Exchange has completed the initial pricing process. The Commission believes this proposed change is reasonably designed to facilitate the initial opening by the DMM and thereby promote fair and orderly markets and the protection of investors.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[6] that the proposed rule change (SR–NYSE–2019–32) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[7]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–15133 Filed 7–16–19; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86358; File No. SR–ICC–2019–007]

Self-Regulatory Organizations; ICE Clear Credit LLC; Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to the ICC Rules, ICC End-of-Day Price Discovery Policies and Procedures, and ICC Risk Management Framework

July 11, 2019.

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 June 28, 2019, ICE Clear Credit LLC (''ICC'') filed with the Securities and Exchange Commission the proposed rule change, security-based swap submission, or advance notice as described in Items I, II and III below, which Items have been prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change, security-based swap submission, or advance notice 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

The principal purpose of the proposed rule change is to make certain changes to ICC's Clearing Rules (the ''Rules'') [3] and related procedures to provide for the clearing of credit default index swaptions.

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, 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, Security-Based Swap Submission, or Advance Notice

(a) Purpose

ICE Clear Credit proposes amendments to its Rules, End-of-Day Price Discovery Policies and Procedures (the ''EOD Policy'') and Risk Management Framework (the ''Risk Framework'') to provide for the clearing by ICC of credit default index swaptions (''Index Swaptions''). Pursuant to an Index Swaption, one party (the ''Swaption Buyer'') has the right (but not the obligation) to cause the other party (the ''Swaption Seller'') to enter into an index credit default swap transaction at a pre-determined strike price on a specified expiration date on specified terms. In the case of Index Swaptions that would be cleared by ICC, the underlying index credit default swap would be limited to certain CDX and iTraxx Europe index credit default swaps that are accepted for clearing by ICC, and which would be automatically cleared by ICC upon exercise of the Index Swaption by the Swaption Buyer in accordance with its terms.

ICC is proposing to adopt a new Subchapter 26R of its Rules, which will set out the contract terms and specifications for cleared Index Swaptions. ICC is also proposing to adopt amendments to its EOD Policy which would establish an end-of-day (''EOD'') settlement price submission process for Index Swaptions. Proposed amendments to the Risk Framework would address the margining and risk management processes for Index Swaptions, among other matters. The text of the proposed amendments is attached [sic] in Exhibit 5.

Prior to the commencement of clearing of Index Swaptions, ICC intends to adopt certain other policies and procedures, including a new set of Exercise Procedures, which will address in further detail the manner in which Index Swaptions may be exercised by Swaption Buyers and the manner in which ICC will assign such exercises to Swaption Sellers. ICC also expects to make certain changes to its Risk Management Model Description relating to the initial margin model for Index Swaptions. ICC will make subsequent filings pursuant to Rule 19b–4 with respect to such additional or amended policies or procedures as required. ICC does not intend to commence clearing of Index Swaptions until any such additional filings, as well as the current filing (''Index Swaptions Related Filings'') have been approved by the Commission or otherwise become effective. As such, ICC proposes to make the changes to the Rules, EOD Policy, and Risk Framework effective following the approval of all Index Swaptions Related Filings and the completion of the ICC governance process surrounding the Index Swaptions product expansion.

Rule Amendments

In new Subchapter 26R, Rule 26R–102 will set out key definitions used for Index Swaptions, which are generally similar to those used in the subchapters for other index Contracts cleared by ICC. Key defined terms would include ''Eligible Untranched Swaption Index'', which would specify the applicable series and version of a CDX or iTraxx index or sub-index underlying an Index Swaption. As with other index Contracts, ICC would maintain a List of Eligible Untranched Swaption Indices, which will contain the Eligible Untranched Swaption Indices as well as the eligible expiration dates and strike prices, as well as other relevant terms, for Index Swaptions that will be accepted for clearing by ICC. The rule would define the ''Relevant Index Swaption Untranched Terms Supplement'', which is the market-standard published standard terms document for index swaptions of the relevant type that would be incorporated by reference into the contract terms in the Rules for a cleared Index Swaption. The rule also would define the ''Underlying Contract,'' which would be the index CDS Contract into which the Index Swaption may be exercised, and the ''Underlying New Trade,'' which would be a new single name CDS trade that would arise upon exercise of an Index Swaption where a relevant Restructuring Credit Event, if

[6] 15 U.S.C. 78s(b)(2).

