

impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. Contracts referencing the Standard European Senior Non-Preferred Financial Corporate transaction type will be available to all ICE Clear Europe participants for clearing. The clearing of these contracts by ICE Clear Europe does not preclude the offering of the contracts for clearing by other market participants. Additionally, the LGD enhancements apply uniformly across all Clearing Members. Therefore, 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

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-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 20549-1090.

All submissions should refer to File Number SR-ICEEU-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, 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 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 such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation#rule-filing>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2018-002 and should be submitted on or before March 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

<sup>15</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82676; File No. SR-NSCC-2017-807]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of No Objection to an Advance Notice To Increase the Authorized Amount Under the Prefunded Liquidity Program

February 9, 2018.

On December 12, 2017, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") advance notice SR-NSCC-2017-807 ("Advance Notice") pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act entitled the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934 ("Exchange Act").<sup>3</sup> The Advance Notice was published for comment in the **Federal Register** on January 2, 2018.<sup>4</sup> The Commission received one comment on the Advance Notice. The comment letter was supportive, but brief, and without specific reasons for the view.<sup>5</sup> This publication serves as notice that the Commission does not object to the changes set forth in the Advance Notice.

#### I. Description of the Advance Notice

The Advance Notice is a proposal by NSCC to address liquidity risk that is present when NSCC acts as central counterparty ("CCP") to a transaction with an NSCC member. Liquidity risk can arise for NSCC where there is a member default and NSCC must continue to complete end-of-day settlement on an ongoing basis. In such circumstances, NSCC will need to complete settlement of guaranteed transactions by delivering to its other members cash or securities on the failing member's behalf from the date of default through the remainder of the settlement cycle.

<sup>1</sup> 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated NSCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, NSCC is required to comply with the Clearing Supervision Act and file advance notices with the Commission. See 12 U.S.C. 5465(e).

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78s(b)(1).

<sup>4</sup> Securities Exchange Act Release No. 82403 (December 26, 2017), 83 FR 176 (January 2, 2017) (File No. SR-NSCC-2017-807) ("Notice").

<sup>5</sup> See letter from Alexandre Blais, dated January 1, 2018 ("I am all for this.").

One of the resources NSCC uses to manage liquidity risk arising from a member default is its Prefunded Liquidity Program, which NSCC established through a previous advance notice to which the Commission did not object.<sup>6</sup> Currently, the Prefunded Liquidity Program provides NSCC with the authority to raise up to \$5 billion through the private placement of unsecured debt (commercial paper and extendible notes, collectively “Notes”).<sup>7</sup> NSCC holds the cash proceeds from the issuance of the Notes in a cash deposit account at the Federal Reserve Bank of New York or a bank counterparty that has been approved pursuant to the Clearing Agency Investment Policy.<sup>8</sup> In the event of a default by an NSCC member, NSCC can use the cash to manage the resultant liquidity need and complete settlement.<sup>9</sup> NSCC may not access or use the cash for any other purpose.<sup>10</sup>

NSCC filed the Advance Notice to increase the authorized amount under its Prefunded Liquidity Program. Under the Advance Notice, NSCC seeks to increase the amount available to it under the Prefunded Liquidity Program from \$5 billion to \$10 billion.<sup>11</sup> According to NSCC, the proposed expanded authorized amount under NSCC’s Prefunded Liquidity Program would enable NSCC to continue to maintain a sufficient amount of liquid resources in compliance with its regulatory requirements through the issuance of additional Notes in the event its liquidity needs increase.<sup>12</sup> Specifically, NSCC stated that it would provide NSCC with the flexibility to reduce its reliance on its credit facility, as necessary.<sup>13</sup> NSCC has observed varying levels of interest by the credit markets in recent years and stated that it cannot be certain that it will be able to continue to renew the credit facility at levels that would meet its projected liquidity needs in future years.<sup>14</sup>

## II. Discussion and Commission Findings

Although the Clearing Supervision Act does not specify a standard of

review for an advance notice, the stated purpose of the Clearing Supervision Act is instructive: To mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities and strengthening the liquidity of systemically important financial market utilities.<sup>15</sup>

Section 805(a)(2) of the Clearing Supervision Act<sup>16</sup> authorizes the Commission to prescribe regulations containing risk-management standards for the payment, clearing, and settlement activities of designated clearing entities engaged in designated activities for which the Commission is the supervisory agency. Section 805(b) of the Clearing Supervision Act<sup>17</sup> provides the following objectives and principles for the Commission’s risk management standards prescribed under Section 805(a):

- Promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.

