

protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately. The Exchange notes that the proposed rule change is merely relocating certain rules to its shell rulebook—which includes corresponding updates to rule numbers, paragraph structure, and internal references—in order to conform these rules to the shell rulebook upon the technology migration explained above. The Exchange believes that the proposed rule change will make its rules easier to read and understand for all investors. The Exchange also asserts that the relocation of the rules explained above will not impose any significant burden on competition because the substance of the rules remains unchanged. The Commission agrees that allowing this proposed rule change to become operative upon filing in order to facilitate the Exchange's technology migration—without changing the substance of these Exchange Rules—is consistent with the protection of investors and the public interest. For this reason, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>13</sup>

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-085 on the subject line.

<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

#### 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-CBOE-2019-085. 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 offices 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-CBOE-2019-085, and should be submitted on or before November 12, 2019.

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

**Jill M. Peterson,**

*Assistant Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87311; File No. SR-CBOE-2019-049]

#### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Make Permanent Certain Options Market Rules That Are Linked to the Equity Market Plan To Address Extraordinary Market Volatility

October 15, 2019.

#### I. Introduction

On August 21, 2019, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to make permanent certain options market rules that are linked to the equity market Plan to Address Extraordinary Market Volatility (the "Plan"). The proposed rule change was published for comment in the **Federal Register** on August 29, 2019.<sup>3</sup> On October 10, 2019, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> On October 11, 2019, the Exchange filed Amendment No. 2 to the proposed rule change, which amended and superseded the proposed rule change, as modified by Amendment No. 1.<sup>5</sup> On October 11, 2019, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> the Commission designated a

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 86744 (August 23, 2019), 84 FR 45565 ("Notice").

<sup>4</sup> In Amendment No. 1, the Exchange revised the proposed rule text to reflect rule numbering and organizational changes enacted by separate proposed rule changes that became effective while the instant proposal was pending before the Commission. Because Amendment No. 1 is a technical amendment that does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues, it is not subject to notice and comment. Amendment No. 1 to the proposed rule change is available at: <https://www.sec.gov/comments/sr-cboe-2019-049/sr-cboe2019049-6279378-193288.pdf>.

<sup>5</sup> In Amendment No. 2, the Exchange revised the proposal to remove the aspect of the proposed rule change that would have permitted current Rule 5.22—relating to market-wide trading halts due to extraordinary market volatility—to operate on a permanent basis. In Amendment No. 2, the Exchange notes that it intends to submit a separate rule filing proposing to continue to allow Rule 5.22 to operate on a pilot basis. Amendment No. 2 to the proposed rule change is available at: <https://www.sec.gov/comments/sr-cboe-2019-049/sr-cboe2019049-6285845-193338.pdf>.

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>14</sup> 17 CFR 200.30-3(a)(12), (59).

longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>7</sup> The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

## II. Description of the Proposal

The Exchange proposes to make permanent certain options market rules in connection with the Plan. In an attempt to address extraordinary market volatility in NMS stocks, the national securities exchanges and the Financial Industry Regulatory Authority, Inc. adopted the Plan pursuant to Rule 608 of Regulation NMS under the Act.<sup>8</sup> Following the initial adoption of the Plan, the Exchange adopted and amended current Rule 5.21, Rule 5.22<sup>9</sup> and Interpretation and Policy .01 to Rule 6.5 to address certain aspects of the options market that it believed may be impacted by the operation of the Plan, and implemented such rules on a pilot basis that has coincided with the pilot period for the Plan. These rules are scheduled to expire on October 18, 2019.<sup>10</sup>

In order to codify changes to its rules in connection with the Plan, the Exchange adopted Rule 5.21, which essentially serves as a roadmap for the Exchange's universal changes due to the implementation of the Plan.<sup>11</sup> The Exchange also amended Rule 6.5 to modify its obvious and catastrophic error rules in connection with the

implementation of the Plan.<sup>12</sup> After the Plan was approved on a permanent basis, the pilot periods in Rules 5.21, 5.22 and 6.5 were extended until the close of business on October 18, 2019.<sup>13</sup> The Exchange now proposes to make these pilot periods permanent. The Exchange is not proposing any additional or substantive changes to Rules 5.21 or 6.5.<sup>14</sup> At this time, the Exchange is not proposing to make the pilot period in Rule 5.22 permanent.<sup>15</sup>

