

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73344; File No. SR-ICEEU-2014-16)

October 14, 2014

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to EMIR Requirements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 1, 2014, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act, and Rules 19b-4(f)(1) and (f)(4)(i) thereunder, so that the proposed rule change was effective upon filing with the Commission. 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 changes is to make certain further clarifications and amendments to the ICE Clear Europe Clearing Rules (“Rules”) and procedures (“Procedures”) in connection with requirements under the European Market Infrastructure

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Regulation (including regulations and implementing technical standards thereunder, “EMIR”)<sup>3</sup> that will apply to ICE Clear Europe. ICE Clear Europe has previously filed with the Commission proposed changes to its Rules, Procedures and certain related policies relating to EMIR implementation and certain other matters (the “EMIR Rule Submissions”), which have been approved by the Commission.<sup>4</sup>

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 and discussed any comments it received on 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 these statements.

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

(a) Purpose

ICE Clear Europe submits additional proposed amendments to its Rules and Procedures in connection with its compliance with requirements under EMIR. The proposed amendments principally make certain clarifications to the Rule and Procedures amendments that were adopted pursuant to the EMIR Rule Submissions, as well as certain other clarifying and conforming

---

<sup>3</sup> Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as well as various implementing regulations and technical standards.

<sup>4</sup> Securities Exchange Act Release No. 34-72755 (Aug. 4, 2014), 79 FR 46481 (Aug. 8, 2014) (SR-ICEEU-2014-09); Securities Exchange Act Release No. 34-72756 (Aug. 4, 2014) 79 FR 46479 (Aug. 8, 2014) (SR-ICEEU-2014-10); and Securities Exchange Act Release No. 34-72754 (Aug. 4, 2014) 79 FR 46481 (Aug. 8, 2014) (SR-ICEEU-2014-11).

changes discussed below. As described in more detail in the EMIR Rule Submissions, in order to comply with EMIR, ICE Clear Europe is adopting changes to the structure of customer accounts for cleared transactions to enhance segregation options for customers of Clearing Members. This includes the adoption of an individual client segregation framework for Non-FCM/BD Clearing Members as well as certain modifications relating to the existing, omnibus client segregation model for such Clearing Members. Specifically, the Rules adopted pursuant to the EMIR Rule Submissions establish two new types of individually segregated accounts, Individually Segregated Margin-flow Co-mingled Accounts and Individually Segregated Sponsored Accounts. The Rules also establish multiple new types of omnibus accounts, Segregated Customer Omnibus Accounts (separately for each product: FX, F&O and CDS) and Segregated TTFCA Customer Omnibus Accounts (separately for each product: FX, F&O and CDS) as well as Omnibus Margin-flow Co-mingled Accounts. These new individually segregated and omnibus accounts will be available only to Non-FCM/BD Clearing Members and their customers. For FCM/BD Clearing Members and their customers, individual client segregation is not being offered at this time, and the existing account types and segregation framework (which are required under applicable law) would be maintained.

The proposed additional amendments described herein are intended to further implement these requirements, as well as make various other consolidating, conforming and clarifying changes and drafting improvements to the Rules and Procedures.

ICE Clear Europe proposes to make amendments to Parts 1, 2, 3, 4, 5, 7, 8, 9, 11, 16, 17 and 19 and the Standard Terms of the Rules and to the CDS Procedures, Clearing Procedures, Finance Procedures, Delivery Procedures, FX Procedures, FX Auction Procedures, F&O Auction

Procedures, and OTC FX Product Guide.<sup>5</sup> The proposed Rule and Procedure amendments are described in detail as follows.

In Rules, the definition of “Applicable Law” has been revised to refer explicitly to certain U.S. laws and regulations, including the Commodity Exchange Act, the Exchange Act, CFTC and Commission regulations, and relevant insolvency laws. A new defined term for “Affected Customers” has also been added, in connection with the amendments to Rule 102(g) discussed below. Certain defined terms relating to customer accounts of FCM/BD Clearing Members with respect to futures and options business on non-U.S. markets, specifically “General Customer Account,” “Non-DCM/Swap” and “Non-DCM/Swap Customer” have been revised to clarify the appropriate use of such accounts for relevant transactions in accordance with the CEA and CFTC regulations.

