SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87331; File No. SR–ICEEU–2019–021]

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to Futures and Options Risk Procedures (the ''F&O Risk Procedures'').[1]

OCTOBER 17, 2019. Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[2] and Rule 19b-4 thereunder,[3] notice is hereby given that on October 4, 2019, ICE Clear Europe Limited (''ICE Clear Europe'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule changes described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act [4] and Rule 19b–4(f)(4) [5] thereunder, such that the proposed rule change was immediately effective upon filing with the Commission. 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

ICE Clear Europe proposes to make certain amendments to the F&O Risk Procedures to enhance to enhance their clarity in relation to the margin account structure, certain margin add-on calculation methodology, the process for the monitoring and reporting of the back-testing results and the data management and governance document processes.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICE Clear Europe 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. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

ICE Clear Europe is proposing to amend its F&O Risk Procedures to enhance their clarity in relation to the margin account structure, certain margin add-on calculation methodology, the process for the monitoring and reporting of the back-testing results and the data management and governance document processes.

The revised procedures ensure that the short descriptions of the various accounts offered by ICE Clear Europe would be aligned with the related terminology present in the ICE Clear Europe Clearing Procedures. They would also allow for the clarification of the ICE Clear Europe departments responsible for the review of the F&O margins' parameters. The proposed amendments would also include certain other enhancements and clarifications, described below.

I. European Market Infrastructure Regulation (EMIR) Add-On

The amendments would facilitate a more accurate description of the methodology with which the Clearing House currently complies with Article 26 of the EMIR Regulatory Technical Standards (RTS). The requirement prescribes that all Clearing Members' house and proprietary positions from affiliates of a Clearing Member use a minimum of a two-business day margin period of risk (MPOR).

The EMIR add-on ensures that at least a two- business day MPOR amount would be collected for these positions for products that would otherwise use a one- business day MPOR for initial margin.

The amendments would ensure an accurate explanation of the EMIR add-on calculation inclusion in the ICE Clear Europe end of day margins calculation process and of the fact that ICE Clear Europe does not publish parameter arrays used for calculating additional initial margins.

II. Back-Testing

Several aspects of the F&O Risk Procedures addressing the back-testing process would be amended to enhance clarity and to ensure that the operational steps followed by ICE Clear Europe are accurately reflected in the F&O Risk Procedures. The amendments would cover the assumptions and the formula for the margin coverage calculation and its test methodology. In relation to the back-test statistics, the amendments would specify that the Clearing Risk Department (CRD) could apply at its discretion other back testing statistics, in addition to the standard Basel Traffic Light.[6]

In relation to the macro back-testing the amendments would explain that if the model displays consistent and continuous red zone for some portfolios, ICE Clear Europe may require Clearing Members to provide for additional margin, referred to as super margin.

The amendments would also introduce a new section to the F&O Risk Procedures to address the margin coverage and back-testing monitoring and reporting process. The amendments would clarify, for both the macro and micro back-testing, the process for the daily creation of the relevant risk report for the top day breaches and the process for the related investigation by a Clearing Risk Department (''CRD'') analyst and escalation process to senior CRD personnel. Each macro margin coverage breach is also presented monthly to the Model Oversight Committee and bi-monthly to the F&O Product Risk Committee. The amendments would also cover the frequency with which the back-testing statistics, for both macro and micro back-testing, are generated and the internal reporting process followed for the review of the related results. Back-testing results would be reported by CRD analysts daily to Clearing House senior management staff with respect to macro back-testing results, and with respect to macro and micro back-testing results, monthly to the Model Oversight Committee and bi-monthly to the F&O Product Risk Committee. A Risk Oversight Department (''ROD'') analyst also reviews the macro level results and discusses details if necessary before presenting it to the Model Oversight Committee. Model remediation actions on a Clearing Member portfolio at a macro level or due to product back-testing results at a micro level would be flagged to senior management, the Model Oversight Committee and the F&O Product Risk Committee. The same information regarding monitoring and reporting would also be summarized in a table which would specify the level of the back-testing, the name of the report that is generated, the metrics contained in each report, the storage system used by the Clearing House, the frequency of

[1] Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules (the ''Rules'').

[2] 15 U.S.C. 78s(b)(1).

[3] 17 CFR 240.19b–4.

[4] 15 U.S.C. 78s(b)(3)(A).

[5] 17 CFR 240.19b–4(f)(4).

[6] Basel Statistics test as per—Basel Committee on Banking Supervision, ''Supervisory framework for the use of ''backtesting'' in conjunction with the internal models approach to market risk capital requirements'' (January 1996), available at: *https://www.bis.org/publ/bcbs22.pdf.*

the generation of each report and the audience with whom it is shared.

III. Data Management

The amendments would also introduce a new section to the F&O Risk Procedures to define the different types and sources of data used by the CRD and the related controls. The amendments classify the data used by the CRD into either static or dynamic data, and explain which data are included in each category.

The amendments would also provide details on the data quality checks performed by the CRD on the static and dynamic data and on the historical prices.

The section would also describe the reasons for which the CRD is allowed to correct or exclude data from being used in the margin models or stress scenarios and require that the list of exclusions and corrections with related justifications be reviewed each month by the Model Oversight Committee.

IV. Document Governance and Exception Handling

The amendments would also introduce a new section to the F&O Risk Procedures to describe the breach management process for the reporting and possible escalation of material breaches or unapproved deviations from the F&O Risk Procedures. The section would also include the description of the exception handling process and governance.

