

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75170; File No. SR-ICEEU-2015-011)

June 15, 2015

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Natural Gas Spot Contracts Policies

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on June 2, 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. ICE Clear Europe filed the proposal pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(ii)⁴ thereunder, so that the proposal 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

ICE Clear Europe proposes amendments to its Policies and Procedures in order to implement a clearing relationship under which ICE Clear Europe will provide clearing services for certain natural gas spot contracts traded on ICE Endex Gas B.V. (“ICE Endex Continental”) and ICE Endex Gas Spot Ltd. (“ICE Endex UK”).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(4)(ii).

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.

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

1. Purpose

ICE Clear Europe has agreed to act as the clearing organization for natural gas spot contracts traded on the ICE Endex Continental and ICE Endex UK markets (the “Natural Gas Spot Contracts”). ICE Endex UK has been designated by the UK’s Office of Gas and Electricity Markets and appointed by National Grid Gas plc (“National Grid”) to operate the independent market for balancing for natural gas in the U.K. (the “on-the-day” commodity market). ICE Endex Continental operates spot markets for trading of gas at relevant virtual delivery points at the gas transmission systems of the Netherlands and Belgium. Clearing of such contracts is currently conducted by APX Commodities Limited (“APX UK”) and APX Clearing B.V. (“APX Continental”), respectively, and will be moved to ICE Clear Europe. It is expected that ICE Clear Europe will commence clearing of the Natural Gas Spot Contracts, subject to the completion of all regulatory approvals and requirements, on or about July 14, 2015 (or such later date determined by ICE Clear Europe). ICE Clear Europe currently clears natural gas derivatives traded on the ICE Endex derivatives market, including some contracts with the same underlying products as the Natural Gas Spot Contracts.

The clearing of Natural Gas Spot Contracts will be supported by the F&O Guaranty Fund (and in particular the energy clearing segment of the F&O Guaranty Fund). ICE Clear Europe anticipates that the clearing of the Natural Gas Spot Contracts will initially require no more than a de minimis change in the size of the F&O Guaranty Fund or the energy segment thereof, if indeed any change is actually required. ICE Clear Europe similarly does not anticipate the need to designate a new Guaranty Fund period as a result of the transition. In making this determination, ICE Clear Europe has considered and will continue to review a number of factors, including the anticipated volume and open interest in Natural Gas Spot Contracts based on historical trading volume and open interest, expected market conditions in the relevant natural gas markets, the fact that clearing of Natural Gas Spot Contracts is expected to be conducted by existing ICE Clear Europe Clearing Members, the identity of such members, and the margin expected to be required in connection with the Natural Gas Spot Contracts. In particular, the Natural Gas Spot Contracts are spot contracts with a short settlement period and low original margin requirements compared to the total amount of original margin held by ICE Clear Europe for Energy Contracts. As a result, the impact on the total F&O Guaranty Fund and its breakdown among clearing members for the next scheduled Guaranty Fund period is expected to be minimal, in light of ICE Clear Europe's overall energy clearing activities and Guaranty Fund methodology.

ICE Clear Europe submits revised Parts 1, 2, 3, 4, 6, 19 and new Part 22 of its Rules (along with certain other conforming and clarifying Rule and Procedure amendments) and new Parts E and J to the Delivery Procedures to reflect the delivery arrangements in relation to the Natural Gas Spot Contracts (along with certain other conforming and clarifying Rule and Procedure amendments). The text of the proposed Rule and Procedure amendments were

submitted in Exhibit 5 of ICE Clear Europe's filing, with additions underlined and deletions in strikethrough text.

In Part 1 of the Rules, Rule 101 is modified to add new defined terms and revise existing definitions in connection with the ICE Endex Continental and ICE Endex UK clearing relationships, including designation of ICE Endex Continental and ICE Endex UK as Markets for which ICE Clear Europe provides clearing services and the addition of defined terms and other revisions to integrate Natural Gas Spot Contracts into the existing ICE Clear Europe clearing framework for energy contracts in the F&O product category. In particular, definitions relating to ICE Endex Continental and ICE Endex UK, and related definitions for their respective contracts, matched contracts, transactions and rules have been added.

