

organizational documents would be expressly identified in the GSD Rules and the MBS Rules to which members are subject. FICC does not believe that this proposal would affect any of its current practices regarding the rights or obligations of its members. Therefore, FICC believes that the proposal would not have any effect on its members and thus, would not have any impact or burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

FICC has not received any written comments relating to this proposal. FICC will notify the Commission of any written comments received by it.

III. Date of Effectiveness of the Proposed Rule Change, 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 such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 email to rule-comments@sec.gov. Please include File Number SR-FICC-2018-002 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. All submissions should refer to File Number SR-FICC-2018-002. 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 that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-FICC-2018-002 and should be submitted on or before March 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82659; File No. SR-ICEEU-2017-011]

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Relating to Amendments to the ICE Clear Europe Collateral and Haircut Policy

February 8, 2018.

I. Introduction

On November 2, 2017, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to modify the ICE Clear Europe

Collateral and Haircut Policy to incorporate certain changes to the calculation of absolute collateral limits for bonds provided as Permitted Cover by Clearing Members and make certain clarifications and updates and add certain general provisions.³ The proposed rule change was published for comment in the **Federal Register** on November 17, 2017.⁴ The Commission did not receive comments regarding the proposed rule change. On December 27, 2017, the Commission designated a longer period for Commission action on the proposed rule change.⁵ For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

The proposed rule change would amend ICE Clear Europe's Collateral and Haircut Policy to set the absolute collateral limits for bonds provided as Permitted Cover by Clearing Members so as to more accurately capture the trading liquidity of each bond. The proposal would also take into account ICE Clear Europe's committed repo facilities to permit Clearing Members to maintain collateral in excess of normal absolute limits.⁶ In addition, the proposed rule change would revise the haircut calculation. Finally, the proposed rule change would update the Collateral and Haircut Policy to add certain general provisions designed to enhance ICE Clear Europe's governance. These changes are further described below.

With respect to setting absolute collateral limits for bonds provided as Permitted Cover by Clearing Members, ICE Clear Europe proposed to set limits for each bond issuer and collateral type at 10% of the average daily volume over the past three months, rounded to the nearest million.⁷ The proposed rule change would also change the underlying data used in the calculation of the absolute limit from a repo survey of market participants to actual secondary market trading volume data provided by ICE Data Services, except where official trading volume data is

³ Capitalized terms used in this order but not defined herein have the same meanings specified in the ICE Clear Europe Clearing Rules.

⁴ Securities Exchange Act Release No. 82063 (Nov. 13, 2017), 82 FR 54423 (Nov. 17, 2017) (SR-ICEEU-2017-011) ("Notice").

⁵ Securities Exchange Act Release No. 82405 (Dec. 27, 2017), 83 FR 181 (Jan. 2, 2018).

⁶ As used herein, the term "absolute limit" refers to the maximum amount of bonds from an individual issuer that ICE Clear Europe will accept from a Member Group. See Notice, 82 FR at 54424.

⁷ *Id.*

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

available from a primary source, such as a governmental agency or central bank.⁸

To complement the changes to the absolute collateral limits described above, ICE Clear Europe proposed changes to its haircut methodology. In particular, the proposed rule change would amend the haircut methodology to include a two-sided VaR estimation based on the largest absolute returns.⁹ The proposed rule change would also amend the Collateral and Haircut Policy to note scenarios in which the ICE Clear Europe Clearing Risk Department may consider other factors in setting haircuts, such as the effects caused by changes in the different underlying bonds used to build bond price time-series or the impact of unexpected currency events on the calculation of cross-currency FX haircuts.¹⁰

In addition, the proposed rule change would also amend the Collateral and Haircut Policy to account for ICE Clear Europe's committed repo facilities. For example, in certain circumstances, ICE Clear Europe permits a Clearing Member to maintain a collateral bond position that otherwise exceeds the applicable absolute collateral limits if ICE Clear Europe is able to determine that it would be able to use its committed repo facility to convert the excess collateral securities into cash. In addition, to permit the use of repo facilities in this way, the proposed rule change also clarifies that the repo facilities are available at any time there is an intra-day liquidity need and not just in case of Clearing Member default.¹¹

