

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-79375; File No. SR-ICEEU-2016-013)

November 22, 2016

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Finance Procedures

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 9, 2016, 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. ICE Clear Europe filed the proposed rule changes pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(i) and (ii)<sup>4</sup> 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 changes is to modify certain aspects of the ICE Clear Europe Finance Procedures.

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

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(i) and (ii).

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

(a) Purpose

The purpose of the amendments is to modify certain aspects of the ICE Clear Europe Finance Procedures. In paragraph 2.1 of the Finance Procedures, amendments are made to add South African rand ("ZAR") as a currency eligible for Variation Margin and settlement payments for financials and softs contracts which settle in such currency. Other conforming changes have been made in the Finance Procedures (including in paragraph 4) to reflect the addition of ZAR as an eligible currency for such purposes. As with the other currencies currently eligible to be used as Variation Margin and settlement payments for financials and softs contracts, ZAR will be subject to haircuts determine [sic] pursuant to the [sic] Finance Procedures and existing ICE Clear Europe haircut policies. [sic] A typographical error and erroneous cross-reference have also been corrected in paragraph 2.2.

In paragraph 6.1(e) of the Finance Procedures, the daily deadline for a Clearing Member to provide manual cash settlement instructions for same-day USD payments has been extended from 16:00 to 16:45 (London time). ICE Clear Europe is making this change to accommodate a request of Clearing Members, and does not believe it will adversely affect the Clearing House's treasury or other operations. In paragraph 6.1(i)(vii), a change has been made to clarify that end-of-day or ad hoc payments by a Clearing Member to the Clearing House may include, in addition to other listed categories of payments, transfers of Surplus Collateral.

Amendments have been made to paragraph 8.3 of the Finance Procedures, which generally provides that the Clearing House will not recognize any value for non-cash collateral (such as securities collateral) within a specified period prior to its redemption or maturity. Under the existing rule, this period commences one business day prior to redemption or maturity. The amendments adopt a different approach for UK government bonds, for which the period will commence seven business days prior to redemption or maturity. This approach is designed to reflect limitations imposed by the relevant securities settlement system on the transfer of UK government bonds during the seven business day period prior to redemption or maturity.

In paragraph 11.3(b), which addresses procedures for transfer of non-cash permitted cover, an incorrect statement that the Clearing House does not support cross-border or inter-settlement facility settlements, bridge transactions or similar transactions has been removed. In paragraph 11.4, certain account details and matching deadlines for particular securities transfer systems would be removed from the Finance Procedures. ICE Clear Europe would instead publish such information (as updated from time to time) on its website. This change would avoid the need to amend the Finance Procedures to reflect future changes in operational settlement details.

Paragraph 13.9 has been revised to remove an erroneous reference to a letter of credit.

(b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act<sup>5</sup> and the regulations thereunder applicable to

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<sup>5</sup> 15 U.S.C. 78q-1.

it, including the standards under Rule 17Ad-22,<sup>6</sup> 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 responsible and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>7</sup> The amendments are intended to update and clarify certain provisions of the Finance Procedures relevant to settlement payments and use of non-cash permitted cover. As discussed above, the amendments address the acceptance of ZAR for variation margin and settlement payments for certain financials and softs contracts. The amendments also modify the treatment of UK government bonds for valuation purposes to reflect certain restrictions on transfer of such bonds in the period immediately prior to redemption or settlement. In ICE Clear Europe's view, the amendments will generally enhance the procedures for settlement of cash and non-cash permitted cover, and thus promote the prompt and accurate clearance and settlement of cleared contracts. As a result, ICE Clear Europe believes the amendments are consistent with the requirements of Section 17A of the Act and the regulations thereunder.

(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 purpose of the Act. ICE Clear Europe is adopting the amendments to the Finance Procedures in order to clarify certain aspects of the settlement of cash and non-cash permitted cover for cleared contracts. . [sic] ICE Clear Europe does not

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<sup>6</sup> 17 C.F.R. § 240.17Ad-22. [sic]

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

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. The changes will apply to all Clearing Members. Although certain changes may affect the cost of using UK government bonds as collateral (during the period immediately prior to redemption or maturity of such collateral), those changes are, in ICE Clear Europe's view, necessary and appropriate to reflect limitations on transfer of such bonds in such period. 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) 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)<sup>8</sup> of the Act and Rule 19b-4(f)(4)(i) and (ii)<sup>9</sup> thereunder. Certain aspects of the amendments effect 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

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(4).

any rights or obligations of the clearing agency with respect to securities clearing or persons using such securities-clearing service. Other aspects of the amendments 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 its clearing service. 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.

#### 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-2016-013 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-2016-013. 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#rule-filings>.

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-2016-013 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>10</sup>

Robert W. Errett  
Deputy Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).