

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82497; File No. SR–ICEEU–2017–017]

### Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Proposed Rule Change, Security-Based Swap Submission or Advance Notice Relating to the ICE Clear Europe Wind Down Framework and Plan (the “Wind-Down Plan” or the “Plan”), as Most Recently Amended

January 12, 2018.

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 December 29, 2017, 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 by ICE Clear Europe. 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, Security-Based Swap Submission, or Advance Notice

Consistent with its obligations under applicable laws and regulations,<sup>3</sup> ICE Clear Europe has adopted its Wind-Down Plan, which is intended to address scenarios in which the clearing house determines to wind down, in an orderly fashion, its clearing services.

#### II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission or Advance Notice

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, Security-Based Swap Submission or Advance Notice

##### (a) Purpose

Consistent with its obligations under applicable laws and regulations, ICE Clear Europe has adopted a Wind-Down Plan. A wind-down may result from situations where neither ICEU’s Recovery Plan<sup>4</sup> nor application of its loss allocation rules have succeeded in stemming default losses or non-default losses incurred by the clearing house, and as a result the clearing house cannot remain viable as a going concern. The Wind-Down Plan is also intended to address scenarios in which the clearing house, for business reasons, decides that it no longer wishes to operate as a clearing agency, and therefore may need to conduct an orderly wind-down of its business. The Wind-Down Plan is based on, and is intended to be consistent with, ICE Clear Europe’s Clearing Rules (the “Rules”)<sup>5</sup> and Procedures, as well as its existing risk management frameworks, policies and procedures.

##### Wind-Down Scenarios

The Plan addresses three particular categories of scenarios in which wind-down may occur:

1. Non-insolvency scenario: In this scenario, the ICE Clear Europe Board voluntarily decides to wind down the clearing business (for example, if it were to determine that clearing house’s business model had become unviable) (a “voluntary unwind”).

2. Insolvency scenario not linked to a member default: In this scenario, the clearing house would be wound down as a result of a severe loss unrelated to a clearing member default (a “non-default loss”) that could not be addressed through the Recovery Plan or other means that permit continued operation. Such a non-default loss could result from fraud or similar circumstances.

3. Insolvency scenario linked to a member default: In this scenario, the clearing house would be wound down as a result of losses from the default of one or more clearing members that could not be addressed through the

Recovery Plan or other means that permit continued operation, in accordance with the relevant default rules.

In relation to each of these scenarios, the Plan provides for consideration of (i) winding down the clearing service in an orderly manner to close out contracts while minimizing the impact on clearing members and markets cleared, (ii) ensuring risk continues to be effectively managed during any wind-down period, and (iii) exiting all contractual obligations (both within the ICE group and with third parties, including exchanges, payment banks, custodians, investment counterparties and service providers). It is contemplated that the clearing house would take into account input from clearing members and exchanges on their preferences in connection with any decision to wind down or as to the means of wind down. The Plan also addresses a timeline of decision-making processes and notice periods, among other matters, proposed treatment of positions of different maturities, and the interaction of cleared positions with the unwinding of treasury investments and ongoing cash management. The Plan presumes that initial and variation margin will continue to be collected and paid (by non-defaulting clearing member) normally until contracts are terminated.

The Wind-Down Plan is prepared on the basis that no resolution or similar proceeding occurs with respect to the clearing house in any jurisdiction.

##### Wind-Down Options

The Wind-Down Plan sets out a variety of options for wind-down, depending on the scenario involved. In the case of an insolvency of ICE Clear Europe as a result of non-default losses, the Plan contemplates that all open contracts will be terminated and net sums calculated to be payable to or from each clearing member for each account category, in accordance with Rules 912–918 (for the F&O product category) or Rule 209 (for the CDS product category).

For a voluntary unwind or an unwind following a clearing member default, the Wind-Down Plan contemplates that for each product category, ICE Clear Europe will either transfer clearing to another clearing house or terminate clearing. ICE Clear Europe can take different actions with respect to the two product categories, and in the event of a transfer F&O clearing need not be transferred to the same clearing house as CDS clearing. The ability to transfer clearing will depend on whether the relevant market and market participants desire, and are able, to continue trading and

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> As discussed in further detail herein, ICE Clear Europe is required to establish a wind-down plan under relevant provisions of the UK Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (SI/2001/1995) and Commission Rule 17Ad–22(e)(3)(ii), 17 CFR 240.17Ad–22(e)(3)(ii).

