

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-NASDAQ-2021-038, and should be submitted on or before June 9, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-91894; File No. SR-ICC-2021-007]

Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the ICC's Treasury Operations Policies and Procedures

May 13, 2021.

I. Introduction

On March 29, 2021, ICE Clear Credit LLC ("ICC") 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 revise the ICC Treasury Operations Policies and Procedures (the "Treasury Policy"). The proposed rule change was published for comment in the **Federal Register** on April 13, 2021.³ 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

ICC is proposing amendments to its Treasury Policy to make certain clarifications and updates with respect to governance arrangements and collateral asset haircuts, as well as minor clean-up changes. The proposed amendments are summarized below.⁴

ICC proposes to amend the "Revision History" section of the Treasury Policy. The proposed changes would remove an incorrect statement that the document's revision history is limited to the last three years. The proposed changes would also memorialize ICC's review and approval process of the Treasury Policy document, which consists of review by the ICC Risk Committee and review and approval by the ICC Board of Managers (the "Board") at least annually. Additionally, ICC would update the revision history table to include the most recent changes to the document.

ICC also proposes updates and clarification changes to the "Collateral Assets Risk Management Framework" appendix to the Treasury Policy ("Appendix 6"). Under the Treasury Policy, ICC accounts for the risk associated with fluctuations in the value of collateral assets by discounting, or applying "haircuts" to, such assets based on the risk measures and risk factors set forth in Appendix 6. The ICC Risk Department (the "Risk Department") calculates such haircuts for various collateral assets as described in Appendix 6 on an ongoing basis. ICC proposes to change Appendix 6 to update the measure of daily changes for collateral assets such as sovereign debt. Specifically, the proposed changes would amend and remove certain language that differentiates between yield rates greater than and less than or equal to one basis point in respect of sovereign debt collateral haircuts. ICC represents that such amendments do not represent a change to the methodology and would provide a more generalized and consistent collateral risk management framework for sovereign debt.⁵ ICC proposes additional clarifications, including with respect to time series used for determining sovereign debt collateral haircuts and a formula regarding a risk-factor specific haircut. ICC also proposes a grammatical update to change a

reference to "haircuts" from plural to singular.

ICC further proposes additional detail on the process of reviewing and updating collateral asset haircuts. Appendix 6 currently states that such haircuts are reviewed monthly. ICC proposes to clarify that the Risk Department will establish haircuts for the respective collateral asset types within measured intervals, and review them at least monthly to determine the need for updates. ICC also proposes to specify that the Risk Department may use discretion to update collateral asset haircuts during periods of extreme market stress, and specifically during periods when collateral assets appreciate in response to central banks' policy implementations, as a temporary means to reduce procyclical impacts.

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 such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. For the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁶ and Rules 17Ad-22(e)(2)(i) and (v), (e)(3)(i), and (e)(5) thereunder.⁷

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 ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible.⁸

As described above, the proposed rule change would update and clarify the revision history of the Treasury Policy document and memorialize the governance arrangements for its review and approval. The Commission believes that these proposed changes should help ICC maintain a complete and transparent history of changes to the Treasury Policy and ensure that the Treasury Policy is reviewed and approved at least annually to support ICC's ongoing treasury functions, including collateral asset risk

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 17 CFR 240.17Ad-22(e)(2)(i) and (v), (e)(3)(i), and (e)(5).

⁸ 15 U.S.C. 78q-1(b)(3)(F).

¹² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change Relating to the ICC's Treasury Operations Policies and Procedures, Exchange Act Release No. 91489 (April 7, 2021), 86 FR 19311 (April 13, 2021) (SR-ICC-2021-007) ("Notice").

⁴ The following description of the proposed rule change is substantially excerpted from the Notice.

⁵ See Notice, 86 FR at 19311.

management. The Commission believes these aspects of the proposed rule change should facilitate ICC's ability to maintain CDS clearing services that are supported by, and consistent with, clear and transparent governance arrangements that comply with internal Treasury policies and procedures, which should, in turn, help ICC continue to promote the prompt and accurate settlement of CDS transactions.

ICC would also update and clarify its collateral assets risk management framework in Appendix 6 of the Treasury Policy by changing certain risk measures for calculating collateral asset haircuts. Specifically, as described above, the proposed rule change would update the measure of daily changes for collateral assets such as sovereign debt, including with respect to time series used for sovereign debt collateral haircuts and a formula regarding a risk-factor specific haircut. ICC would also change a reference to "haircuts" from plural to singular. Further, ICC also proposes additional detail in Appendix 6 on the process and frequency of reviewing and updating collateral asset haircuts. ICC proposes to clarify that the Risk Department will establish haircuts for the respective collateral asset types within measured intervals, and review them at least monthly to determine the need for updates. ICC also proposes to specify that the Risk Department may use discretion to update collateral asset haircuts during periods of extreme market stress to reduce procyclicality.

