

change should be approved or 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-CboeEDGX-2019-039 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-CboeEDGX-2019-039. 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 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-CboeEDGX-2019-039 and should be submitted on or before August 7, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹³

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86359; File No. SR-ICEEU-2019-010]

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change to Clearing Membership Policy

July 11, 2019.

I. Introduction

On May 13, 2019, ICE Clear Europe Limited ("ICE Clear Europe" or "Clearing House") 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 amend its Clearing Membership Policy. The proposed rule change was published for comment in the **Federal Register** on May 28, 2019.³ The Commission did not receive comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICE Clear Europe's proposed rule change would make three amendments to its Clearing Membership Policy.⁴

First, the proposed rule change would specify that applications for membership are formally considered and, as appropriate, approved and rejected by, the Executive Risk Committee, through a delegation of authority from the ICE Clear Europe Board of Directors, rather than the F&O and CDS Product Risk Committees (collectively, the "Product Risk Committees"). The proposed rule change would also specify that the Product Risk Committees would be notified of approved applications. The Executive Risk Committee is made up of

ICE Clear Europe management and advises management on all key aspects of risk management and produces proposals for review by the Board Risk Committee, Product Risk Committees, and ICE Clear Europe Board, as appropriate.⁵ The Product Risk Committees are made up of appointees nominated by ICE Clear Europe's Clearing Members.⁶

Second, the proposed rule change would add a requirement that a person applying to become a CDS Clearing Member (an "Applicant") prove its ability to determine and submit end-of-day prices for CDS instruments to fulfill the pricing capabilities requirements set out in ICE Clear Europe's CDS End-Of-Day Price Discovery Policy. The proposed rule change would further specify how ICE Clear Europe's Clearing Risk Department would review and determine Applicants' pricing capabilities. Thus, the proposed rule change would provide the Executive Risk Committee, as the delegated committee responsible for approving or rejecting an Applicant, with authority to reject an Applicant that cannot demonstrate such pricing capabilities.

Finally, the proposed rule change would add an explicit requirement that, in evaluating applications for membership, the Clearing Risk Department consider the performance of Applicants in a Default Management Test and review Applicants' internal policies and procedures to assess the efficacy of their default management process. Thus, the proposed rule change would provide the Executive Risk Committee, as the delegated committee responsible for approving or rejecting an Applicant, with authority to reject an Applicant that cannot demonstrate the efficacy of its default management process.

III. 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 the proposed rule change is consistent with the requirements of the Act and the rules

⁵ See ICE Clear Europe Disclosure Framework, available at https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Disclosure_Framework.pdf ("The role of the ERC is to advise the management team on all key aspects of risk management and produce proposals for review by the Board Risk Committee, the Product Risk Committees, the Client Risk Committee, the Audit Committee and the Board as appropriate.")

⁶ See ICE Clear Europe Disclosure Framework, available at https://www.theice.com/publicdocs/clear_europe/ICE_Clear_Europe_Disclosure_Framework.pdf ("The CDS PRC is comprised of appointees nominated by CDS Clearing Members, Independent Non-Executives and representatives of ICEU.")

⁹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 85908 (May 21, 2019), 84 FR 24573 (May 28, 2019) (SR-ICEEU-2019-010) ("Notice").

⁴ Notice, 84 FR at 24574. Capitalized terms not otherwise defined herein have the meanings given to them in the ICE Clear Europe Rules or the Clearing Membership Policy.

and regulations thereunder applicable to the organization presenting it.⁷ For the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁸ and Rules 17Ad–22(e)(2) and (e)(18) thereunder.⁹

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 ICE Clear Europe 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 ICE Clear Europe or for which it is responsible, and, in general, to protect investors and the public interest.¹⁰