Finally, the proposed rule change would amend the Collateral and Haircut Policy to update references to internal ICE Clear Europe personnel, departments and committees and to explain the process for validation and oversight of the models used to support the Collateral and Haircut Policy.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.¹² For the reasons given below, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of

the Act¹³ and Rules 17Ad-22(e)(2) and (5) thereunder.¹⁴

A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.¹⁵ The proposed rule change will enhance ICE Clear Europe's ability to control the credit, liquidity, and market risks stemming from the collateral it accepts by establishing a maximum amount of bonds from an individual issuer that ICE Clear Europe will accept from a Member Group as collateral. These new maximum amounts will be derived from actual secondary market trading volume data, and therefore should be more reliable than the prior absolute limits, which as noted above, were based on a repo survey of market participants as a proxy for trading liquidity. Therefore, these limits should be more accurate, and consequently, enhance ICE Clear Europe's ability to liquidate the bond collateral in a timely manner. Further, the proposed rule change also proposes to incorporate a two-sided VaR estimation based on the largest absolute returns for purposes of setting haircuts. Taken together these two changes should enhance ICE Clear Europe's ability to manage the credit, liquidity, and market risks it faces from posted collateral, and therefore enhance ICE Clear Europe's ability to safeguard securities and funds which are in its custody or control or for which it is responsible. Therefore, the Commission finds that the proposed rule change is designed to assure the safeguarding of securities and funds which are in the custody or control of ICE Clear Europe or for which it is responsible and, in general, protects investors and the public interest, and is therefore consistent with Section 17A(b)(3)(F) of the Act.¹⁶

B. Consistency With Rule 17Ad-22(e)(5)

The Commission further finds that the proposed rule change is consistent with Rule 17Ad-22(e)(5). Rule 17Ad-22(e)(5) requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to limit the assets

it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.¹⁷

The proposed rule change will enhance ICE Clear Europe's ability to control the liquidity and market risks stemming from the posting of collateral by establishing a maximum amount of bonds from an individual issuer that ICE Clear Europe will accept from a Member Group as collateral. The proposed rule change will improve the accuracy of the Collateral and Haircut Policy by taking into account the trading liquidity of the bond using secondary market trading volume data provided by ICE Data Services. Moreover, by updating the Collateral and Haircut Policy to incorporate a two-sided VaR estimation based on the largest absolute returns, the proposed rule change will capture a broader range of price volatility information, thereby enhancing ICE Clear Europe's ability to liquidate the bond collateral in a timely manner without losses beyond the given haircuts. The Commission finds that these aspects of the proposed rule change are intended to limit the assets ICE Clear Europe accepts as collateral to those with low credit, liquidity, and market risks, and to set and enforce appropriately conservative haircuts. Therefore, the proposed rule change is consistent with Rule 17Ad-22(e)(5).¹⁸

C. Consistency with Rule 17Ad-22(e)(2)

Rule 17Ad-22(e)(2) requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and support the public interest requirements in Section 17A of the Act applicable to clearing agencies, and the objectives of owners and participants.¹⁹ The proposed rule change will update references to internal ICE Clear Europe personnel, departments and committees and will explain the process for validation and oversight of the models used to support the Collateral and Haircut Policy. Therefore, the Commission finds that the proposed rule change is consistent with the requirement in Rule 17Ad-

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² 15 U.S.C. 78s(b)(2)(C).

¹³ 15 U.S.C. 78q-1(b)(3)(F).

¹⁴ 17 CFR 240.17Ad-22(e)(2), (5).

¹⁵ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ *Id.*

¹⁷ 17 CFR 240.17Ad-22(e)(5).

¹⁸ *Id.*

¹⁹ 17 CFR 240.17Ad-22(e)(2)(i) and (iii).