Interpretation and Policy .01 to Rule 6.5 currently provides that options transactions executed while the underlying security was in a limit or straddle state (as defined in the Plan) will not be subject to review as an obvious or catastrophic error during a pilot period that expires on October 18, 2019 ("Obvious Error Pilot").<sup>16</sup> A limit or straddle state occurs when at least one side of the National Best Bid ("NBB") or National Best Offer ("NBO" and, together with the NBB, the "NBBO") is priced at a non-tradable level.<sup>17</sup> Specifically, a straddle state exists when the NBB is below the lower price band while the NBO is within the price band or when the NBO is above the upper price band and the NBB is within the band.<sup>18</sup> A limit state occurs when the NBO equals the lower price band (without crossing the NBB) or the NBB equals the upper price band (without crossing the NBO).<sup>19</sup>

Pursuant to Rule 6.5, the determination of the theoretical price of an option, which is used to determine whether to adjust or nullify an options transaction subject to obvious or

catastrophic error review, generally references the NBB (for erroneous sell transactions) or NBO (for erroneous buy transactions) just prior to the trade in question. The Exchange states that this process is not reliable when at least one side of the NBBO is priced at a non-tradeable level, as is the case during limit and straddle states.<sup>20</sup> According to the Exchange, when an underlying security is in a limit or straddle state, there will not be a reliable price for the security to serve as a benchmark for the price of the option and, therefore, the application of the obvious and catastrophic error rules would be impracticable given the potential for the lack of a reliable NBBO in the options market during such limit or straddle state.<sup>21</sup>

During the course of the Obvious Error Pilot, the Exchange has provided, to the Commission and the public, data for each limit and straddle state in optionable stocks that had at least one trade on the Exchange.<sup>22</sup> In addition, the Exchange has provided, to the Commission and the public, assessments relating to the impact of the operation of the obvious error rules during limit and straddle states, including: (1) An evaluation of the statistical and economic impact of limit and straddle states on liquidity and market quality in the options markets; and (2) an assessment of whether the lack of obvious error rules in effect during the limit and straddle states are problematic. The Exchange states that, during its most recent review period, the Exchange did not receive any obvious error review requests for limit-up-limit down trades, and limit up-limit down trade volume accounted for nominal overall trade volume.<sup>23</sup> Accordingly, and based on the data made available to the Commission and the public during the pilot period, the Exchange believes that the Obvious

<sup>7</sup> See Securities Exchange Act Release No. 87291. The Commission extended the date by which the Commission shall approve or disapprove the proposed rule change to October 18, 2019.

<sup>8</sup> See Securities Exchange Act Release Nos. 64547 (May 25, 2011), 76 FR 31647 (June 1, 2011) and 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (order approving the initial Plan, as amended, on a pilot basis).

<sup>9</sup> The Exchange has determined not to propose to make the provisions in Rule 5.22 permanent at this time. See *supra* note 5.

<sup>10</sup> See Securities Exchange Act Release No. 69328 (April 5, 2013), 78 FR 21642 (April 11, 2013) (SR-CBOE-2013-030) ("Options Pilot Approval") (order approving certain options rule changes to coincide with the pilot period for the Plan, including Rule 5.21). See also Amendment No. 1, *supra* note 4 (describing the relocation of these rules to their current location in the Cboe Options rulebook).

<sup>11</sup> See Options Pilot Approval, *supra* note 10, at 21643. Specifically, Rule 5.21 includes rule changes in connection with special handling for market orders, market-on-close orders, stop orders, and stock-option orders; certain electronic order handling features in a limit up-limit down state; the obvious error rules; and market-maker to quoting requirements during a limit up-limit down state.

<sup>12</sup> See *id.* at 21645. The amendments to Rule 6.5 were originally adopted on a one-year pilot basis, which was later extended to coincide with the pilot period for the Plan. See Securities Exchange Act Release No. 76223 (October 22, 2015), 80 FR 66102 (October 28, 2015) (SR-CBOE-2015-097).

<sup>13</sup> See Securities Exchange Act Release Nos. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019) (order approving Amendment No. 18 to the Plan, which, among other things, allowed the Plan to continue to operate on a permanent basis) and 85616 (April 11, 2019), 84 FR 16093 (April 17, 2019) (SR-CBOE-2019-020) (extending the pilot periods in Rules 5.21 and 6.5 to October 18, 2019).

<sup>14</sup> According to the Exchange, it expects the other national securities exchanges to also file similar proposals to make their respective pilot programs permanent. See Notice, *supra* note 3, at 45566.

<sup>15</sup> See *supra* note 5.

<sup>16</sup> Such transactions may still be reviewed on an Exchange official's own motion pursuant to Rule 6.5(c)(3), or adjusted or nullified pursuant to Rule 6.5(e)-(j) and Interpretation and Policy .05. See Interpretation and Policy .01 to Rule 6.5.

<sup>17</sup> See Notice, *supra* note 3, at 45565. Pursuant to the Plan, each NMS stock is subject to a lower price band and a higher price band, designed to prevent trades in individual NMS stocks from occurring outside of the specified price bands. See Options Pilot Approval, *supra* note 10, at 21642.