In addition, certain conforming changes and clarifications have been made to definitions relating to delivery. The definition of "Delivery Facility" has been revised to clarify that it also includes certain facilities and systems for gas and power transactions. The definition of "Force Majeure Event" has been expanded to include disruptions or blackouts of gas or electricity transmission systems and actions and omissions by Markets. Certain definitions related to gas transactions, such as "National Grid," "Network Code" and "Trade Nomination" have also been added. The definition of "Non-DCM/Swap" has been revised to clarify the distinction between spot and futures transactions for purposes of applicable CFTC requirements. Certain other general updates to definitions have been made, including addition of definitions for "MiFID" and "MiFID II".

In Rule 102(f), ICE Endex UK Rules and ICE Endex Continental Rules have been added to the list of priorities of relevant documents, and certain cross-references have been amended. Rule 102(r) has been revised to take into account ICE Clear Europe's status granted by a relevant

Delivery Facility or Market. New Rule 102(y) has been added to provide that the provisions of the Rules relating to Repositories will not apply to Contracts that are not derivatives for purposes of MiFID or MiFID II (such as gas spot transactions). Rule 105 has been modified to provide for the cessation of relevant business following a loss of status from a Delivery Facility or Market. Additionally, the existing four month notice period provided by ICE Clear Europe in the case of certain service terminations has been shortened in the event that action by a Regulatory Authority, Delivery Facility or Market takes effect within a shorter period. Rule 106(a) has been modified to permit disclosures of information pursuant to requirements under the UK's Uniform Network Code ("Network Code"), Fluxys Belgium Rules, Huberator Terms or the GTS Rules for gas transactions. Rule 109(b)(v) has been revised to contemplate amendments to the Rules in order to maintain ICE Clear Europe's status granted by a Delivery Facility or Market. The limitations on ICE Clear Europe's liability in Rule 111 have been revised in Rule 111(c) to apply to certain actions, omissions or failures by a Market or a Delivery Facility.

In Part 2 of the Rules, Rule 201 has been revised to provide that in order to be a Clearing Member for Natural Gas Spot Contracts, the applicable nominated Transferor and Transferee for delivery under the transactions must be a member of the applicable market (or have arrangements in place to permit the Clearing Member to manage a default with respect to such an entity) and satisfy certain other requirements relevant to delivery under the relevant gas transactions. Rule 202 has been revised to add an explicit requirement that the Clearing Member comply with any applicable Market Rules and Delivery Facility rules and agreements, as applicable.

In Part 3 of the Rules, new Rule 305 addresses the interaction of the Rules and the Network Code for ICE Endex UK transactions, including prevention of double recoveries and treatment of certain payments in respect of cash calls under the Network Code.

Changes to Part 4 of the Rules incorporate Natural Gas Spot Contracts into the procedures for submission of contracts for clearing and establishment of cleared contracts. New Rule 404(a)(x) extends ICE Clear Europe's discretion to avoid a Contract or Transaction in circumstances where, solely in respect of Natural Gas Spot Transactions or Contracts, a trade nomination has been rejected by National Grid. Various other relevant clarifying and conforming changes concerning transactions resulting from errors have also been incorporated.

Rule 602 has been revised to provide expressly that ICE Clear Europe may request a Market to withdraw orders on that Market if a Clearing Member's positions exceed applicable position limits. Certain other corrections and updates to cross-references have been made in Part 6 of the Rules.

As provided in new Rule 1906, ICE Clear Europe's sponsored principal model for individual segregation will not be available for Natural Gas Spot Contracts.

New Part 22 of the Rules adopts certain transitional provisions relating to the launch of clearing for Natural Gas Spot Contracts. In particular, Rules 2203 and 2204 address the termination of the clearing of Natural Gas Spot Contracts by APX Continental and APX UK and the commencement of clearing in those contracts by ICE Clear Europe. Rule 2205 requires Clearing Members for such contracts to have deposited the requisite amounts in the F&O Guaranty Fund and satisfy the appropriate Original Margin requirements prior to the Launch Time. Rule 2206 also allocates responsibility for certain disciplinary matters as among ICE Clear Europe and APX Continental and APX UK.