The Plan is also designed to be consistent with the Committee on Payments and Market Infrastructures (“CPMI”)—International Organization of Securities Commissions (“IOSCO”) Principles for Financial Market Infrastructures (“PFMIs”), including supplemental guidance from CPMI–IOSCO which includes its report on “Recovery of financial market infrastructures” published in October 2014 and revised July 2017 (the “Recovery Guidance”).

<sup>4</sup> See SR–ICEEU–2017–016, filed December 2017.

<sup>5</sup> Capitalized terms used but not defined herein have the meanings specified in the Rules.

clearing of the relevant product through another clearing house, and on whether another clearing house can be found to take the product. Following the transfer and/or termination of clearing, ICE Clear Europe will wind down the remaining aspects of its business and contractual relationships.

The Plan also addresses the timing of wind-down. Pursuant to the Rules, ICE Clear Europe must give advance notice of a proposed "Withdrawal Date" should it cease acting as a clearing house either generally or in relation to a particular exchange or class of contracts. In those circumstances such notice must be given at least four months in advance, unless any action by a regulator, delivery facility or market causes cessation to take effect within a shorter period. In other wind-down circumstances, one month's notice is required.

Any decision to wind down is expected to be considered over a period of months, will involve consultation with members, potential alternative clearing houses, exchange and regulators, and will need approval by the ICE Clear Europe Board. The Plan contemplates that a specific execution plan will be developed for any wind-down, based on the relevant situation.

#### Types of Execution Plans

##### 1. Transfer of F&O Clearing

Under this approach, an existing alternative clearing house with similar platform and capabilities (risk, operations and treasury) to that of ICE Clear Europe will agree to have ICE Clear Europe's F&O markets clearing transferred to it. The alternative clearing house will add any needed additional members and contracts to its platform, and having tested these additions, will have open positions and margin funds transferred to it on a specified date.

The Plan takes into account that for ICE Clear Europe F&O contracts that are not currently cleared on the recipient clearing house's platform, the necessary clearing capability will be built and tested prior to transfer. Positions for which transfer cannot be arranged in this way could be terminated. The Plan outlines certain conditions that will be necessary for any transfer to occur. The Plan also outlines key steps would need to be taken, including communication with stakeholders (including members, regulators and exchanges), negotiation with the alternative clearing house, making strategic determinations as to what systems are to be transferred as between the exchange and clearing house, notices and required approvals, novation arrangements for positions

being moved, building and testing of new systems, listing of new contracts at the recipient clearing house, transfer of position data, novating contracts, and transfer of available margin funds, among other steps, as applicable. This process is anticipated to take no more than six months based on experience with other clearing transfers.

##### 2. Termination of F&O Clearing

Under this approach, ICE Clear Europe will terminate the clearing of contracts on a specified date, expected to be five months after notice is provided. Prior to that date, clearing members may unwind their contracts through market transactions, and trading and clearing would be expected to continue during the period. ICE Clear Europe will monitor positions regularly to ensure credit risk is not increasing. Any remaining trades at the five month point will be terminated at the end of day price. The Plan outlines certain key steps in the process, including with respect to communication with stakeholders and position monitoring.

##### 3. Transfer of CDS Clearing

Under this approach, clearing of CDS contracts would be transferred to an alternative clearing house with a similar platform and capabilities. As with the transfer of F&O clearing, the alternative clearing house will add any needed additional members and contracts to its platform, and having tested these additions, will have open positions and margin funds transferred to it on a specified date. If that is not possible within the desired timeframe, an additional option, for CDS contracts that are not subject to a mandatory clearing obligation, would be to convert open positions into uncleared contracts, and then parties could resubmit those contracts for clearing to the new clearing house when ready.

The Plan outlines certain conditions that will be necessary for any transfer to occur. The Plan also outlines key steps would need to be taken, including communication with stakeholders (including members, regulators and exchanges), negotiation with the alternative clearing house(s), notices and required regulatory approvals, development and execution of novation arrangements for positions to be transferred, building and testing of new systems, migrating open position data, novating contracts, and transfer of available margin funds, among other steps, as applicable. This process is anticipated to take no more than six months based on experience with other clearing transfers. ICE Clear Europe would continue to provide clearing and

maintain risk, treasury and operations teams up to that point.

##### 4. Termination of CDS Clearing

This option winds down ICE Clear Europe CDS clearing. ICE Clear Europe has more limited authority under the Rules to cause a tear-up of contracts in the CDS product category, and as a result the Plan contemplates that CDS clearing members would need to agree amongst themselves in advance as to the manner of and procedures for termination. If they cannot agree, the Board may decide to enforce termination in accordance with Rule 105.

