

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): _____

Organization: ICE Clear Europe Limited

Filing as a: DCM SEF DCO SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/14/2015 Filing Description:

ICE Clear Europe is adopting certain amendments to its end-of-day price discovery policies and procedures for CDS contracts.

SPECIFY FILING TYPE Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | |
|--|------------|
| <input checked="" type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Notification | § 40.6(d) |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: CDS End-of-Day Price Discovery Policy, Disciplinary Framework

New Product

Please note only ONE product per Submission.

- | | |
|--|------------|
| <input type="checkbox"/> Certification | § 40.2(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> Approval | § 40.3(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission | § 39.5 |

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | |
|--|----------------------|
| <input type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.24(b) |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____



August 14, 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 Self-Certification Pursuant to Commission Rule 40.6:
Amendments to End-of-Day Price Discovery Policies for CDS

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), for self-certification pursuant to Commission Rule 40.6, the rule amendments discussed herein. The amendments are to become effective on the business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

Concise Explanation and Analysis

ICE Clear Europe is amending its CDS End-of-Day Price Discovery Policy (the “EOD Price Discovery Policy”) to make certain enhancements to the end-of-day submission and firm trade process for credit default swap (“CDS”) contracts. ICE Clear Europe is adopting a new Price Submission Disciplinary Framework (the “Disciplinary Framework”) that addresses missed price submissions by Clearing Members for CDS contracts. ICE Clear Europe is not otherwise changing its Clearing Rules or Procedures in connection with these amendments.

Under the EOD Price Discovery Policy, ICE Clear Europe currently utilizes a “cross and lock” algorithm as part of its CDS price discovery process. Standardized bids and offers derived from Clearing Member submissions are matched by sorting them from highest to lowest and lowest to highest levels, respectively. This sorting process pairs

the Clearing Member submitting the highest bid price with the Clearing Member submitting the lowest offer price, the Clearing Member submitting the second highest bid price with the Clearing Member submitting the second-lowest offer price, and so on. The algorithm then identifies crossed and/or locked markets. Crossed markets are the Clearing Member pairs generated by the sorting and ranking process for which the bid price of one Clearing Member is above the offer price of the matched Clearing Member. The algorithm identifies locked markets, where the bid and the offer are equal, in a similar fashion.

Whenever there are crossed and/or locked matched markets, the algorithm applies a set of rules designed to identify standardized submissions that are “obvious errors”. The algorithm sets a high bid threshold equal to the preliminary end-of-day (“EOD”) level plus one bid-offer width (“BOW”), and a low offer threshold equal to the preliminary EOD level minus one BOW. The algorithm considers a Clearing Member’s standardized submission to be an “obvious error” if the bid is higher than the high bid threshold, or the offer is lower than the low offer threshold.

Clearing Member pairs identified by the algorithm as crossed or locked markets may be required from time to time, under the EOD Price Discovery Policy, to enter into cleared CDS trades with each other (“Firm Trades”). Currently, ICE Clear Europe excludes standardized submissions it identifies as obvious errors from potential Firm Trades and does not use these submissions in its determination of published EOD levels.

ICE Clear Europe is imposing certain consequences under the Firm Trade methodology for Clearing Members providing price discovery submissions deemed to be obvious errors. As revised, the process for determining potential Firm Trades will now include all standardized submissions, including those classified as obvious errors (and as a result submissions that are obvious errors may result in Firm Trades). However, obvious errors will not be used in the calculation of the final EOD level, as under the current framework. Thus, ICE Clear Europe will effectively execute its current EOD algorithm twice: initially in the same way it does today (eliminating obvious errors) to generate the final EOD levels, and again, without excluding obvious errors, to generate Firm Trades and related reversing transactions.¹

To limit the potential exposure created through Firm Trades that include a bid or offer from an obvious error submission, ICE Clear Europe will adjust Firm Trade prices, where appropriate, to fall within a predefined band on either side of the EOD price such that the potential profit or loss (“P/L”) realized by unwinding the trade at the EOD level is capped.

To prevent Clearing Members from receiving Firm Trades with large P/L impact in certain index instruments that are less actively traded, and for which it is therefore more difficult and/or more expensive to manage the associated risk, ICE Clear Europe will automatically generate reversing transactions at the end-of-day price level for

¹ A reversing transaction is a second cleared transaction with identical attributes to the initial Firm Trade, but with the buyer and seller counterparties reversed, and at that day’s EOD price rather than the initial Firm Trade price.

specific index CDS instruments (i.e., for specific combinations of index/sub-index and series determined by the ICE Clear Europe risk department in consultation with the trading advisory committee). Currently, reversing transactions are only available for eligible single name CDS instruments.

