

office of the Exchange. 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–BOX–2019–18 and should be submitted on or before July 2, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Eduardo A. Aleman,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86036; File No. SR–ICC–2019–006]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to ICC's Risk Management Model Description

June 5, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on May 23, 2019, 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 Risk Management Model Description. 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, security-based swap submission, or advance notice and discussed any comments it received on

the proposed rule change, security-based swap submission, or advance notice. 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 to revise its Risk Management Model Description. Specifically, ICC proposes minor, clarifying changes to address comments received from an independent validation, as well as additional clean-up changes. The independent validator comments revolve around clarification updates that do not change ICC's current risk methodology. ICC believes that 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 changes are described in detail as follows.

ICC proposes minor changes to the 'Initial Margin Methodology' section to maintain uniformity and provide additional clarity in the Risk Management Model Description. ICC proposes to update a symbol representing the portfolio level liquidity charge ("LC") in an equation in the 'Portfolio Level LC' sub-section to match the symbol used throughout the document to reference the portfolio level LC. Moreover, the Risk Management Model Description numbers key equations so they can be easily referenced. As such, ICC proposes to include a number corresponding to the equation for the portfolio level LC and to re-number the equations that follow accordingly. In the 'Portfolio Level Concentration Charge' sub-section, ICC proposes to correct a typographical error when referencing the portfolio level concentration charge ("CC"); to update a symbol representing the portfolio level CC in an equation to match the symbol used throughout the document to reference the portfolio level CC; and to include a number corresponding to the equation for the portfolio level CC, re-numbering the equations that follow accordingly. Additionally, ICC proposes to update a symbol representing the portfolio level interest rate ("IR") sensitivity requirement in an equation in the 'IR Sensitivity Risk Analysis' sub-section to match the symbol used throughout the document to refer to the portfolio level

IR sensitivity requirement. ICC further proposes updates to the 'Portfolio Loss Boundary Condition' sub-section to replace certain general references to sections with more specific references to equations in those sections to provide for additional clarity.

ICC proposes to make such changes effective shortly after filing with the Commission, on or about May 31, 2019.

##### (b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>3</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; 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 to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F),<sup>4</sup> because ICC believes that the proposed rule change will promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions, and contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. The proposed changes to the Risk Management Model Description to address independent validator comments provide additional clarity regarding ICC's risk methodology. The clean-up changes that enhance readability further ensure that the documentation of ICC's Risk Management Model Description remains up-to-date, clear, and transparent. ICC believes that having policies and procedures that clearly and accurately document ICC's risk methodology and practices are an important component to the effectiveness of ICC's risk management system, which promotes the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and contributes to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. As such, the proposed rule change is designed to promote the prompt and

<sup>14</sup> 17 CFR 200.30–3(a)(12).

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

<sup>17</sup> CFR 240.19b–4.

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

<sup>4</sup> *Id.*

accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and to contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible within the meaning of Section 17A(b)(3)(F) of the Act.<sup>5</sup>

In addition, the proposed rule change is consistent with the relevant requirements of Rule 17Ad-22.<sup>6</sup> Rule 17Ad-22(b)(2)<sup>7</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements and review such margin requirements and the related risk-based models and parameters at least monthly. The proposed changes provide additional clarity regarding ICC's risk methodology, including the calculation of risk requirements, and maintain uniformity in the document such that ICC's Risk Management Model Description remains up-to-date, clear, and transparent, thereby improving and promoting ICC's use of margin requirements to limit its credit exposures to participants under normal market conditions, consistent with the requirements of Rule 17Ad-22(b)(2).<sup>8</sup>

Rule 17Ad-22(b)(3)<sup>9</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain sufficient financial resources to withstand, at a minimum, a default by the two Clearing Participant ("CP") families to which it has the largest exposures in extreme but plausible market conditions. The proposed changes to the Risk Management Model Description provide further clarity and transparency regarding ICC's risk methodology and enhance ICC's approach to identifying potential weaknesses in the risk methodology, thereby ensuring that ICC maintains sufficient financial resources to withstand, at a minimum, a default by the two CP families to which it has the largest exposures in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad-22(b)(3).<sup>10</sup>

Rule 17Ad-22(d)(8)<sup>11</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to have governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act.<sup>12</sup> ICC's Risk Management Model Description clearly assigns and documents responsibility and accountability for risk decisions and requires consultation with or approval from the ICC Board, committees, or management. Moreover, the proposed updates ensure that the document remains up-to-date and clear, such that ICC's governance of the document is clear, transparent, and carried out effectively. These governance arrangements thus continue to be clear and transparent so information relating to the assignment of responsibilities for risk decisions and the requisite involvement of the ICC Board, committees, and management is clearly documented, consistent with the requirements of Rule 17Ad-22(d)(8).<sup>13</sup>

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

ICC does not believe the proposed rule changes would have any impact, or impose any burden, on competition. The proposed changes to ICC's Risk Management Model Description will apply uniformly across all market participants. Therefore, ICC 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 rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of

investors, or otherwise in furtherance of the purposes of the Act.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-ICC-2019-006 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-ICC-2019-006. 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 such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's website at <https://www.theice.com/clear-credit/regulation>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICC-2019-006 and

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 240.17Ad-22.

