SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change, Securities-Based Swap Submission, or Advance Proposed Rule Change, Security-Clear Credit LLC; Notice of Filing of 2017–011

July 12, 2017.

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 28, 2017, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. 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 proposed rule change is to revise the ICC Liquidity Risk Management Framework and the ICC Stress Testing Framework. These revisions do not require any changes to the ICC Clearing Rules ("Rules").

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC 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. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICC proposes revisions to its Liquidity Risk Management Framework and to its Stress Testing Framework. ICC believes such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. The proposed revisions are described in detail as follows.

Liquidity Risk Management Framework

ICC proposes to revise its Liquidity Risk Management Framework in order to make revisions to its liquidity monitoring program in order to enhance compliance with U.S. Commodity Futures Trading Commission ("CFTC") regulations including 17 CFR 39.11, 17 CFR 39.33 and 17 CFR 39.36. ICC proposes to reorganize the format of the Liquidity Risk Management Framework to consist of three elements: Liquidity Risk Management Model; Measurement and Monitoring; and Governance. The "Regulatory Requirements" section, previously included as an element of the framework, will be deleted; however, the regulatory requirements applicable to liquidity risk management are still referenced in the framework. The changes to each element of the Liquidity Risk Management Framework are described below.

I. Liquidity Risk Management Model

ICC proposes to enhance the description of the components which comprise its liquidity risk management model. As revised, the liquidity risk management model now includes, but is not limited to, the following components: Currency-specific risk requirements; acceptable collateral; liquidity requirements; collateral valuation methodology; investment strategy; Clearing Participant ("CP") deposits as a liquidity pool; liquidity facilities (including committed repo facilities and committed foreign exchange ("FX") facilities); and liquidity waterfall. Each of these components are described thoroughly within the Liquidity Risk Management Framework, and changes to each component are described below.

Currency-Specific Risk Requirements

ICC proposes to add language to the ‘currency-specific risk requirements’ section to cross reference ICC’s current policy of maintaining cash and collateral assets posted by CPs (on behalf of themselves and/or their clients) to meet currency-specific Initial Margin (“IM”) and GF requirements, to ensure ICC has sufficient total resources in the required currencies of denomination.

Acceptable Collateral

The ‘acceptable collateral’ section remains the same, and notes that CPs may post IM and GF deposits that meet ICC’s acceptable collateral criteria as described in ICC’s Treasury Operations Policies and Procedures and Schedule 401 of the ICC Rules.

Liquidity Requirements

The ‘liquidity requirements’ section sets forth ICC’s liquidity requirements for house/proprietary accounts and client-related accounts. Such requirements are also set forth in ICC’s Treasury Operations Policies and Procedures and Schedule 401 of the ICC Rules. The ‘liquidity requirements’ section will reflect the changes to ICC’s minimum U.S. Dollar ("USD") contribution to the Guaranty Fund ("GF") of $20 million required from every CP. This is not a change, but rather a statement of current policy.4 ICC revised the ‘liquidity requirements’ section to cross reference ICC’s minimum U.S. Dollar ("EUR") denominated products set forth in filing SR–ICC–2017–002.5 ICC revised the ‘liquidity requirements’ section to cross reference ICC’s minimum U.S. Dollar ("EUR") denominated products set forth in filing SR–ICC–2017–002.6 ICC revised the ‘liquidity requirements’ section to cross reference ICC’s minimum U.S. Dollar ("EUR")

Collateral Valuation Methodology

The ‘collateral valuation methodology’ section remains substantially the same, and sets forth the method by which ICC prices the

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assets posted as collateral, including haircut calculations.

Investment Strategy

The ‘investment strategy section’ remains substantially the same, and sets forth a summary of ICC’s investment strategy. ICC proposes revisions to the ‘investment strategy’ section to note that when beneficial, ICC diversifies its cash investments across multiple depository institutions to reduce its liquidity exposure to any single depository.

CP Deposits as a Liquidity Pool

The ‘CP deposits as a liquidity pool’ section remains substantially the same, and refers to the ability of ICC, pursuant to ICC Rules 402 and 804, to borrow FX and house origin IM cash deposits of non-defaulting CPs and pledge non-cash and cash assets of an equivalent value deposited by the defaulting and/or non-defaulting CP(s) as collateral for this loan.

