

and a national market system and, in general, to protect investors and the public interest. In this respect, the proposed rule change would help ensure that issuers, investors and the public more easily understand the meaning and operation of the Exchange's trading rules as applied to dually-listed securities.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments were neither solicited nor received.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>16</sup> and Rule 19b-4(f)(6) thereunder.<sup>17</sup>

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)<sup>18</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>18</sup> 15 U.S.C. 78s(b)(2)(B).

### **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](mailto:rule-comments@sec.gov). Please include File Number SR-LTSE-2019-04 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-LTSE-2019-04. 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-LTSE-2019-04 and should be submitted on or before January 13, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

[FR Doc. 2019-27588 Filed 12-20-19; 8:45 am]

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-87771; File No. SR-ICEEU-2019-019]

### **Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change Relating to the ICE Clear Europe Collateral and Haircut Policy and Collateral and Haircut Procedures**

December 17, 2019.

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> notice is hereby given that on December 4, 2019, ICE Clear Europe Limited ("ICE Clear Europe" or the "Clearing House") 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. 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 adopt a new Collateral and Haircut Policy (the "Revised Policy") to replace the existing Collateral and Haircut Policy (the "Existing Policy") and to adopt new Collateral and Haircut Procedures (the "Collateral Procedures"). The revisions would not involve any changes to the ICE Clear Europe Clearing Rules or Procedures.<sup>3</sup>

#### **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

<sup>19</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 ICE Clear Europe Clearing Rules (the "Rules").

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 adopt the Revised Policy and new Collateral Procedures. Together, the Revised Policy and Collateral Procedures would supersede the Existing Policy, which would be retired. The new documents would provide certain clarifications and better separate policy-level documentation and implementation-level documentation, such that high-level policy details would be in the Revised Policy and supporting detail for the Revised Policy would be contained in the new Collateral Procedures. Accordingly, relevant parts of the Existing Policy would be split between the Revised Policy and the Collateral Procedures. The amendments also remove certain operational details in the Existing Policy which ICE Clear Europe has determined are not needed in the Revised Policy and Collateral Procedures. Nonetheless, ICE Clear Europe does not expect that the new documentation would itself result in material changes to its underlying haircut model, or to the eligible collateral, haircuts and concentration limitations that the Clearing House currently imposes.

Collateral and Haircut Policy

The Revised Policy would set out the Clearing House's overall approach to defining the types, amounts and composition of cash and non-cash collateral that ICE Clear Europe accepts from Clearing Members ("CMs") to cover their guaranty fund and margin requirements (referred to generally as "collateral"). The Revised Policy would set out the Clearing House overall goal of mitigating price risk it may face when liquidating collateral of a defaulting CM by: (i) Setting and enforcing a list of acceptable collateral (also referred to as "Permitted Cover"); (ii) setting and applying risk-based haircuts to the value of the collateral ("Haircuts"); (iii) setting and enforcing concentration limits on the amount of collateral a CM may post, to provide diversification of the collateral pool ("Concentration Limits"); and (iv) ensuring Permitted Cover, Haircuts and Concentration Limits are aligned to the Clearing House's risk appetite and compliant with applicable legal and regulatory requirements.

The Revised Policy would set out overall requirements that Permitted Cover assets: (i) Are highly liquid with low credit and market risk; (ii) are priced in an Eligible Currency; and (iii) entail risks limited to those that ICE Clear Europe is able to identify, measure, monitor and mitigate. (The specific list of Permitted Cover would not be contained in the Revised Policy itself but would continue to be available on the ICE Clear Europe website.)

The Revised Policy would set overall requirements that Haircuts would be based on a model that includes: (i) The creditworthiness of the issuer; (ii) the asset's market risk and liquidity risk; and (iii) market conditions and volatility. Certain further details relating to Haircuts (including the determination of minimum haircuts) would be specified in the Collateral Procedures, or in related model documentation. The Revised Policy would also establish the general principal that wrong way risk ("WWR") with respect to posting of collateral (*i.e.*, the risk that the value of a particular CM's collateral is likely to decline at the same time the Clearing House's risk to the CM increases) would be mitigated through member-specific restrictions and actions rather than Haircuts.

