

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72421; File No. SR-ICEEU-2014-07)

June 18, 2014

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change Related to List of Permitted Cover

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 June 5, 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 primarily prepared 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

The principal purpose of the change is to limit the use of non-USD collateral for original margin requirements by FCM/BD Clearing Members in connection with customer transactions in the F&O product category.

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 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

The purpose of the rule change is to limit the use of non-USD collateral for original margin requirements by FCM/BD Clearing Members in connection with customer transactions in the F&O product category, in order to address certain U.S. and E.U. regulatory requirements. Specifically, following implementation of this change, ICE Clear Europe will no longer accept cash or non-cash collateral denominated in currencies other than U.S. dollars to meet original margin requirements for the DCM Customer Account of FCM/BD Clearing Members (also known as the "W" account or "Section 4d(a) account"), which is subject to the segregation requirements of Section 4d(a) and (b) of the Commodity Exchange Act and the Commodity Futures Trading Commission's regulations thereunder.

In addition, in connection with this change, FCM/BD Clearing Members will be required to withdraw non-USD variation margin balances credited to the Section 4d(a) account on a daily basis and cannot use such balances to cover original margin requirements in that account. (On U.S. holidays, margin calls in respect of the Section

4d(a) account will be made in a non-USD currency, but non-USD cash balances must be replaced with USD cash or assets on the following business day.) Various operational changes are required to be made to implement these requirements.

FCM/BD Clearing Members may continue to use eligible non-USD cash and assets to cover proprietary account margin requirements and margin requirements relating to the Non-DCM/Swap Customer Account (also known as the customer secured account or “Rule 30.7” account). The changes described herein will not apply to Clearing Members other than FCM/BD Clearing Members.

ICE Clear Europe proposes to implement the changes on June 10, 2014, subject to completion of regulatory approvals.

ICE Clear Europe is adopting these changes in order to comply with a combination of requirements under the Commodity Exchange Act and rules thereunder and E.U. regulatory requirements which, when implemented, will make it impractical for ICE Clear Europe to hold and invest non-USD original margin balances in the Section 4d(a) account.

ICE Clear Europe believes that the changes described herein are 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 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

⁵ 15 U.S.C. 78q-1.

⁶ 17 CFR 240.17Ad-22.

responsible and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.⁷ ICE Clear Europe believes that limiting original margin for the Section 4d(a) account to USD denominated assets will not adversely affect ICE Clear Europe's financial resources to support clearing of contracts in such account. In particular, ICE Clear Europe is not changing its margin methodology in respect of such account, and does not believe that the change in permitted original margin currency will affect the overall value of its financial resources. ICE Clear Europe is also not changing the size or composition of its F&O Guaranty Fund.

Similarly, ICE Clear Europe does not believe that the change in permitted original margin currency for the Section 4d(a) account will adversely affect its ability to manage the risks of positions in that account. ICE Clear Europe is not altering its risk management policies in connection with this change, and believes that it will be able to manage any incremental currency risk that may arise as a result of the margin change in accordance with its existing risk management policies.

For the reasons noted above, ICE Clear Europe believes that the proposed rule changes are consistent with the requirements of Section 17A of the Act and regulations thereunder applicable to it.

B. Self-Regulatory Organization'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 Act. ICE Clear Europe recognizes that the change may impose costs on certain FCM/BD Clearing Members, or their customers, that were previously

⁷ 15 U.S.C. 78q-1(b)(3)(F).

providing original margin for the Section 4d(a) account in the form of non-USD assets and will now have to provide USD-denominated assets. However, in light of the amounts involved, ICE Clear Europe does not believe the change will significantly burden clearing members or their customers, and further believes that the change is appropriate in light of the regulatory constraints on holding and investment of non-USD original margin for such account discussed above.

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 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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)⁸ of the Act and Rule 19b-4(f)(4)(ii)⁹ 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. At any time within 60 days of the filing of the proposed

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(4)(ii).

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.

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-2014-07 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-2014-07. 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 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/notices/Notices.shtml?regulatoryFilings>.

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-2014-07 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.¹⁰

Kevin M. O'Neill
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).