The defined term “Repository” has been revised to remove an incorrect requirement that the trade repository for EMIR reporting purposes be specified by the Clearing House. Corresponding changes have also been made in Rules 201(a)(v) and 1901(b)(ii), as well as a change reflecting that a Clearing Member or Sponsored Principal may have access to a Repository through means other than being a direct user of the Repository.

Rule 102(g) has been revised, in light of requirements of the Bank of England and other regulators, to clarify the manner in which certain Clearing Members are required to offer the individual and omnibus client segregation models under EMIR to their customers. Under the revised rule, and consistent with EMIR, Clearing Members must offer a choice of individual or omnibus client segregation to those customers for which Applicable Laws (in the jurisdiction of

---

<sup>5</sup> Pursuant to a teleconference with ICE Clear Europe’s external counsel on October 14, 2014, staff in the Division of Trading and Markets has revised this sentence to clarify the scope of the Rules and Procedures being amended as part of the proposed rule change.

establishment of the customer or that apply in the context of activity on a relevant trading platform) do not prevent or prohibit such an account being provided to the customer (such customers are referred to as “Affected Customers”). For Clearing Members that are not able under Applicable Laws to offer such accounts to affected customers, the Clearing Member must offer, to the extent possible and practicable under Applicable Laws, to procure such an account for such customer from another Clearing Member (which may be an affiliate).

Certain typographical corrections are made in Rules 102(o) and (v). Rule 102(r) has been revised to refer explicitly to ICE Clear Europe’s status under U.S. law as a registered clearing agency and derivatives clearing organization and to add references to other Applicable Laws in addition to certain specified EU and UK requirements. In addition, the final sentence of Rule 102(r), relating to certain potential conflicts of applicable laws, has been removed in connection with discussions with relevant regulators. A typographical correction is also made in Rule 104(d). In Rule 106(a)(ii), an incorrect reference to “U.S. Sponsored Principal” is changed to “Sponsored Principal”. A drafting correction is also made in Rule 111(c).

A new Rule 110(g) is added that clarifies that ICE Clear Europe may not, pursuant to its authority under existing Rule 110, extend the payment timing in respect of variation margin owed to any Clearing Member beyond the time immediately prior to the commencement of the daily payment cycle for the relevant currency for the next following business day. The amendment is intended to clarify that any extension of time for the Clearing House to make payments of variation margin under Rule 110 is subject to the requirements of CFTC Rule 39.14(b), which requires that a clearing organization must effect a settlement with each clearing member at least once each business day.

Cross-references in Rule 202(b) and 208(a) have been corrected. A typographical correction is also made in Rule 202(c)(ii).

The introductory language in Rule 302, which addresses mechanics for margin calls and payments, is revised to reflect that margin is to be settled on a net or gross basis depending on the particular type of account, as set forth in more detail in the subsections of Rule 302.

In Rule 401(a)(ix), an unnecessary parenthetical is removed for clarity. A drafting clarification is also made in Rule 406(d)(v). Typographical errors are corrected in Rules 502(h) and 503(k). Certain clarifications are made in Rules 504(f) and 506(a)(v) to reflect the fact that under Rule 506(a)(iv), Rule 504(f) does not apply to the Sponsored Principal model. A cross-reference is also corrected in Rule 506(a)(i).

In the introductory language to Part 9 of the Rules, and in Rule 906(a), a clarification is made that the relevant default rules and provision are intended to comply with all relevant Applicable Laws in addition to certain specified EU and UK requirements and to reference certain provisions of US law in addition to EU and UK laws. Rule 906(d) has been revised to clarify that new provisions that contemplate payment of a net sum directly to a Customer under certain circumstances do not apply to Customers of FCM/BD Clearing Members and in any event are subject to requirements of Applicable Law. The provisions of Rule 907(m) have been revised to be consistent with a parallel provision in Rule 904(r)(v). A typographical correction is made in Rule 908(i). In Rule 916, the text of the heading is corrected.

