

SECURITIES AND EXCHANGE COMMISSION
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November 13, 2017

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change, Security Based Swap Submission, or Advance Notice Relating to Amendments to the ICE Clear Europe Collateral and Haircut Policy

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 2, 2017, 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 primarily 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

The principal purpose of the changes is to modify the ICE Clear Europe Collateral and Haircut Policy to incorporate certain changes to the calculation of absolute collateral limits for bonds provided as Permitted Cover by Clearing Members. The changes also make certain clarifications and updates and add certain general provisions addressing overall risk appetite and risk limits.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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 revising its Collateral and Haircut Policy (the “Collateral and Haircut Policy”) to incorporate certain changes to the calculation of absolute collateral limits for bonds provided as Permitted Cover by Clearing Members and certain other revisions as described below. The amendments do not involve any changes to the ICE Clear Europe Clearing Rules or Procedures.

The Collateral and Haircut Policy establishes a maximum amount of bonds from an individual issuer that ICE Clear Europe will accept from a Member Group (an “Absolute Limit”). The Absolute Limit is designed to take into account the trading liquidity of the bond, and accordingly the ability of ICE Clear Europe to liquidate the collateral when required. Currently, the underlying data used in the calculation of the Absolute Limit is based on the bi-annual International Capital Market Associate repo survey of market participants (the “ICMA Data”), as a proxy for secondary market trading activity. Under the revised Collateral and Haircut Policy, the Absolute Limit will be determined using actual secondary market trading volume data provided by ICE Data Services (the “IDS Data”). The IDS Data is compiled from a wide range of market data sources for transactions in government and corporate bonds. In certain circumstances where official trading volume data is published from a primary source, such as a

governmental or central bank, such data will be used in lieu of the IDS Data. (For example, for bonds issued by Canada and Japan, ICE Clear Europe will utilize data provided by the Bank of Canada and the Japan Securities Dealers Association, respectively, instead of IDS Data.) In either case, the Absolute Limit for each bond issuer and collateral type will be 10% of the average daily volume over the past three months, rounded to the nearest million. ICE Clear Europe believes that the revised approach will provide a more direct and accurate estimation of liquidity than under the current approach, which will facilitate calculation of conservative and appropriate absolute concentration limits.

The revisions also provide that in order to capture price volatility information on a conservative basis, the haircut calculation methodology, which incorporates a historical VaR model, among other factors, will use a two-sided VaR estimation based on the largest absolute returns.

The Collateral and Haircut Policy has also been amended to more clearly take into account the existence of ICE Clear Europe's approximately US\$1 billion in committed repo facilities. As under the existing policy, in certain circumstances the Clearing House may permit a Clearing Member to maintain a collateral bond position in excess of normal absolute limits, in reliance on the Clearing House's ability to obtain cash for any excess securities using the committed repo facility. The amendments clarify that the repo facilities are available at any time there is an intra-day liquidity need, and are not limited to use in case of Clearing Member default.

The amendments also note certain particular scenarios in which the clearing risk department may, consistent with the current policy, consider other qualitative and

quantitative factors in setting prudent haircuts. These include the need to clean the bond price input data to remove spurious effects caused by changes in the different underlying bonds used to build bond price time-series. In this regard, the time series of bond price data in some instances may be spliced together from bonds with the same maturities but certain differences in other terms. These differences may cause the bonds to trade at different price levels, which could introduce spurious price spikes into the time series. To avoid an effect on the calculated haircut levels, ICE Clear Europe removes such spurious price spikes from the time series. The policy also notes that the clearing house may also need to consider the impact of unexpected currency de-pegging events on the calculation of cross-currency FX haircuts (such as the Swiss franc de-pegging from the Euro in January 2015, which caused unexpected sharp movements in the underlying exchange rate), as such events may not be fully captured by the quantitative approach in the Collateral and Haircut Policy.

In addition, the Collateral and Haircut Policy has been revised to add certain general provisions, consistent with the approach taken in other ICE Clear Europe policies, addressing overall risk appetite and risk limits in the context of the purposes of the Collateral and Haircut Policy. Certain references in the policy to internal ICE Clear Europe personnel, departments and committees have been updated. The amendments also provide further detail as to the process for annual independent validation and governance oversight of relevant models used to support the Collateral and Haircut Policy. The policy owner, with the support of risk department personnel, will be responsible for the continuous review and reporting of the risk profile of the policy. The policy will be reviewed at least annually by the CDS and F&O Risk Committees and

approved by the Board. Any material changes to the policy must be discussed with the Executive Risk Committee, reviewed by the CDS and F&O Risk Committees and the Board Risk Committee and approved by the Board. A “red-amber-green” escalation process has also been implemented to handle identified risks or situations as they arise.

(b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act³ and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22,⁴ and in particular are consistent with the prompt and accurate clearance of and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts and transactions, the safeguarding of securities and funds in the custody or control of ICE Clear Europe or for which it is responsible and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.⁵ The amendments are intended, among other matters, to adopt a more robust and direct method for obtaining relevant bond trading volume data that is used to determine concentration limits and to clarify certain other matters relating to calculation of haircuts and limits. The amendments also enhance the governance process around the Collateral and Haircut Policy. In ICE Clear Europe’s view, the amendments will help ICE Clear Europe more clearly determine the liquidity of relevant bonds, which in turn will facilitate establishment of accurate concentration limits. As a result, ICE Clear Europe believes the amendments are consistent with the requirements of

³ 15 U.S.C. 78q-1.

⁴ 17 CFR 240.17Ad-22.

⁵ 15 U.S.C. 78q-1(b)(3)(F).

Section 17A(b)(3)(F)⁶ of the Act. In addition, for the foregoing reasons, the amendments will facilitate setting and enforcing appropriately conservative haircuts and concentration limits, and provide for a review of the sufficiency of such haircuts and limits not less than annually, within the meaning of Rule 17Ad-22(e)(5).⁷

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

ICE Clear Europe does not believe the proposed changes to the rules would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. ICE Clear Europe is adopting the amendments to the Collateral and Haircut Policy in order to enhance the calculations of concentration limits and haircuts and make certain other governance and related enhancements to the Collateral and Haircut Policy. The amendments will apply to all Clearing Members and products. ICE Clear Europe does not believe the amendments would materially affect the cost of clearing, adversely affect access to clearing in these products for Clearing Members or their customers, or otherwise adversely affect competition in clearing services. Although the amendments may change the haircuts or concentration limits for particular bonds, which may affect the costs and benefits of using those bonds as collateral, ICE Clear Europe believe that such changes are appropriate in light of the risk management enhancements provided by the revised policy. As a result, ICE Clear Europe believes that any impact or burden on competition from such amendments would be appropriate in furtherance of the purpose of the Act.

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

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 240.17Ad-22(e)(5).

Written comments relating to the proposed changes to the rules 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-2017-011 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-2017-011. 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, N.E., Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will 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/notices/Notices.shtml?regulatoryFilings>.

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-2017-011 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.⁸

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Assistant Secretary

⁸ 17 CFR 200.30-3(a)(12).