Taken together, the proposed changes to Appendix 6 should enhance the accuracy of ICC's collateral asset haircuts and help ICC to ensure that, even in stressed market conditions, it will continue to collect sufficient collateral from its clearing participants and that such collateral could be liquidated in a timely manner to meet its financial obligations as a central counterparty while also limiting the likelihood of procyclical impacts from haircuts as issuer creditworthiness deteriorates and haircuts increase. Moreover, these proposed changes should enhance ICC's ability to manage the credit, liquidity, and market risks it faces from collateral posted by its participants. Accordingly, the Commission believes that ICC's proposed changes to Appendix 6 should help ICC to continue providing prompt and accurate settlement of CDS transactions and to enhance ICC's ability to safeguard securities and funds which are in its custody or control or for which it is responsible.

For these reasons, the Commission finds that the proposed rule change is

consistent with the Section 17A(b)(3)(F) of the Act.⁹

B. Consistency With Rule 17Ad-22(e)(2)(i) and (v)

Rules 17Ad-22(e)(2)(i) and (v) require that ICC establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility.¹⁰

As noted above, the proposed rule change would enhance the governance arrangements for reviewing and approving the Treasury Policy document generally, including clear governance arrangements for reviewing and updating haircuts under the collateral asset risk management framework in Appendix 6. Specifically, the proposed rule change provides that the Treasury Policy document is subject to review by the Risk Committee and review and approval by the Board at least annually. Further, the proposed rule change would clarify and update the current statement in Appendix 6 that collateral asset haircuts are reviewed monthly, by specifying that the Risk Committee will establish haircuts for the respective collateral asset types within measured intervals, and review them at least monthly to determine the need for updates. The proposed rule change would also clarify that the Risk Committee may exercise discretion to review and update haircut values more frequently, if it deems necessary, and may make incremental, temporary adjustments to existing haircuts in response to specific market conditions. The Commission therefore believes that these aspects of the proposed rule change will maintain ICC's Treasury operations policies and procedures in a manner reasonably designed to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility.

For these reasons, the Commission finds that the proposed rule change is consistent with Rules 17Ad-22(e)(2)(i) and (v).¹¹

C. Consistency With Rule 17Ad-22(e)(3)(i)

Rule 17Ad-22(e)(3)(i) requires, among other things, that ICC establish, implement, maintain, and enforce written policies and procedures reasonably designed to, as applicable, maintain a sound risk management

framework that identifies, measures, monitors, and manages the range of risks that it faces.¹²

As described above, ICC's proposed changes to its collateral assets risk framework in Appendix 6 would refine and update certain risk measures and risk factors for determining collateral asset haircuts that can be accepted from an ICC clearing participant. The proposed changes would also require the Risk Department to review and update haircut values at least monthly, or more frequently as it deems necessary, and to incrementally update such haircuts during periods of extreme market stress. The Commission believes that these updated collateral asset risk management procedures should allow ICC to continue to mitigate collateral price and liquidation risk through setting acceptable haircuts and providing governance guidelines for monitoring haircut values and managing any deviations or related issues, thereby continuing to maintain a sound risk management framework in this regard.

For these reasons, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(3)(i).¹³

D. Consistency With Rule 17Ad-22(e)(5)

Rule 17Ad-22(e)(5) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.¹⁴

The Commission believes that the proposed changes in Appendix 6 regarding the factors and other considerations with respect to acceptable collateral asset haircuts should continue to maintain ICC's ability to limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and to set and enforce appropriately conservative haircuts for sovereign debt and other acceptable collateral assets. Further, the proposed updates to the governance arrangements for the risk management framework of collateral assets haircuts in Appendix 6 would ensure that the Risk Department establishes haircuts for the respective collateral asset types

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 17 CFR 240.17Ad-22(e)(2)(i) and (v).

¹¹ 17 CFR 240.17Ad-22(e)(2)(i) and (v).

¹² 17 CFR 240.17Ad-22(e)(3)(i).

¹³ 17 CFR 240.17Ad-22(e)(3)(i).

¹⁴ 17 CFR 240.17Ad-22(e)(5).

within measured intervals, and continues to review haircuts at least monthly, subject to regular reviews and more frequent valuation updates, if needed.