Liquidity Facilities

ICC proposes revisions to the ‘liquidity facilities’ section to add reference to its committed repurchase facilities (as opposed to committed repurchase agreements). ICC added reference to its recently available committed FX facilities for converting USD cash to EUR cash. ICC also proposes removing reference to FX Swaps, Immediate FX Spot Transactions, because these arrangements do not count as “qualifying liquidity resources” under CFTC Regulation 39.33, as they are not committed. ICC also proposes removing reference to the Intercontinental Exchange, Inc. committed line of credit, as ICC no longer participates in the arrangement. ICC’s liquidity is not negatively impacted by the proposed changes, as the committed repo facilities and committed FX facilities (coupled with ICC cash and collateral deposits) ensure ICC remains fully able to timely and effectively contain liquidity pressures consistent with Rule 17Ad–22(d)(11). ICC proposes analogous changes to the ‘liquidity waterfall’ section to reflect the deletion and addition of these references.

Liquidity Waterfall

Under the ‘liquidity waterfall’ section, ICC proposes revisions to its definition of Available Liquidity Resources (“ALR”) to note that ALR consist of the available deposits currently in cash of the required denomination, and the cash equivalent of the available deposits in collateral types that ICC can convert to cash, in the required currency of denomination, using all sources of liquidity available to it. For reference, the liquidity waterfall classifies ALR on any given day into four Levels. Level One includes the House IM and GF cash deposits of the defaulting CP. Level Two includes GF cash deposits of: (i) ICC; and (ii) non-defaulting CPs, which until ICC has consumed the cash equivalent value of all defaulting CP’s IM and GF deposits, are available to ICC after pledging an equivalent value of non-cash assets (or cash assets in a different currency) from the defaulting CP’s IM deposits or GF deposits. Level Three includes House IM cash deposits of the non-defaulting CPs, which are available to ICC after pledging an equivalent value of non-cash assets (or cash assets in a different currency) from the defaulting CP’s IM deposits or GF deposits. Level Three cash used by ICC is always a loan, against which it must provide the equivalent Pledgeable Collateral from the GF deposits of the non-defaulting CPs and ICC, and/or from the IM and/or GF deposits of the defaulting CPs.

Level Four includes ICC’s committed repo facilities to convert U.S. Treasuries to USD cash and ICC’s committed FX facilities to convert USD cash to EUR cash. Note that when determining ALR for stress testing analyses purposes, to account for the risk associated with Foreign Exchange (“FX”) rate fluctuations, i.e., USD/EUR and EUR/USD, when profits and funds denominated in one currency are used to offset losses denominated in other currencies, appropriate FX “haircuts” are applied.

ICC noted that ICC’s liquidity stress testing and historical liquidity analysis scenarios do not consider any tolerance for delayed payouts. ICC also noted that, during a default management period, ICC may initiate the liquidation of non-cash collateral and/or conversion of cash collateral into the required currencies of denomination, so that ICC has additional ALR to use according to the liquidity waterfall on subsequent days of default management and/or is able to pay back some or all of the cash previously borrowed in Levels Two to Four of the liquidity waterfall.

II. Measurement and Monitoring Methodology

ICC proposes changes to the ‘methodology’ section to change the calculation for available liquidity resources. In the historical and stress testing analysis, ICC proposes replacing the estimation of minimum available liquid resources based on risk requirements with the observation of cash and collateral on deposit (excluding cash that will be unavailable by the applicable ICC Payout Deadline because it has been invested by ICC). As such, ICC proposes removing the section from the Liquidity Risk Management Framework which described the process for computing the estimation of minimum available liquid resources. In addition, ICC proposes removing other references throughout the framework related to the estimation of minimum available liquid resources. ICC is changing its approach based on feedback from the CFTC, to ensure consistency with CFTC regulations, including CFTC Regulation 39.33. Under the previous approach, ICC executed its stress test analysis by using the minimum requirement amounts based on ICC’s liquidity thresholds set forth in Schedule 401 of the ICC Rules. Under the revised approach, ICC proposes executing stress test analysis by using the amount of assets currently on deposit.

