

SECURITIES AND EXCHANGE COMMISSION

Release No. 34-85247; File No. SR-ICEEU-2019-004

March 5, 2019

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the Clearing Rules (the “Rules”).

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 February 22, 2019, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule changes described in Items I and II below, which Items have been prepared by ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) 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 proposes to make certain amendments to its Rules to address certain requirements under the European Union General Data Protection Regulation

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)(6).

("GDPR")⁵ in the event that the United Kingdom ("UK") ceases to be a European Union ("EU") member state, which is currently scheduled to occur on March 29, 2019, in circumstances where: (i) no withdrawal agreement has been agreed between the UK and the EU27 which stipulates that EU data protection law, among other laws, shall continue to apply in the UK (a "withdrawal agreement"); and (ii) the UK's data protection laws have not been found to provide for an adequate level of protection for the personal data of individuals in the EU pursuant to a decision made by the European Commission under Article 45 of the GDPR (an "adequacy decision").

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 purpose of the proposed changes is to amend the Rules⁶ to address certain requirements under the GDPR relating to personal data in the context of Clearing House

⁵ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

⁶ Capitalized terms used but not defined herein have the meanings specified in the Rules.

activity that will apply upon the UK ceasing to be an EU member state, in circumstances where: (i) no withdrawal agreement has been agreed between the UK and the EU27; and (ii) the UK has not been the subject of an adequacy decision, such that the UK thereby becomes a third country under the GDPR.

ICE Clear Europe Rules relating to personal data protection were amended in 2018 to reflect certain requirements of the GDPR as it applied to ICE Clear Europe.⁷ Rule 106 currently requires, among other provisions, that Clearing Members ensure that personal data transfers to ICEU are lawful.

If the UK ceases to be an EU member state without a withdrawal agreement being agreed and in the absence of adequacy decision, the UK would be a ‘third country’ for GDPR purposes. In that case, in certain circumstances, it may be necessary or advisable to take certain additional steps to avoid a greater risk that transfers of personal data from EU27-based Clearing Members to ICE Clear Europe violate the GDPR. Specifically, if an EU27-based Clearing Member has not already put in place safeguards called for by the GDPR with respect to transfer of personal data from that member to ICE Clear Europe, that Clearing Member could violate the GDPR if it continued to transfer personal data to ICE Clear Europe. Thus, in the case of a UK exit without a withdrawal agreement or adequacy decision, without any change to the Rules, Clearing Members could violate the GDPR as well as Rule 106, which requires, among other provisions, that Clearing Members ensure that personal data transfers to ICE Clear Europe are lawful.

In light of this change in circumstances, although the principles of Rule 106 continue to be relevant, ICE Clear Europe considers that it would be prudent to put in

⁷ Exchange Act Release No. 34-83311 (SR-ICEEU-2018-007) (May 23, 2018), 83 Fed. Reg. 24834 (May 30, 2018).

place additional safeguards with respect to transfers of personal data from EU27-based Clearing Members to ICE Clear Europe such that it can be certain that such transfers are subject to appropriate safeguards within the meaning of the GDPR and therefore comply with the GDPR and Rule 106. As such, ICE Clear Europe proposes to amend its Rules to incorporate standard data protection clauses pursuant to Article 46(2) of the GDPR in the form of the Set II Standard Contractual Clauses published by the European Commission for the transfer of personal data from the EU to third countries⁸ (the “Standard Contractual Clauses”) into Rule 106 and a new Exhibit 5.

The proposed amendments in new Rule 106(f) would by their terms apply only if ICE Clear Europe is established in a jurisdiction which the European Commission has not found to offer an adequate level of protection for personal data under the GDPR, in other words, in a scenario where no withdrawal agreement has been agreed and there has been no adequacy decision by the European Commission in respect of the UK.⁹ It is noted that if no withdrawal agreement is agreed at the time of the UK’s departure from the EU, it cannot be assumed that an adequacy decision would automatically be granted.

The amendments would require that the Clearing House and each Clearing Member subject to Chapter V of the GDPR which transfers Personal Data to the Clearing House (an “Exporting Member”) agree to comply with the Standard Contractual Clauses. Revised Rule 106 specifically provides for the positions of the Clearing Member and the Clearing House under the Standard Contractual Clauses (as data exporter and data

⁸ SET II Standard contractual clauses for the transfer of personal data from the Community to third countries (controller to controller transfers), European Commission Decision C(2004)5721.

⁹ ICE Clear Europe believes that this scenario will, if it occurs, be readily apparent to market participants based on public actions of relevant authorities.

importer, respectively). The amendments also provide for the Standard Contractual Clauses to take precedence over other Rules and the Clearing Membership Agreement on Personal Data processing matters. The amendments would define the terms "Data Subject", "Process" (and derivations thereof), "Personal Data", "Controller" and "Supervisory Authority" to have the meaning given to such terms in the GDPR for purposes of Rule 106. Rule 106(d) (which defined such terms, as well as certain other terms that are not used in the Rule) has been deleted and reserved as unnecessary.

