ICE CLEAR EUROPE

20th March 2014

Ms. Melissa Jurgens
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

RE: ICE Clear Europe Submission of New Swaps for Clearing Under Rule 39.5(b)

Dear Ms. Jurgens,

ICE Clear Europe Limited ("ICE Clear Europe"), a registered derivatives clearing organization ("DCO"), hereby submits to the Commodity Futures Trading Commission's (the "CFTC" or the "Commission") pursuant to CFTC Rule 39.5(b) the 5-year tenor in series 13, 14, 15, 16, 17, 18, 19, 20 and 21 of the iTraxx Europe Senior Financial sub-index, maturing on June 20, 2015, December 20, 2015, June 20, 2016, December 20, 2016, June 20, 2017, December 20, 2017, June 20, 2018, December 20, 2018 and June 20, 2019 respectively (the "Indices" or "New Swaps"), which ICE Clear Europe intends to accept for clearing commencing 24 March 2014.

New Swaps to be Accepted for Clearing

Table 1 below identifies the characteristics of the New Swaps; specifically the type, region, rating and spread-level, as follows:

Type: The Index comprises 25 financial corporate entities from the iTraxx Europe index referencing senior debt bonds.

Region: All constituents of the Index are entities incorporated in Europe.

Rating: All constituents of the Index have Investment Grade credit ratings.

Spread Level: Not applicable. Applicable only when the reference entity selection criteria include spread-level.

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Table 1

Index Classification				Index Name	Swap			
Type	*Region*	*Rating*	*Spread Level*		*Series*	*Maturity*	*(Tenor)*	*Currency*
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	20	12/20/2018	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	19	6/20/2018	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	18	12/20/2017	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	17	6/20/2017	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	16	12/20/2016	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	15	6/20/2016	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	14	12/20/2015	(5Y)	Euro
Senior Financial Corporate Bonds	Europe	Investment Grade	n/a	iTraxx Europe Senior Financial	13	6/20/2015	(5Y)	Euro

Statement of Eligibility

ICE Clear Europe is eligible to clear the New Swaps in accordance with CFTC Rule 39.5(a).

ICE Clear Europe Limited is a Recognised Clearing House ("RCH") in the United Kingdom ("UK") under the UK's Financial Services and Markets Act 2000 (as amended) ("FSMA") and supervised as such by the Bank of England (the "Bank"). The recognition order having been granted on 12 May 2008 by the UK Financial Services Authority ("FSA", since 1 April 2013 renamed the Financial Conduct Authority or "FCA"). Supervision of the Clearing House (as with all other RCHs) passed to the Bank on 1 April 2013.

The provision of clearing services commenced on 3 November 2008. The clearing services provided at the date hereof comprise clearing of OTC credit default swaps ("CDS"), as well as the energy and emissions markets operated by ICE Futures Europe ("ICE Futures") (a UK recognised investment exchange or "RIE"), the energy markets operated by ICE Futures US's ("IFUS") energy and emissions division, the markets operated by LIFFE Administration and Management ("LIFFE") (a UK RIE), and the energy markets operated by ICE Endex, a Dutch Regulated Market.

ICE Clear Europe received the settlement finality designation (SFD) by the FSA under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, which enhances the systemic risk protection provided to clearing members in the event of a clearing counterparty default. Under SFD, payment instructions can be protected from EU administrators or liquidators of insolvent firms. Designation means that ICE Clear Europe's system is now designated under the EU's Settlement Finality Directive. The Clearing House is also a recognised as an inter-bank payment system under the Banking Act 2009 and regulated by the Bank of England.

ICE Clear Europe is a registered DCO pursuant to Section 5b of the Commodity Exchange Act, as amended (the "CEA"), and as such is supervised by the Commodity Futures Trading Commission. ICE

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Clear Europe became a DCO on January 22, 2010, and since that date, ICE Clear Europe has cleared swaps in compliance with section 5b(c)(2) of the CEA. Additionally, ICE Clear Europe is a registered securities clearing agency pursuant to Section 17A of the Securities Exchange Act of 1934, and as such is supervised by the Securities and Exchange Commission.

The New Swaps, which constitute CDS on certain indices, are of the same type as other CDS on indices currently cleared by ICE Clear Europe, including CDS on the main iTraxx Europe index, of which the index underlying the New Swaps is a subset. As one of the leading clearinghouses in the world, ICE Clear Europe will be able to clear the New Swaps in accordance with Section 5b(c)(2) of the CEA, including if the New Swaps are designated for mandatory clearing by the Commission.

