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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68939; File No. SR-ICC-2012-24)

February 15, 2013

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change to Add Rules Related to the Clearing of European Corporate Single-Name CDS

I. Introduction

On December 6, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (SR-ICC-2012-24) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder.[2] The proposed rule change was published for comment in the Federal Register on December 26, 2012.[3] On February 8, 2013, the Commission extended the time within which to take action of the proposed rule change to March 26, 2013.[4] The Commission received no comment letters regarding the proposal. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description of the Proposed Rule Change

The purpose of the proposed rule change is to adopt new rules that will provide the basis for ICC to clear additional credit default swap contracts. As described in further detail below, ICC is proposing to amend Chapters 20 and 26 and Schedule 401 and Schedule 502 of its rules, as well as make corresponding changes to the applicable ICC Policies and Procedures to provide

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Securities Exchange Act Release No. 68482 (Dec. 19, 2012), 77 FR 76156 (Dec. 26, 2012).

4 Securities Exchange Act Release No. 68881 (Feb. 8, 2013), 78 FR 10652 (Feb. 14, 2013).

for the clearance of standard single-name CDS Contracts referencing European corporate reference entities ("European SN Contracts"). ICC has stated that European SN Contracts have similar terms to the North American Corporate Single Name CDS Contracts ("North American SN Contracts") currently cleared by ICC and governed by Section 26B of the Rules and the Latin American sovereign CDS contracts currently cleared by ICC and governed by Section 26D of the Rules. Accordingly, the proposed rules found in Section 26G largely mirror the ICC rules for North American SN Contracts in Section 26B, with certain modifications that reflect differences in terms and market conventions between European SN Contracts and North American SN Contracts. European SN Contracts will be denominated in Euro.

ICC proposes to amend Chapter 20 of its rules, concerning CDS generally, to remove definitions that are included in Chapter 26E of the rules. ICC proposes to amend Section 26E of its rules to include certain additional provisions relevant to the treatment of restructuring credit events under iTraxx Europe Index CDS ("iTraxx Contracts") and European SN Contracts. In addition, ICC proposes to make conforming changes in Section 26E of the Rules (the CDS Restructuring Rules), principally to address the particular restructuring terms that apply to iTraxx Contracts and European SN Contracts. Specifically, ICC proposes to modify the notice delivery procedures in Rule 26E-104 to include "notices to exercise movement option" under the Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation terms under the ISDA Credit Derivatives Definitions ("Mod Mod R terms"). In addition, the definition of "Triggered Restructuring CDS Contract" has been modified to reflect that under Mod Mod R terms a CDS contract may be triggered in part following a restructuring credit event.

ICC proposes to add new Section 26G to provide for the clearance of European SN Contracts. New Section 26G provides for the definitions and certain specific contracts terms for

cleared European SN Contracts. Rule 26G-102 (Definitions) sets forth the definitions used for the European SN Contracts. An "Eligible SNEC Reference Entity" is defined as "each particular Reference Entity included from time to time in the List of Eligible Reference Entities," which is a list maintained, updated and published by the ICC Board of Managers or its designee, containing certain specified information with respect to each reference entity. The Eligible SNEC Reference Entities will initially consist of 121 European corporate reference entities specified in Schedule 502 to the ICC Rules. Certain substantive changes have also been made to the definition of "List of Eligible SNEC Reference Entities", due to the fact that certain terms and elections for North American SN Contracts are not applicable to European SN Contracts. These include (i) the need for an election as to whether "Restructuring" is an eligible "Credit Event" (it is by contract term and market convention applicable to all European SN Contracts, whereas it is generally not applicable to North American SN Contracts) and (ii) the applicability of certain ISDA supplements that may apply to North American SN Contracts but do not apply to European SN Contracts, including the 2005 Monoline Supplement, the ISDA Additional Provisions for a Secured Deliverable Obligation Characteristic and the ISDA Additional Provisions for Reference Entities with Delivery Restrictions. The remaining definitions are substantially the same as the definitions found in ICC Section 26B, other than certain conforming changes.

