SECURITIES AND EXCHANGE COMMISSION

October 2, 2018

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to F&O Risk 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 September 18, 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 primarily by ICE Clear Europe. ICE Clear Europe filed the proposed rule changes pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(4)(ii) thereunder,⁴ so that the proposal was immediately effective upon filing with the Commission. 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 Limited (“ICE Clear Europe” or the “Clearing House”) proposes to adopt a new F&O Risk Policy and related procedures to consolidate and

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replace certain existing risk policies related to F&O Contracts. The revisions do not involve any changes to the ICE Clear Europe Clearing Rules or Procedures.  

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 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


The F&O Risk Policy and F&O Risk Procedures collectively are intended to restate and reorganize the Consolidated Policies, without making substantive changes to the current risk management practices and procedures set out in the Consolidated Policies used by the Clearing House with respect to F&O Contracts. ICE Clear Europe believes  

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5 Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules (the “Rules”).
that the new policy and procedures will create a simpler and more consistent
documentation structure for its F&O risk management practices and procedures.

The F&O Risk Policy outlines the Clearing House approach to the following risk
management matters for F&O Contracts:

- core initial margin calculation and the key components of the margin model for
  F&O Contracts
- margin period of risk
- procyclicality considerations
- additional initial margin for various circumstances, including concentration risk,
  specific wrong way risk, stress margin, shortfall margin, intraday buffer margin
  and capital to margin ratio
- additional discretionary initial margin
- margin call and collection procedures
- intraday risk monitoring, including intraday margin calls\(^6\)
- monitoring of IM parameters and margin performance
- backtesting of margin requirements
- stress testing of margin requirements
- sizing and review of the F&O guaranty fund\(^7\)
- policy governance and exception handling.

The F&O Risk Procedures set out further detail concerning the implementation of
these risk management principles, including further details on the operation of F&O
initial margin and F&O Guaranty Fund models, consistent with the current approach

\(^6\) ICE Clear Europe has separately filed certain proposed rule changes
relating to intraday margin with respect to certain F&O contracts. See SR-
ICEEU-2018-012.

\(^7\) The F&O Risk Policy and F&O Risk Procedures do not replace the
separate F&O Guaranty Fund Policy.
taken by the Clearing House. As with the existing Consolidated Policies, certain additional procedure or methodological aspects of risk management arrangement are set out in existing margin model and other model documentation, which are not changed by these amendments.

(b) **Statutory Basis**

ICE Clear Europe believes that the proposed amendments are consistent with the requirements of Section 17A of the Act\(^8\) and the regulations thereunder applicable to it. In particular, Section 17A(b)(3)(F) of the Act\(^9\) requires, among other things, that the rules of a 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, 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 the public interest. The amendments are restating, in a clearer and more concise form, the Clearing House’s risk management policies with respect to F&O Contracts, including with respect to calculation of initial margin and the F&O Guaranty Fund, and related procedures for stress testing and backtesting. The revised policy does not substantively change the current risk management practices and procedures of the Clearing House. In ICE Clear Europe’s view, the amendments are therefore consistent with the prompt and accurate clearance and settlement of F&O Contracts, consistent with the current operations of the Clearing House, should not affect the safeguarding of funds and securities in the custody or control of the Clearing House or for which it is


responsible, and are generally consistent with the public interest and the protection of investors, consistent with the current operations of the Clearing House. Accordingly, the amendments satisfy the requirements of Section 17A(b)(3)(F).\textsuperscript{10}

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

ICE Clear Europe does not believe the proposed amendments would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The amendments are being adopted to consolidate and restate the Clearing House’s existing risk policies and procedures with respect to F&O Contracts. The amendments do not substantively change the Clearing House’s risk policies and procedures, and accordingly should not affect the rights or obligations of F&O Clearing Members. As a result, ICE Clear Europe does not believe the amendments will affect the cost of clearing for F&O Clearing Members or other market participants, the market for cleared services generally or access to clearing by F&O Clearing Members or other market participants, or otherwise affect competition among F&O Clearing Members or market participants.

(C) Clearing Agency’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 by ICE Clear Europe. ICE Clear Europe will notify the Commission of any written comments received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. 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. Please include File Number SR-ICEEU-2018-013 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-2018-013. 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 Section, 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#rule-filings.
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-2018-013 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.\textsuperscript{11}

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Eduardo A. Aleman \\
Assistant Secretary
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\textsuperscript{11} 17 CFR 200.30-3(a)(12).