ICE Clear Europe also proposes to amend its Delivery Procedures to add a new Part E for ICE Endex UK Natural Gas Spot Contracts and a new Part J for ICE Endex Continental Natural Gas Spot Contracts. (Other parts of the Delivery Procedures have been renumbered accordingly and various cross-references have been updated as necessary.) The Delivery Procedures amendments set forth specifications for delivery of natural gas under the Natural Gas Spot Contracts, including relevant definitions and a detailed delivery timetable. The amendments also address invoicing and payment for delivery. The amendments provide for calculation by ICE Clear Europe of buyer's and seller's security to cover delivery obligations and related liabilities, costs or charges, as well as procedures to address failed deliveries. The revised procedures also set out various documentation requirements for the relevant parties. A conforming change is also made in Paragraph 5 of the Delivery Procedures.

ICE Clear Europe also proposes various conforming and clarifying amendments to the Clearing Procedures, Membership Procedures and General Contract Terms. The Clearing Procedures have been amended to add a reference to ICE Clear Europe's Managed File Transfer Service, which is used for reporting and data file downloads. The Clearing Procedures have also been modified to clarify the cash settlement amount for F&O Contracts entered into on the last day of trading. The Membership Procedures have been amended to update references to relevant EU capital regulations, as well as to make conforming changes to various information and notice requirements and delete certain obsolete references. The General Contract Terms have been amended to incorporate conforming changes relating to the Natural Gas Spot Contracts.

2. Statutory Basis

ICE Clear Europe believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22,⁶ and in particular 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.⁷ Specifically, the amendments will provide for clearing of Natural Gas Spot Contracts, consistent with ICE Clear Europe's existing clearing arrangements. The Natural Gas Spot Contracts are spot contracts in natural gas commodities that underlie natural gas futures and options contracts traded on the ICE Endex market and cleared by ICE Clear Europe. ICE Clear Europe believes that the Natural Gas Spot Contracts present a similar risk profile to other ICE Endex contracts currently cleared by ICE Clear Europe, and that ICE Clear Europe's existing financial safeguards and resources, risk management, systems and operational arrangements are sufficient to support clearing of such products (and address physical delivery under such products). The other changes set forth in the proposed amendments are generally intended to conform, clarify and update various other provisions of the Rules and Procedures, and are consistent with the prompt and accurate clearance and settlement of securities and derivative agreements, contracts and transactions.

⁵ 15 U.S.C. 78q-1.

⁶ 17 CFR 240.17Ad-22.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

Clearing of the Natural Gas Spot Contracts will also satisfy the relevant requirements of Rule 17Ad-22,⁸ as discussed below.

Financial Resources. ICE Clear Europe will apply its existing margin methodology for energy contracts to the new Natural Gas Spot Contracts. ICE Clear Europe believes that this model will provide sufficient margin to cover the risks from clearing such contracts. In addition, ICE Clear Europe believes the F&O Guaranty Fund will provide sufficient financial resources to support the clearing of Natural Gas Spot Contracts consistent with the requirements of Rule 17Ad-22(b)(2)-(3).⁹ ICE Clear Europe anticipates that clearing of the Natural Gas Spot Contracts will initially require at most a de minimis change in the size of the F&O Guaranty Fund or the energy clearing segment thereof, if indeed any change is actually required, and the impact on the total Guaranty Fund and its breakdown among clearing members for the next Guaranty Fund period is expected to be minimal. The proposed amendments do not affect ICE Clear Europe's financial resources devoted to its security-based swap related (i.e., credit default swap) clearing business. ICE Clear Europe further does not propose to alter the segment of the F&O Guaranty Fund that primarily supports the Financials & Softs contracts cleared by ICE Clear Europe.

Operational Resources. ICE Clear Europe will have the operational and managerial capacity to clear the Natural Gas Spot Contracts as of the commencement of clearing, consistent with the requirements of Rule 17Ad-22(d)(4).¹⁰ ICE Clear Europe believes that its existing systems are appropriately scalable to handle the Natural Gas Spot Contracts, which present a similar risk profile to other energy contracts currently cleared by ICE Clear Europe.

⁸ 17 CFR 240.17Ad-22.