Section 805(c) provides, in addition, that the Commission’s risk-management standards may address such areas as risk-management and default policies and procedures, among others areas.<sup>18</sup>

The Commission has adopted risk-management standards under Section 805(a)(2) of the Clearing Supervision Act<sup>19</sup> and the Exchange Act (“Rule 17Ad–22”).<sup>20</sup> Rule 17Ad–22 requires each covered clearing agency, among other things, to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for operations and risk-management practices on an ongoing basis.<sup>21</sup> As such, it is appropriate for the Commission to review advance notices for consistency with the objectives and principles for risk-management standards described in Section 805(b) of the Clearing Supervision Act<sup>22</sup> and Rule 17Ad–22.<sup>23</sup>

The Commission believes the proposal in the Advance Notice is consistent with the objectives and principles described in Section 805(b) of the Clearing Supervision Act,<sup>24</sup> and

Rule 17Ad–22, in particular Rule 17Ad–22(e)(7)(i) and (ii),<sup>25</sup> as described in detail below.

### A. Consistency With Section 805(b) of the Clearing Supervision Act

The Commission believes the Advance Notice proposal is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act.<sup>26</sup> Specifically, the Commission believes that the changes proposed in the Advance Notice are consistent with promoting robust risk management in the area of liquidity risk and promoting safety and soundness.

The Commission believes that the proposed expanded authorized amount under NSCC’s Prefunded Liquidity Program would enhance NSCC’s ability to access liquid resources that, in turn, would allow NSCC to continue to meet its settlement obligations to its clearing members in a timely fashion, thereby promoting robust liquidity risk management at NSCC. While the Commission notes that the proposed expansion permits NSCC to increase its reliance upon the Prefunded Liquidity Program, and hence the financial risks that accompany such reliance (*e.g.*, maturity risk, rollover risk, and interest rate risk), NSCC has a variety of liquidity risk management tools at its disposal<sup>27</sup> and the Commission believes that the ability of NSCC to increase the Prefunded Liquidity Program, in lieu of or in combination with NSCC’s other liquidity tools, promotes NSCC’s ability to manage liquidity risk through an overall diversified range of risk management tools.

The Commission also believes that expanding the authorized amount under NSCC’s Prefunded Liquidity Program from \$5 billion to \$10 billion, as proposed, would promote safety and soundness by enabling NSCC to obtain additional liquid resources to cover a liquidity gap that could arise in the event of a member default. By covering such a gap, the proposal bolsters NSCC’s ability to meet its settlement obligations in the event of a member default, thereby reducing the risk of loss contagion (*i.e.*, the risk of losses arising at other NSCC members if NSCC is unable to deliver cash or securities on

<sup>6</sup> Securities Exchange Act Release No. 75730 (August 19, 2015), 80 FR 51638 (August 25, 2015) (SR–NSCC–2015–802).

<sup>7</sup> Notice, 83 FR at 177.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 178.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 177.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*; see Securities Exchange Act Release No. 80605 (May 5, 2017), 82 FR 21850 (May 10, 2017) (SR–DTC–2017–802; SR–NSCC–2017–802) (authorizing NSCC to enter into a 364-day credit facility with a consortium of banks).

<sup>14</sup> Notice, 83 FR at 177.

<sup>15</sup> See 12 U.S.C. 5461(b).

<sup>16</sup> 12 U.S.C. 5464(a)(2).

<sup>17</sup> 12 U.S.C. 5464(b).

<sup>18</sup> 12 U.S.C. 5464(c).

<sup>19</sup> 12 U.S.C. 5464(a)(2).

<sup>20</sup> 15 U.S.C. 78q–1.

<sup>21</sup> 17 CFR 240.17Ad–22.

<sup>22</sup> 12 U.S.C. 5464(b).

<sup>23</sup> 17 CFR 240.17Ad–22.

<sup>24</sup> 12 U.S.C. 5464(b).

<sup>25</sup> 17 CFR 240.17Ad–22(e)(7)(i) and (ii).

<sup>26</sup> 12 U.S.C. 5464(b).

