SECURITIES AND EXCHANGE COMMISSION
Release No. 34-84667; File No. SR-ICEEU-2018-010

November 28, 2018

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change Relating to amendments to the ICE Clear Europe CDS Risk Policy (the "CDS Risk Policy"), CDS Clearing Back-Testing Policy (the "Back-Testing Policy") and CDS Stress-Testing Policy (the "Stress-Testing Policy") (collectively, the "CDS Policies)

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 November 13, 2018, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes described in Items I, II, and III below, which Items have been prepared by ICE Clear Europe. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

ICE Clear Europe proposes to modify and update certain provisions of its risk policies related to CDS Contracts.

II. Clearing Agency'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

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

2 17 CFR 240.19b-4.

summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICE Clear Europe proposes to modify and update certain provisions of its risk policies related to CDS Contracts.

CDS Risk Policy

The proposed amendments to the CDS Risk Policy incorporate an overall Board risk appetite and limit framework, on terms consistent with other existing Clearing House policies, including the existing Stress-Testing Policy. The framework contemplates use of Board-level risk appetite statements, risk appetite metrics and management risk limits, and is subject to review at least annually.

The proposed amendments specifically address periodic reviews of margin requirements and the related margin methodology and parameters. Under the revised policy, the clearing risk department is required to perform such a review at least monthly, consistent with applicable legal requirements. The results of the monthly review will be presented by the head of first line clearing risk to the Clearing House's Model Oversight Committee ("MOC"). The head of first line clearing risk reports to the President of ICE Clear Europe and manages ICE Clear Europe's first line clearing risk team including default management, liquidity risk, market risk and counterparty risk. At the end of each quarter, the clearing risk department will share its monthly reviews from the quarter with the Risk Oversight Department ("ROD"), which performs a second-line review. The head of second line clearing risk then will present the results of this quarterly review to the

MOC. The head of second line clearing risk is the Chief Risk Officer and reports to the President and the senior independent director of ICE Clear Europe. The amendments also clarify that proposed margin methodology changes resulting from the review process are presented by the clearing risk department to the Board for approval.

The amendments specify in further detail the timing of back-testing and stress-testing. Consistent with applicable law, these amendments require that: (a) ICE Clear Europe's clearing risk department conduct back-testing at least once each day using standard predetermined parameters and assumptions; and (b) ICE Clear Europe conducts sensitivity analyses of its margin models and review parameters and assumptions for back-testing on at least a monthly basis, and more frequently than monthly when the relevant products cleared or markets served display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly.

With respect to stress testing, the amendments require that the clearing risk department conduct stress-testing at least once each day using standard predetermined parameters and assumptions, which are reviewed on at least a monthly basis and more frequently when the relevant products cleared or markets served display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly.

The proposed amendments also update certain details regarding policy governance and reporting. The amendments specify that the models used to support the policy objectives of the policy are subject to an annual independent validation and governance oversight which may be performed by an independent member of the ROD or

an external validator. The CDS Risk Policy owner, who is the CDS Risk Director and part of the clearing risk department, is responsible for ensuring that the policy remains up-to-date and is reviewed, with the support of the ROD. The amendments further specify the role of the clearing risk department and ROD with respect to policy adherence and the role of the Risk Working Group ("RWG") (which consists of risk personnel of Clearing Members, and provides guidance on risk management matters, including review of margin and stress testing parameters), Trading Advisory Committee ("TAC") (which advises on pricing processes) and MOC (which is responsible for overall model risk management of the Clearing House, and for oversight of the periodic reviews described above, as discussed further below). The policy includes further detail as to the composition and role of the RWG and MOC. The amendments also address escalation and reporting of any deviations from the policy, as well as compliance with regulatory reporting and filing requirements.

Certain changes have also been made to update references to various committees and departments of ICE Clear Europe, to correct typographical and similar errors, to update cross-references, and to remove an unnecessary reference to ICE Clear Credit.