<sup>7</sup> 17 CFR 240.17Ad-22(b)(2).

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

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

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

<sup>11</sup> 17 CFR 240.17Ad-22(d)(8).

<sup>12</sup> 15 U.S.C. 78q-1.

<sup>13</sup> 17 CFR 240.17Ad-22(d)(8).

should be submitted on or before July 2, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86033; File No. SR-C2-2019-012]

### Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Update Its Price Adjust Process To Allow for the Process To Apply to Bulk Messages

June 5, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 23, 2019, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to update its Price Adjust process to allow for the process to apply to bulk messages. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/ctwo/](http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/)), 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 Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend its rules to allow for the Price Adjust process to apply to bulk messages and make corresponding changes where applicable. The Exchange is proposing these amendments in order to provide Options Members that submit bulk messages with functionality that is currently available to them for orders.

In February 2019, the Exchange adopted bulk messaging functionality, in which a User may enter, modify or cancel up to an Exchange-specified number of bids and offers. A User may submit a bulk message through a bulk port.<sup>5</sup> The System<sup>6</sup> handles bulk messages in the same manner as it handles an order, or quote if submitted by a Market-Maker, unless the Rules specify otherwise. Currently, Rule 6.10 allows a User to designate an order to be subject to the Price Adjust process pursuant to Rule 6.12.<sup>7</sup> Pursuant to current Rule 6.12(b), the System ranks and displays a buy (sell) order that, at the time of entry, would lock or cross a Protected Quotation of the Exchange or another exchange at one minimum price increment below (above) the current National Best Offer (“NBO”) or National Best Bid (“NBB”), as applicable. The Price Adjust process applies to orders (subject to the User’s instructions or the Rules) that do not execute upon entry and go to rest in the C2 Book (for example, because an order is not marketable upon entry, is not eligible to route, etc.). It ensures these

<sup>5</sup> See Rule 6.8(c)(3).

<sup>6</sup> The “System” is the automated trading system the Exchange uses for the trading of option contracts. See Rule 1.1.

<sup>7</sup> An order that is not designated as Cancel Back is also subject to the Price Adjust process (*i.e.*, orders default to be subject to the Price Adjust process).

orders rest at executable prices in accordance with linkage rules.<sup>8</sup> Current Rules 6.10(c) and 6.12(b) state that the Price Adjust process does not apply to bulk messages.<sup>9</sup>

Current Rule 6.10(c) also provides for a Cancel Back order, in which a User may designate an order not to be subject to the Price Adjust process and the System cancels or rejects such order if displaying the order on the C2 Book would create a violation of Rule 6.82 (Locked and Crossed Markets), or if the order cannot otherwise be executed or displayed in the C2 Book at its limit price. The System executes a Book Only—Cancel Back order marketable against resting orders, and cancels or rejects a Post Only—Cancel Back order that locks or crosses the opposite side of the BBO.

Furthermore, current Rule 6.12(c) provides for additional System order handling provisions regarding bulk messages submitted through bulk quoting ports. Specifically, Rule 6.12(c)(6)(A) provides that the System will cancel or reject a Post Only bulk message bid (offer) with a price that locks or crosses the Exchange best offer (bid) or ABO (ABB).<sup>10</sup> The Exchange notes that bulk messages that include a Post Only instruction do not remove liquidity from the Exchange or route away to other exchanges.<sup>11</sup> Current Rule 6.12(c)(6)(A) is consistent with how the System handles a Post Only—Cancel Back order.<sup>12</sup> Additionally, current Rule 6.12(c)(6)(B) provides that the System cancels or rejects a Book Only bulk message bid (offer) that locks or crosses the ABO (ABB) against offers (bids) resting in the C2 Book at prices the same as or better than the ABO (ABO) and then cancels the unexecuted portion of that bid (offer). Book Only orders do not route away to other exchanges.<sup>13</sup>

<sup>8</sup> See Section E of Chapter VI of the Rules. See also Options Order Protection and Locked/Crossed Market Plan (the “Linkage Plan”).

<sup>9</sup> Specifically, the multiple bids (offers) submitted through a bulk message. Therefore, as proposed, a Price Adjust or Cancel Back designation, as applicable, applies to all bulk message bids and offers within a single message.

<sup>10</sup> The ABBO means the best bid (offer) disseminated by other exchanges.

<sup>11</sup> See Rule 6.10, which defines a “Post Only” order as an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another Exchange. Users may designate bulk messages as Post Only as set forth in Rule 6.8(c).

<sup>12</sup> See *supra* note 8.

<sup>13</sup> See Rule 6.10, which defines a “Book Only” order as an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust

<sup>14</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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).