<sup>18</sup> See Notice, *supra* note 3, at 45565.

<sup>19</sup> See *id.*

<sup>20</sup> See *id.*

<sup>21</sup> See *id.*

<sup>22</sup> See Cboe Global Markets, LULD Limit and Straddle Reports, available at [http://markets.cboe.com/us/options/market\\_statistics/luld\\_reports/?mkt=opt](http://markets.cboe.com/us/options/market_statistics/luld_reports/?mkt=opt). For each trade on the Exchange, the Exchange has provided: (a) The stock symbol, the option symbol, the time at the start of the limit or straddle state, and an indicator for whether it is a limit or straddle state; and (b) the executed volume, the time-weighted quoted bid-ask spread, the time-weighted average quoted depth at the bid, the time-weighted average quoted depth at the offer, the high execution price, the low execution price, the number of trades for which a request for review for error was received during limit and straddle states, and an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock's limit or straddle state compared to the last available option price as reported by OPRA before the start of the limit or straddle state.

<sup>23</sup> See Notice, *supra* note 3, at 45566 n.9.

Error Pilot does not negatively impact market quality during normal market conditions.<sup>24</sup> The Exchange also concluded that there has been insufficient data to assess whether a lack of obvious error rules is problematic.<sup>25</sup> However, the Exchange believes the continuation of Interpretation and Policy .01 to Rule 6.5 would protect against any unanticipated consequences and add certainty in the options markets during a limit or straddle state.<sup>26</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change, as modified by Amendments No. 1 and 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>27</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>28</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

In the Options Pilot Approval, the Commission noted the potential inequity of nullifying or adjusting executions occurring during limit or straddle states due to the lack of a reliable NBBO.<sup>29</sup> At the same time, the Commission expressed concern about the potential impact on investors during limit and straddle states without the protections of the obvious or catastrophic error rules.<sup>30</sup> However, in the same order, the Commission also highlighted certain aspects of the Exchange's proposal that could help mitigate those concerns. Specifically, the Exchange stated that there are additional measures in place designed to protect investors, despite the removal of obvious and catastrophic error

protection during limit and straddle states.<sup>31</sup> For example, the Exchange stated that by rejecting market orders and not triggering stop orders, only those orders with a limit price will be executed during a limit or straddle state.<sup>32</sup> Additionally, the Exchange noted the existence of Rule 15c3-5 under the Act,<sup>33</sup> requiring broker-dealers to have controls and procedures in place that are reasonably designed to prevent the entry of erroneous orders.<sup>34</sup> Further, the Commission stressed the importance of placing the proposal on a pilot and requesting data to allow the Commission to further evaluate the effect of the proposal prior to any determination to make such changes permanent.<sup>35</sup>

Under the terms of the Options Pilot Approval, the Exchange provided the Commission and the public with data and assessments relating to the impact of the operation of the obvious and catastrophic error rules during limit and straddle states.<sup>36</sup> The Commission notes that, as described above, the Exchange stated that it did not receive any obvious error review requests for limit up-limit down trades during its most recent review period.<sup>37</sup> Accordingly, based on the data from the Exchange and in light of the additional measures in place designed to protect investors, despite the removal of obvious and catastrophic error protection during limit and straddle states, the Commission believes it is appropriate to permit the Obvious Error Pilot to operate on a permanent basis.

### IV. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 2 is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-049 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-CBOE-2019-049. 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-CBOE-2019-049, and should be submitted on or before November 12, 2019.

### V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2

The Commission finds good cause to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, prior to the thirtieth day after the date of publication of notice of the filing of Amendment No. 2 in the **Federal Register**. As discussed above, in Amendment No. 2, the Exchange revised the proposal to remove the aspect of the proposed rule change that would permit current Rule 5.22 to operate on a permanent basis. The Commission believes that Amendment No. 2 does not raise any novel regulatory issues. Instead, it removes one aspect of the proposed rule change that does not alter remaining aspects of the proposal, which was subject to a full

<sup>24</sup> See *id.* at 45566.

<sup>25</sup> See *id.*

<sup>26</sup> See *id.*

<sup>27</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>28</sup> 15 U.S.C. 78f(b)(5).

<sup>29</sup> See Options Pilot Approval, *supra* note 10, at 21645, 21647.

<sup>30</sup> See *id.* at 21647.

<sup>31</sup> See *id.*

<sup>32</sup> See *id.* See also Rule 5.32(c)(5).

<sup>33</sup> 17 CFR 240.15c3-5.

<sup>34</sup> See Options Pilot Approval, *supra* note 10, at 21647.

<sup>35</sup> See *id.* at 21647-48.

<sup>36</sup> See *supra* note 22.