The proposed amendments would add a new Exhibit 5 to the Rules, which reproduces the Standard Contractual Clauses. The Standard Contractual Clauses are in the form prescribed by the EU and have not been amended (except for Annex B which is intended to be tailored to the processing of personal data carried out by that specific data controller). The Standard Contractual Clauses define the terms “personal data”, “special categories of data/sensitive data”, “process/processing”, “controller”, “processor”, “data subject” and “supervisory authority/authority”, consistent with regulatory requirements. The term “data exporter” is defined as the controller who transfers the personal data and the term “data importer” is defined as the controller who agrees to receive from the data exporter personal data for further processing in accordance with the Standard Contractual Clauses and is not subject to a third country’s system ensuring adequate protection.

The Standard Contractual Clauses set out the obligations of the data exporter and data importer, which generally relate to legal compliance, having in place processes to protect personal data and respond to enquiries, having necessary legal authority to fulfill the obligations, having sufficient financial resources to fulfill responsibilities relating to liability for damages, and agreeing to limitations on personal data transfer and

processing. Each party commits to being liable to the other for damages caused by breach of the Standard Contractual Clauses and to giving a data subject the right to enforce as a third party beneficiary many of the Standard Contractual Clauses. The Standard Contractual Clauses also set out how disputes with data subjects or authorities would be resolved.

The Standard Contractual Clauses permit the data exporter to temporarily suspend transfers of personal data to the data importer if the importer has breached its obligations, until the breach is repaired, and further set out the conditions under which either party may terminate the Standard Contractual Clauses and when the authority must be informed.

Proposed Annex A to Exhibit 5 to the Rules would set out certain data processing principles which relate to purpose limitation of personal data processing; data quality and proportionality; transparency; security and confidentiality; rights of access, rectification, deletion and objection; imposition of additional measures for sensitive data; permitting an opt-out with respect to data use in marketing; and limiting use of automated decisions relating to data subjects based on personal data.

Proposed Annex B to Exhibit 5 to the Rules sets out the description of the Data Subjects, recipients of Personal Data, purpose of the transfer(s) and categories of Personal Data transferred by the Exporting Member, for purposes of Rule 106.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments are consistent with the requirements of Section 17A of the Act¹⁰ and the regulations thereunder applicable to it,

¹⁰ 15 U.S.C. 78q-1.

including the standards under Rule 17Ad-22.¹¹ In particular, Section 17A(b)(3)(F) of the Act¹² 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 clarify certain rights and obligations of the Clearing House and Clearing Members with respect to personal data obtained in connection with clearing activity in light of legal considerations under the GDPR that may apply to Clearing Members and ICE Clear Europe upon the UK departure from the EU if there is no withdrawal agreement and the EU has not issued an adequacy decision. EU-27 based Clearing Members must in practice export personal data to ICE Clear Europe in order to clear transactions at ICE Clear Europe. The proposed Rule changes will facilitate the continued transfer of personal data for that purpose in the scenario described above and avoid increased risk of violations of GDPR requirements in connection with such transfers. The changes will thus facilitate continued clearing by EU-27 Clearing Members in compliance with applicable law and promote the prompt and accurate clearance and settlement of transactions by such persons. As such, the amendments are consistent with the protection of investors and the public interest. (ICE Clear Europe does not believe the amendments will have any effect on the safeguarding of securities and funds in the custody or control of the Clearing House or for which it is responsible.)

¹¹ 17 CFR 240.17Ad-22.

¹² 15 U.S.C. 78q-1(b)(3)(F).

Moreover, the amendments are consistent with Rule 17Ad-22(e)(1)¹³, which requires that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions. As discussed herein, the amendments are designed to facilitate continued compliance by ICE Clear Europe and its Clearing Members with requirements of GDPR that will apply upon the UK ceasing to be an EU member state if there is no withdrawal agreement and the EU has not issued an adequacy decision. EU based Clearing Members must export personal data to ICE Clear Europe in order to clear transactions at ICE Clear Europe, and this Rule change will facilitate those Clearing Members' continued ability to export the data without violating GDPR should UK depart the EU without a withdrawal agreement and without an adequacy decision. The amendments thereby facilitate continued clearing for EU-based persons in accordance with EU regulations relating to data protection. ICE Clear Europe does not expect that the amendments will adversely impact its ability to comply with the Act or any standards under Rule 17Ad-22.¹⁴

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

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. The amendments are considered prudent in order for ICE Clear Europe to ensure that there will be no interruption in the receipt of personal data from its EU27-based Clearing Members (or increased risk to such Clearing Members in

¹³ 17 CFR 240.17Ad-22(e)(1).

¹⁴ 17 CFR 240.17Ad-22.

the provision of such data). ICE Clear Europe does not believe the amendments will in themselves materially affect the cost of, or access to, clearing as they are generally consistent with GDPR requirements with which entities based in the EU must already comply. To the extent the amendments impose certain additional costs on Clearing Members and Sponsored Principals through the specific requirements of the Standard Contractual Clauses that may differ from current practices, these result from the requirements imposed by the GDPR, and are generally applicable to Clearing Members and Sponsored Principals throughout the European Union. (In addition, Clearing Members and Sponsored Principals are already required under the Rules to ensure that their transmission of data is lawful, and the amendments are therefore not expected to impose significant additional burdens.) As a result, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

(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 comments received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that ICE Clear Europe has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission,¹⁵ the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁶ and Rule 19b-4(f)(6)¹⁷ thereunder.