[7] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Capitalized terms used but not defined herein have the meanings specified in the Rules.

applicable, has occurred with respect to a reference entity in the relevant index.

New Rule 26R–103 would clarify the application of certain aspects of the Rules to Index Swaptions. For most purposes of the Rules, including Chapters 20 (regarding default management), 20A (regarding transfers of positions), 21 (regarding determination of credit events) and 26E (regarding restructuring credit events), Index Swaptions would be treated as CDS Contracts. Although Index Swaptions are ''physically settled,'' as that term is understood in the market for swaptions (meaning that the swaption, upon exercise, will result in the parties entering into an index credit default swap position on the specified terms), the physical settlement terms for CDS Contracts in Chapter 22 of the Rules would not apply to settlement of the Index Swaption itself. Once an Index Swaption has been exercised, the resulting Underlying Contract and Underlying New Trade, if any, would themselves be treated as CDS Contracts for all purposes of the Rules.

In Rule 26R–309, CDS Participants agree to use reasonable efforts not to submit for clearing an Index Swaption at a time when the Underlying Contract could not be submitted for clearing under the Rules or at a time when the CDS Participant would be under an obligation to use reasonable efforts not to submit such Underlying Contract. (The Rules related to CDS Contracts cleared by ICC impose limitations on submission of trades for clearing at certain times.)[4] As with other CDS Contracts under the Rules, a CDS Participant would also be required to notify ICC if it has submitted an Index Swaption that was not a Conforming Trade under the Rules.

Rule 26R–315 would establish certain basic terms for Index Swaptions. The Rule would provide that the Index Swaption is governed by the Relevant Index Swaption Untranched Terms Supplement (which contains the market standard terms for uncleared Index Swaptions of the relevant type), subject to the relevant provisions of Subchapter 26R of the Rules (which would govern in the case of any inconsistency). The approach is consistent with the treatment of other cleared index CDS Contracts under the Rules, which rely on and incorporate their own forms of standard terms supplements.

Rule 26R–316 would address the situation where a new Index Swaption Untranched Terms Supplement is published. Consistent with ICC's practice for other index CDS Contracts, the ICC Board or its designee would determine whether Index Swaptions referencing the existing standard terms supplement would be fungible with Index Swaptions referencing the new standard terms supplement, and if so, ICC would update existing Index Swaptions to reference the new standard terms supplement.

Rule 26R–317 specifies other key terms for Index Swaptions. Subsection (a) addresses certain modifications to the Relevant Index Swaption Standard Terms Supplement and the 2014 Definitions incorporated therein, in the context of an Index Swaption referencing a CDX.NA index. These generally reflect changes necessary to accommodate the clearing of the Index Swaption transactions, including to incorporate the clearing house's procedures for determination of a Credit Event and for application of physical settlement, and are consistent with similar modifications used for the Underlying Contract itself under the applicable subchapter of Chapter 26 of the Rules. Subsection (b) makes similar modifications in the case of an Index Swaption referencing an iTraxx Europe index. Rule 26R–317(c) states explicitly that Index Swaptions will be physically settled in accordance with Subchapter 26R (and not, for the avoidance of doubt, the physical settlement rules in Chapter 22 (which may apply to the settlement of the Underlying Contract, if applicable, but not to the settlement of the Index Swaption)).