Rules 26G-203 (Restriction on Activity), 26G-206 (Notices Required of Participants with respect to SNEC Contracts), 26G-303 (SNEC Contract Adjustments), 26G-309 (Acceptance of SNEC Contracts by ICE Clear Credit), 26G-315 (Terms of the Cleared SNEC Contract), 26G-316 (Relevant Physical Settlement Matrix Updates), 26G-502 (Specified Actions), and 26G-616 (Contract Modification) reflect or incorporate the basic contract specifications for European SN

Contracts and are substantially the same as under ICC Section 26B for North American SN Contracts, except as follows. In addition to various non-substantive conforming changes, the proposed rules differ from the existing North American SN Contracts in that the contract terms in Rule 26G-315 incorporate the relevant published ISDA physical settlement matrix terms for Standard European Corporate transactions, rather than Standard North American Corporate transactions, and, as noted in the preceding paragraph, certain elections and supplements used for North American SN Contracts are not applicable to European SN Contracts. In addition, the contracts reflect the fact that under the ISDA physical settlement matrix terms, the restructuring credit event and the related additional terms Mod Mod R terms apply to European SN Contracts.

ICC will update Schedule 401 of its Rules (Eligible Collateral & Thresholds), as applicable, with respect to Initial Margin and Guaranty Fund liquidity requirements for Non-Client and Client-Related positions for both US Dollar and Euro denominated products.

ICC will also update Schedule 502 of its Rules (Cleared Products List) to include the following European SN Contracts: Centrica Plc; E.ON AG; ENEL S.P.A.; EDISON S.P.A.; EDP - Energias de Portugal S.A.; ELECTRICITE DE FRANCE; EnBW Energie Baden-Wuerttemberg AG; Fortum Oyj; Adecco S.A.; Aktiebolaget Volvo; ALSTOM; BRITISH TELECOMMUNICATIONS public limited company; COMPAGNIE DE SAINT-GOBAIN; Deutsche Telekom AG; FRANCE TELECOM; GAS NATURAL SDG, S.A.; GDF SUEZ; HELLENIC TELECOMMUNICATIONS ORGANISATION SOCIETE ANONYME; IBERDROLA, S.A.; Koninklijke KPN N.V.; NATIONAL GRID PLC; Portugal Telecom International Finance B.V.; RWE Aktiengesellschaft; TELECOM ITALIA SPA; TELEFONICA, S.A.; Telekom Austria Aktiengesellschaft; TELENOR ASA; TeliaSonera Aktiebolag; UNITED UTILITIES PLC; Vattenfall Aktiebolag; VEOLIA ENVIRONNEMENT; VIVENDI;

VODAFONE GROUP PUBLIC LIMITED COMPANY; Deutsche Post AG; European Aeronautic Defence and Space Company EADS N.V.; FINMECCANICA S.P.A.; Holcim Ltd; ROLLS-ROYCE plc; Siemens Aktiengesellschaft; PostNL N.V.; REPSOL, S.A.; Bayerische Motoren Werke Aktiengesellschaft; BRITISH AMERICAN TOBACCO p.l.c.; Daimler AG; DANONE; DIAGEO PLC; Koninklijke Philips Electronics N.V.; LVMH MOET HENNESSY LOUIS VUITTON; Nestle S.A.; Svenska Cellulosa Aktiebolaget SCA; Unilever N.V.; VOLKSWAGEN AKTIENGESELLSCHAFT; ACCOR; Bertelsmann AG; CARREFOUR; CASINO GUICHARD-PERRACHON; COMPASS GROUP PLC; EXPERIAN FINANCE PLC; GROUPE AUCHAN; J SAINSBURY plc; Koninklijke Ahold N.V.; MARKS AND SPENCER p.l.c.; METRO AG; NEXT PLC; PEARSON plc; PPR; PUBLICIS GROUPE SA; REED ELSEVIER PLC; SAFEWAY LIMITED; SODEXO; TESCO PLC; Wolters Kluwer N.V.; WPP 2005 LIMITED; AKZO Nobel N.V.; Anglo American plc; ArcelorMittal; BASF SE; Glencore International AG; Henkel AG & Co. KGaA; Koninklijke DSM N.V.; LANXESS Aktiengesellschaft; Linde Aktiengesellschaft; Solvay; XSTRATA PLC; STMicroelectronics N.V.; Bayer Aktiengesellschaft; SANOFI; Aegon N.V.; Allianz SE; ASSICURAZIONI GENERALI - SOCIETA PER AZIONI; AVIVA PLC; AXA; BANCA MONTE DEI PASCHI DI SIENA S.P.A.; BANCO BILBAO VIZCAYA ARGENTARIA, SOCIEDAD ANONIMA; Banco Espirito Santo, S.A.; BANCO SANTANDER, S.A.; Bank of Scotland plc; INTESA SANPAOLO SPA; JTI (UK) FINANCE PLC; Swiss Reinsurance Company Ltd; Zurich Insurance Company Ltd; Compagnie Financiere Michelin; L'AIR LIQUIDE SOCIETE ANONYME POUR L'ETUDE ET L'EXPLOITATION DES PROCEDES GEORGES CLAUDE; BAE SYSTEMS PLC; BOUYGUES; BP P.L.C.; IMPERIAL TOBACCO GROUP PLC; KINGFISHER PLC; Suedzucker Aktiengesellschaft Mannheim/Ochsenfurt; Swedish