Information Related to the Act's Swap Submission Review Requirements

In accordance with §39.5(b)(3)(ii), information is provided below to assist the Commission in its review of ICE Clear Europe's submission of the New Swaps against market activity, clearinghouse capabilities, impact on systemic risk, competition, and insolvency protection.

(A) Market Activity

"The existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data."

Table 2 below identifies the dates when Series 13 through Series 20 were the on-the-run series. Please note that the "on-the-run index" changed during the 12-month sample period used to determine average trading activity. Trading activity is typically highest for the on-the-run series. Please note that Series 21 will become effective and the on-the-run series on March 20, 2014.

Table 3 below provides data describing the outstanding notional exposures, observed trading activity and adequacy of end-of-day pricing data for the Submitted Swaps.

Index, Series and Tenor
Three columns identify the submitted swaps by index, series and tenor.

Outstanding Positions among 19 ICE Clearing Entities
This column provides the gross notional amount of the positions in the Depository Trust & Clearing Corporation ("DTCC") Trade Information Warehouse ("TIW"), as-of January 6, 2013, among 19 legal entities that are Clearing Participants of ICE Clear Credit, and/or Clearing Members of ICE Clear Europe. Please note that this does not include all Clearing Members / Clearing Participants.

Outstanding Positions among all Market Participants
This column provides the gross notional amount of the positions in the DTCC TIW between all market participants as of January 3, 2014.

12-Month Average of Weekly Trading Activity among all Market Participants
Three columns provide information related to the risk-transfer activity among all market participants. Two columns provide the average weekly risk-transfer activity from December 31, 2012 through December 27, 2013; one column provides the activity in terms of gross notional per

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week, and the other column provides the activity in terms of transactions per week. The third column provides the standard deviation of the number of transactions per week.

EOD Price Collection Summary
ICE Clear Europe's rules require Clearing Members to submit end-of-day pricing data for any swap for which they have a relevant cleared interest. ICEU recently demonstrated the ability of Clearing Members to provide end-of-day price discovery submissions for the Indices. During a two-week price collection period from February 10 to February 21, 2014, ICEU asked all 16 providers of unique submission sets to ICE Clear Credit and/or ICE Clear Europe, to provide submissions for all Indices. This Table 3 entry consists of two columns summarizing the results of the two-week price collection period. The first column provides the number of unique sets of submissions received per day. The second column provides the average dispersion of submissions. For the purposes of this analysis, ICEU defines dispersion as the difference between the highest and lowest submission mid-level after removing the submissions with the highest two and lowest two mid-levels from the sample. The table expresses dispersion as a percentage of the bid-offer width ("BOW") established each day for the given swap by ICE Clear Europe.

Table 2

Date Range	On-The-Run Series	1st Off-The-Run Series	2nd Off-The-Run Series	On-The-Run Business Days Within Sample Period[i]
9/20/2013 - 3/19/2014	20	19	18	69
3/20/2013 - 9/19/2013	19	18	17	127
9/20/2012 - 3/19/2013	18	17	16	56
3/20/2012 - 9/19/2012	17	16	15	0
9/20/2011 - 3/19/2012	16	15	14	0
3/21/2011 - 9/19/2011	15	14	13	0
9/20/2010 - 3/18/2011	14	13	12	0
3/22/2010 - 9/17/2010	13	12	11	0

Table 3

INDEX	SERIES	TENOR	OUTSTANDING POSITIONS AMONG 19 ICE CLEARING LEGAL ENTITIES[ii]	OUTSTANDING POSITIONS AMONG ALL MARKET PARTICIPANTS[iii]	12-MONTH[iv] AVERAGE OF WEEKLY TRADING ACTIVITY AMONG ALL MARKET PARTICIPANTS			EOD PRICE COLLECTION SUMMARY[v]	
			Gross Notional (EUR millions)	Gross Notional (EUR millions)	Mean Gross Notional / Week (USD-Eq. millions)	Mean Transactions / Week	Std. Dev. of Transactions / Week	Unique Sets Submissions per Day	Dispersion % of ICE BOW
iTraxx Europe Senior Financial	20	5Y	30,852	109,962	14,524	384	154	16	43%
iTraxx Europe Senior Financial	19	5Y	33,071	111,019	16,320	533	409	16	64%
iTraxx Europe Senior Financial	18	5Y	17,848	61,288	7,123	216	349	16	65%
iTraxx Europe Senior Financial	17	5Y	20,062	61,579	1,038	22	24	16	47%
iTraxx Europe Senior Financial	16	5Y	15,786	48,518	803	5	6	16	66%
iTraxx Europe Senior Financial	15	5Y	14,108	43,442	513	5	6	16	60%
iTraxx Europe Senior Financial	14	5Y	10,686	30,969	181	2	3	16	26%
iTraxx Europe Senior Financial	13	5Y	12,454	30,139	180	2	2	16	33%