Following ICE Clear Europe's determination to terminate CDS clearing, it would establish a five month period for CDS clearing members to unwind their open positions. This could be done through trading by such clearing members in the market that offsets their positions, or if this is not possible, by negotiating the conversion of open matched positions into uncleared contracts (where mandatory clearing does not apply).

This Plan specifies certain conditions, including obtains the necessary agreement of members. The Plan also outlines certain key steps, including notification of stakeholders of the decision to terminate, communication of matched open positions to members, and monitoring the reduction of positions of CDS clearing members during the five month termination period.

##### 5. Final Wind Down of ICE Clear Europe

Once the decision to wind down ICE Clear Europe is made, six months' notice will be provided to terminate all service agreements and employee contracts. Consideration will be given to incentives to key staff to stay on through the wind down process.

The Plan outlines the termination provisions and notice periods that apply under key agreements, including those with other ICE entities and with banks and custodians. The Plan also addresses liquidity considerations during the wind-down period, such that ICE Clear Europe will be able to obtain and maintain sufficient liquidity from its investment arrangements to support clearing during the wind-down period. In this regard, ICE maintains significant liquidity in cash and short-term instruments such that it expects to be able to meet liquidity needs during the period. ICE Clear Europe also runs liquidity stress scenarios that closely match the closing of trading positions in a wind down situation.

## Governance

Once there is a possibility of wind down, or the ICE Clear Europe Board has agreed in principle to a wind-down, a Wind Down Planning Committee, including senior management, would be established. The Committee will have the following membership: Chair—Non-Executive Director or Board Chairperson; President; Chief Operating Officer; Chief Risk Officer; Chief Compliance Officer; and other advisors as appropriate, e.g., legal counsel. The Committee would be tasked with exploring with clearing members, exchanges, alternative clearing houses and regulators the relevant approaches to wind-down, with a goal of minimizing adverse impact on clearing members. The Plan outlines a number of considerations for both termination and transfer options that the Committee should explore. The Committee would report to the Board. This consultation process is designed to reflect the fact that in a wind down situation, the Plan would likely be affected by numerous additional considerations and could require adjustment and modification to match specific circumstances.

The maintenance of the Plan is the responsibility of ICE Clear Europe's Chief Operating Officer and each time the scope of clearing services change or a planning assumption changes, the Plan will be updated. The Plan is reviewed annually by the Board Audit Committee and the full Board.

### (b) Statutory Basis

ICE Clear Europe believes that the proposed amendments are consistent with the requirements of Section 17A of the Act<sup>6</sup> and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22.<sup>7</sup>

Section 17A(b)(3)(F) of the Act<sup>8</sup> 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. In addition, Rule 17Ad-22(e)(3)(ii)<sup>9</sup> requires that each covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable,

maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which includes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses.

The Wind-Down Plan is designed to meet the requirements of Rule 17Ad-22(e)(3)(ii), and is further consistent with the requirements of the Act. The Wind-Down Plan considers scenarios in which the wind-down of the clearing services of ICE Clear Europe may be necessary or desirable, both voluntarily and as a result of default or non-default losses that cannot be resolved through the Recovery Plan. It sets out procedures for transferring or terminating clearing of both the CDS and F&O product categories in a wind-down scenario, as well as terminating related agreements and arrangements. The Wind-Down Plan also provides greater transparency to market participants, including clearing members, about the expected sequence and scope of actions that ICE Clear Europe may take in a wind-down scenario, and addresses procedures for consultations with clearing members and other relevant stakeholders. In ICE Clear Europe's view, the Plan thus meets the requirements of Rule 17Ad-22(e)(3)(ii). Furthermore, ICE Clear Europe views the Plan as a key aspect of its general risk management framework for severe loss scenarios, as it provides an orderly procedure for termination or transfer of clearing, and thereby promotes the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.

ICE Clear Europe further notes the requirement in Rule 17Ad-22(e)(15)<sup>10</sup> to hold sufficient liquid net assets funded by equity to cover potential general business losses so that the covered clearing agency can continue operations and services as a going concern if those losses materialize, including by (i) determining the amount of liquid net assets funded by equity based upon its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken, and (ii) holding liquid net assets funded by equity equal to the greater of either (x) six months of the covered clearing agency's current operating

expenses, or (y) the amount determined by the board of directors to be sufficient to ensure a recovery or orderly wind-down of critical operations and services of the covered clearing agency, as contemplated by the plans established under Rule 17Ad-22(e)(3)(ii) of this section. ICE Clear Europe has determined that it believes any wind-down can be completed within six months, and that it holds equity capital at least sufficient to cover the costs of a wind-down of its clearing services under the Wind-Down Plan during that period, consistent with the requirements of Rule 17Ad-22(e)(15).<sup>11</sup>