<sup>37</sup> See Notice, *supra* note 3, at 45566 n.9.

notice and comment period during which no comments were received. The Commission also notes that, according to the Exchange, it intends to submit a separate rule filing proposing to continue to allow Rule 5.22 to operate on a pilot basis.<sup>38</sup> Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>39</sup> to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

## VI. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>40</sup> that the proposed rule change (SR-CBOE-2019-049), as modified by Amendment Nos. 1 and 2, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>41</sup>

**Jill M. Peterson,**  
Assistant Secretary.

[FR Doc. 2019-22834 Filed 10-18-19; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87297; File No. SR-ICC-2019-007]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Partial Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Partial Amendment No. 1, Relating to the ICC Rules, ICC End-of-Day Price Discovery Policies and Procedures, and ICC Risk Management Framework

October 15, 2019.

## I. Introduction

On June 28, 2019, 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 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to make certain changes to ICC’s Clearing Rules (the “Rules”) <sup>3</sup> and related procedures to provide for the clearing of credit default index swaptions (“Index Swaptions”). The proposed rule change was published for comment in the

**Federal Register** on July 17, 2019.<sup>4</sup> On August 28, 2019, the Commission extended the period to take action on the proposed rule change until October 15, 2019.<sup>5</sup> The Commission has not received any comments on the proposed rule change. On September 5, 2019, ICC filed Partial Amendment No. 1 to the proposed rule change.<sup>6</sup> The Commission is publishing this notice to solicit comments on Partial Amendment No. 1 from interested persons and is approving the proposed rule change, as modified by Partial Amendment No. 1 (hereinafter, “proposed rule change”) on an accelerated basis.

## II. Description of the Proposed Rule Change

### A. Background

The proposed rule change would amend ICC’s 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 Index Swaptions.<sup>7</sup>

An Index Swaption is a contract whereby 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.<sup>8</sup> 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.

### B. Amendments to ICC’s Rules

The proposed rule change would adopt a new Subchapter 26R of ICC’s Rules, which would set out the contract terms and specifications for cleared Index Swaptions.

Rule 26R-102 would set out key definitions used for Index Swaptions, which would be generally similar to those used in the subchapters for other index Contracts cleared by ICC. Key defined terms would include “Eligible Untranch 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 CDS, ICC would maintain a List of Eligible Untranch Swaption Indices, which would contain the Eligible Untranch Swaption Indices as well as the eligible expiration dates and strike prices, as well as other relevant terms, for Index Swaptions that would be accepted for clearing by ICC. Rule 26R-102 would also define the “Relevant Index Swaption Untranch Terms Supplement,” (referred to herein as the “Swaption Terms Supplement”). The Swaption Terms Supplement, published by the International Swaps and Derivatives Association, Inc. (“ISDA”), would provide the standard contractual terms for index swaptions of the relevant type. These terms would be incorporated by reference into the contract terms in the Rules for a cleared Index Swaption.

Rule 26R-102 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 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. Specifically, it would specify that Index Swaptions would be CDS Contracts for purposes of Chapters 20 (regarding default management), 20A (regarding transfers of positions), 21 (regarding determination of credit events), and 26E (regarding restructuring credit events). Chapter 22, regarding physical settlement of CDS, would not apply to Index Swaptions. Although Index Swaptions would be physically settled, in the sense that the Index Swaption,

<sup>38</sup> See Amendment No. 2, *supra* note 5.

<sup>39</sup> 15 U.S.C. 78s(b)(2).

<sup>40</sup> *Id.*

<sup>41</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Capitalized terms used but not defined herein have the meanings specified in the Rules.

<sup>4</sup> 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; Exchange Act Release No. 86358 (July 11, 2019); 84 FR 34220 (July 17, 2019) (“Notice”).

<sup>5</sup> Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change Relating to the ICC Rules, ICC End-of-Day Price Discovery Policies and Procedures, and ICC Risk Management Framework; Exchange Act Release No. 86799 (Aug. 28, 2019); 84 FR 46588 (Sept. 4, 2019).

<sup>6</sup> In Partial Amendment No. 1 to the proposed rule change, ICC provided additional details and analyses surrounding the proposed rule change in the form of a confidential Exhibit 3. Partial Amendment No. 1 did not make any changes to the substance of the filing or the text of the proposed rule change.

<sup>7</sup> As explained in the Notice, prior to the commencement of clearing of Index Swaptions, ICC intends to adopt certain other policies and procedures in addition to this proposed rule change. ICC does not intend to commence clearing of Index Swaptions until any such policies and procedures, as well as the current proposed rule change, have been approved by the Commission or otherwise become effective. See Notice, 84 FR at 34220.

<sup>8</sup> The description that follows is excerpted from the Notice, 84 FR 34220.