The Commission believes that the proposed rule change would clarify certain rights and obligations of the Clearing House and EU27-based Clearing Members under the GDPR regarding personal data transferred in connection with clearing activity where the UK withdraws from the EU without a withdrawal agreement and the EU has not issued an adequacy decision for the UK. As such, the Commission believes that the proposed rule change would have no effect on (i) the safeguarding of funds or securities in the custody or control of ICE Clear Europe or for which it is responsible; (ii) the terms of cleared contracts; (iii) or the financial resources of ICE Clear Europe. Moreover, the Commission notes that the proposed rule change would be limited to adding to the Rules the standard provisions already applicable under the GDPR. Thus, EU27-based Clearing

¹⁵ ICE Clear Europe has satisfied this requirement.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

Members would already be subject to these requirements, and, as such, the Commission does not believe that the proposed rule change would impose any new requirements on EU27-based Clearing Members. Accordingly, the Commission does not believe that the proposed rule change would significantly affect the rights or obligations of ICE Clear Europe, Clearing Members, or other persons using the clearing service. For these reasons, the Commission believes that the proposed rule change would not significantly affect the protection of investors or the public interest.

Moreover, because the Commission believes that the proposed rule change would be limited to adding to the Rules the standard provisions under the GDPR already applicable to EU27-based Clearing Members, the Commission does not believe that the proposed rule change would impose any significant burdens on EU27-based Clearing Members. The Commission acknowledges that the proposed rule change could impose additional costs on EU27-based Clearing Members if the Standard Contractual Clauses differ from their current practices, but the Commission believes these costs would be the result of the requirements imposed by the GDPR, not the proposed rule change. Moreover, as noted, these requirements are already applicable to all EU27-based Clearing Members, and thus, EU27-based Clearing Members should already comply with these requirements. For these reasons, the Commission believes that the proposed rule change would not impose any significant burden on competition.

A proposed rule change filed under Rule 19b-4(f)(6)¹⁸ normally would not become operative prior to 30 days after the date of its filing. Pursuant to Rule 19b-

¹⁸ 17 CFR 240.19b-4(f)(6).

4(f)(6)(iii),¹⁹ however, the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. ICE Clear Europe has requested that the Commission waive the five-day pre-filing requirement and the 30-day operative delay so that ICE Clear Europe may implement the proposed rule change prior to the UK's departure from the EU, which is currently scheduled to occur on March 29, 2019. ICE Clear Europe believes that doing so would facilitate Clearing Members' continued compliance with the GDPR requirements which would apply upon the UK's withdrawal from the EU. Moreover, ICE Clear Europe represents that because the proposed rule change would only apply upon the UK's withdrawal without a withdrawal agreement or adequacy decision, the proposed rule change would not have any effect sooner than the UK's departure from the EU (March 29, 2019), regardless of the 30-day operative delay. ICE Clear Europe does not believe that a further operative delay would be necessary in light of this fact, and further represents that any operative delay would be inconsistent with market expectations in light of the date upon which the UK is scheduled to withdraw from the EU and could impair clearing by EU27-based clearing members after the UK's withdrawal. As a result, in ICE Clear Europe's view, immediate effectiveness would be consistent with the protection of investors and the public interest.

The Commission believes that delaying the operation of the proposed rule change would serve no purpose in light of the fact that the proposed rule change, by its terms, would not be effective prior to March 29, 2019. Moreover, the Commission believes, as represented by ICE Clear Europe, that any delay in the operation of the proposed rule change would be inconsistent with market expectations and could hinder preparations for

¹⁹ 17 CFR 240.19b-4(f)(6)(iii).

the UK's withdrawal from the EU by delaying the operation of the proposed rule change until shortly before the scheduled withdrawal date. Further, the Commission believes, as discussed above, the proposed rule change would not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; or (iii) affect the safeguarding of funds or securities in the custody or control of ICE Clear Europe or for which it is responsible. Rather, the Commission believes the proposed rule change would allow EU27-based Clearing Members to continue clearing at ICE Clear Europe after the UK's withdrawal from the EU. Thus, the Commission believes that waiving the 30-day operative delay would not (i) significantly affect the protection of investors or the public interest or (ii) impose any significant burden on competition. The Commission further believes that waiving the 30-day operative delay would provide certainty to ICE Clear Europe and EU27-based Clearing Members regarding the application of the GDPR after the UK's withdrawal from the EU. Therefore, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest and designates the proposed rule change as operative upon filing.²⁰

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If

²⁰ For these same reasons, the Commission waives the five-day pre-filing requirement. Moreover, for purposes only of waiving the five-day pre-filing requirement and the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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-2019-004 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-2019-004. 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/clear-europe/regulation>. 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-2019-004 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.²¹

Eduardo A. Aleman
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).