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(B) Clearinghouse Capabilities

"The availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is then traded."

ICE Clear Europe Rules and Procedures are publicly available on our website:
https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Clearing_Rules_1_February_2014.pdf
https://www.theice.com/publicdocs/clear_europe/rulebooks/procedures/CDS_Procedures_18_March_2013.pdf
https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Continuing_CDS_Rule_Provisions_1_February_2014.pdf

Since its launch in July 2009 ICE Clear Europe has cleared approximately 724,000 CDS transactions valued at approximately €14 trillion. ICE Clear Europe currently clears 44 CDS indices and 159 corporate single names. ICE Clear Europe currently maintains a cleared open interest valued at approximately €468 billion.

As of February 28, 2014 ICE Clear Europe held on deposit Guaranty Fund deposits of €949,386,173 and the Initial Margin Requirement was €9.8bn.

(C) Impact on Systemic Risk

"The effect on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the derivatives clearing organization available to clear the contracts."

The effect on mitigation of systemic risk from the clearing of the New Swaps is believed to be material for the following reasons:

- The swap listed for clearing is actively traded with significant pre-clearing outstanding positions.
- ICE Clear Europe's Clearing Members are amongst the most active CDS market participants and continue to clear a significant portion of their clearing-eligible portfolio.
- The multi-lateral netting achieved through the clearing process has been significant historically and has substantially reduced the number and notional amount of outstanding bi-lateral positions.
- ICE Clear Europe has developed a robust risk management framework that has been extensively reviewed by regulators, industry participants and third-party experts.
- ICE Clear Europe's price discovery process is working successfully to provide reliable inputs to its risk models.

(D) Competition

"The effect on competition, including appropriate fees and charges applied to clearing."

ICE Clear Europe's fee structure is appropriate and its margin and guaranty fund computations suitably account for the risk brought to the Clearing House. The clearing of the new swaps should therefore have no adverse impact on competition. The initial expected clearing fees for the new swaps are as set forth below.

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Dealer: https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_CDS_Dealer_Pricing.pdf
Client: https://www.theice.com/publicdocs/CDS_Clearing_Client_Fees.pdf

(E) Insolvency Protection

"The existence of reasonable legal certainty in the event of the insolvency of the relevant derivatives clearing organization or one or more of its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property."

ICE Clear Europe believes that there is reasonable legal certainty in the event of the insolvency of ICE Clear Europe or a clearing member of ICE Clear Europe with regard to the treatment of house and customer positions, funds and property in connection with the clearing of the New Swaps, as required by CFTC Rule 39.5(b)(3)(ii)(E).

ICE Clear Europe clearing members consist of several types of institutions, principally U.K. and EU financial institutions and clearing firms but also futures commission merchants ("FCMs") (including FCMs that are also broker-dealers). In the event of a clearing member insolvency, ICE Clear Europe is of the view, based on the advice of counsel in the relevant jurisdictions, that ICE Clear Europe would be permitted to exercise its rights to close out house and customer positions and apply margin and other property of the defaulting clearing member in accordance with its rules. Specifically, as a matter of English law, ICE Clear Europe is protected by Part VII of the Companies Act 1989, the Financial Markets and Insolvency (Settlement Finality Regulations 1999) and the EU Settlement Finality Directive (Directive 98/26/EC) from the general application of the insolvency laws of England and Wales, meaning that the clearinghouse's default rules prevail over insolvency laws, such as any applicable moratorium on transactions.

With respect to customer positions carried through an FCM clearing member, the New Swaps would constitute "commodity contracts" for purposes of the commodity broker liquidation provisions of the U.S. Bankruptcy Code. Under the Bankruptcy Code and the Commission's Part 190 regulations, ICE Clear Europe would have the ability to close out customer positions following the insolvency of the clearing member and/or, in appropriate circumstances, facilitate a transfer of such positions to another, solvent clearing member. Pursuant to the Commission's Part 22 regulations for cleared swaps, ICE Clear Europe is required to segregate clearing swap customer property. As such, customer property would be subject to distribution to cleared swap customers of the insolvent FCM in accordance with those regulations.

