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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74362; File No. SR-ICEEU-2015-005)

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of a Proposed Rule Change Relating to CDS Procedures for CDX North America Index CDS Contracts

February 24, 2015

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder[2] notice is hereby given that on February 12, 2015, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed rule change is to amend the ICE Clear Europe CDS Procedures (the "CDS Procedures") to incorporate contract terms for the CDX North America index CDS contracts (the "CDX.NA Contracts") to be cleared by ICE Clear Europe.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

2 17 CFR 240.19b-4.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

ICE Clear Europe submits proposed amendments to its CDS Procedures to (i) revise the CDS Procedures to add a new section containing contract terms applicable to the CDX.NA Contracts that ICE Clear Europe proposes to accept for clearing; (ii) make conforming changes throughout the CDS Procedures to reference the CDX.NA Contracts; and (iii) make certain other clarifications, corrections and updates to the CDS Procedures (including for iTraxx Contracts and Single Name Contracts), as discussed in more detail herein. ICE Clear Europe also proposes to make certain modifications to its CDS Risk Model Description and CDS End-of-Day Price Discovery Policy (the "CDS Pricing Policy") to accommodate clearing of CDX.NA Contracts, as described herein.

ICE Clear Europe proposes to amend Paragraphs 1, 4, 6, 9, 10 and 11 of the CDS Procedures. Each of these changes is described in detail as follows. All capitalized terms not defined herein are defined in the ICE Clear Europe Clearing Rules (the "Rules").

In paragraph 1 of the CDS Procedures, references have been added to the defined terms "iTraxx Contract" and "CDX.NA Contract," as such terms are set out in revised paragraphs 9 and 10 of the CDS Procedures, respectively. The definition of "Original Annex Date" has been modified to apply to CDX.NA Contracts in substantially the same manner it applies to iTraxx Contracts. In addition, the definition of "Protocol Excluded Reference Entity" in former paragraph 10.3 has been changed to "Protocol Excluded Corporate Reference Entity" and moved to paragraph 1, to reflect that such term is only used in the context of corporate reference entities. Accordingly, the definition has been revised to mean an Eligible Single Name Reference Entity that is a Standard European Corporate (as specified in the List of Eligible Single Name

Reference Entities) and is an Excluded Reference Entity (as defined in the 2014 CDD Protocol). (Conforming changes have been made to references to that definition throughout the CDS Procedures.) In addition, a correction has been made to the cross-reference in definition of "New Trade" to properly refer to the definition set out in the applicable Contract Terms for the relevant contract.

In addition, amendments were also made to use the defined terms "Component Transaction" and "Clearing" (each as defined in the ICE Clear Europe Rules) throughout the Procedures in lieu of the undefined terms. Finally, various conforming references to the new or revised defined terms have been made throughout the CDS Procedures, various provisions of the CDS Procedures have been renumbered, and certain cross-references to prior paragraph 1.71 have been corrected.

Various clarifications have been made in Paragraph 9 of the CDS Procedures, which sets out the contract terms for iTraxx Contracts. Specifically, paragraph 9.1 was modified to clarify that it specifies the additional Contract Terms applicable to all iTraxx Contracts cleared by the Clearing House. Paragraph 9.2(c)(i), which applies to iTraxx Contracts which are governed by the Standard iTraxx 2014 CDS Supplement, has been modified to make certain additional clarifications relating to initial payments and spun-out trades. Paragraph 9.2(c)(i)(B) has been added to reflect current clearing house (and market) practice that initial payments under cleared iTraxx Contracts (other than those for which a bilateral transaction is already recorded in Deriv/SERV) are made on the business day following the trade date (or, if later, the business day following the date of acceptance for clearing). New paragraph 9.2(c)(i)(D), which addresses the reference obligation for a spun-out trade following a restructuring credit event, is substantially the same as the corresponding language in paragraph 9.3(c)(i)(D) for contracts subject to the

Standard iTraxx Legacy CDS Supplement and was inadvertently omitted from prior amendments. A cross-reference in paragraph 9.2(c)(i)(E) has been updated. New paragraph 9.2(c)(i)(F) provides that paragraph 5.7 of the Standard iTraxx 2014 CDS Supplement, which contains restrictions on delivery of Credit Event Notices and Successor Notices, does not apply to iTraxx Contracts (as the appropriate restrictions in the context of a cleared transaction are already addressed in the Rules and CDS Procedures, including Rule 1505).