For these reasons, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(5).¹⁵

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 Act¹⁶ and Rules 17Ad-22(e)(2)(i) and (v), (e)(3)(i), and (e)(5) thereunder.¹⁷

It is therefore ordered pursuant to Section 19(b)(2) of the Act¹⁸ that the proposed rule change (SR-ICC-2021-007) be, and hereby is, approved.¹⁹

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-91887; File No. SR-Phlx-2021-30]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 6, Section 7

May 13, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 6, 2021, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. 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

The Exchange proposes to amend Options 6, Section 7 to permit in-kind transfers of positions off of the Exchange in connection with unit investment trusts (“UITs”).

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, 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 Options 6, Section 7, which permits off-Exchange, in-kind transfers of options positions in connection with exchange-traded funds (“ETFs”) organized as open-ended management investments companies under the Investment Company Act of 1940 (the “1940 Act”), to also permit in-kind transfers of options positions in connection with entities registered as UITs under the 1940 Act. This is a competitive filing that is substantially similar to rules in place on Cboe Exchange, Inc. (“Cboe”) and its affiliates.³

Today, the Exchange allows members and member organizations to transfer their options positions off of the Exchange in limited, specified circumstances.⁴ For instance, Options 6, Section 7 permits positions in options listed on the Exchange to be transferred off the Exchange by a member or member organization in connection with transactions to purchase or redeem creation units of ETF shares between an authorized participant⁵ and the issuer of such ETF shares.⁶ Such transfers pursuant to Section 7 occur between two different parties, off the Exchange, and are considered position transfers from an account with one clearing firm to the account of another clearing firm.⁷ Each of these transfers occurs at the price used to calculate the net asset value (“NAV”) of such ETF shares. The ability to effect in-kind transfers is a key component of the operational structure of an ETF and Options 6, Section 7 allows options-based ETFs to be more tax-efficient investment vehicles, to the benefit of their shareholders, and potentially resulting in transaction cost savings, which may be passed along to investors.

The Exchange now proposes to expand Options 6, Section 7 to mirror the Cboe Rule, which would permit in-kind transfers in connection with the creation or redemption of units issued by a UIT, another type of investment company registered under the 1940 Act. Although UITs operate differently than ETFs in certain respects, as described below, the anticipated potential benefits to UIT investors (*i.e.*, greater tax efficiencies and transaction cost savings) from the proposed changes would be similar as discussed below. Furthermore, allowing the Exchange to permit such in-kind transfers would

⁴ See Options 6, Section 5(a) (Transfer of Positions), Section 6 (Off-Exchange RWA Transfers), and Section 7 (In-Kind Exchange of Options Positions and ETF Shares).

⁵ An “authorized participant” is an entity that has a written agreement with the issuer of ETF shares or one of its service providers, which allows the authorized participant to place orders for the purchase and redemption of creation units (*i.e.*, specified numbers of ETF shares). See Options 6, Section 7(a).

⁶ An “issuer of ETF shares” is an entity registered with the Commission as an open-ended management investment company under the Investment Company Act of 1940. See Options 6, Section 7(b).

⁷ These back-office transfers of options positions are in accordance with the rules of The Options Clearing Corporation (“OCC”), as the transferred positions are held in an account of an OCC member. Accordingly, all transfers pursuant to proposed Options 6, Section 7 would be required to comply with OCC rules. See Options 1, Section 1(b)(10) and Options 6, Section 8 (which, taken together, effectively requires all members and member organizations that are OCC members to comply with OCC’s rules).

¹⁵ 17 CFR 240.17Ad-22(e)(5).

¹⁶ 15 U.S.C. 78q-1(b)(3)(F).

¹⁷ 17 CFR 240.17Ad-22(e)(2)(i) and (v), (e)(3)(i), and (e)(5).

¹⁸ 15 U.S.C. 78s(b)(2).

¹⁹ 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).

²⁰ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Cboe Rule 6.9 (the “Cboe Rule”); see also Securities Exchange Act Release No. 88786 (April 30, 2020), 85 FR 26998 (May 6, 2020) (SR-CBOE-2020-042). See also Cboe C2 Exchange (“C2”) Rule 6.63; Securities Exchange Act Release No. 89056 (June 12, 2020), 85 FR 36888 (June 18, 2020) (SR-C2-2020-006). See also Cboe BZX Exchange (“BZX”) Rule 20.12; Securities Exchange Act Release No. 89313 (July 14, 2020), 85 FR 43907 (July 20, 2020) (SR-CboeBZX-2020-054). See also Cboe EDGX Exchange (“EDGX”) Rule 20.12; Securities Exchange Act Release No. 89312 (July 14, 2020), 85 FR 43887 (July 20, 2020) (SR-CboeEDGX-2020-031).