Rule 1101(c) and 1102(b) are revised to clarify certain requirements with respect to the Guaranty Funds, in line with the description provided in the EMIR Rule Submissions. Rule 1101(c) is revised to provide that the applicable Guaranty Fund must satisfy, in addition to the specified requirement, such higher default parameters, if any, as may be required by Applicable

Laws with respect to financial resource requirements. Amendments to Rule 1102(b) similarly clarify that Guaranty Fund contributions must be calculated in accordance with the requirements of other Applicable Laws in addition to EMIR. In addition, Rule 1103(a) is amended to correct a cross-reference.

In Part 19 of the Rules relating to Sponsored Principals, Rule 1901(o) is revised to correct a reference to Rule 1901(b) and (d). A drafting clarification is also made in Rule 1903(d).

As discussed in the EMIR Rule Submissions, ICE Clear Europe has not made its new individual and omnibus segregation models, including the Sponsored Principal model, available to FCM/BD Clearing Members or their customers. As a result, certain Rules and Procedures submitted with the EMIR Rule Submissions that referred to a potential U.S. Sponsored Principal model are by their terms not in effect, and could not have been put into effect absent a future rule change. ICE Clear Europe has nonetheless determined to remove such provisions from the Rules and Procedures as a matter of clarity and to avoid any potential confusion as to the availability of such a model. Specifically, ICE Clear Europe has removed Rule 1905 and replaced it with an express provision that FCM/BD Clearing Members will not be permitted to act as Sponsors of Individually Segregated Sponsored Accounts. Accordingly, customers of FCM/BD Clearing Members will not have access to such accounts. In light of the limitations under applicable law on the ability of Non-FCM/BD Clearing Members to have customers that are U.S. persons, and as further set forth in a Circular to be published by ICE Clear Europe in connection with these amendments, the revised provision will also continue to restrict U.S. persons from becoming Sponsored Principals. In addition, ICE Clear Europe has removed various other references in the Rules and Procedures to U.S. Sponsored Principals and to FCM/BD Clearing Members acting as Sponsors of Individually Segregated Sponsored Accounts (and similar references), including in

the definitions of “Buying Counterparty,” “Capital,” “Customer,” “Customer Account,” “FCM/BD Customer,” “General Customer,” “Individually Segregated Sponsored Account,” “Mark-to-Market Margin,” “Nominated Customer Bank Account,” “Nominated Proprietary Bank Account,” “Proprietary Margin Account,” “Proprietary Position Account,” “Representative,” “Selling Counterparty,” “U.S. Sponsored Principal” and in Rules 207(d), 401(o), 904(o) and (r), 906(d), 1601, 1603 and 1608. In light of these changes, certain distinctions between Non-FCM/BD Clearing Members and FCM/BD Clearing Members in the context of Sponsor activities are no longer relevant (as FCM/BD Clearing Members cannot act as Sponsors), and as a result various references throughout the Rules to a “Sponsor that is a Non-FCM/BD Clearing Member” have been changed to a “Sponsor”, including in various definitions in Rule 101 as well as Rules 304, 506, 702, 705, 803, 810, 901, 904, 1704 and 1902. Corresponding changes are also made in the Clearing Procedures, Finance Procedures, CDS Procedures, FX Procedures, F&O Auction Procedures, FX Auction Procedures, OTC FX Product Guide, and Delivery Procedures.

In the Standard Terms for the applicable product categories in Exhibits 1-3, the timing for delivery of a Porting Notice under paragraph 6(f) has been extended from 2 hours to 4 hours of the relevant Default Notice being published, as a result of further consultations with the Bank of England. In addition, the use of the defined term Rules is clarified in such exhibits. References to defined terms for variation margin, mark-to-market margin and FX mark-to-market margin have also been corrected for the relevant product categories.

Certain additional conforming and other changes are also made to the CDS Procedures. The definition of Acceptance Time is amended to remove an incorrect reference to Sponsored Principals in connection with CDS Contracts arising under Rule 401(a)(x). Consistent with



changes to Paragraph 8.2(e) described in the EMIR Rule Submissions, a missing reference to “Merger Without Assumption” is added to conform to changes previously made.