As set forth in paragraph 9.2(c)(ii), changes have also been made to the terms of the iTraxx 2014 Confirmation with respect to iTraxx Contracts that are governed by the Standard iTraxx 2014 CDS Supplement. These amendments include a clarification that references to the 2014 Credit Derivatives Definitions in the standard supplement and confirmation will be interpreted for cleared contracts as though they have the meaning ascribed to that term in the Rules and Procedures. In addition, a provision that there are no "Omitted Reference Entities" for purposes of the standard confirmation has been removed as that term is not used in the standard supplement and confirmation and is therefore unnecessary.

Similar clarifications have been made in paragraph 9.3, which relates to iTraxx Contracts which are governed by the Standard iTraxx Legacy CDS Supplement. Specifically, new paragraph 9.3(c)(i)(B) contains the same clarification discussed above with respect to the initial payment date for a contract. Paragraph 9.3(c)(i)(D) contains a correction that the treatment therein of reference obligations for spun-out trades applies for reference entities subject to both Sections A and B of the Standard iTraxx Legacy CDS Supplement (that is, both protocol-excluded and non-excluded entities). Subparagraph (F) provides that restrictions under the standard supplement as to delivery of Credit Event Notices and Succession Event Notices do not apply, as the issue is otherwise addressed under the Rules and CDS Procedures, as discussed

above. In paragraph 9.3(c)(ii)(E), a reference to there being no "Omitted Reference Entities" has also been removed for the reasons noted above.

New paragraph 10 of the CDS Procedures has been added to set out the contract terms for CDX.NA Contracts. Paragraph 10.1 provides that different sub-provisions of paragraph 10 will apply to CDX.NA Contracts depending on whether the Original Annex Date for the relevant index series falls before or after the Protocol Effective Date.

New paragraph 10.2 applies to CDX.NA Contracts with an Original Annex Date on or after the Protocol Effective Date (i.e., for transactions in the September 2014 or later versions of the index). New definitions have been added to subparagraph (a), including definitions for "CDX.NA Contract", "CDX.NA Publisher", "CDX.NA Terms Supplement", "Eligible CDX.NA Index", "List of Eligible CDX.NA Indices", and "Relevant CDX.NA Terms Supplement", which largely track the analogous definitions in paragraph 9 with respect to iTraxx Europe Contracts. Paragraph 10.2(b) incorporates defined terms from the Relevant CDX.NA Terms Supplement and also contains an inconsistency provision which provides that paragraph 10.2 governs over the CDX.NA 2014 CDS Supplement and CDX.NA 2014 Confirmation. Paragraph 10.2(c) contains certain amendments to the Standard CDX.NA 2014 CDS Supplement and CDX.NA 2014 Confirmation, which are generally consistent with the amendments to the iTraxx 2014 Terms Supplement and iTraxx 2014 Confirmation in paragraph 9.2(c) and are generally designed to accommodate the requirements of clearing and make the standard contract terms consistent with the Rules and Procedures. In addition, paragraph 10.2(c)(i)(E) addresses the application of the defined term "Index Party" in the standard supplement in the context of a cleared transaction, and paragraphs 10.2(c)(ii)(E)-(F) have been added to refer to certain transaction terms specified in the List of Eligible CDX.NA Indices for the relevant index and tenor. Paragraph 10.2(c)(i)(G)

clarifies that as with iTraxx Contracts, de minimis cash settlement under the standard supplement does not apply. Paragraph 10.2(c) also indicates the transaction terms that must be specified in the submission of a trade for clearing.