Rule 26–317(d) sets out certain terms and elections under the Relevant Index Swaption Untranched Terms Supplement that will apply to all Index Swaptions of a particular type and underlying index. Significantly, ICC will only accept Index Swaptions that are European style, such that the option may only be exercised on the expiration date. ICC is defined as the Calculation Agent, except as provided in the CDS Committee Rules in Chapter 21. The rule would also set out certain elections regarding the Underlying Contract.

Rule 26–317(e) would set out the terms for an Index Swaption that must be included in the submission of a transaction for clearing, including identifying the underlying index, swaption trade date, expiration date, Swaption Buyer, Swaption Seller, strike price and swaption premium. The submission would also specify whether the Index Swaption is a ''payer'' or ''call'' option, in which case the Swaption Buyer, upon exercise, would be the fixed rate payer under the Underlying Contract, or a ''receiver'' or ''put'' option, in which case the Swaption Seller, upon exercise, would be the fixed rate payer under the Underlying Contract. The submission would also specify the scheduled termination date of the Underlying Contract and original notional amount of the Underlying Contract.

Procedures for exercise and assignment of Index Swaptions would be addressed in new Rule 26R–318. Specifically, an Open Position in an Index Swaption may be exercised on its expiration date by the relevant Participant (or, in the case of a client position, the relevant Non-Participant Party) that is the Swaption Buyer delivering an exercise notice to ICC.[5] When ICC receives exercise notices in respect of a particular type of Index Swaption on its expiration date, ICC will assign the exercise notices to Open Positions of Participants that are Swaption Sellers (across both the house and customer origin accounts) in accordance with the Exercise Procedures. Such an assignment will constitute exercise by ICC of its Index Swaption position against such Swaption Sellers (and the exercise of the position between the exercising Swaption Buyer and ICC and an offsetting position between ICC and the assigned Swaption Seller will be deemed to occur simultaneously). The assignment of an exercise notice does not create a direct relationship between the exercising Swaption Buyer and the assigned Swaption Seller; both such parties continue to face ICC as clearing organization. Index Swaptions that are not validly exercised on the expiration date will expire without further obligation of any party.

New Rule 26R–319 would address procedures for settlement of an exercised Index Swaption. Upon exercise, a cleared Contract in the form of the Underlying Contract will automatically come into effect as between the exercising Swaption Buyer and ICC and an offsetting cleared Contract will automatically come into effect as between ICC and the assigned Swaption Seller. A settlement payment in connection with the exercise (representing a strike adjustment amount based on the strike price of the Index Swaption and an accrual amount (reflecting the accrued fixed payment for the Underlying Contract through expiration)) will be paid by one party to

[4] See, *e.g.,* ICC Rule 26A–309.

[5] ICC contemplates that it will adopt a set of Exercise Procedures that will provide further detail as to the manner in which Index Swaptions may be exercised by Swaption Buyers and in which notices of exercise will be assigned to Swaption Sellers. The Exercise Procedures may also detail any circumstances under which Index Swaptions would be automatically exercised at expiration. ICC expects that it will separately file such procedures for approval under Rule 19b–4 as required.

the other in accordance with the terms of the relevant Index Swaption (based on the Relevant Index Swaption Untranched Terms Supplement).

Consistent with the terms of the Index Swaption, additional settlements may be required under Rule 26R–319(b) if one or more Credit Events has occurred with respect to the underlying index at or prior to the expiration date of the Index Swaption. In general, such settlements are designed so that the party in the position of the protection buyer under the Index Swaption would receive settlement for all such Credit Events as if it had held the Underlying Contract at the time of the Credit Event. These settlement amounts may include auction cash settlement amounts, fixed rate payments, and accruals with respect to such credit events. The proposed rule would also provide for an additional accrual amount, owed by the party that is in the position of fixed rate payer or floating rate payer, as applicable, to ensure consistency in economic result where the swaption expiration occurs after the relevant auction date for a Credit Event as compared to cases where expiration occurs before the auction date. Rule 26R–319(b) also addresses cases where the relevant Underlying Contract is itself subject to physical settlement under Chapter 22 of the Rules, and provides for matching of Swaption Buyers and Swaption Sellers for that purpose. Rule 26R–319(c) would apply in the case of a relevant M(M)R Restructuring Credit Event, and provide for delivery of MP Notices (both Restructuring Credit Event Notices and Notices to Exercise Movement Option) by Swaption Buyer and Swaption Sellers prior to expiration of the Index Swaption, which will have effect with respect to the Underlying New Trade established if the Index Swaption is exercised. Subsection (c) also addresses settlement with respect to the Underlying New Trade.