ICE Clear Europe is also revising the EOD Price Discovery Policy to remove the option for Clearing Members to provide end-of-day price submissions for single name CDS instruments in terms of spread and associated recovery rate. Under the revised approach, Clearing Members will be required to provide price submissions (or equivalent “points upfront” submissions) for all single name CDS instruments. Clearing Members may provide a recovery rate, which the Clearing House will use for purposes of its own analysis. Accordingly, the Clearing House will no longer need to convert spread submissions for single name instruments into a price level for purposes of the EOD price determination process. Various conforming changes have been made throughout the policy as a result.

ICE Clear Europe is also implementing a new Disciplinary Framework, which addresses failures by a Clearing Member to provide required EOD price submissions for CDS Contracts in which they hold cleared open interest with the Clearing House (“Missed Submissions”). For purposes of the Disciplinary Framework, obvious errors (as described above) with respect to CDX index CDS contracts will also be treated as Missed Submissions (since such instruments are not subject to Firm Trade requirements). ICE Clear Europe will impose a cash assessment on Clearing Members for each Missed Submission, generally ranging from \$1,000 to \$4,000, depending on whether the Missed Submission related to an index or single-name, whether it occurred on an announced firm trade date and whether the related contract is actively traded. For single name CDS contracts, the framework also specifies an aggregate daily maximum assessment per Clearing Member for multiple Missed Submissions and a daily maximum assessment per Clearing Member per risk sub-factor.

As part of a new summary assessment process, ICE Clear Europe will determine on a monthly basis whether a Clearing Member has any Missed Submissions and provide the Clearing Member a notice of assessment with details of such Missed Submissions. The Disciplinary Framework also provides a procedure for a Clearing Member to dispute a notice of assessment. The Clearing House may grant a waiver of an assessment for certain specified reasons. A conditional waiver may be granted for the first instance of a Missed Submission for a particular type of instrument (index or single name), provided that the Clearing Member does not have another Missed Submission in that type of instrument within 90 days. The Clearing House may grant an unconditional waiver where Missed Submissions result from extraordinary circumstances outside of the Clearing Member’s control, such as market-wide disruptions. The imposition of a cash assessment on a Clearing Member does not preclude ICE Clear Europe from taking any other disciplinary action against a Clearing Member under the Rules and Procedures, including for persistent failures to meet the requirements of the EOD Price Discovery Policy.

Compliance with the Act and Commission Regulations

The rule amendments are potentially relevant to the following core principles: (D) Risk Management and (H) Rule Enforcement, and the applicable regulations of the Commission thereunder.

- *Risk Management.* The amendments are designed to enhance the Clearing House's end-of-day price determination process, which is the basis for the determination of the daily settlement price for CDS contracts and is thus a key aspect of the risk management policies of the Clearing House. In ICE Clear Europe's view, the changes will strengthen the incentive of Clearing Members to provide accurate end-of-day price submissions by imposing new consequences under the firm trade methodology for submissions that are obviously erroneous. The amendments will further incentivize accurate price submissions by imposing financial consequences on Clearing Members for Missed Submissions, through cash assessments under the new Disciplinary Framework. The amendments thus ensure Clearing Members are accountable for all price submissions and any failures to make submissions. This will promote the accuracy and integrity of the overall CDS end-of-day pricing process. ICE Clear Europe believes that the amendments will thus facilitate risk management by the Clearing House for CDS Contracts, in furtherance of the requirements of Core Principle D and Commission Rule 39.13.
- *Rule Enforcement.* The additional consequences for obvious errors, together with the Disciplinary Framework, are designed to enhance compliance with the CDS end-of-day price determination process and strengthen the incentive of Clearing Members to provide accurate price submissions. The amendments set forth an appropriately tailored set of cash assessments for Missed Submissions by Clearing Members. The framework also provides a procedure for notifying Clearing Members of the details of any such assessments for Missed Submissions, and for Clearing Members to dispute and/or seek a waiver of such assessments. ICE Clear Europe believes that the amendments will facilitate rule enforcement by the Clearing House with respect to the EOD Price Discovery Policy, consistent with the requirements of Core Principle H and Commission Rule 39.17.

As set forth herein, the amendments consist of revisions to the EOD Price Discovery Policy and adoption of a new Disciplinary Framework. ICE Clear Europe has requested confidential treatment with respect to the revised EOD Price Discovery Policy and Disciplinary Framework, which have been submitted concurrently with this self-certification.

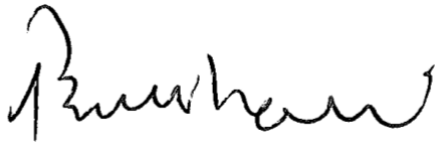
ICE Clear Europe hereby certifies that the amendments comply with the Act and the Commission's regulations thereunder.

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

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent with the filing of this submission.

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', written in a cursive style.

Patrick Davis
Head of Legal and Company Secretary