New paragraph 10.3 applies to CDX.NA Contracts with an Original Annex Date before the Protocol Effective Date (i.e., for transactions in older versions of the index). Paragraph 10.3 contains definitions and provisions generally similar to those in paragraph 10.2, and makes comparable amendments to the Standard CDX.NA Legacy CDS Supplement and the CDX.NA Legacy Confirmation.

New paragraph 10.4 contains procedures for updating the CDX.NA index version following a Credit Event or Succession Event. These provisions are generally consistent with the comparable provisions for iTraxx contracts in paragraph 9.8. New paragraph 10.4(b) adds a similar procedure for implementing a new version of the CDX.NA standard terms supplement, if and when published, where contracts referencing the old and new versions of the supplement are determined by the Clearing House to be fungible.

Existing paragraph 10, which contains contract terms for Single Name Contracts, has been renumbered as paragraph 11 and cross references have been updated accordingly. In addition, various clarifying amendments have been made to this paragraph. The definitions of "STEC Contract" and "Non-STEC Single Name Contract" have been amended to clarify that the relevant Reference Entity type will be specified in the List of Eligible Single Name Reference Entities. The definition of "Single Name Contract Reference Obligations" has been amended to clarify that the applicable reference obligation will be specified in the List of Eligible Single Name Reference Entities and may differ between 2003-type CDS Contracts and 2014-type CDS Contracts. For 2014-type CDS Contracts, the reference obligation may be designated as the

Senior Level Standard Reference Obligation that is specified from time to time on the SRO List published under the 2014 ISDA Definitions.

Paragraph 11.6(a)(i)(C) is amended by adding a subsection (2) that makes a clarification as to the initial payment date for Single Name Contracts that corresponds to the change in payment date discussed above for iTraxx Contracts. A change is made in paragraph 11.6(a)(ii) to conform to the changes made to the definition of Single Name Contract Reference Obligation discussed above.

In general, the Clearing House's existing risk methodology applicable to index CDS will also apply to the CDX.NA Contracts. However, ICE Clear Europe proposes to make certain amendments to its CDS Risk Model Description and CDS Pricing Policy to address CDX.NA Contracts.

In the CDS Risk Model Description, the index decomposition offset methodology, which is used to determine portfolio margin benefits from correlated long and short positions, is proposed to be modified to address multi-region risk factors. Under the revised methodology, portfolio margin benefits are provided first for risk factors within the same region. After the same-region risk analysis is completed, any cross-region benefits for index risk factors are determined. Cross-region benefits apply only to index risk factors. The revised description thus addresses scenarios in which margin offsets may be provided between appropriately correlated positions in iTraxx Contracts and positions in CDX.NA Contracts. The revisions also provide that where risk factor profits and losses are calculated in different currencies, they will be converted into the same base currency (Euro) for purposes of calculation of portfolio margin benefits.

ICE Clear Europe also proposes to amend its CDS Pricing Policy to cover the CDX.NA Contracts. The amendments include submission requirements with respect to CDX.NA Contracts and changes to reflect that certain determinations with respect to firm trades for CDX.NA Contracts are made as of the North American end-of-day.

2. Statutory Basis

ICE Clear Europe believes that the proposed rule change, and in particular the proposed clearing of the proposed CDX.NA Contracts, is consistent with the requirements of Section 17A of the Act[3] and regulations thereunder applicable to it, including the standards under Rule 17Ad-22.[4] The proposed change is principally designed to permit the clearing of CDX.NA index CDS Contracts, as well as make certain clarifications and other amendments to the CDS Procedures applicable to other CDS Contracts. The CDX.NA Contract is a broad-based index CDS contract generally similar to the iTraxx Contract currently cleared by the Clearing House, with similar terms and conditions. The new index CDS contracts will be cleared in the same manner as the iTraxx Contracts, consistent with ICE Clear Europe's existing clearing arrangements and related financial safeguards and protections. In ICE Clear Europe's view, clearing of the CDX.NA Contracts, under such terms and arrangements, is consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICE Clear Europe, the safeguarding of securities and funds in the custody or control of ICE Clear Europe and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.[5] The additional changes set forth in the proposed

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[3] 15 U.S.C. 78q-1.