Rule 26R–502 would clarify that certain actions do not constitute Specified Actions subject to Risk Committee consultation, including adding new eligible strike prices and expiration dates for Index Swaptions and adding new series and tenors for the Underlying Contracts for Index Swaptions. Consistent with similar provisions for other product subchapters, Rule 26R–616 would provide that actions to give effect to certain determinations of the Credit Derivatives Determinations Committee or Regional CDS Committee, such as succession events and the like, would not constitute a Contract Modification for purposes of the Rules.

EOD Policy Amendments

ICC also proposes to amend its EOD Policy to incorporate Index Swaptions. The EOD Policy sets out ICC's EOD price discovery process used to determine the daily settlement prices for all cleared Contracts, based on submissions made by Participants. The amended EOD Policy would specify the characteristics that define a unique Index Swaption instrument for purposes of price submissions, including exercise style, underlying index, option type (put or call), expiration date, strike price and convention (price or spread) and transaction type (reflecting the applicable legal documentation). The policy would further define a ''put/call surface pair,'' as the group of Index Swaptions with the same combination of underlying index, strike convention and transaction type, but differ with respect to option type, expiration date and strike price, and a ''surface,'' as the group of Index Swaptions from a given put/call surface pair with the same option type (such that for every put/call surface pair there is a put surface and a call surface). Under the policy, a ''strip'' would be referred to as the group of Index Swaptions on a given surface with the same expiration date (but with different strike prices).

The revised EOD Policy would establish a methodology for determining EOD bid-offer widths (''BOWs'') for clearing-eligible Index Swaptions, which are used for establishing EOD settlement prices. Under the methodology, ICC uses the EOD BOW of the Underlying Contract in price terms for each put/call surface pair. For each strip, ICC would determine an around-at-the money BOW using the underlying index EOD BOW and scaling factors that take into account time to expiry and the magnitude of an at-the-money swaption's BOW as related of the BOW of the underlying. ICC then determines a systematic BOW for each Index Swaption on a strip by applying an in-the-moneyness scaling factor based on strike prices. The final BOW for an Index Swaption would be determined as the greater of the systematic BOW and a dynamic BOW determined on the range of a series of unique price submissions made by Participants for the particular Index Swaption (excluding certain of the largest and smallest elements), in a manner similar to that currently used for calculating dynamic BOWs for single name instruments.

The EOD Policy also would set out price submission requirements for Participants. If a Participant has a gross notional position in any Index Swaption in any strip of puts or calls, the Participant must provide submissions for all clearing-eligible instruments in that strip of puts or calls and the corresponding strip of calls or puts. In addition, if an insufficient number of Participants are required to submit under this standard, ICC may require all Participants to provide relevant submissions. Under the amendments, ICC would establish a separate price submission window for Index Swaptions that differs from the current submission window for CDS Contracts. The policy would specify the required format of submissions, and permit either midpoint or bid-offer pair submissions. ICC will convert submissions into standardized bid-offer pairs using the calculated EOD BOW as discussed above. ICC would also determine implied forward prices for all underlying index instruments for which EOD Index Swaption prices are determined, for maturities corresponding to each Index Swaption expiration date.

