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Staff Attorney

November 17, 2015

Re: Revisions to the ICC End-of-Day Price Discovery Policies and Procedures Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

VIA E-MAIL
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 and Commodity Futures Trading Commission ("Commission") Regulation 40.6(a), a self-certification of revisions to the ICC End-of-Day Price Discovery Policies and Procedures ("EOD Pricing Policy") to accommodate industry changes regarding the reduction of the frequency for which Single Name ("SN") credit default swap ("CDS") contracts roll to the new on-the-run-contract. ICC is registered with the Commission as a derivatives clearing organization ("DCO"). ICC intends to make the EOD Pricing Policy revisions 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.

The proposed revisions to ICC's EOD Pricing Policy are intended to accommodate industry changes regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run-contract. The changes affect the labeling convention for cleared SN CDS contracts for price reporting purposes, but will not alter the terms of the contracts or the range of tenors of SN CDS contracts currently cleared by ICC. These revisions do not require any changes to the ICC Clearing Rules. This submission includes a description of the ICC EOD Pricing Policy revisions. Certification of the revisions to the ICC EOD Pricing Policy pursuant to Section 5c(c)(1) of the Act and Commission Regulation 40.6(a) is also provided below.

As part of ICC's end-of-day price discovery process, ICC Clearing Participants ("CPs") are required to submit end-of-day prices for specific instruments related to their open interest at ICC, in accordance with Rule 404(b) and ICC Procedures. These end-of-day price submissions are used by ICC in its calculation of settlement prices.

ICC refers to a group of SN instruments with the same risk sub-factor and coupon as a "curve." Each point, or tenor, along the curve is labeled with a tenor name. Currently for SN instruments, the market convention is to describe tenors based on the period remaining until the scheduled termination date of the contract. Under this convention, the nearest-to-expiring contract is referred to as the 0M tenor, the next nearest to expiring is referred to as the three month (3M) tenor, and so on (with scheduled termination dates spaced at 3 month intervals), up to ten years (10Y). ICC supports the clearing of all 41 SN tenors from 0M to 10Y. As such, ICC also calculates settlement prices for the 41 SN tenors on the curve. However, ICC defines a subset of the 41 tenors as "benchmark-tenors", which are tenors for which CPs provide submissions in the end-of-day price discovery process. The nine benchmark tenors are 0M, 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, and 10Y, which correspond to so-called "on-the-run" contracts.

Currently, as a matter of CDS market practice, the “on-the-run” contract for a particular tenor is the contract expiring on the next following quarterly International Money Market (“IMM”) dates (i.e., March 20, June 20, September 20 and December 20) for the relevant year. For example, the SN CDS contract expiring December 20, 2020 will be considered the five-year “on-the-run” contract until December 20, 2015, from which time the contract expiring March 20, 2021 will be viewed as the 5Y “on-the-run” contract, until the next quarterly roll date, etc. Accordingly, market participants seeking to maintain exposure at a particular CDS tenor will typically “roll” SN CDS contracts into the new “on-the-run” contract (i.e., terminate positions in the old on-the-run contract and establish positions in the new on-the-run contract) on a quarterly basis on the IMM dates . To account for this practice, at each quarterly roll date, ICC re-labeled the 41 SN tenors to reflect the rolling and expiration of contracts.

The CDS industry has proposed reducing the frequency at which SN CDS contracts roll to the new on-the-run contract. Specifically, the CDS industry has proposed moving from quarterly roll dates to semi-annual roll dates for SN CDS contracts. Under the revised approach, market participants are expected to roll SN CDS contracts only on the March 20 and September 20 IMM dates, and the “on-the-run” contracts will be determined based on the next following June 20 and December 20 expiration dates. As a result, a particular contract tenor will generally remain the on-the-run contract for six months, rather than three.

ICC proposes changes to its EOD Pricing Policy to accommodate the change in roll frequency for on-the-run contracts. Under the revised policy, ICC will re-label scheduled termination dates with benchmark tenor names every six months, on the March 20 and September 20 IMM dates for CDS contracts (i.e., the on-the-run roll dates). The re-labeling is based on the remaining time to maturity that will apply to a given scheduled termination date on the next quarterly IMM date (i.e. the next December 20 or June 20 standard maturity date). Upon the semi-annual re-labeling, the nearest to maturity contract is referred to as the 0M tenor, and the tenor label for each longer-date contract is based on that contract’s time to maturity relative to the scheduled termination date labeled as the 0M tenor.

The new nine benchmark tenors will be the 0/3M, 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y and 10Y, which correspond to the on-the-run contracts for those tenors. Eight of the nine benchmark tenors remain constant and refer to individual scheduled termination dates that are fixed for the six-month periods between semi-annual re-labeling, specifically the 6M, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, and 10Y. However, the 0M tenor matures three months after a semi-annual labeling, and ICC defines the first (shortest-dated) benchmark tenor as the 0M tenor from a semi-annual re-labeling until the maturity of that tenor, and defines the first benchmark tenor as the 3M tenor from the maturity of the 0M tenor through the next semi-annual re-labeling. The label 0/3M tenor refers to this re-mapping of the first benchmark tenor to different IMM dates on a quarterly basis. Throughout the policy, references to the 0M SN tenor has been updated to 0/3M to reflect this change.

Consistent with the approach being taken throughout the CDS market, the changes to accommodate the change in SN roll frequency will take effect with the December 20, 2015 roll.

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:

Settlement Procedures: The revisions to the EOD Pricing Policy are consistent with the settlement procedures requirements of Core Principle E as the proposed revisions accommodate industry changes regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run contract. The proposed amendments to the EOD Pricing Policy will thus enable ICC to appropriately complete its end of day price discovery process in light of such industry changes. The completion of ICC’s end of day price discovery process allows ICC to provide reliable, market-driven settlement prices for its CDS instruments.

Risk Management: The revisions to the ICC EOD Pricing Policy are consistent with the risk management requirements of Core Principle D. The changes affect the labeling convention for cleared SN CDS contracts for price reporting purposes, but will not alter the terms of the contracts or the range of tenors of SN CDS contracts currently cleared by ICC.

Amended Rules:

The proposed change consists of revisions to ICC's EOD Pricing Policy to accommodate industry changes regarding the reduction of the frequency for which SN CDS contracts roll to the new on-the-run-contract. ICC has respectfully requested confidential treatment for the ICC EOD Pricing Policy which was submitted concurrently with this self-certification submission.

Certifications:

ICC hereby certifies that the revisions to the ICC EOD Pricing Policy comply with the Act and the regulations thereunder. There were no substantive opposing views to the revisions.

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

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,

Sarah Williams

Sarah Williams
Staff Attorney