⁹ 17 CFR 240.17Ad-22(b)(2)-(3)

¹⁰ 17 CFR 240.17Ad-22(d)(4).

Participant Requirements. ICE Clear Europe believes that the rule amendments are consistent with the requirements of Rule 17Ad-22(d)(2)¹¹ to provide fair and open access through participation requirements that are objective and publicly disclosed. The amendments establish fair and objective criteria for the eligibility to clear Natural Gas Spot Contracts. ICE Clear Europe clearing membership is available to participants that meet such criteria. ICE Clear Europe clearing members that wish to clear Natural Gas Spot Contracts will have to satisfy the financial resources requirements to clear these products and continue to do so in order to preserve their eligibility to clear Natural Gas Spot Contracts. New requirements have been added to ensure that relevant designated transferors and transferees under Natural Gas Spot Contracts have appropriate access to the relevant market, or other appropriate arrangements for default management. Clearing member compliance with the requirements to clear Natural Gas Spot Contracts will be monitored by ICE Clear Europe.

Settlement. ICE Clear Europe believes that the rule change will be consistent with the requirements of Rule 17Ad-22(d)(5), (12) and (15)¹² as to the finality and accuracy of its daily settlement process and avoidance of the risk to ICE Clear Europe of settlement failures. ICE Clear Europe will use its existing settlement procedures, account structures and approved financial institutions as used in energy clearing for the Natural Gas Spot Contracts, with the additional modifications set forth in the proposed rule change addressing the interaction with delivery facilities for such contracts. ICE Clear Europe believes that its Rules and procedures related to settlements (including physical settlements), as amended, appropriately identify and manage the risks associated with settlements under Natural Gas Spot Contracts.

¹¹ 17 CFR 240.17Ad-22(d)(2).

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

Default Procedures. ICE Clear Europe believes that the Rules and its relevant procedures, as proposed to be revised, allow 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 Natural Gas Spot Contracts, in accordance with Rule 17Ad-22(d)(11).¹³

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

ICE Clear Europe does not believe the proposed rule change would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the Act. ICE Endex Continental and ICE Endex UK are established markets for the Natural Gas Spot Contracts, and ICE Clear Europe does not anticipate that its becoming the clearing house for the Natural Gas Spot Contracts will adversely affect the trading market for those contracts on ICE Endex Continental or ICE Endex UK. ICE Clear Europe has established fair and objective criteria for eligibility to clear Natural Gas Spot Contracts that are appropriate to the characteristics and requirements of those markets. ICE Clear Europe does not believe that acceptance of the Natural Gas Spot Contracts for clearing would adversely affect access to clearing for clearing members or their customers or other market participants, or materially and adversely affect the cost of clearing for market participants. Similarly, ICE Clear Europe does not believe the proposed change would otherwise adversely affect competition among clearing members or for clearing services generally.

¹³ 17 CFR 240.17Ad-22(d)(11).

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

Written comments relating to the proposed amendments 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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)¹⁴ of the Act and Rule 19b-4(f)(4)(ii)¹⁵ thereunder because it effects a change in an existing service of a registered clearing agency that primarily affects the clearing operations of the clearing agency with respect to products that are not securities, including futures that are not security futures, swaps that are not security-based swaps or mixed swaps, and forwards that are not security forwards, and does not significantly affect any securities clearing operations of the clearing agency or any rights or obligations of the clearing agency with respect to securities clearing or persons using such securities-clearing service.¹⁶ 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.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(4)(ii).

¹⁶ ICE Clear Europe notes in its filing that the proposed rule change also contains certain conforming and clarifying changes, as well as updates to various definitions and provisions, as discussed herein. ICE Clear Europe believes that these changes do not significantly affect the substantive rights or obligations of ICE Clear Europe or its Clearing Members (or otherwise adversely affect the safeguarding of funds or securities in the custody or control of the Clearing House or for which it is responsible), and therefore would also qualify for immediate effectiveness under Rule 19b-4(f)(4)(i), 17 CFR 240.19b-4(f)(4)(i).

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-2015-011 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-2015-011. 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-2015-011 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.¹⁷

Robert W. Errett
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).