ICC would apply its firm trade requirements, under which a subset of trades generated by ICC's cross-and lock algorithm are required to be entered into by Participants, to Index Swaptions. As with other cleared products, there would be a notional limit for firm Index Option trades for Participants affiliate groups. The amended policy would set out procedures for determining the relevant firm trade days for Index Swaptions and the strips of puts and calls that are firm-trade eligible. Firm trades in Index Swaptions may be eligible for reversing transactions, in a similar manner to other firm trades.

The amendments would address distribution of Index Swaption prices, both to Participants and publicly. The amendments also amend the governance provisions of the EOD Policy to incorporate the relevant functions of the ICC Risk Management Department regarding Index Swaptions. The table in the appendix setting out the timing for various aspects of the price submission process would also be updated to incorporate Index Swaptions.

The amendments would make certain other clarifications to the EOD Policy, including references to additional alternative price sources that ICC may use in establishing settlement prices. Certain clarifications would be made to the existing process for index and single name CDS Contracts to distinguish it from the additional submission process for Index Swaptions. Certain updates to defined terms and typographical and similar corrections would also be made.

Risk Framework Amendments

ICC would make conforming changes to its Risk Framework to incorporate the clearing of Index Swaptions. The amendments would, among other matters, define Index Swaptions and identify key terms of Index Swaptions, consistent with the Rules and EOD Policy. For risk management purposes, the Risk Framework would define an instrument as a specific combination of underlying index, expiration date, strike price, option type, exercise type, currency and transaction type. The amendments would address the application of the ICC initial margin model to Index Swaptions, including the integrated spread response component of the margin model, based on implied forward looking Index Swaption prices. Index Swaptions would not be eligible for index-single name decomposition benefits for purposes of determining the integrated spread response and accordingly would not be subject to basis risk requirements based on decomposed index positions. Certain price-based scenarios and jump to default requirements in the margin model would, in the case of Index Swaptions, be applied to delta equivalent notional amounts of the underlying index swap position. The framework would also apply concentration charges to Index Swaption positions, based on delta equivalent notional amounts of the underlying index.

Amendments to the Risk Framework would also remove certain outdated references and clarify certain risk management data and systems used in the margin models. Risk management review procedures contained in an appendix to the document would also be updated to incorporate Index Swaptions.

(b) Statutory Basis

ICC believes that the proposed rule changes are consistent with the requirements of Section 17A of the Act[6] and the regulations thereunder applicable to it, including the applicable standards under Rule 17Ad–22.[7] In particular, Section 17A(b)(3)(F) of the Act requires that that the rule change be consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest.[8]

The amendments would provide for clearing of an additional type of contract, Index Swaptions. When exercised, Index Swaptions would result in the creation of an underlying index CDS Contract cleared by ICC. Index Swaptions would only relate to underlying index CDS Contracts that are accepted for clearing by ICC. The Rule amendments would provide for the creation of a new Subchapter 26R of the Rules governing the terms and conditions of Index Swaptions. In general, the Rules would incorporate market-standard documentation for Index Swaptions (much as ICC does for other categories of cleared contract), with applicable changes to reflect the clearing process at ICC. The Rule amendments would also provide for the exercise of Index Swaptions by Swaption Buyers, and the assignment of exercised positions to Swaption Sellers, and the settlement of Index Swaptions following exercise. The revised EOD Policy would provide a means for daily pricing of Index Swaptions for settlement and margining purposes, in a manner similar to that for other cleared Contracts. In addition, the Risk Framework would be updated, principally to incorporate Index Swaptions into the ICC's initial margin model, among other risk management matters. In ICC's view, clearing of Index Swaptions on these terms and arrangements would extend the benefits of clearing to market participants that use these products, enhancing the functioning of the derivatives markets and providing increased ability for market participants to manage risk through the cleared environment. With the proposed amendments to the EOD Policy and Risk Framework, ICC believes the Index Swaptions can be effectively cleared within ICC's existing clearing arrangements and related financial safeguards, protections and risk management procedures. Margin provided in connection with the clearing of Index Swaptions would be held by ICC in the same manner, and with the same protections, as margin provided in respect of other cleared Contracts. Accordingly, in ICC's view, the amendments are consistent with the prompt and accurate clearance and settlement of derivatives transactions cleared by ICC, the safeguarding of securities and funds in the custody or control of ICC or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.