The Revised Policy would address the overall framework for setting CM Concentration Limits. It would provide that ICE Clear Europe may limit (i) the absolute amount of each type of collateral that CMs may lodge to minimize concentration and enable liquidity and (ii) the relative amount of each collateral type in a CM's collateral portfolio to prevent overexposure to price movements in individual asset classes. Collateral exceeding Concentration Limits would not count towards a CM's total margin requirements. As discussed below, details regarding collateral management, data and reporting and legal review of enforceability of collateral found in the Existing Policy would be split across the Revised Policy, Collateral Procedures, ICE Clear Europe Collateral and Haircut Schedule of Parameters and Reviews (the "Parameters") and the Model Documentation for the ICE Clear Europe Collateral Haircut Model (the "Model"). Where details are included in other Clearing House policies, procedures and documentation, such as the Treasury & Banking Services Policy, Investment Management Policy, F&O Risk Policy, Document Governance Schedule and Risk Appetite Framework, to avoid duplication, they would not be covered in the Revised Policy.

The Revised Policy would describe overall arrangements for policy

governance, reviews and exception handling. Pursuant to the Revised Policy, the document owner would be responsible for ensuring that it remains up-to-date and appropriately reviewed and would report material breaches and deviations to their Head of Department, the Chief Risk Officer and the Head of Compliance (or their delegates), who together would then consider further escalation to relevant senior executives, the Board and/or competent authorities. Exceptions to the Revised Policy would be approved in accordance with applicable governance processes.

Collateral and Haircut Procedures

The new Collateral Procedures would set out the application of the Revised Policy through describing the operational activities and related governance processes for Permitted Cover, Haircuts and Concentration Limits. Certain details contained in the Existing Policy have been incorporated in the Collateral Procedures, rather than the Revised Policy, as discussed herein.

Permitted Cover

The Collateral Procedures would provide more detail regarding requirements relating to Permitted Cover. These requirements are generally consistent with the Existing Policy, and ICE Clear Europe does not expect that the adoption of the new Collateral Procedures would result in a change in the list of Eligible Permitted Cover. The Collateral Procedures would apply the following general eligibility criteria to Permitted Cover:

- The assets must be highly liquid with an active sale or repurchase agreement market with a diverse group of buyers and sellers;
- The market for the assets must have sufficient price history to permit ICE Clear Europe to analyze the statistical returns of the assets;
- The assets must be capable of daily revaluation and must be quoted intraday by financial market news information providers;
- ICE Clear Europe must be capable of managing the assets operationally; and
- The assets must be in an Eligible Currency.

Where the asset is a financial instrument, generally the following additional criteria would apply:

- The asset must be a vanilla form of that instrument;
- The asset must have low credit risk and low market risk, based on ICE Clear Europe's internal assessment based on credit and bond yield and CDS spread relative to the maximum set by ICE Clear Europe and

- The asset must be freely transferable and without any regulatory or legal constraint or third party claims that impair liquidation;

- The asset must not be issued by a CM, or an affiliate of a CM; and
- The asset must not be issued by a central clearing counterparty or entity providing services critical to the functioning of ICE Clear Europe (unless it is a central bank in the European Economic Area or that issues a currency in which ICE Clear Europe has exposures).

Where the asset is gold, one of the following additional criteria would apply:

- It must be owned as allocated gold (where ICE Clear Europe directly holds an interest in specific bars of gold); or
- It must be owned as unallocated gold (where ICE Clear Europe holds an interest in a pool of gold bars) through a firm with low credit risk based on ICE Clear Europe's own assessment.

The eligibility criteria described above, combined with the description of the concentration limits, basis for haircuts and steps to mitigate price risk set out in the Revised Policy, are consistent with the general principles for accepting Permitted Cover set out in the Existing Policy, other than the sovereign rating model criteria. The sovereign rating model has been retired by ICE Clear Europe and instead, the Procedures and related Parameters address sovereign quality. The elements related to sovereign rating are the same in the Existing Policy and in the new Collateral Procedures and Parameters.

Consistent with current practice, letters of credit and bank guarantees would not be eligible as Permitted Cover. Certain additional details and parameters would be set out in an annex to the Procedure or in the List of Permitted Cover, which is an operational document that is published on the ice.com website.<sup>4</sup> Unlike the Existing Policy, the Collateral Procedures would not have a section specifically addressing restrictions on Guaranty Fund collateral as this is already be addressed in the Finance Procedures and List of Permitted Cover.