ICC also proposes additional changes to the ‘methodology’ section. Among other things, the proposed revisions will clarify that ICC’s measurement and monitoring methodology assesses the adequacy of ICC’s established liquidity resources in response to historically observed and hypothetically created (forward looking) scenarios with risk horizons up to and including 6-days. The analyzed scenarios feature assumptions that directly impact the ability of ICC to meet its payment obligations. From available IM and GF collateral on deposit on the day of the considered default(s), the analysis determines currency-specific ALR by liquidity waterfall level, and compares these ALRs to the currency-specific Liquidity Obligations resulting from the analyzed scenarios on each day of the considered time horizon. To be conservative, the analysis assumes no client-related ALR and that only the day–1 ALR are available throughout the considered time horizon (i.e., the analysis does not consider ICC’s ability during the considered time horizon to liquify non-cash collateral on deposit or transform the currency of cash on deposit).

Historical Analysis

ICC proposes changes to the ‘historical analysis’ section of the framework. ICC proposes adding language to note that, as part of its historical liquidity analysis, ICC analyzes historical data sets to assess

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1 17 CFR 39.33
3 17 CFR 39.33.
the level of liquidity coverage achieved for each currency. Under the revised framework, ICC will continue to conduct a historical liquidity analysis on both an individual AG basis and a cover-2 basis.

ICC proposes the use of the Basel Traffic Light System\(^4\) to determine if the minimum cash component of its risk requirements truly covers historically observed 1-day liquidity obligations with a 99% level of confidence. The proposed revisions are part of the ‘historical analysis’ section. ICC’s risk requirements are designed to meet at least a 99% N-day VaR equivalent level of coverage. CPs must meet their IM and GF requirements with a minimum cash component equivalent to the 1-day portion of the N-day requirement, computed using the square-root-of-time approach.\(^9\)

ICC proposes additional enhancements to the ‘historical analysis’ section to consider the simultaneous default of the two worst-case Affiliate Groups (“AGs”) of CPs, rather than the two worst-case CPs, in line with regulations, including 17 CFR 39.33(c)(1)(ii). Under the revised framework, when computing a CP’s combined house and client origin liquidity obligation for the purposes of selecting which AGs are considered to be in a state of default, ICC proposes to eliminate the application of house origin gains against client origin losses, or house origin losses against client origin gains. This analysis is designed to demonstrate to what extent the liquidity resources available to ICC were sufficient to meet historical single and multi-day cover-2 Liquidity Obligations, consistent with 17 CFR 39.33(c)(1)(ii).

ICC proposes enhancements to the ‘historical analysis’ section to note that, for each day of its historical analysis, and on a currency specific basis, the Risk Department explores predefined cover-2 scenarios considering the default of the CPs within two AGs creating the largest remaining Liquidity Obligation after applying the IM and GF cash deposits of each constituent CP to that CP’s Liquidity Obligation. ICC’s cover-2 analysis considers the liquidity resources provided by the defaulting CPs, the GF and IM liquidity resources provided by the non-defaulting CPs and ICC, and any externally available liquidity resources.

ICC proposes clarifying changes to the ‘historical analysis section’ to note that the prices considered for historical analysis purposes are “dirty” prices as they include riskless (deterministic) payments (i.e., upfront fees, coupon payments, credit event payments and interest on mark-to-market margin). ICC proposes adding explanatory language regarding its calculation of the N-day worst-case cumulative (combined house and client origin) liquidity obligations. ICC proposes removal of a measurement and monitoring framework diagram, deemed no longer relevant or necessary in light of the larger changes to the framework. Finally, ICC proposes revisions to note that ICC reports cover-2 results from the observed immediate liquidity obligation scenarios and the worst-case five-day liquidity obligation scenarios. The sufficiency of this reporting will depend on the results. ICC notes that the results should exhibit no deficiencies of the combined resources in Levels One through Four of the liquidity waterfall.

Stress Testing Analysis

ICC proposes changes to the ‘stress testing’ section of the framework. Under the previously approved framework, ICC used predefined scenarios believed to be potential market outcomes historically observed, but with a very low probability of occurrence, as well as scenarios that replicated observed instrument price changes during the Lehman Brothers default. ICC also used predefined scenarios designed to test the performance of the risk methodology under extreme conditions, which ICC did not expect the market to realize.