In the Clearing Procedures, in paragraph 2.3, clarifications are made to the categories of position-keeping accounts to implement from an operational perspective the new account categories provided for under the revised Rules. In subparagraph(b)(1), the use of the “N” account category is clarified as applying to gross-maintained sub-accounts with no automatic contractual netting that are part of the Proprietary Account, which includes positions of affiliates of FCM/BD Clearing Members (which are not part of the segregated customer account under the CEA). Revised subparagraph (b)(2) specifies the position-keeping accounts for the customer accounts applicable to FCM/BD Clearing Members. Subparagraph (b)(3) specifies the position-keeping accounts for the customer accounts of Non-FCM/BD Clearing Members regulated by the FCA and to which the FCA client money rules apply. Subparagraph (b)(4) specifies the position-keeping accounts for the customer accounts of other Non-FCM/BD Clearing Members. New subparagraph (e) specifies the position-keeping accounts applicable to Individually Segregated Sponsored Accounts. Conforming changes are also made in paragraphs 2.2 and 2.4. Parallel changes to Paragraphs 3.1 are made to reflect margining for the different categories of customer accounts and related position-keeping accounts. A drafting clarification is made in Paragraph 3.2. Conforming changes to the references to the position-keeping account categories are also made in Table A following Paragraph 3.2. Paragraph 4.2(a) is revised to clarify that account classes (other than those mentioned in Paragraph 4.2(a) as being margined on a net basis) are margined on a gross basis. A typographical correction is made in paragraph 5.1.

In the Finance Procedures, a defined term is clarified in paragraph 3.11. An incorrect reference to “Clearing Members” in paragraph 4.4(a)(iv) is removed and a typographical

correction is made in paragraph 13.6. In paragraph 15.2, cross-references to subparagraph (g) thereof are corrected. Paragraph 15.4 is revised to make appropriate cross-references to Rule 209 of the Continuing CDS Rule Provisions.

In addition, consistent with EMIR requirements that do not permit ICE Clear Europe to accept letters of credit as margin, paragraph 12 of the Finance Procedures has been deleted. (This change is also consistent with ICE Clear Europe's current list of Permitted Cover, under which letters of credit are not eligible.) Paragraph 9 of the Finance Procedures, which addressed the use of emissions allowances as Permitted Cover, has also been removed to give effect to EMIR restrictions on the use of such assets for margin. (In this regard, ICE Clear Europe notes that its current list of Permitted Cover imposes a 100% haircut on the value of any emissions allowances used as Permitted Cover. As a result, use of such assets for margin is already effectively precluded under current rules.) In paragraph 8.2 of the Finance Procedures, a reference to certificates of deposit, which are not currently accepted as permitted cover, has also been removed.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments to the Rules and Procedures are consistent with the requirements of Section 17A of the Act<sup>6</sup> and the regulations thereunder applicable to it.<sup>7</sup> Section 17A(b)(3)(F) of the Act<sup>8</sup> 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

---

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 17 CFR 240.17Ad-22.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

transactions. The proposed amendments are principally intended to further implement the Rule and Procedure amendments described in the EMIR Rule Submissions, which in turn are intended to ensure compliance by the Clearing House with the requirements of EMIR and implement new, strengthened options for the segregation and safeguarding of customer funds and property for customers of Non-FCM/BD Clearing Members.<sup>9</sup> Specifically, the amendments facilitate the adoption of individual client segregation and new forms of omnibus client segregation for customers of Non-FCM/BD Clearing Members, consistent with the requirements of EMIR. As such, the proposed amendments are part of a set of Rule and Procedure changes that will enhance, and not reduce, the level of customer protection available under the current ICE Clear Europe rules for those Clearing Members and their customers. As such, ICE Clear Europe believes that the proposed changes, together with the related amendments described in the EMIR Rule Submissions, will enhance the safeguarding of securities and funds associated with securities and derivative transactions that are in the custody or control of ICE Clear Europe or for which it is responsible. ICE Clear Europe also believes that the proposed rule changes will enhance the stability of the clearing system, by reducing the risk to market participants of a default by a Clearing Member or other customer. As a result, the proposed changes are, in the Clearing House's view, consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>10</sup>

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

ICE Clear Europe does not believe the proposed changes to the Rules and Procedures discussed herein would have any adverse impact, or impose any burden, on competition not

---

<sup>9</sup> As discussed herein, certain additional amendments are in the nature of clarifications and drafting improvements to various provisions of the Rules and Procedures, and as such ICE Clear Europe believes that they also promote the prompt and accurate clearance and settlement of securities and derivatives transactions cleared by the Clearing House.