Match AB; TECHNIP; IMPERIAL CHEMICAL INDUSTRIES LIMITED; ALTADIS SA; BRITISH SKY BROADCASTING GROUP PLC; Aktiebolaget Electrolux; THALES; Metso Oyj; Muenchener Rueckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen; Syngenta AG; TATE & LYLE PUBLIC LIMITED COMPANY; and TOTAL SA.

ICC also updated its Policies and Procedures to provide for the clearance of European SN Contracts, specifically the ICC Treasury Operations Policies & Procedures, ICC Risk Management Framework and ICC End-of-Day ("EOD") Price Discovery Policies and Procedures. Consistent with the changes to Schedule 401 of the ICC Rules, the ICC Treasury Operations Policies & Procedures have been updated to include Initial Margin and Guaranty Fund liquidity requirements for Non-Client and Client-Related positions for both US Dollar and Euro denominated products. In order to accommodate the return of funds during London banking hours, the ICC Treasury Operations Policies & Procedures have been updated to require requests for Euro withdrawals to be submitted by 9:00 AM Eastern.

The ICC Risk Management Framework has been updated to account for Euro denominated portfolios. Specifically, updates have been made to the Guaranty Fund, Initial Margin and Mark-to-Market Methodologies to address: Foreign Exchange Risk, Liquidity Risk, Time Zone Risk, and Operational Risk. ICE Clear Credit will continue to review risk parameters with Clearing Participants through existing governance procedures and will notify Clearing Participants of any changes.[5]

The ICC EOD Price Discovery Policies and Procedures has been updated to provide that ICC will use ICE Clear Europe's EOD prices for European SN Contracts and rely on the ICE

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[5] Telephone conversation February 15, 2013 among Michelle Weiler, Assistant General Counsel, ICE Clear Credit; Marta Chaffee, Assistant Director, SEC; Gena Lai, Senior Special Counsel, SEC; Jennifer Ogasawara, Financial Economist, SEC; and Justin Byrne, Attorney-Advisor, SEC.

Clear Europe Firm Trade process to ensure the accuracy of price submissions. ICC will extend the risk time-horizon for European SN Contracts to account for the half-day difference, on average, between the EOD price discovery process timings. The extended risk horizon accounts for the fact that European markets close earlier and new financial information may be reflected only in the North American instrument prices and not reflected in the European SN Contracts, in general.

III. Discussion

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.[6] Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency 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 in the custody or control of the clearing agency or for which the clearing agency is responsible.[7]

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. The Commission carefully considered ICC's ability to clear European SN Contracts in a manner that assures the safeguarding of securities and funds which are in the custody and control of ICC or for which ICC is responsible. In addition, ICC's clearance of European SN Contracts will promote the prompt and accurate clearance and

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6 15 U.S.C. 78s(b)(2)(C).

7 15 U.S.C. 78q-1(b)(3)(F).

settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act[8] and the rules and regulations thereunder.

[8] 15 U.S.C. 78q-1.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (File No. SR-ICC-2012-24) be, and hereby is, approved.[10]

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.[11]

Kevin M. O'Neill
Deputy Secretary

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9 15 U.S.C. 78s(b)(2).

10 In approving this proposed rule change the Commission has considered the proposed rule's impact of efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

11 17 CFR 200.30-3(a)(12).