ICC proposes re-categorizing and adding to the stress testing scenarios set forth in the ‘stress testing’ section of the framework. Under the revised framework, ICC has enhanced its description of its historically observed extreme but plausible market scenarios, to note that the scenarios define spread or price shocks based on observations during specific historical events. The historical data set from which ICC derives the proposed scenarios will continue to begin on April 1, 2007 and include periods of extreme market events such as the Bear Stearns collapse, the Lehman Brothers default, the 2009 Credit Crisis, the US “Flash Crash” event, and the European Sovereign Crisis. The scenarios are similar to the stress testing currently performed under the financial resources Stress Testing Framework.

ICC proposes removing all scenarios not expected to be realized as market outcomes (i.e. those considered extreme and not plausible). Under the revised framework, ICC will continue to have the ability to execute liquidity analyses based on extreme but not plausible scenarios, on an ad-hoc basis. Further, ICC proposes revising the ‘stress testing’ section to add 1-day, 2-day, and N-day analogues in place of existing 5-day scenarios. Under the revised framework, each historically observed scenario will have three analogues, one representing a 1-day horizon, one representing a 2-day horizon and one representing a N-day horizon. Previously, only analogues representing a N-day horizon were considered. The addition of the 1-day analogue will demonstrate ICC’s ability to meeting its immediate payment obligations over a one-day period (e.g., intraday and same-day obligations), while the 2-day and N-day analogues will demonstrate ICC’s ability to meet its payment obligations over a multi-day period.

ICC also proposes revising the ‘stress testing’ section of the framework to add a number of hypothetically constructed (forward looking) extreme but plausible market scenarios comprised of a given historically observed extreme but plausible market scenario and additional stress enhancements representing forward looking hypothetical adverse market events. Specifically, two sets of hypothetically constructed (forward looking) extreme but plausible market scenarios are proposed: Loss-given default scenarios, and one-service-provider-down scenarios. The loss-given default scenarios consider the addition of up to three adverse credit events including the holder of the considered portfolio, one additional CP name and one additional non-CP name. The one-service-provider-down scenarios consider a reduction in ALR designed to represent ICC’s worst-case exposure to a single service provider at which it maintains cash deposits or investments, due to ICC’s potential inability to access those deposits and/or investments when required. ICC proposes that the reduction in ALR used in the one-service-provider-down scenarios is based on ICC’s analysis of the diversification of its deposits and investments across its multiple service providers.

ICC proposes revisions to the ‘stress testing’ section to further describe its and risks under the above-stated scenarios. ICC proposes revisions to consider the simultaneous default of the
two worst-case Affiliate Groups ("AGs") of CPs, rather than the two worst-case CPs, in line with regulations, including 17 CFR 39.33(c)(1)(ii). ICC will perform cover-2 analysis in which, for each scenario, it determines the two AGs creating the largest remaining Liquidity Obligation after applying the IM and GF cash deposits of each constituent CP to its own Liquidity Obligation. ICC compares the remaining Liquidity Obligation of the AG to the remaining liquidity resources to determine if there are sufficient resources to meet the obligation. ICC proposes enhancements to the 'stress testing' section to describe its cover-N analysis in which, for each scenario, it first considers the default of one AG, then the defaults of two AGs, then three AGs, and so forth. The sequence of selecting AGs is based on the remaining Liquidity Obligation associated with the constituent CP's portfolio after applying the IM and GF cash deposits of each constituent CP to its own Liquidity Obligation. AGs are sequenced from largest to smallest remaining Liquidity Obligation. For each set of AGs considered to be in a state of default (1 AG, 2 AGs, 3 AGs, etc.), ICC compares the total remaining Liquidity Obligation to the remaining liquidity resources to determine if there are sufficient resources to meet the obligation. In this way, ICC determines how many AGs it would require to be in a state of default to consume all available liquidity resources.

To determine the Liquidity Obligations in the above analysis, ICC applies the stress scenarios to actual cleared portfolios to determine a currency-specific profit/loss for each CP, representing the largest cumulative loss over the specified risk horizon. The considered profit/loss in the analysis is the sum of the upfront fee changes corresponding to the clean prices associated with the hypothetical scenarios, and excluding the riskless (deterministic) payments.

To determine ICC's liquidity needs for each scenario, the Risk Department computes Liquidity Obligations for FCM/BD CPs by combining the net payments for house and client origin accounts. For the purposes of selecting defaulting AGs, the Risk Department does not offset client origin losses with house origin gains, or offset house origin losses with client origin gains.

