCM Clearing Member, the New Swaps would constitute “commodity contracts” for purposes of the commodity broker liquidation provisions of the U.S. Bankruptcy Code. Under the Bankruptcy Code and the Commission's Part 190 regulations, ICE Clear Europe would have the ability to close out customer positions following the insolvency of the Clearing Member and/or, in appropriate circumstances, facilitate a transfer of such positions to another, solvent Clearing Member. Pursuant to the Commission's Part 22 regulations for cleared swaps, ICE Clear Europe is required to segregate cleared swap customer property. As such, customer property would be subject to distribution to cleared swap customers of the insolvent FCM in accordance with those regulations.

With respect to an ICE Clear Europe insolvency, ICE Clear Europe would be subject to applicable English insolvency law and in addition would be a commodity broker subject to the Bankruptcy Code and Part 190 regulations. U.S. bankruptcy law would also apply in respect of any U.S. customer property for customer positions carried through an FCM Clearing Member. ICE Clear Europe believes, based on the advice of counsel, that under the applicable provisions of those laws and regulations, ICE Clear Europe rules providing for the termination of all

outstanding contracts and the application and/or return of a net sum in respect of remaining member and customer property to each of its Clearing Members would similarly be enforceable.

ICE Clear Europe notes that in connection with its application for registration as a DCO, it has previously provided to the Commission further information on the application of relevant English insolvency laws.

Product Specifications

“Product specifications, including copies of any standardized legal documentation, generally accepted contract terms, standard practices for managing any life cycle events associated with the swap, and the extent to which the swap is electronically confirmable.”

Product specifications and contract terms for the New Swaps are the same as those applicable to existing iTraxx Contracts and are set out in paragraph 9 of the CDS Procedures, available at https://www.theice.com/publicdocs/clear_europe/rulebooks/procedures/CDS_Procedures.pdf. Life cycle events are processed in the same manner as other cleared CDS contracts, in accordance with the CDS Procedures. The New Swaps are electronically confirmed.

Participant Eligibility

“Participant eligibility standards, if different from the derivatives clearing organization’s general participant eligibility standards.”

The participant eligibility standards related to the New Swaps are not different from ICE Clear Europe’s general participant eligibility standards with respect to CDS contracts.

Price Discovery

“Pricing sources, models, and procedures, demonstrating an ability to obtain sufficient price data to measure credit exposures in a timely and accurate manner, including any agreements with clearing members to provide price data and copies of executed agreements with third-party price vendors, and information about any price reference index used, such as the name of the index, the source that calculates it, the methodology used to calculate the price reference index and how often it is calculated, and when and where it is published publicly.”

Please see the following confidential exhibits (as previously submitted to the Commission):

- Item 1: ICE Clear Europe CDS Price Discovery Policy
- Item 2: Markit Data and Settlement Price Data License



Item 3: Amendment to Markit Data and Settlement Price Data License Agreement

Risk Management

“Risk management procedures, including measurement and monitoring of credit exposures, initial and variation margin methodology, methodologies for stress testing and back testing, settlement procedures, and default management procedures.”

Please see above referenced “Items 1-3”, also the following confidential exhibits (as previously submitted to the Commission):

- Item 4: ICE Clear Europe CDS Risk Policy
- Item 5: ICE Clear Europe CDS Risk Model Description
- Item 6: ICE Clear Europe CDS Clearing Back-Testing Framework
- Item 7: ICE Clear Europe CDS Clearing Stress-Testing Framework

Rules, Policies and Procedures

ICE Clear Europe Rules and Procedures are publicly available on our website:

- https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Clearing_Rules.pdf
- https://www.theice.com/publicdocs/clear_europe/rulebooks/procedures/CDS_Procedures.pdf
- https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Continuing_CDS_Rule_Provisions_1_February_2014.pdf

Communication to Members Regarding this Submission

“A description of the manner in which the derivatives clearing organization has provided notice of the submission to its members and a summary of any views on the submission expressed by the members (a copy of the notice to members shall be included with the submission.”

ICE Clear Europe posted a copy of this submission (absent any confidential exhibits) on its public website concurrently with the filing of this submission. ICE Clear Europe also issued a circular on March 18, 2015, located here:

https://www.theice.com/publicdocs/clear_europe/circulars/C15046.pdf. Written comments relating to the submission have not been solicited or received. ICE Clear Europe will notify the CFTC of any written comments received by ICE Clear Europe.



If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at patrick.davis@theice.com or +44 20 7065 7738, Dee Blake, Director of Regulation, at dee.blake@theice.com or +44 20 7065 7752 or Paul Swann, President & Managing Director, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,

A handwritten signature in black ink, appearing to read "Patrick Davis". The signature is fluid and cursive, with a large initial "P" and "D".

Patrick Davis
Head of Legal and Company Secretary