#### Haircuts

Pursuant to the proposed Collateral Procedures, ICE Clear Europe would continue to apply conservative haircuts to Permitted Cover to ensure that, even in stressed market conditions, the collateral could be liquidated at least at the value of the requirement it would be

used to cover, and would also continue to apply cross-currency haircuts to mitigate foreign exchange risk where the currency applicable to the collateral would be different from the currency of the requirements it would be covering.

ICE Clear Europe would determine Haircuts using a combination of a model, analytical tools and/or qualitative overlays. The model would be described in the collateral and haircut model documentation and related parameters maintained by the Clearing House and be back-tested periodically. Consistent with the existing model, Haircuts would further be based on a number of factors, including, but not limited to:

- A credit assessment of the issuer;
- The maturity of the asset;
- Historical and current market conditions and volatility;
- Stressed market conditions, including both historical and forward looking (hypothetical) scenarios based on macroeconomic or political events;
- Expectations of future volatility;
- The liquidity of the underlying market, including bid/ask spreads; and
- Any other factors that may affect the liquidity or the value of the asset in stressed market conditions.

These factors are substantially the same as those set out in the Existing Policy, other than the wrong way risk factor, which is addressed through an operational report, and as noted above is addressed through CM-specific measures rather than Haircuts. The Haircuts would be subject to minimum values which would be addressed in the Parameters, instead of the Revised Policy or Collateral Procedures, and the final Haircut value would be rounded up to the nearest "Haircut Rounding Interval". Certain additional requirements relating to Haircuts on bonds and gold bullion, as well as collateral pricing, which are currently addressed in the Existing Policy, would be removed from the Existing Policy as they are already addressed, and will continue to be addressed, in the Model and the Parameters. Other aspects of the haircut calculation methodology would also move to the related collateral haircut model documentation. The list of data used in collateral pricing that is currently set out in the Existing Policy would instead be set out in the Parameters. The description of exceptions would be set out in Clearing House operational documentation.

Consistent with the Existing Policy, the Collateral Procedures would call for ICE Clear Europe to limit the likelihood of procyclical impact from Haircuts as issuer creditworthiness deteriorates and haircuts increase by:

- Applying a conservative minimum haircut level to all collateral types, regardless of issuer and tenor;
- Including stressed market conditions in the Haircuts;
- Pre-emptively identifying and incorporating potential future events into the Haircuts via the qualitative overlays and analytical tools; and
- Providing advance notice of changes in haircuts to CMs and competent authorities, where practicable.

#### Concentration Limits

The approach to Concentration Limits contained in the proposed Collateral Procedures would be substantially similar to the Existing Policy. However, certain details regarding the collateral breakdown report currently in the Existing Policy would not be included in the Collateral Procedures (as they are inconsistent with the level of detail in the Collateral Procedures generally) but would instead be set out in operational documentation. The report itself, which details how collateral values are produced at an operational level, will continue to be produced as part of the normal reporting cycle. As under current practice, ICE Clear Europe would be able to set Absolute Limits and Relative Limits.

With respect to the absolute amount of each type of collateral that can be accepted from a CM ("Absolute Limits"), the Collateral Procedures would set the framework for how this level is set. ICE Clear Europe would limit the absolute amount of each type of collateral such that if two CM groups were to default, ICE Clear Europe's total holdings of a particular type of collateral (across all of ICE Clear Europe's markets) could be liquidated with minimal impact on prices. As compared to the Existing Policy, the Collateral Procedures would clarify that all markets cleared by ICE Clear Europe would be included in the calculation methodology for Absolute Limits. The description of the Absolute Limits in the Collateral Procedures would otherwise generally be consistent with the description of the Absolute Limits set out in the Existing Policy, including the description of the calculation of Absolute Limits for bonds lodged as Permitted Cover.

The Absolute Limits would be set as a percentage of the Daily Traded Volume, which is an average market volume for each asset and converted from the reported currency to the currency of the asset (where required) using the previous end of day foreign exchange rate. The Absolute Limits could be adjusted based on certain

<sup>4</sup> Available at: [https://www.theice.com/publicdocs/clear\\_europe/list-of-permitted-covers.pdf](https://www.theice.com/publicdocs/clear_europe/list-of-permitted-covers.pdf).

qualitative considerations and must be approved by senior management. Absolute Limits would be specified in the currency of the issuer, based on the market values of the collateral, and apply at a CM group level. Unlike the Existing Policy, the Collateral Procedures would not take into account ICE Clear Europe's committed repo facility as a basis for allowing Clearing Members to exceed otherwise applicable Absolute Limits.