III. Governance

Required Analysis

The 'required analysis' section remains substantially the same. The ICC Risk Department executes stress testing daily, with weekly reporting to different audiences depending on the results. The Risk Department also executes monthly historical liquidity adequacy analyses and reviews the results monthly, with monthly reporting to different audiences depending on the results.

Interpretation of Results and Potential Actions

The 'interpretation of results and potential actions' section remains substantially the same. Depending on the scenarios and the frequency and severity of any resulting deficiencies, the Risk Department may choose to make appropriate enhancements to its model. Before enhancing its liquidity risk management model, ICC first discusses such enhancements with its senior management team, and subsequently consults with its Risk Working Group and Risk Committee before submitting to the Board of Managers for approval.

Materiality and Reporting Framework

ICC proposes changing the 'materiality and reporting framework' section to note that, at each Risk Committee meeting, the Risk Department provides a summary of historical liquidity analysis and liquidity stress testing analysis, which demonstrates the adequacy of ICC's liquidity resources to cover Liquidity Obligations over N-days. Such analyses will also include any instance where Level Three resources were required to meet Liquidity Obligations in response to any of the considered historical liquidity or liquidity stress testing scenarios.

ICC proposes revisions to the 'materiality and reporting framework' section to note that, when exceedances of funded and/or unfunded resources are identified, the Risk Department is required to report them to the senior management team and the ICC Risk Committee, and i) demonstrate breaches do not highlight a significant liquidity risk management weaknesses, or ii) recommend specific liquidity risk management model enhancements that produce an adequate increase in funded and/or unfunded liquidity resources under the identified scenario(s). In addition to the reporting described above, the Risk Department will also report to the Risk Committee any instances where the Basel Traffic Light System categorizes the number of observed exceedances in its individual AG historical analysis as being in the predefined "red zone". In these instances, the Risk Department will discuss with the Risk Committee the appropriateness of its liquidity thresholds, and if appropriate, make revisions.

Model Validation

ICC proposes revisions to the 'model validation' section to note that its Liquidity Risk Management Framework is under the purview of the Model Validation Framework, and subject to initial validations.

Stress Testing Framework

ICC proposes revisions to its Stress Testing Framework to unify the stress testing scenarios with the liquidity stress testing scenarios set forth in the Liquidity Risk Management Framework. ICC operates its stress testing and liquidity stress testing on a unified set of stress testing scenarios and system. As such, revisions to the stress testing scenarios are necessary to ensure scenario unification, following changes to the Liquidity Risk Management Framework. Such changes are consistent with recently issued guidance for certain principles and key considerations in the Committee on Payments and Market Infrastructures-Board of the International Organization of Securities Commissions Principles for Financial Market Infrastructures. The proposed revisions are described in detail as follows.

ICC proposes to introduce Risk Factor specific scenarios for all stress test scenarios. Previously, corporate single names were considered at the sector level (as opposed to the Risk Factor level). This change is reflected throughout the framework.

ICC also proposes to add clarifying language to note that the predefined stress testing scenarios set forth in its Stress Testing Framework are applied to all cleared instruments, and that name-specific scenarios are applied to all sovereign and corporate reference entities.

ICC also proposes revisions to extend ICC's margin risk horizon up to 6-days, to account for the risk associated with clearing Asia Pacific products. This change will apply throughout the framework; the risk horizon is reflected as "N-day" where N=5 is the margin risk horizon or Margin Period of Risk (MPOR). The margin risk horizon is based on the greatest MPOR (rounded

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11 An affiliated CP is defined as any other CP that owns, is owned by, or is under common ownership with such a CP. The set of all affiliated CPs is considered as a CP affiliate group. This term is consistent with "participant family" as defined in 17 CFR 240.17Ad–22(12).

up to the nearest integer) for the CDS instruments currently eligible for clearing in order to capture the risk associated with clearing products across multiple time zones (i.e., if an instrument is subject to 5.5 day MPOR estimations, then the scenarios will reflect N=6).

ICC also proposes to revise its description of the “Historically Observed Extreme but Plausible Market Scenarios” to note that the stress spread changes considered as part of each scenario are extracted from the market history of the most actively traded instrument for the considered Risk Factors.