<sup>27</sup> NSCC’s other liquidity tools include: (1) NSCC’s Clearing Fund (consisting of cash and U.S. treasury securities); (2) NSCC’s committed 364-day credit facility with a consortium of banks (“Line of Credit”); and (3) Supplemental Liquidity Deposits, which are cash deposits designed to cover the heightened liquidity exposure arising around monthly option expiry periods by members whose activity would pose the largest liquidity exposure to NSCC during such periods.

the defaulting member's behalf). Reducing the risk of loss contagion during a member default, in turn, enhances the ability of NSCC and its clearing members to continue to provide stability and safety to the financial markets that they serve. Therefore, by enhancing NSCC's ability to address losses and liquidity pressures that otherwise might cause financial distress to NSCC or its clearing members, the Advance Notice promotes safety and soundness.

Consistent with the conclusions discussed above, the Commission also believes that NSCC's proposal is consistent with reducing systemic risks and supporting the stability of the broader financial system. Reducing the risk of loss contagion would attenuate the transmission of financial shocks from defaulting members to non-defaulting members. Accordingly, the proposed changes would support the stability of the broader financial system. Thus, the Commission believes that the proposal contained in the Advance Notice is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act.

#### *B. Consistency With Rules 17Ad-22(e)(7)(i) and (ii)*

The Commission believes that the changes proposed in the Advance Notice are consistent with the requirements of Rules 17Ad-22(e)(7) under the Exchange Act. Rule 17Ad-22(e)(7) requires NSCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risk that arises in or is borne by NSCC, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, as specified in the rule.

In particular, Rule 17Ad-22(e)(7)(i) under the Exchange Act requires that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to "effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by . . . [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day . . . settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the

default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions."

As described above, the proposed expansion of the authorized amount under NSCC's Prefunded Liquidity Program would increase the readily-available liquidity resources available to NSCC to continue to meet its liquidity obligations in a timely fashion in the event of a member default. The increased funds could thereby help maintain sufficient liquidity resources to effect same-day settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios. Additionally, the increased size of the Prefunded Liquidity Program is designed to help ensure that NSCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated members. Therefore, the Commission finds that the proposal is consistent with Rule 17Ad-22(e)(7)(i).

Rule 17Ad-22(e)(7)(ii) under the Exchange Act requires each covered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to "effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by . . . holding qualifying liquid resources sufficient" to satisfy payment obligations owed to clearing members. Rule 17Ad-22(a)(14) under the Exchange Act defines "qualifying liquid resources" to include, among other things, cash held either at the central bank of issue or at creditworthy commercial banks.

As described above, the proposed expansion of the authorized amount under NSCC's Prefunded Liquidity Program would enable NSCC to hold additional cash proceeds from the issuance of the Notes in a cash deposit account at the Federal Reserve Bank of New York or a bank counterparty that has been approved pursuant to the Clearing Agency Investment Policy. Because the funds would be held at the Federal Reserve Bank of New York or a bank counterparty, they would qualify as qualifying liquid resource. Therefore, the Commission believes that the proposal is consistent with Rule 17Ad-22(e)(7)(ii).

### III. Conclusion

*It is therefore noticed*, pursuant to Section 806(e)(1)(I) of the Clearing

Supervision Act,<sup>28</sup> that the Commission *does not object* to the Advance Notice (SR-NSCC-2017-807) and that NSCC is *authorized* to implement the proposed change as of the date of this notice.

By the Commission.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82684; File No. SR-NYSEArca-2017-69]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 2, To List and Trade Shares of ProShares QuadPro Funds Under NYSE Arca Rule 8.200-E

February 9, 2018.

On July 31, 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 of ProShares QuadPro U.S. Large Cap, ProShares QuadPro Short U.S. Large Cap, ProShares QuadPro U.S. Small Cap, and ProShares QuadPro Short U.S. Small Cap under NYSE Arca Rule 8.200-E. The proposed rule change was published for comment in the **Federal Register** on August 18, 2017.<sup>3</sup> On September 28, 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 September 29, 2017, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and superseded the proposed rule change as originally filed. On November 14, 2017, the Exchange filed

<sup>28</sup> 12 U.S.C. 5465(e)(1)(I).

<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. 81388 (August 14, 2017), 82 FR 39477.

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

<sup>5</sup> See Securities Exchange Act Release No. 81746, 82 FR 46315 (October 4, 2017). The Commission designated November 16, 2017, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.