With respect to an ICE Clear Europe insolvency, ICE Clear Europe would be subject to applicable English insolvency law and in addition would be a commodity broker subject to the Bankruptcy Code and Part 190 regulations. U.S. bankruptcy law would also apply in respect of any U.S. customer property for customer positions carried through an FCM clearing member. ICE Clear Europe believes, based on the advice of counsel, that under the applicable provisions of those laws and regulations, ICE Clear Europe rules providing for the termination of all outstanding contracts and the application and/or return of a net sum in respect of remaining member and customer property to each of its clearing members would similarly be enforceable.

ICE Clear Europe notes that it in connection with its application for registration as a DCO, it has previously provided to the Commission further information on the application of relevant English insolvency laws.

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Product Specifications

"Product specifications, including copies of any standardized legal documentation, generally accepted contract terms, standard practices for managing any life cycle events associated with the swap, and the extent to which the swap is electronically confirmable."

Product specifications and contract terms for the New Swaps are the same as for the iTraxx Europe Contracts as specified in Section 10 of the CDS Procedures previously referenced in Section §39.5(b)(3)(ii)(B) above. Lifecycle event processing for the submitted swaps are the same as for the iTraxx Europe Contracts as specified in Section 7 of the CDS Procedures previously referenced in Section §39.5(b)(3)(ii)(B) above. The submitted swap is electronically confirmed.

Participant Eligibility

"Participant eligibility standards, if different from the derivatives clearing organization's general participant eligibility standards."

The participant eligibility standards related to the New Swaps are not different from ICE Clear Europe's general participant eligibility standards.

Price Discovery

"Pricing sources, models, and procedures, demonstrating an ability to obtain sufficient price data to measure credit exposures in a timely and accurate manner, including any agreements with clearing members to provide price data and copies of executed agreements with third-party price vendors, and information about any price reference index used, such as the name of the index, the source that calculates it, the methodology used to calculate the price reference index and how often it is calculated, and when and where it is published publicly."

Please see the attached confidential exhibits:
"Item 1 - ICE Clear Europe CDS Price Discovery Policy - February 2013".
"Item 2 - Markit Data and Settlement Price Data License - July 2009"
"Item 3 - Amendment to Markit Data and Settlement Price Data License Agreement - December 2010"

Risk Management

"Risk management procedures, including measurement and monitoring of credit exposures, initial and variation margin methodology, methodologies for stress testing and back testing, settlement procedures, and default management procedures."

Please see attached above referenced "Item 1", also:
"Item 4 - ICE Clear Europe CDS Clearing Back-Testing Framework - August 2013"
"Item 5 - ICE Clear Europe CDS Clearing Stress-Testing Framework - March 2014"

Rules, Policies and Procedures

ICE Clear Europe Rules and Procedures are publicly available on our website:
https://www.theice.com/publicdocs/clear_europe/rulebooks/rules/Clearing_Rules_1_February_2014.pdf

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Communication to Members Regarding this Submission

"A description of the manner in which the derivatives clearing organization has provided notice of the submission to its members and a summary of any views on the submission expressed by the members (a copy of the notice to members shall be included with the submission."

ICE Clear Europe posted a copy of this submission (absent any confidential exhibits) on its public website on March 21, 2014. Written comments relating to the submission have not been solicited or received. ICE Clear Europe will notify the CFTC of any written comments received by ICE Clear Europe. ICE Clear Europe issued a circular on March 19, 2014, located here:
https://www.theice.com/publicdocs/clear_europe/circulars/C14038.pdf

Yours sincerely,

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[i] December 31, 2012 through December 27, 2013
[ii] Source: DTCC data providing positions among 19 unique legal entities that are Clearing Participants of ICE Clear Credit and/or Clearing Members of ICE Clear Europe, as-of January 6, 2014
[iii] Source: DTCC Weekly Stock and Volume Reports, Section 1, Table 7, January 3, 2014
[iv] Source: DTCC Weekly Stock and Volume Reports, Section 4, December 31, 2012 through December 27, 2013
[v] Price collection period from February 10, 2014 through February 21, 2014