With respect to the relative amount of each type of collateral within a CM's collateral portfolio ("Relative Limits"), the Collateral Procedures would describe the general framework for setting these limits, which would be set so that an individual CM's collateral portfolios would be balanced between different assets based on a qualitative assessment of the different types of collateral, taking into account factors such as the types of issuers, issuer credit risk and collateral liquidity and price volatility. The Relative Limits would be based on the post-haircut value of the collateral applied at the individual CM level.

#### Further Restrictions

Pursuant to the proposed Collateral Procedures, and consistent with current practice, ICE Clear Europe would apply additional restrictions and measures with respect to collateral as follows:

- Reducing Absolute Limits once the CDS spread of the issuer breaches pre-defined levels;
- analyzing CMs' non-cash collateral to identify WWR daily and where ICE Clear Europe identifies material WWR, requiring the CM to take mitigating actions, such as substituting the lodged Permitted Cover with alternative Permitted Cover; and
- not placing Concentration Limits on certain Permitted Cover because of the liquidity of the asset's market, its behavior under stress and wider risk management considerations.

The Collateral Procedures would address cross clearing house concentration limits consistently with the manner in which they are addressed in the Existing Policy

#### Data Management

Consistent with existing practice, the sources of data used for collateral valuation and for Haircuts and Concentration Limits would be approved and reviewed periodically at a senior level, though data could be excluded or corrected without senior approval to correct stale or incorrect prices where reliable updated values have been supplied or to exclude data in the observation period for the

Absolute Limits credit risk percentage reduction if it is unduly volatile due to low trading volumes. The list of exclusions and corrections and related justifications would be reviewed periodically. ICE Clear Europe would monitor the end of day and intraday market data that it uses to value collateral against thresholds to ensure that the data is not 'stale', investigate breaches of these thresholds and take action to resolve them.

The existing F&O Risk Procedures covers all aspects of collateral requirements and collateral valuation (and provides for issuance of margin calls accordingly). Therefore data and reporting requirements for valuation purposes have been removed from the Revised Policy as the content is covered in the Intraday Shortfall section of the F&O Risk Procedures. In addition, the formula for collateral valuation is publicly available on the ICE Clear Europe website.<sup>5</sup> The scope of the collateral documentation is limited to setting collateral haircuts and limits, and monitoring them against market performance.

#### Daily Monitoring

Pursuant to the proposed Collateral Procedures, ICE Clear Europe would continue daily monitoring processes to ensure the eligibility of the list of Permitted Cover, to ensure the adequacy of Haircuts and to enforce the Concentration Limits. ICE Clear Europe would monitor: (i) Publically available sources for information affecting the eligibility of collateral on the list of Permitted Cover; (ii) the adequacy of its Haircuts daily, in near real time, by comparing each asset's price movement since the previous day to the Haircut for that asset; and (iii) collateral against the Concentration Limits, which, in the case of a breach, would require the collateral to be replaced with alternative Permitted Cover or allow ICE Clear Europe to call for additional margin. Certain provisions of the Existing Policy relating to intraday valuation of collateral and the description of collateral composition reporting would not be included in the Collateral Procedures, as the topic is already covered in the F&O Risk Procedures, which describe the valuation methodology of collateral and the related monitoring undertaken through the margin call process. The CDS Risk Procedures will be updated as part of the Policy and Procedures documentation review cycle to align

<sup>5</sup> Available at: <https://www.theice.com/clear-europe/treasury-and-banking>.

with the F&O Risk Procedures with respect to this matter.

Certain details under Data and Reporting in the Existing Policy concerning the reports that are available to various stakeholders in the form of periodic Collateral Reports, will not be included in the Revised Policy or Collateral Procedures. In ICE Clear Europe's view, these reports have evolved since the adoption of the Existing Policy, and in order to facilitate their continued development ICE Clear Europe does not believe they should be specified in detail in Clearing House procedures. Internal tools instead would describe how the reports would be built in greater detail and may be adjusted over time, without affecting the Revised Policy or Collateral Procedures. The back testing of the haircut parameters currently set out in the Existing Policy would be instead set out in the Parameters (and the substance of those parameters is not proposed to be changed). The description of the Risk Committee collateral reporting would be governed through the Terms of Reference for committees instead of through the Revised Policy or Collateral Procedures (and is not otherwise proposed to be changed).