[4] 17 CFR 240.17Ad-22.

[5] 15 U.S.C. 78q-1(b)(3)(F).

amendments, which generally make clarifications and corrections to the CDS Procedures for existing iTraxx and Single Name Contracts, are also consistent with this standard.

The proposed amendments to the CDS Procedures, including clearing of the CDX.NA Contracts, will also satisfy the relevant requirements of Rule 17Ad-22,[6] as discussed below.

Financial Resources. ICE Clear Europe will apply its existing margin methodology for index CDS contracts to the CDX.NA Contracts, with the modifications described herein to the CDS Risk Model Description. In ICE Clear Europe's view, the Clearing House's margin requirements, as revised, will provide sufficient margin to cover its credit exposure to its clearing members from clearing such contracts, consistent with the requirements of Rule 17Ad-22(b)(2) and Rule 17Ad-22(d)(14).[7] In addition, ICE Clear Europe believes the CDS Guaranty Fund, under its existing methodology, will, together with the required margin, provide sufficient financial resources to support the clearing of CDX.NA Contracts, consistent with the requirements of Rule 17Ad-22(b)(3).[8]

Operational Resources. ICE Clear Europe will have the operational and managerial capacity to clear the CDX.NA Contracts as of the commencement of clearing, consistent with the requirements of Rule 17Ad-22(d)(4).[9] ICE Clear Europe believes that its existing systems used for index CDS contracts are appropriately scalable to handle the clearing of the CDX.NA Contracts.

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[6] 17 CFR 240.17Ad-22.

[7] 17 CFR 240.17Ad-22(b)(2), (d)(14).

[8] 17 CFR 240.17Ad-22(b)(3).

[9] 17 CFR 240.17Ad-22(d)(4).

Settlement. ICE Clear Europe will use its existing settlement procedures (including for physical settlements), account structures and approved financial institutions as used in other index CDS for the CDX.NA Contracts. Although CDX.NA Contracts will be denominated in US dollars, ICE Clear Europe's existing settlement systems are sufficient to handle such settlements in such currency. ICE Clear Europe believes that clearing of such contracts will therefore be consistent with the requirements of Rule 17Ad-22(d)(5), (12) and (15).[10]

Default Procedures. ICE Clear Europe's existing Rules and default management policies and procedures for CDS will apply to the CDX.NA Contracts. ICE Clear Europe believes that the Rules and procedures allow for it to take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of clearing member insolvencies or defaults, including in respect of CDX.NA Contracts, in accordance with Rule 17Ad-22(d)(11).[11]

B. Self-Regulatory Organization's Statement on Burden on Competition

ICE Clear Europe does not believe the proposed rule change, including the clearing of the CDX.NA Contracts, would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. ICE Clear Europe does not anticipate that its commencement of clearing for the CDX.NA Contracts, or the other amendments with respect to its other CDS contracts, will adversely affect the trading market for those contracts or for CDS more generally. Specifically, allowing clearing of the CDX.NA Contracts will provide market participants with the additional choice to have their transactions in these types of contracts cleared, and should generally promote the further development of the market for these contracts. ICE Clear Europe does not believe that the other amendments will

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[10] 17 CFR 240.17Ad-22(d)(5), (12) and (15).

[11] 17 CFR 240.17Ad-22(d)(11).

materially affect the cost of clearing for the relevant contracts or adversely affect access to clearing in those contracts for Clearing Members or their customers. Moreover, ICE Clear Europe will apply its existing fair and objective criteria for eligibility to clear CDS to clearing of the CDX.NA Contracts. Accordingly ICE Clear Europe does not believe that the amendments will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the rule change have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml) or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR- SR-ICEEU-2015-005 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICEEU-2015-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at https://www.theice.com/clear-europe/regulation.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2015-005 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Jill M. Peterson
Assistant Secretary

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[12] 17 CFR 200.30-3(a)(12).