Back-Testing Policy

The proposed amendments to the Back-Testing Policy include the risk appetite and limit framework also proposed to be included in the CDS Risk Policy, as discussed above. The amendments also include the same additional provisions relating to the timing of back-testing and related sensitivity analysis discussed above in the context of the CDS Risk Policy. In addition, the amendments clarify the meaning of certain confidence levels used in the back-testing process, as levels representing the confidence

to which models are expected to perform. The amendments also remove a reference to the 99% quantile used before EMIR implementation. In the guidelines relating to remediation of poor back-testing, the amendments state explicitly that portfolio back-testing is done using a confidence level of 99.5% or higher.

As with the amendments to the CDS Risk Policy, the amendments update the provisions regarding policy governance and reporting. The Back-Testing Policy specifies that the models used to support the objectives of the policy are subject to an annual independent validation and governance oversight which may be performed by an independent member of the ROD or an external validator. The Back-Testing Policy owner, who is the CDS Risk Director and part of the clearing risk department, is responsible for ensuring that it remains up-to-date and is reviewed, with the support of the ROD. The clearing risk department, with the support of the ROD, is responsible for adherence to the policy and relevant appetite metrics. The amendments also address escalation and reporting of any deviations from the policy, as well as compliance with regulatory reporting and filing requirements.

Various other changes have also been made to update references to various committees and departments of ICE Clear Europe, to correct typographical and similar errors and to update cross-references.

Stress-Testing Policy

The Stress-Testing Policy is being amended to include the same provisions relating to the timing of stress testing discussed above in the context of the CDS Risk Policy. Other changes to the Stress-Testing Policy are made to reflect the role of the Board Risk Committee, in addition to the CDS Risk Committee, in reviewing and

overseeing stress-testing, in order to ensure that both committees are sufficiently informed to advise the Board on the safety and soundness of the risk management approach and to provide a mechanism for management and the committees to test the level of protection offered in potential scenarios they believe are plausible.

(b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act[3] and the regulations thereunder applicable to it. Section 17A(b)(3)(F) of the Act[4] in particular requires, among other things, that the rules of the 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, to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible and the protection of investors, and, in general, protect investors and the public interest. The proposed amendments are designed to modify key CDS risk management policies to state more clearly certain risk management requirements for CDS Contracts, including the timing of periodic review of margin requirements and related risk parameters, stress-testing and back-testing. The amendments also adopt various enhancements to the review and governance processes for those policies. In ICE Clear Europe's view, the amendments will enhance overall risk management of the Clearing House, and thereby promote the prompt and accurate clearance of transactions and further the public interest

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

4 15 U.S.C. 78q-1(b)(3)(F).

in sound operation of clearing agencies, within the meaning of Section 17A(b)(3)(F).[5] The amendments are not intended to effect, and are thus consistent with, the Clearing House's existing provisions relating to the safeguarding of funds and securities in the custody or control of the Clearing House or for which it is responsible, within the meaning of that section.

ICE Clear Europe also believes that the amendments are consistent with specific requirements of Rule 17Ad-22.[6] Rules 17Ad-22(e)(4)(vi)(A)[7] and (e)(6)(vi)(A)[8] require clearing agencies to implement reasonably designed policies and procedures to conduct stress-testing of their total financial resources and back-testing of their margin model at least once each day using standard predetermined parameters and assumptions. In

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

6 17 CFR 240.17Ad-22.

7 17 CFR 240.17Ad-22(e)(4)(vi)(A). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:
(vi) Testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements under paragraphs (e)(4)(i) through (iii) of this section, as applicable, by:
A. Conducting stress testing of its total financial resources once each day using standard predetermined parameters and assumptions".

8 17 CFR 240.17Ad-22(e)(6)(vi)(A). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:
(vi) Is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by:
A. Conducting backtests of its margin model at least once each day using standard predetermined parameters and assumptions".

compliance with these requirements, proposed amendments to the CDS Policies specify that ICE Clear Europe must conduct stress-testing of its total financial resources and back-testing of its margin model at least once each day using all standard predetermined parameters and assumptions.

Pursuant to Rule 17Ad-22(b)(2),[9] clearing agencies must have policies and procedures reasonably designed to review their margin models and parameters at least monthly. The proposed amendments to the CDS Risk Policy are consistent with this requirement. Rules 17Ad-22(e)(4)(vi)(B)[10] and 17Ad-22(e)(6)(vi)(B)[11] also require a

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9 17 CFR 240.17Ad-22(b)(2). The rule states that "[a] registered clearing agency that performs central counterparty services shall establish, implement, maintain and enforce written policies and procedures reasonably designed to:
(2) Use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements and review such margin requirements and the related risk-based models and parameters at least monthly."