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

necessary or appropriate in furtherance of the purposes of the Act. The proposed amendments are principally intended to further implement the new segregation models and account classes adopted pursuant to the EMIR Rule Submissions and make certain other conforming changes and clarifications.

For the reasons set forth in more detail in the EMIR Rule Submissions, ICE Clear Europe does not believe the proposed amendments set out herein would materially affect access to clearing by Clearing Members or their customers, adversely affect competition among Clearing Members or adversely affect the market for clearing services or limit market participants' choices for clearing transactions. Although the new segregation models set out in the EMIR Rule Submissions may entail certain additional costs for Clearing Members and their customers, ICE Clear Europe believes that this is the result of the requirement under EMIR to offer such models and in any event is justified by the benefits provided by such models for those who use them. As a result, and as discussed in the EMIR Rule Submissions, ICE Clear Europe does not believe that the proposed amendments to the Procedures will impose any burden on competition not 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 have not been specifically solicited with respect to the Rule and Procedure changes set out herein. ICE Clear Europe will notify the Commission of any additional written comments received by ICE Clear Europe.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) and (f)(4)(i)<sup>11</sup> thereunder because the changes either

---

<sup>11</sup> 17 CFR 340.19b-4(f)(4)(i)-(ii).

constitute a stated policy, practice or interpretation with respect to the meaning, administration or enforcement of an existing rule, within the meaning of Rule 19b-4(f)(1), and/or effect a change in an existing service of a registered clearing agency that does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and does not significantly affect the respective rights or obligations of the clearing agency or persons using the service, within the meaning of Rule 19b-4(f)(4)(i). At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

Except as identified below, the changes to the Rules and Procedures set forth herein represent technical corrections and clarifications to the Rules and Procedures submitted to the Commission pursuant to the EMIR Rule Submissions and previously approved by the Commission. In ICE Clear Europe's view, these fall within rule 19b-4(f)(1) as stated policies, practices or interpretations with respect to the meaning, administration or enforcement of an existing rule.

Certain other Rule changes set forth herein fall within Rule 19b-4(f)(4)(i), as they constitute amendments that do not adversely affect the safeguarding of funds or securities or the rights or obligations of the Clearing House and its Clearing Members. In particular, Rule 102(g) has been revised to reflect more clearly the limitations on the segregation options that can be offered by certain Clearing Members under applicable law, and does not change the position under the existing rules that the new segregation models are not being offered to FCM/BD Clearing Members or their customers. The revisions to Rule 110(g), which are intended to

confirm and make explicit certain existing obligations of the Clearing House under applicable U.S. laws, as such would not adversely affect the rights or obligations of the Clearing House or Clearing Members. The extension of the timing for the Porting Notices is similarly intended to be consistent with the obligations of the Clearing House under EMIR and will not adversely affect the rights or obligations of Clearing Members.

With respect to the additional changes to the Finance Procedures discussed above, the removal of the provisions relating to the use of letters of credit and emissions allowances as Permitted Cover is intended to comply with requirements under EMIR and in any event reflects the Clearing House's current practice. As a result, such changes should not adversely affect the safeguarding of funds or securities or the rights or obligations of Clearing Members. With respect to the removal of references to the potential U.S. Sponsored Principal model, such model was not in effect under the Rules and Procedures, and accordingly such removal will not affect the rights or obligations of the Clearing House or Clearing Members. In ICE Clear Europe's view, these changes will thus not significantly affect the safeguarding of funds or securities in the custody or control of ICE Clear Europe, or otherwise significantly affect the rights or obligations of the Clearing House and its Clearing Members.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2014-16 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-2014-16. 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-2014-16 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.<sup>12</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>12</sup> 17 CFR 200.30-3(a)(12).