ICC proposes to revise the “Hypothetically Constructed (Forward Looking) Extreme but Plausible Market Scenarios” to ensure consistency with the loss-given default stress scenario set forth in the Liquidity Risk Management Framework, which combines a given historically observed extreme but plausible market scenario with explicit Jump-to-Default events. The proposed revisions specify that there will be up to two reference entities selected for a hypothetical adverse credit event.

ICC proposes to revise the description of the discordant scenarios (i.e., scenarios under which selected risk factors move in opposite directions; commonly the behavior deviates from historically observed behavior) in the Stress Testing Framework, in order to reflect the introduction of Risk Factor specific scenarios. The discordant scenarios are designed to reproduce significant adverse market outcomes observed during the considered historical period. ICC creates discordant scenarios for North American corporate single names and indices; European corporate single names and indices; and sovereign reference entities.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act 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 and to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17A(b)(3)(F), because ICC believes that the proposed rule changes will promote the prompt and accurate clearance and settlement of securities transactions, derivative agreements, contracts, and transactions. ICC’s Liquidity Risk Management Framework describes ICC’s liquidity resources as well as the methodology for testing the sufficiency of these resources. The various elements set forth in the Liquidity Risk Management Framework, and described above, ensure that ICC has sufficient liquidity resources to effectively measure, monitor and manage its liquidity risk. Further, the Liquidity Risk Management Framework supports ICC’s ability to maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios. As such, the proposed rule changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F) of the Act.

Further, the changes to the Stress Testing Framework to unify the stress testing scenarios with the stress testing scenarios set forth in the Liquidity Risk Management Framework are necessary following recent changes to the Liquidity Risk Management Framework, as ICC operates its stress testing and liquidity stress testing on a unified set of stress testing scenarios and system. ICC’s stress testing practices will continue to ensure the adequacy of systemic risk protections. As such, the proposed rule changes are designed to promote the prompt and accurate clearance and settlement of securities transactions, derivative agreements, contracts, and transactions within the meaning of Section 17A(b)(3)(F) of the Act. The proposed changes will also satisfy the requirements of Rule 17Ad–22. The revised stress test scenarios set forth in the Stress Testing Framework will continue to ensure that ICC maintains sufficient financial resources to withstand a default by the Clearing Participant (“CP”) family to which it has the largest exposure in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad–22(b)(3).
SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549–2736

Extension: Rule 203–3, Form ADV–H; SEC File No. 270–481, OMB Control No. 3235–0538

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (the “Commission”) is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

The title for the collection of information is “Form ADV–H under the Investment Advisers Act of 1940.” Rule 203–3 (17 CFR 275.203–3) under the Investment Advisers Act of 1940 (15 U.S.C. 80b) requires that registered advisers requesting either a temporary or continuing hardship exemption submit the request on Form ADV–H. Rule 204–4 (17 CFR 275.204–4) under the Investment Advisers Act of 1940 requires that exempt reporting advisers requesting a temporary hardship exemption submit the request on Form ADV–H. The purpose of this collection of information is to permit advisers to obtain a hardship exemption to not complete an electronic filing. The temporary hardship exemption that is available to registered advisers under rule 203–3 and exempt reporting advisers under rule 204–4 permits these advisers to make late filings due to unforeseen computer or software problems. The continuing hardship exemption available to registered advisers under rule 203–3 permits advisers to submit all required electronic filings on hard copy for data entry by the operator of the IARD.

The Commission has estimated that compliance with the requirement to complete Form ADV–H imposes a total burden of approximately one hour for an adviser. Based on our experience, we estimate that we will receive two Form ADV–H filings annually from registered investment advisers and one Form ADV–H filing annually from exempt reporting advisers. Based on the 60 minute per respondent estimate, the Commission estimates a total annual burden of 3 hours for this collection of information.

Rule 203–3, rule 204–4, and Form ADV–H do not require recordkeeping or records retention. The collection of information requirements under the rule and form are mandatory. The information collected pursuant to the rule and Form ADV–H consists of filings with the Commission. These filings are not kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

Please direct your written comments to Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, C/O Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549; or send an email to: PRA_Mailbox@sec.gov.

Dated: July 11, 2017.

Jill M. Peterson,
Assistant Secretary.

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