

Maria Alarcon
Staff Attorney

November 16, 2020

Re: Updates to ICC Fee Schedule Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

VIA ELECTRONIC PORTAL

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st 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 (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to its fee schedule to introduce two credit default index swaption (“Index Swaption”) volume incentive programs. ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to implement the changes 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.

The proposed changes are intended to modify ICE Clear Credit’s fee schedule to introduce two Index Swaption volume incentive programs for house origin Index Swaption transactions. This submission includes a description of the changes. Certification of the fee schedule changes pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

Pursuant to an Index Swaption, one party (the “Swaption Buyer”) has the right (but not the obligation) to cause the other party (the “Swaption Seller”) to enter into an index credit default swap transaction at a pre-determined strike price on a specified expiration date on specified terms.¹ In the case of Index Swaptions that may be cleared by ICC, the underlying index credit default swap is limited to certain CDX and iTraxx Europe index credit default swaps that are accepted for clearing by ICC, and which would be automatically cleared by ICC upon exercise of the Index Swaption by the Swaption Buyer in accordance with its terms.² The proposed changes are described in detail as follows.

ICC maintains a Clearing Participant (“CP”) fee schedule³ that is publicly available on its website, which ICC proposes to update in connection with the proposed volume incentive programs. Currently, clearing

¹ ICC previously filed with the Commission changes to certain other policies and procedures related to clearing Index Swaptions (the “Swaption Rule Filings”). See the Swaption Rule Filings for additional details. Submission Number 1907-1516-4754-53, dated July 15, 2019; Submission Number 2001-1415-3739-55, dated January 14, 2020; Submission Number 2006-1815-5824-31, dated June 18, 2020; Submission Number 2008-1015-2026-64, dated August 10, 2020.

² Index Swaptions are also referred to herein and in the Swaption Rule Filings as “index options” or “index CDS options”, or in similar terms.

³ CP fee details available at:
https://www.theice.com/publicdocs/clear_credit/ICE_Clear_Credit_Fees_Clearing_Participant.pdf.

fees are due by CPs in accordance with the product, amount and currency set out in the fee schedule. ICC proposes to amend this fee schedule to include details on the volume incentive programs, subject to any regulatory review or approval process.

ICC previously filed with the Commission the relevant clearing fees for Index Swaptions⁴ and further proposes to amend the CP fee schedule to introduce the volume incentive programs for house origin Index Swaption transactions. Under the amended fee schedule, the proposed Standard Program automatically, and without further action by CPs, applies to CPs and provides a tiered discount schedule based on USD equivalent, non-discounted Index Swaption fees billed since the start of the year (“Billed Fees”). The first 300,000 of Billed Fees are not discounted, a 10% discount is provided for the second 300,000 of Billed Fees, a 20% discount is provided for the third 300,000 of Billed Fees, and a 30% discount is provided for all cleared Index Swaptions above that level. As an alternative to the Standard Program, CPs may elect to participate in the annual Prepaid Program. For calendar year 2021, the proposed Prepaid Program election deadline is January 25, 2021 and requires an upfront payment of \$750,000 by February 1, 2021. Index Swaption fees are \$2/million or €2/million, and the upfront payment is applied toward the first \$750,000 of Index Swaption clearing fees due in 2021. The discount or prepaid fee schedule would be applied at the time of invoice.

Core Principle Review:

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

Public Information: The changes to the ICC fee schedule are consistent with the public information requirements of Core Principle L. ICC’s fee schedule is publicly available on its website. Moreover, such changes to the fee schedule to introduce two Index Swaption volume incentive programs for house origin Index Swaption transactions would also be publicly available on its website and provide market participants sufficient information to enable them to identify and evaluate accurately the risks and costs associated with using ICC’s services.

Amended Rules:

The proposed changes consist of updates to ICC’s fee schedule.

Annexed as an Exhibit hereto is the following:

- A. Proposed changes to the ICC CP fee schedule

Certifications:

ICC hereby certifies that the fee schedule changes comply with the Act and the regulations thereunder. There were no substantive opposing views to the fee schedule changes.

ICC further certifies that, concurrent with this filing, a copy of the submission was posted on ICC’s website, and may be accessed at: <https://www.theice.com/clear-credit/regulation>

⁴ Submission Number 2010-0716-3850-83, dated October 7, 2020.

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) 836-6854.

Sincerely,

A handwritten signature in cursive script that reads "Maria Alarcon".

Maria Alarcon
Staff Attorney