The amendments will also satisfy relevant requirements of Rule 17Ad–22,[9] as set forth in the following discussion.

Financial Resources. Rule 17Ad–22(b)(2)–(3)[10] requires, in relevant part, a clearing agency for security-based swaps 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 maintain financial resources ''sufficient to withstand, at a minimum, a default by the two participant families to which it has the largest exposure in extreme but plausible market conditions.'' As discussed above, ICC is modifying the Risk Framework, and in particular the initial margin model, to apply to Index Swaptions. With these modifications, ICC believes that its initial margin and guaranty fund resources will be sufficient to meet ICC's financial obligations to Participants with respect to cleared Index Swaptions as well as other cleared Contracts notwithstanding a default by the two Participant families creating the largest combined loss, in extreme but plausible market conditions, consistent with these regulatory requirements. ICC does not propose to otherwise reduce or change its financial resources.

Operational Resources. Rule 17Ad–22(d)(4) requires a clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to ''identify sources of operational risk and minimize them through the development of appropriate systems, controls and procedures.''[11] ICC proposes to modify its EOD Policy and Risk Framework to facilitate pricing and risk management of Index Swaptions, within ICC's existing systems and procedures. ICC believes that with these modifications, its operational and managerial resources will be sufficient to support clearing of Index Swaptions, consistent with the requirements of Rule 17Ad–22(d)(4).[12]

Settlement Procedures. Rule 17Ad–22(d)(12)[13] requires a clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to ''ensure that final settlement occurs no

[6] 15 U.S.C. 78q–1.

[7] 17 CFR 240.17Ad–22.

[8] 15 U.S.C. 78q–1(b)(3)(F).

[9] 17 CFR 240.17Ad–22.

[10] 17 CFR 240.17Ad–22(b)(2)–(3).

[11] 17 CFR 240.17Ad–22(d)(4).

[12] 17 CFR 240.17Ad–22(d)(4).

[13] 17 CFR 240.17Ad–22(d)(12).

later than the end of the settlement day, and require that intraday or real-time finality be provided where necessary to reduce risks.'' ICC proposes to amend its EOD Policy to accommodate Index Swaptions. The revised policy will provide a robust basis for calculation of EOD settlement prices for cleared Index Swaptions, which in turn will serve as the basis for Mark-to-Market Margin settlement for Index Swaptions. As such, ICC believes its arrangements for settlement of Index Swaptions will be consistent with the requirements of the Rule as to the finality and accuracy of its daily settlement process.

In addition, Rule 17Ad–22(d)(15) requires the clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to ''state to its participants the clearing agency's obligations with respect to physical deliveries and identify and manage the risks from these obligations.'' [14] The amended Rules clearly set out the procedures for settlement of Index Swaptions on exercise, which result in the creation of a cleared underlying index CDS Contract (and in some cases in the event of a Restructuring Credit Event, an Underlying New Trade). The Rules also provide for settlements of credit events that occur prior to exercise of an Index Swaption, consistent with the documentation for such contracts. In ICC's view, the Rules, as well as the amended Risk Framework and its existing risk management procedures, enable ICC to identify and manage the risks of settlement of Index Swaptions on exercise. As such, the amendments would satisfy the requirements of the Rule.

Default Procedures. Rule 17Ad–22(d)(11) [15] requires the clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to ''establish default procedures that ensure that the clearing agency can take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of a participant default.'' ICC will apply its existing default management Rules and procedures to the management of any default involving Index Swaptions. ICC believes these arrangements allow it to take timely action to contain losses and liquidity pressures, and to continue meeting its obligations, in the case of such a default involving Index Swaptions, and are therefore consistent with the Rule.