10 17 CFR 240.17Ad-22(e)(4)(vi)(B). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:
(iv) Testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements under paragraphs (e)(4)(i) through (iii) of this section, as applicable, by:
B. Conducting a comprehensive analysis on at least a monthly basis of the existing stress-testing scenarios, models, and underlying parameters and assumptions, and considering modifications to ensure they are appropriate for determining the covered clearing agency's required level of default protection in light of current and evolving market conditions"

11 17 CFR 240.17Ad-22(e)(6)(vi)(B). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:

clearing agency to have policies and procedures reasonably designed to review its stress-testing scenarios, models, and underlying parameters and assumptions, and its parameters and assumptions for back-testing its margin model. The proposed amendments to the CDS Risk Policy, CDS Back-Testing Policy and CDS Stress Testing Policy, as discussed above, are consistent with these requirements, as they provide that reviews of the margin requirements and the parameters and assumptions relating to margin models, stress-testing and back-testing must be performed on at least a monthly basis. As a result, ICE Clear Europe believes that these amendments to the CDS Policies are in compliance with Rules 17Ad-22(b)(2),[12] 17Ad-22(e)(4)(vi)(B)[13] and 17Ad-22(e)(6)(vi)(B).[14]

Rules 17Ad-22(e)(4)(vi)(C)[15] and 17Ad-22(e)(6)(vi)(C)[16] require clearing agencies to review parameters and assumptions more frequently than monthly when the

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(vi) Is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by:

B. Conducting a sensitivity analysis of its margin model and a review of its parameters and assumptions for backtesting on at least a monthly basis, and considering modifications to ensure the backtesting practices are appropriate for determining the adequacy of the covered clearing agency's margin resources"

12 17 CFR 240.17Ad-22(b)(2).

13 17 CFR 240.17Ad-22(e)(4)(vi)(B).

14 17 CFR 240.17Ad-22(e)(6)(vi)(B).

15 17 CFR 240.17Ad-22(e)(4)(vi)(C). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:
(vi) Testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements under paragraphs (e)(4)(i) through (iii) of this section, as applicable, by:

products cleared or markets served display high volatility or become less liquid or when the size or concentration of positions held by their participants increases significantly. In compliance with this requirement, the proposed amendments to the CDS Policies specifically require that reviews of parameters and assumptions underlying margin models, stress-testing and back-testing must be performed more frequently when the relevant products display high volatility or become less liquid or when the size or concentration of positions held by Clearing Members increases or decreases significantly. Further, Rules 17Ad-22(e)(4)(vi)(D)[17] and 17Ad-22(e)(6)(vi)(D)[18] require clearing

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C. Conducting a comprehensive analysis of stress testing scenarios, models, and underlying parameters and assumptions more frequently than monthly when the products cleared or markets served display high volatility or become less liquid, or when the size or concentration of positions held by the covered clearing agency's participants increases significantly".

[16] 17 CFR 240.17Ad-22(e)(6)(vi)(C). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:
(vi) Is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by:
C. Conducting a sensitivity analysis of its margin model and a review of its parameters and assumptions for backtesting more frequently than monthly during periods of time when the products cleared or markets served display high volatility or become less liquid, or when the size or concentration of positions held by the covered clearing agency's participants increases or decreases significantly".

[17] 17 CFR 240.17Ad-22(e)(4)(vi)(D). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:
(vi) Testing the sufficiency of its total financial resources available to meet the minimum financial resource requirements under paragraphs (e)(4)(i) through (iii) of this section, as applicable, by:

agencies to report the results of the reviews conducted pursuant to Rules 17Ad-22(e)(4)(vi)(B) and (C)[19] as well as 17Ad-22(e)(6)(vi)(B) and (C)[20] to appropriate decision makers, including but not limited to the board or the risk management committee. In compliance with this requirement, as noted above, at the end of each quarter, the clearing risk department shares its monthly reviews for that quarter with the ROD which performs a second-line review and the head of second line clearing risk presents the results of its review to the MOC.