As discussed above, the proposed rule change would specify that applications for membership are formally considered, and approved and rejected by, the Executive Risk Committee, rather than the Product Risk Committees. The proposed change would also specify the procedure by which ICE Clear Europe would test and screen Applicants for their ability to satisfy end-of-day pricing and default management requirements. The Commission believes that ICE Clear Europe's end-of-day pricing and robust and effective default management protocols both are critical to its ability to contribute to the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds. For example, ICE Clear Europe relies on accurate end-of-day prices to generate margin requirements, which it uses to manage the risks associated with clearing security-based swap portfolios. Similarly, ICE Clear Europe relies on its default management tools to help manage and reduce the risks associated with a defaulting Clearing Member's portfolio. Such risks, if not properly managed, could cause ICC to realize losses on such portfolios and could disrupt ICE Clear Europe's ability to promptly and accurately clear security based swaps transactions and safeguard securities and funds which are in the custody or control of ICE Clear Europe or for which it is responsible. For these reasons, the Commission believes that the proposed rule change, in establishing a procedure by which ICE

Clear Europe would test and screen Applicants for their ability to satisfy end-of-day pricing and default management requirements, and providing the Executive Risk Committee authority to reject Applicants that do not meet such requirements, would promote the prompt and accurate clearance and settlement of securities transactions and help assure the safeguarding of securities and funds which are in the custody or control of the ICE Clear Europe or for which it is responsible. For the same reasons, the Commission also believes the proposed rule change would, in general, protect investors and the public interest.

Section 17A(b)(3)(F) of the Act further requires that the rules of ICE Clear Europe are not designed to permit unfair discrimination in the admission of participants or among participants in the use of the clearing agency.¹¹ The Commission believes that the proposed changes discussed above would establish procedures by which ICE Clear Europe would test and screen Applicants for their ability to satisfy end-of-day pricing and default management requirements on an objective basis, without discriminating in the admission of Applicants.

Therefore, the Commission finds that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, assure the safeguarding of securities and funds in ICE Clear Europe's custody and control, in general, protect investors and the public interest, and not be designed to permit unfair discrimination in the admission of participants or among participants in the use of the clearing agency, consistent with the Section 17A(b)(3)(F) of the Act.¹²

B. Consistency With Rule 17Ad–22(e)(2)

Rule 17Ad–22(e)(2) requires, among other things, that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and that specify clear and direct lines of responsibility.¹³

The proposed rule change would specify that applications for membership are formally considered, and approved and rejected by, the Executive Risk Committee, rather than the Product Risk Committees and that the Product Risk Committees are notified of approved applications. The Commission believes that the proposed

rule change would help to ensure that the governance regarding approval of Applicants is clear and transparent, and establishes a clear and direct line of responsibility, by clearly specifying that the Executive Risk Committee would approve or disapprove applications. Moreover, in establishing that the Executive Risk Committee, through a delegation of authority from the ICE Clear Europe Board of Directors, is responsible for approving or rejecting Applicants, rather than the Product Risk Committees, the Commission believes the proposed rule change would consolidate, within ICE Clear Europe management, decisions regarding admission of applicants for membership at ICE Clear Europe. The Commission believes this would therefore clearly specify the responsibility of ICE Clear Europe management in approving or rejecting Applicants. Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad–22(e)(2).¹⁴

C. Consistency With Rule 17Ad–22(e)(18)

Rule 17Ad–22(e)(18) requires, among other things, that ICE Clear Europe establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation which permit fair and open access by direct and, where relevant, indirect participants and other financial market utilities.¹⁵

As discussed above, the proposed rule change would specify the procedure by which ICE Clear Europe would test and screen Applicants for their ability to satisfy end-of-day pricing and default management requirements. The proposed rule change also would specifically require that Applicants prove the ability to fulfill the pricing capabilities requirements set out in ICE Clear Europe's CDS End-Of-Day Price Discovery Policy and perform acceptably in a Default Management Test. The Commission believes that, in doing so, the proposed rule change would establish objective and disclosed procedures for approving Applicants based on the risk of Applicants not being able to comply with ICE Clear Europe's end-of-day pricing and default management requirements. Moreover, the Commission believes that these procedures represent objective criteria which any Applicant could potentially satisfy, thereby permitting fair and open access to membership at ICE Clear

⁷ 15 U.S.C. 78s(b)(2)(C).

⁸ 15 U.S.C. 78q–1(b)(3)(F).

⁹ 17 CFR 240.17Ad–22(e)(2) and (e)(18).

¹⁰ 15 U.S.C. 78q–1(b)(3)(F).

¹¹ 15 U.S.C. 78q–1(b)(3)(F).

¹² 15 U.S.C. 78q–1(b)(3)(F).