22(e)(2) concerning governance arrangements that are clear and transparent and that support the public interest requirements of Section 17A of the Act applicable to clearing agencies and the objectives of participants.²⁰

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act²¹ and Rules 17Ad-22(e)(2) and (5) thereunder.

It is therefore ordered pursuant to Section 19(b)(2) of the Act²² that the proposed rule change (SR-ICEEU-2017-011) be, and hereby is, approved.²³

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018-02974 Filed 2-13-18; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82664; File No. SR-CBOE-2018-014]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Options Regulatory Fee

February 8, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 31, 2018, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

²⁰ *Id.*

²¹ 15 U.S.C. 78q-1.

²² 15 U.S.C. 78s(b)(2).

²³ In approving the proposed rule change, the Commission considered the proposal’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

²⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange seeks to amend its Fees Schedule. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange 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. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to decrease the Options Regulatory Fee (“ORF”) from \$.0081 per contract to \$.0049 per contract in order to help ensure that revenue collected from the ORF, in combination with other regulatory fees and fines, meets the Exchange’s total regulatory costs. The proposed fee change will be operative on February 1, 2018.

The ORF is assessed by Cboe Options to each Trading Permit Holder (“TPH”) for options transactions cleared by the TPH that are cleared by the Options Clearing Corporation (“OCC”) in the customer range, regardless of the exchange on which the transaction occurs.³ In other words, the Exchange imposes the ORF on all customer-range transactions cleared by a TPH, even if the transactions do not take place on the Exchange. The ORF is collected by OCC on behalf of the Exchange from the Clearing Trading Permit Holder (“CTPH”) or non-CTPH that ultimately clears the transaction. With respect to linkage transactions, Cboe Options reimburses its routing broker providing Routing Services pursuant to Cboe Options Rule 6.14B for options

³ The ORF also applies to customer-range transactions executed during Extended Trading Hours.

regulatory fees it incurs in connection with the Routing Services it provides.

Revenue generated from ORF, when combined with all of the Exchange’s other regulatory fees and fines, is designed to recover a material portion of the regulatory costs to the Exchange of the supervision and regulation of TPH customer options business. Regulatory costs include direct regulatory expenses and certain indirect expenses for work allocated in support of the regulatory function. The direct expenses include in-house and third party service provider costs to support the day to day regulatory work such as surveillances, investigations and examinations. The indirect expenses include support from such areas as human resources, legal, information technology and accounting. These indirect expenses are estimated to be approximately 10% of Cboe Options’ total regulatory costs for 2018. Thus, direct expenses are estimated to be approximately 90% of total regulatory costs for 2018. In addition, it is Cboe Options’ practice that revenue generated from ORF not exceed more than 75% of total annual regulatory costs. These expectations are estimated, preliminary and may change. These expectations are estimated, preliminary and may change. [sic] There can be no assurance that our final costs for 2018 will not differ materially from these expectations and prior practice; however, the Exchange believes that revenue generated from the ORF, when combined with all of the Exchange’s other regulatory fees and fines, will cover a material portion, but not all, of the Exchange’s regulatory costs.

The Exchange also notes that its regulatory responsibilities with respect to TPH compliance with options sales practice rules have largely been allocated to FINRA under a 17d-2 agreement.⁴ The ORF is not designed to cover the cost of that options sales practice regulation.

The Exchange will continue to monitor the amount of revenue collected from the ORF to ensure that it, in combination with its other regulatory fees and fines, does not exceed the Exchange’s total regulatory costs. The Exchange monitors its regulatory costs and revenues at a minimum on a semi-annual basis. If the Exchange determines regulatory revenues exceed or are insufficient to cover a material portion of its regulatory costs, the Exchange will adjust the ORF by submitting a fee change filing to the Commission. The Exchange notifies

⁴ See Securities Exchange Act Release No. 76309 (October 29, 2015), 80 FR 68361 (November 4, 2015).