[14] 17 CFR 240.17Ad–22(d)(15).

[15] 17 CFR 240.17Ad–22(d)(11).

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

ICE Clear Credit does not believe the proposed amendments would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. The amendments will authorize the clearing of Index Swaptions as an additional type of Contract. Index Swaptions will be available to all ICC Participants for clearing. ICC does not believe acceptance of Index Swaptions for clearing would adversely affect the trading markets for such contracts, and in fact acceptance of such contracts by ICC would provide market participants with the additional flexibility to have their Index Swaptions cleared. Acceptance of the Index Swaptions for clearing will not, in ICC's view, adversely affect clearing of any other currently cleared product. As a result, ICC does not believe the amendments would adversely affect the ability of Participants, their customers or other market participants to continue to clear contracts, including CDS Contracts. ICC also does not believe the enhancements would adversely affect the cost of clearing or otherwise limit market Participants' choices for selecting clearing services in Index Swaptions, credit default swaps or other products. Accordingly, ICC does not believe the amendments would impose any burden on competition not necessary or appropriate in furtherance of the purpose of the Act.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice 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, Security-Based Swap Submission, or 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 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, 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.* Please include File Number SR–ICC–2019–007 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–2019–007. 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 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–2019–007 and should be submitted on or before August 7, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–15136 Filed 7–16–19; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86356; File No. 4–747]

Program for Allocation of Regulatory Responsibilities Pursuant to Rule 17d–2; Notice of Filing of Proposed Plan for the Allocation of Regulatory Responsibilities Between the Financial Industry Regulatory Authority, Inc. and the Long-Term Stock Exchange, Inc.

July 11, 2019.

Pursuant to Section 17(d) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 17d–2 thereunder,[2] notice is hereby given that on July 11, 2019, the Financial Industry Regulatory Authority, Inc. (''FINRA'') and the Long-Term Stock Exchange, Inc. (''LTSE'') (together with FINRA, the ''Parties'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') a plan for the allocation of regulatory responsibilities, dated July 11, 2019 (''17d–2 Plan'' or the ''Plan''). The Commission is publishing this notice to solicit comments on the 17d–2 Plan from interested persons.

I. Introduction

Section 19(g)(1) of the Act,[3] among other things, requires every self-regulatory organization (''SRO'') registered as either a national securities exchange or national securities association to examine for, and enforce compliance by, its members and persons associated with its members with the Act, the rules and regulations thereunder, and the SRO's own rules, unless the SRO is relieved of this responsibility pursuant to Section 17(d) or Section 19(g)(2) of the Act.[4] Without this relief, the statutory obligation of each individual SRO could result in a pattern of multiple examinations of broker-dealers that maintain memberships in more than one SRO (''common members''). Such regulatory duplication would add unnecessary expenses for common members and their SROs.

Section 17(d)(1) of the Act[5] was intended, in part, to eliminate unnecessary multiple examinations and regulatory duplication.[6] With respect to a common member, Section 17(d)(1) authorizes the Commission, by rule or order, to relieve an SRO of the responsibility to receive regulatory reports, to examine for and enforce compliance with applicable statutes, rules, and regulations, or to perform other specified regulatory functions.

To implement Section 17(d)(1), the Commission adopted two rules: Rule 17d–1 and Rule 17d–2 under the Act.[7] Rule 17d–1 authorizes the Commission to name a single SRO as the designated examining authority (''DEA'') to examine common members for compliance with the financial responsibility requirements imposed by the Act, or by Commission or SRO rules.[8] When an SRO has been named as a common member's DEA, all other SROs to which the common member belongs are relieved of the responsibility to examine the firm for compliance with the applicable financial responsibility rules. On its face, Rule 17d–1 deals only with an SRO's obligations to enforce member compliance with financial responsibility requirements. Rule 17d–1 does not relieve an SRO from its obligation to examine a common member for compliance with its own rules and provisions of the federal securities laws governing matters other than financial responsibility, including sales practices and trading activities and practices.