¹³ 17 CFR 240.17Ad–22(e)(2).

¹⁴ 17 CFR 240.17Ad–22(e)(2).

¹⁵ 17 CFR 240.17Ad–22(e)(18).

Europe. Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(18).¹⁶

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act¹⁷ and Rules 17Ad-22(e)(2) and (e)(18) thereunder.¹⁸

It is therefore ordered pursuant to Section 19(b)(2) of the Act¹⁹ that the proposed rule change (SR-ICEEU-2019-010) be, and hereby is, approved.²⁰

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Eduardo A. Aleman,
Deputy Secretary.

[FR Doc. 2019-15137 Filed 7-16-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86361; File No. SR-CBOE-2019-031]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Fees Schedule With Respect to Expiring Fee Waivers and Incentive Programs

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, 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 and II, 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 Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its Fees Schedule with respect to expiring fee waivers and incentive programs. 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://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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fees Schedule relating to various fee waivers and incentive programs that are set to expire June 30, 2019. The Exchange proposes to implement these amendments to its Fees Schedule on July 1, 2019.

Sector Indexes Facilitation Fee

First, the Exchange proposes to extend the current waiver of fees for facilitation orders in Sector Index options.⁵ Currently, Footnote 11 of the Fees Schedule provides that for facilitation orders for Sector Index options executed in open outcry, or electronically via AIM or as a Qualified Contingent Cross order (“QCC”) or CFLEX transaction, the Exchange will assess no Clearing Trading Permit Holder Proprietary transaction fees through June 30, 2019. By way of background “facilitation orders” are defined as any order in which a Clearing Trading Permit Holder (“F” origin code)

or Non-Trading Permit Holder Affiliate (“L” origin code) is contra to any other origin code order, provided the same executing broker and clearing firm are on both sides of the transaction (for open outcry) or both sides of a paired order (for orders executed electronically).⁶ In adopting a waiver for facilitation fees in Sector Index options, the Exchange recognized that Clearing Trading Permit Holders can be an important source of liquidity when they facilitate their own customers’ trading activity and, as such, the Exchange applied a waiver of Clearing Trading Permit Holder Proprietary transaction fees for facilitation orders through June 30, 2019.⁷ The Exchange continues to recognize the important role Clearing Trading Permit Holders play with respect to facilitating their own customers’ trading activity and as such proposes to extend the waiver through December 31, 2019.

Sector Indexes License Surcharge

The Exchange next proposes to extend the current waiver of the Index License Surcharge of \$0.10 per contract. In order to promote and encourage trading of the recently adopted Sector Index options, the Exchange adopted a waiver of the Index License Surcharge for Sector Index option transactions.⁸ The current waiver is set to expire on June 30, 2019. As the volume in these relatively new products is low, the Exchange does not have enough information to evaluate the impact of the waiver. However, the Exchange wishes to extend this waiver through December 31, 2019 in order to continue to encourage the trading of Sector Index options and grow the product. The proposed waiver would apply to all non-customer transactions.

VIX License Index Surcharge

The Exchange next proposes to extend the current waiver of the Index License Surcharge of \$0.10 per contract for Clearing Trading Permit Holder Proprietary (“Firm”) (origin codes “F” or “L”) VIX orders that have a premium of \$0.10 or lower and have series with an expiration of seven (7) calendar days or less. The Exchange wishes to extend this waiver through December 31, 2019. The Exchange adopted the waiver to reduce transaction costs on expiring, low-priced VIX options, which the Exchange believed would encourage Firms to seek to close and/or roll over

⁶ See Cboe Options Fees Schedule, Footnote 11.

⁷ See Securities Exchange Act Release No. 85167 (February 20, 2019), 84 FR 6039 (February 25, 2019) (SR-CBOE-2019-011).

⁸ See Securities Exchange Act Release No. 82854 (March 12, 2018), 83 FR 11803 (March 16, 2018) (SR-CBOE-2018-012).

¹⁶ 17 CFR 240.17Ad-22(e)(18).

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 17 CFR 240.17Ad-22(e)(2) and (e)(18).

¹⁹ 15 U.S.C. 78s(b)(2).

²⁰ 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).

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ See Cboe Options Fees Schedule, Footnote 47.