D. Reporting the results of its analyses under paragraphs (e)(4)(vi)(B) and (C) of this section to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors, and using these results to evaluate the adequacy of and adjust its margin methodology, model parameters, models used to generate clearing or guaranty fund requirements, and any other relevant aspects of its credit risk management framework, in supporting compliance with the minimum financial resources requirements set forth in paragraphs (e)(4)(i) through (iii) of this section ".

[18] 17 CFR 240.17Ad-22(e)(6)(vi)(D). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:
(vi) Is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by:
D. Reporting the results of its analyses under paragraphs (e)(6)(vi)(B) and (C) of this section to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors, and using these results to evaluate the adequacy of and adjust its margin methodology, model parameters, and any other relevant aspects of its credit risk management framework".

[19] 17 CFR 240.17Ad-22(e)(4)(vi)(B) and (C).

[20] 17 CFR 240.17Ad-22(e)(6)(vi)(B) and (C).

Rule 17Ad-22(b)(4)[21] requires clearing agencies to perform an annual model validation, including a performance evaluation, of their margin models and the related parameters and assumptions. Rules 17Ad-22(e)(4)(vii)[22] and 17Ad-22(e)(6)(vii),[23] also require clearing agencies to have policies and procedures in place to ensure the performance of a model validation of their credit risk models, margin system, and related models not less than annually. In compliance with these requirements, proposed amendments to the CDS Policies specifically state that the models used to support their

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21 17 CFR 240.17Ad-22(b)(4). The rule states that "[a] registered clearing agency that performs central counterparty services shall establish, implement, maintain and enforce written policies and procedures reasonably designed to:
(4) Provide for an annual model validation consisting of evaluating the performance of the clearing agency's margin models and the related parameters and assumptions associated with such models by a qualified person who is free from influence from the persons responsible for the development or operation of the models being validated".

22 17 CFR 240.17Ad-22(e)(4)(vii). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:
(vii) Performing a model validation for its credit risk models not less than annually or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to paragraph (e)(3) of this section"

23 17 CFR 240.17Ad-22(e)(6)(vii). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:
(vii) Requires a model validation for the covered clearing agency's margin system and related models to be performed not less than annually, or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to paragraph (e)(3) of this section"

objectives are subject to a validation that shall be performed on an annual basis by a member of the ROD or an external validator.

Rule 17Ad-22(e)(2)[24] requires clearing agencies to establish reasonably designed policies and procedures to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility. To facilitate compliance with this requirement, the proposed amendments to the CDS Policies more clearly define the roles and responsibilities of the MOC, the RWG and the TAC and other personnel with respect to ongoing review of the margin methodology, stress testing and back-testing.

(B) Clearing Agency's Statement on Burden on Competition

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. The amendments to the CDS Policies apply to all CDS Contracts and are intended to strengthen risk management relating to these products. ICE Clear Europe does not believe the amendments will have any direct effect on Clearing Members, other market participants or the market for cleared products generally. As a

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[24] 17 CFR 240.17 Ad-22(e)(2). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:
(2) Provide for governance arrangements that:
(i)Are clear and transparent
(ii) Clearly prioritize the safety and efficiency of the covered clearing agency;
(iii) Support the public interest requirements in Section 17A of the Act (15 U.S.C. 78q-1) applicable to clearing agencies, and the objectives of owners and participants;
(iv) Establish that the board of directors and senior management have appropriate experience and skills to discharge their duties and responsibilities;
(v) Specify clear and direct lines of responsibility; and
(vi) Consider the interests of participants' customers, securities issuers and holders, and other relevant stakeholders of the covered clearing agency.""

result, ICE Clear Europe does not believe the amendments will materially affect the cost of, or access to, clearing. To the extent the amendments may have an impact on margin levels, ICE Clear Europe believes such changes will be appropriate in furtherance of the risk management of the Clearing House. Therefore, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments relating to the proposed rule changes 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-ICEEU-2018-010 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ICEEU-2018-010. 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, N.E., Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 pm. 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. Persons submitting comments are cautioned that we do not redact or edit

personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2018-010 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.[25]

Eduardo A. Aleman
Assistant Secretary

[25] 17 CFR 200.30-3(a)(12).