Certain other typographical corrections and similar clarifications would also be made.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments are consistent with the requirements of Section 17A of the Act [7] and the regulations thereunder applicable to it, including the standards under Rule 17Ad–22.[8] Section 17A(b)(3)(F) of the Act [9] 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 in the custody or control of the clearing agency or for which it is responsible, and the protection of investors and the public interest. As discussed above, the proposed amendments to the F&O Risk Procedures are intended to more accurately reflect Clearing House practice and to enhance the ICE Clear Europe internal processes with respect to the EMIR add-on application, the back-testing calculation, data management activity and document governance. This would facilitate the Clearing House's ability to manage risk generally, and therefore promote the prompt and accurate clearance and settlement of transactions, and further the public interest in the sound operation of clearing agencies. (The amendments should not significantly affect, and are consistent with, the safeguarding of securities or funds in the custody or control of the Clearing House or for which it is responsible.) As a result, in ICE Clear Europe's view, the amendments are consistent with the requirements of Section 17A(b)(3)(F) of the Act.

The amendments would also satisfy the relevant specific requirements of Rule 17Ad-22,[10] as set forth in the following discussion. Through providing additional details, including details relating to monitoring of margin coverage and back-test statistics, the margin coverage calculation formula and data quality monitoring, and enhancing overall clarity of the F&O Risk Procedures, the amendments are consistent with Rule 17Ad–22(e)(3)(i),[11] which requires clearing agencies to have reasonably designed policies and procedures that, at a minimum, include risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by a clearing agency.

Rule 17Ad–22(e)(6)(i) [12] specifically requires clearing agencies to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. The proposed amendments with respect to the EMIR add-on application are consistent with such requirement as they facilitate the application of the two-business day MPOR margin requirement for the relevant products to cover credit exposures to Clearing Members relative to the related product risks.

Rule 17Ad–22(e)(6)(vi)(D) [13] specifically requires clearing agencies to implement reasonably designed policies and procedures to cover its credit exposures to its participants by establishing a risk-based margin system that is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by reporting the results of its analyses to appropriate decision makers at the covered clearing agency. In compliance with these requirements, the proposed amendments to the F&O Risk Procedures specify the monitoring and the reporting process which ICE Clear Europe must follow in relation to the results of the macro and micro level back-testing results. The amendments to the F&O Risk Procedures describe for each test, the frequency of the reporting of the relevant results and the ICE Clear Europe departments responsible for their monitoring and review, which include senior management, the Model Oversight Committee and the F&O Product Committee.

Rule 17Ad–22(e)(2)(i) and (v) [14] requires clearing agencies to establish reasonably designed policies and

[7] 15 U.S.C. 78q–1.

[8] 17 CFR 240.17Ad–22.

[9] 15 U.S.C. 78q–1(b)(3)(F).

[10] 17 CFR 240.17Ad–22.

[11] 17 CFR 240.17Ad–22(e)(3). The rule states that: ''[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable: (3) Maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which: (i) Includes risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by the covered clearing agency, that are subject to review on a specified periodic basis and approved by the board of directors annually;''

[12] 17 CFR 240.17Ad–22(e)(6). The rule states that: ''[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable: (6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum: (i) Considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market;''

[13] 17 CFR 240.17Ad–22(e)(6). The rule states that: ''[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable: (6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum: (vi) Is monitored by management on an ongoing basis and is regularly reviewed, tested, and verified by: (D) Reporting the results of its analyses under paragraphs (e)(6)(vi)(B) and (C) of this section to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors, and using these results to evaluate the adequacy of and adjust its margin methodology, model parameters, and any other relevant aspects of its credit risk management framework;''

[14] 17 CFR 240.17Ad–22(e)(2). The rule states that: ''[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable: (2) Provide for governance arrangements that: (i) Are clear and transparent; . . . (v) Specify clear and direct lines of responsibility. . . .

procedures to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility. To facilitate compliance with this requirement, the proposed amendments to the F&O Risk Procedures more clearly define the ICE Clear Europe departments responsible for review of back-testing results, data quality checks, breach management and exception handling.

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

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed amendments on the EMIR add-on would apply to those F&O Contracts that are margined using a one-business day MPOR and are intended to strengthen risk management relating to these products and to ensure compliance with EMIR requirements relating to the EMIR add-on. The amendments would apply to all F&O Clearing Members that trade contracts in the relevant category. ICE Clear Europe does not believe the amendments would generally affect the overall cost of clearing for F&O Clearing Members or other market participants or otherwise affect access to clearing generally. To the extent the amendments relating to the EMIR add-on may impose certain additional costs on F&O Clearing Members, these result from requirement imposed by EMIR and are generally applicable to F&O Clearing Members. As a result, any additional burdens placed on F&O Clearing Members would be appropriate in furtherance of enhancing risk management, and are not intended to disadvantage any particular Clearing Member. As a result, ICE Clear Europe believes that any impact on competition would be appropriate 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 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.* Please include File Number SR–ICEEU–2019–021 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–2019–021. 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 Section, 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.*

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–2019–021 and should be submitted on or before November 13, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[15]

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87338; File No. SR–CBOE–2019–094]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend its Fees Schedule To Modify Certain Processes and Requirements Relating to the Submission of Rebate Requests

October 17, 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 October 4, 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 Act[3] 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 to modify certain processes and requirements relating to the submission of rebate requests. 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

[15] 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).