

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95472; File No. SR-ICC-2022-007)

August 11, 2022

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the Clearance of Additional Credit Default Swap Contracts

I. Introduction

On June 16, 2022, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to revise the ICC Rulebook (the “Rules”)³ to provide for the clearance of additional Standard Emerging Market Sovereign⁴ CDS contracts (collectively, the “EM Contracts”). The proposed rule change was published for comment in the Federal Register on June 22, 2022.⁵ The Commission did not receive comments regarding the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

The proposed rule change would amend Subchapter 26D of the Rules to provide for the clearance of the following EM Contracts: the Arab Republic of Egypt, Kingdom of Bahrain, and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms used but not defined herein have the meanings specified in the Rules.

⁴ The term “Standard Emerging Market Sovereign” is abbreviated in the Rules as “SES,” as used below.

⁵ Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the Clearance of Additional Credit Default Swap Contracts; Exchange Act Release No. 95139 (June 22, 2022); 87 Fed. Reg. 38435 (June 28, 2022) (File No. SR-ICC-2022-007) (“Notice”).

Sultanate of Oman.⁶ The proposed rule change would do so by amending the term “Eligible SES Reference Entities” in Rule 26D-102 (Definitions) to include the Arab Republic of Egypt, Kingdom of Bahrain, and Sultanate of Oman in the list of specific Eligible SES Reference Entities to be cleared by ICC. ICC represents that 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, and that clearance of these additional EM contracts would not require any changes to ICC’s Risk Management Framework.⁷

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.⁸ Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as well as to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible.⁹

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.¹⁰ The Commission has reviewed the terms and conditions of the

⁶ The description that follows is excerpted from the Notice, 87 Fed. Reg. at 38435.

⁷ See Notice, 87 Fed. Reg. at 38435.

⁸ 15 U.S.C. 78s(b)(2)(C).

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

additional EM Contracts proposed for clearing and has determined that those terms and conditions are substantially similar to the terms and conditions of the other contracts listed in Subchapter 26D of the ICC Rules, all of which ICC currently clears, with the key difference being that the underlying reference obligations will be issuances by the Arab Republic of Egypt, Kingdom of Bahrain, and Sultanate of Oman. Moreover, after reviewing the Notice and ICC's Rules, policies and procedures, the Commission finds that ICC would clear the additional EM Contracts pursuant to its existing clearing arrangements and related financial safeguards, protections and risk management procedures.

In addition, based on its own experience and expertise, including a review of data on volume, open interest, and the number of ICC Clearing Participants ("CPs") that currently trade in the additional EM Contracts as well as certain model parameters for the additional EM Contracts, the Commission finds that ICC's rules, policies, and procedures are reasonably designed to price and measure the potential risk presented by the additional EM Contracts, collect financial resources in proportion to such risk, and liquidate this product in the event of a CP default. This should help ensure ICC's ability to maintain the financial resources it needs to provide its critical services and function as a central counterparty, thereby promoting the prompt and accurate settlement of the additional EM Contracts and other credit default swap transactions. For the same reasons, the Commission believes that the proposed rule change should help assure the safeguarding of securities or funds in the custody or control of ICC.

Therefore, the Commission finds that clearance of the additional EM Contracts would promote the prompt and accurate clearance and settlement of securities transactions and would

help assure safeguarding of securities and funds in the custody or control of ICC, consistent with Section 17A(b)(3)(F) of the Act.¹¹

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act.¹²

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act¹³ that the proposed rule change (SR-ICC-2022-007), be, and hereby is, approved.¹⁴

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

J. Matthew DeLesDernier,
Deputy Secretary.

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

¹² 15 U.S.C. 78q-1(b)(3)(F).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁵ 17 CFR 200.30-3(a)(12).