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

ICE Clear Europe does not believe the proposed Wind-Down Plan would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The Wind-Down Plan does not itself change the rights or obligations of the clearing house or clearing members, and is based on the termination provisions set forth in the existing Rules. The Wind-Down Plan has been designed to meet specific regulatory requirements concerning wind-down planning, principally to address the circumstance where default or non-default losses are sufficiently severe that they cannot be addressed through the Recovery Plan and necessitate termination or transfer of clearing. ICE Clear Europe does not believe the amendments will impact competition among clearing members or other market participants, or affect the ability of market participants to access clearing generally. While implementation of the Wind-Down Plan, and in particular use of the plan in a severe loss scenario, would likely impose costs on clearing members or other market participants, such costs are consistent with the existing Rules, and in ICE Clear Europe's view, would be appropriate in light of a loss situation requiring wind-down of clearing in accordance with applicable regulations.

### (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.

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 17 CFR 240.17Ad-22.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 17 CFR 240.17Ad-22(e)(3)(ii).

<sup>10</sup> 17 CFR 240.17Ad-22(e)(15).

<sup>11</sup> 17 CFR 240.17Ad-22(e)(15)(i).

### III. Date of Effectiveness of the Proposed Rule Change, Security-Based Swap Submission and Advance Notice and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove the proposed rule change or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, security-based swap submission or advance notice 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2017-017 on the subject line.

#### Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-ICEEU-2017-017. This file number should be included on the subject line if email 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, security-based swap submission or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission or advance notice 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 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/notices/Notices.shtml?regulatoryFilings>.

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-2017-017 and should be submitted on or before February 9, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82492; File No. SR-NYSEArca-2017-87]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 6, To List and Trade Shares of the JPMorgan Long/Short ETF Under NYSE Arca Rule 8.600-E

January 12, 2018.

#### I. Introduction

On September 26, 2017, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to list and trade shares ("Shares") of the JPMorgan Long/Short ETF ("Fund") under NYSE Arca Rule 8.600-E. The proposed rule change was published for comment in the **Federal Register** on October 16, 2017.<sup>3</sup> On November 17, 2017, the Exchange filed

Amendment No. 1 to the proposed rule change, and on November 27, 2017, the Exchange filed Amendment No. 2 to the proposed rule change. On November 29, 2017, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> On December 4, 2017, the Exchange filed Amendment No. 3 to the proposed rule change. On December 6, 2017, the Exchange filed Amendment No. 4 to the proposed rule change. On December 26, 2017, the Exchange filed Amendment No. 5 to the proposed rule change. On January 3, 2018, the Exchange filed Amendment No. 6 to the proposed rule change.<sup>6</sup> The Commission has received no comments on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 6.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 82176, 82 FR 57497 (December 5, 2017). The Commission designated January 14, 2018, as the date by which it shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

<sup>6</sup> In Amendment No. 6, which amended and superseded the proposed rule change as modified by Amendment Nos. 1, 2, 3, 4 and 5, the Exchange: (1) Changed the name of the Fund; (2) represented that the Trust will file an amendment to the Registration Statement (as defined herein) as necessary to conform to the representations in the filing; (3) clarified the definitions of certain return factors the Adviser (as defined herein) may utilize as part of the Fund's investment strategy; (4) moved cash and cash equivalents from the "other investments" category to the "principal investments" category; (5) provided that the Fund may purchase and sell foreign exchange-traded futures on foreign equities and foreign stock indexes and foreign exchange-traded options on foreign equity futures as part of its principal investments; (6) clarified that no more than 10% of the equity weight of the Fund's portfolio will be invested in non-exchange-traded American Depositary Receipts; (7) provided additional information regarding the Fund's holding of non-exchange-traded contingent value rights, including that such holdings would be limited to 0.5% of the Fund's assets by market value and that such holdings would not meet the criteria of Commentary .01(a)(1)(E) and (a)(2)(E) to NYSE Arca Rule 8.600-E, as further described herein; (8) provided that the Fund's investment in sovereign obligations and obligations of supranational entities each is not expected to exceed 5% of the Fund's assets; (9) provided additional information regarding the availability of information for the Shares; and (10) made other clarifications, corrections, and technical changes. Amendment No. 6 is not subject to notice and comment because it does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues. All of the amendments to the proposed rule change are available at <https://www.sec.gov/comments/sr-nysearca-2017-87/nysearca201787.htm>.

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

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

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

<sup>3</sup> See Securities Exchange Act Release No. 81842 (October 10, 2017), 82 FR 48127.