To address regulatory duplication in these and other areas, the Commission adopted Rule 17d–2 under the Act.[9] Rule 17d–2 permits SROs to propose joint plans for the allocation of regulatory responsibilities with respect to their common members. Under paragraph (c) of Rule 17d–2, the Commission may declare such a plan effective if, after providing for appropriate notice and comment, it determines that the plan is necessary or appropriate in the public interest and for the protection of investors; to foster cooperation and coordination among the SROs; to remove impediments to, and foster the development of, a national market system and a national clearance and settlement system; and is in conformity with the factors set forth in Section 17(d) of the Act. Commission approval of a plan filed pursuant to Rule 17d–2 relieves an SRO of those regulatory responsibilities allocated by the plan to another SRO.

II. Proposed Plan

The proposed 17d–2 Plan is intended to reduce regulatory duplication for firms that are common members of both LTSE and FINRA.[10] Pursuant to the proposed 17d–2 Plan, FINRA would assume certain examination and enforcement responsibilities for common members with respect to certain applicable laws, rules, and regulations.

The text of the Plan delineates the proposed regulatory responsibilities with respect to the Parties. Included in the proposed Plan is an exhibit (the ''LTSE Certification of Common Rules,'' referred to herein as the ''Certification'') that lists every LTSE rule, and select federal securities laws, rules, and regulations, for which FINRA would bear responsibility under the Plan for overseeing and enforcing with respect to LTSE members that are also members of FINRA and the associated persons therewith (''Dual Members'').

Specifically, under the 17d–2 Plan, FINRA would assume examination and enforcement responsibility relating to compliance by Dual Members with the rules of LTSE that are substantially similar to the applicable rules of FINRA,[11] as well as any provisions of the federal securities laws and the rules and regulations thereunder delineated in the Certification (''Common Rules''). In the event that a Dual Member is the subject of an investigation relating to a transaction on LTSE, the plan acknowledges that LTSE may, in its discretion, exercise concurrent jurisdiction and responsibility for such matter.[12]

Under the Plan, LTSE would retain full responsibility for surveillance and

[16] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78q(d).

[2] 17 CFR 240.17d–2.

[3] 15 U.S.C. 78s(g)(1).

[4] 15 U.S.C. 78q(d) and 15 U.S.C. 78s(g)(2), respectively.

[5] 15 U.S.C. 78q(d)(1).

[6] *See* Securities Act Amendments of 1975, Report of the Senate Committee on Banking, Housing, and Urban Affairs to Accompany S. 249, S. Rep. No. 94–75, 94th Cong., 1st Session 32 (1975).

[7] 17 CFR 240.17d–1 and 17 CFR 240.17d–2, respectively.

[8] *See* Securities Exchange Act Release No. 12352 (April 20, 1976), 41 FR 18808 (May 7, 1976).

[9] *See* Securities Exchange Act Release No. 12935 (October 28, 1976), 41 FR 49091 (November 8, 1976).

[10] The proposed 17d–2 Plan refers to these common members as ''Dual Members.'' *See* Paragraph 1(c) of the proposed 17d–2 Plan.

[11] *See* paragraph 1(b) of the proposed 17d–2 Plan (defining Common Rules). *See also* paragraph 1(f) of the proposed 17d–2 Plan (defining Regulatory Responsibilities). Paragraph 2 of the Plan provides that annually, or more frequently as required by changes in either LTSE rules or FINRA rules, the parties shall review and update, if necessary, the list of Common Rules. Further, paragraph 3 of the Plan provides that LTSE shall furnish FINRA with a list of Dual Members, and shall update the list no less frequently than once each calendar quarter.

[12] *See* paragraph 6 of the proposed 17d–2 Plan.