

**Sarah Williams**  
Staff Attorney

September 14, 2016

**Re: Changes to ICC Rules to Provide for Clearance of Additional CDS Contracts Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6**

**VIA ELECTRONIC PORTAL**

Mr. Christopher Kirkpatrick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> 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 and Commodity Futures Trading Commission ("Commission") Regulation 40.6, a self-certification of changes to the ICC Rulebook (the "Rules") to provide for the clearance of additional Standard Emerging Market Sovereign CDS contracts (collectively, "EM Contracts"), 2003 ISDA Definitions of Standard Western European Sovereign CDS contracts (collectively, "SWES Contracts"), and an additional Asia/Pacific Sovereign CDS contract (collectively, "Asia/Pacific Contracts"). ICC is registered with the Commission as a derivatives clearing organization ("DCO"). 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.

This submission includes the amended Rules. A description of the principal changes contained in the amended Rules follows. Certification of the amended Rules pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6 is also provided below.

The purpose of the proposed rule change is to adopt rules that will provide the basis for ICC to clear additional credit default swap ("CDS") contracts. ICC believes the addition of these contracts will benefit the market for credit default swaps by providing market participants the benefits of clearing, including reduction in counterparty risk and safeguarding of margin assets pursuant to clearing house rules.

ICC proposes amending Subchapter 26D of its Rules to provide for the clearance of additional EM Contracts, specifically the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar. ICC plans to offer these additional EM Contracts on the 2003 and 2014 ISDA Credit Derivatives Definitions.

These additional EM Contracts have terms consistent with the other EM Contracts approved for clearing at ICC and governed by Subchapter 26D of the Rules. Minor revisions to Subchapter 26D (Standard Emerging Market Sovereign ("SES") Single Name) are made to provide for clearing the additional EM Contracts. Specifically, in Rule 26D-102 (Definitions), "Eligible SES Reference Entities" is modified to include the Republic of Panama, Abu Dhabi, Dubai, the State of Israel and the State of Qatar in the list of specific Eligible SES Reference Entities to be cleared by ICC.

Additionally, ICC proposes amending Subchapter 26I of its Rules to provide for the clearance of 2003 ISDA Definitions of SWES Contracts. ICC currently clears the 2014 ISDA Definitions of ten SWES Contracts, namely the Republic of Ireland, the Italian Republic, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Belgium, the Republic of Austria, the Kingdom of the Netherlands, the Federal Republic of Germany, the French Republic, and the United Kingdom of Great Britain and Northern Ireland. The proposed

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rule changes to Subchapter 26I will allow ICC to offer clearing for the 2003 ISDA Definitions of these SWES Contracts.

Minor revisions to Subchapter 26I (Standard Western European (“SWES”) Single Name) are made to provide for clearing the 2003 ISDA Definitions of SWES Contracts. Specifically, in Rule 26I-102 (Definitions), the definitions of “Eligible SWES Reference Obligations”, “List of Eligible SWES Reference Entities” and “SWES Contract Reference Obligations” are updated to distinguish between the 2003 and 2014-Type CDS Contracts, and the corresponding Applicable Credit Derivatives Definitions<sup>1</sup>. Rule 26I-309 (Acceptance of SWES Contracts by ICE Clear Credit) is revised in part (c) to note that a CDS Participant may not submit a Trade for clearance as a SWES contract, and any such Trade shall not be a Confirming Trade, if the *acceptance* would be at a time when the CDS Participant (or any Non-Participant Party for whom such CDS Participant is acting) is, or is an Affiliate of the Eligible SWES Reference Entity for such SWES Contract or is subject to an agreement under which it is reasonably likely that the CDS Participant (or any such Non-Participant Party) will become, or will become an Affiliate of, the Eligible SWES Reference Entity for such SWES Contract. Rule 26I-309 is also revised in part (e) to address and distinguish between relevant successor or other events under both 2003 and 2014-Type CDS Contracts, and the corresponding Applicable Credit Derivatives Definitions. Rule 26I-315 (Terms of the Cleared SWES Contract) is revised to provide reference to provisions of the proper ISDA Definitions, and corresponding changes to provision numbering are made as necessary. Rule 26I-315(h) is revised to refer to the Applicable Credit Derivatives Definitions and eligible Seniority Level, as appropriate. Defined terms in Rule 26I-316 (Physical Settlement Matrix Updates) are updated to refer specifically to SWES contracts. Rule 26I-616 (Contract Modification) is revised to note that it shall not constitute a Contract Modification if the Board (or its designee) updates the List of Eligible SWES Reference Entities (and modifies the terms and conditions of related SWES Contracts) to give effect to determinations of Succession Events.

Finally, ICC proposes amending Subchapter 26L of its rules to provide for the clearance of an additional Asia/Pacific Contract, namely the Kingdom of Thailand. ICC plans to offer this contract on the 2003 and 2014 ISDA Credit Derivatives Definitions. The additional Asia/Pacific Contract has terms consistent with the other Asia/Pacific Contracts approved for clearing at ICC and governed by Subchapter 26L of the Rules. Minor revisions to Subchapter 26L (Asia/Pacific Sovereign (“SAS”) Single Name) are made to provide for clearing the additional Asia/Pacific Contract. Specifically, in Rule 26L-102 (Definitions), “Eligible SAS Reference Entities” is modified to include the Kingdom of Thailand in the list of specific Eligible SAS Reference Entities to be cleared by ICC.

#### Core Principle Review:

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

**Participant and Product Eligibility:** ICC has set appropriate standards in ICC’s policies and procedures for determining the eligibility of contracts. The additional EM and Asia/Pacific Contracts and the 2003 ISDA Definitions of SWES Contracts fulfill ICC’s standards regarding product eligibility.

**Risk Management:** ICC will apply its established margin and pricing methodology to the additional EM and Asia/Pacific Contracts and the 2003 ISDA Definitions of SWES Contracts.

**Settlement Procedures:** The additional EM and Asia/Pacific Contracts and the 2003 ISDA Definitions of SWES Contracts are subject to ICC’s current physical settlement rules under Chapter 22: CDS Physical Settlement.

#### Amended Rules:

The proposed change consists of revisions to Chapter 26 of the ICC Rules to provide for the clearance of additional EM and Asia/Pacific Contracts and the 2003 ISDA Definitions of SWES Contracts.

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<sup>1</sup> As defined in Rule 20-102 (Applicable Credit Derivatives Definitions).

Annexed as an Exhibit hereto is the following:

A. Proposed amendments to the ICC Rules

Certifications:

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

ICC certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, which 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) 836-6883.

Sincerely,

A handwritten signature in blue ink that reads "Sarah Williams". The signature is written in a cursive, flowing style.

Sarah Williams  
Staff Attorney

Enclosure