#### Governance

Governance relating to Permitted Cover, collateral and Haircuts would generally remain the same as in the Existing Policy, though the Collateral Procedures would add that competent authorities would be notified of any material breaches. Pursuant to the proposed Collateral Procedures, proposals to add, remove, change or set Permitted Cover, Haircuts or Concentration Limits would also be reviewed at a senior level and existing levels would be reviewed at least monthly, but could also be reviewed and changed ad hoc if needed. Amendments would be published by circular in advance of taking effect (where practicable) to CMs and relevant competent authorities.

The governance requirements relating to reviews, breach management and exception handling would be the same as those under the Revised Policy.

Requirements under the Existing Policy relating to independent validation and policy review are covered in the Model Risk Governance Framework and Documentation Governance Schedule, and would not be addressed in the Revised Policy or Collateral Procedures.

#### Other Existing Policy Matters

A number of additional details currently set out in the Existing Policy

would be removed and addressed in documentation other than the Revised Policy or Collateral Procedures. Collateral management would be set out in the Treasury and Banking Services Policy and the Investment Management Procedures. The monitoring schedule would be set out in the Parameters. The description of the legal review of enforceability of collateral that was set out in the Existing Policy is generally considered to be business as usual work for the legal team and would no longer be covered through policies.

#### (b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act<sup>6</sup> and the regulations thereunder applicable to it. Section 17A(b)(3)(F) of the Act<sup>7</sup> in particular requires, among other things, that the rules of the 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, in general, protect investors and the public interest. Through ensuring that liquidity risks associated with the collateral it collects are managed and minimized through clear policies and procedures, the amendments would promote ICE Clear Europe's ability to ensure prompt and accurate clearing and settlement of transactions in the event that it becomes necessary for ICE Clear Europe to use or liquidate collateral collected from CMs. As discussed above, ICE Clear Europe does not expect the amendments, as an initial matter, to change its list of Permitted Cover, Haircuts or Concentration Limits, but rather to clarify and simplify the policies and procedures under which such measures are currently determined and applied. Enhancing management of its collateral liquidation risks in this way also generally enhances the stability of the Clearing House and therefore ICE Clear Europe's ability to safeguard securities and funds in its custody and control and generally better protects investors and the public interest, within the meaning of Section 17A(b)(3)(F).

Rule 17Ad-22(e)(3)(i)<sup>8</sup> requires clearing agencies to maintain a sound

risk management framework that identifies, measures, monitors and manages the range of risks that it faces. The new Revised Policy and Collateral Procedures (the "Documents") are intended to clearly describe the manner in which ICE Clear Europe mitigates collateral price and liquidation risk through setting acceptable Permitted Cover, Haircuts and Concentration Limits and monitoring these measures and managing any deviations or related issues. Further, in compliance with Rule 17 Ad-22(e)(5),<sup>9</sup> the Documents clearly describe (i) the manner in which ICE Clear Europe would set eligibility criteria for Permitted Cover to limit the assets it accepts as collateral to those with low liquidity and market risks, (ii) the basis on which it would set Haircuts and Concentration Limits to ensure that they are sufficiently conservative, and (iii) the requirement that Haircuts and Concentration Limits be reviewed at least monthly at a senior level.

Rule 17Ad-22(e)(2)<sup>10</sup> requires clearing agencies to establish reasonably designed policies and procedures to provide for governance arrangements

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;"

<sup>9</sup> 17 CFR 240.17 Ad-22(e)(5). The rule states that: "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable: (5) 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;"

<sup>10</sup> 17 CFR 240.17 Ad-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
- (ii) Clearly prioritize the safety and efficiency of the covered clearing agency;
- (iii) Support the public interest requirements in Section 17A of the Act (15 U.S.C. 78q-1) applicable to clearing agencies, and the objectives of owners and participants;
- (iv) Establish that the board of directors and senior management have appropriate experience and skills to discharge their duties and responsibilities;
- (v) Specify clear and direct lines of responsibility; and

(vi) Consider the interests of participants' customers, securities issuers and holders, and other relevant stakeholders of the covered clearing agency.""

that are clear and transparent and specify clear and direct lines of responsibility. To facilitate compliance with this requirement, the proposed Documents more clearly define the roles and responsibilities of the document owner, and their Head of Department, the Chief Risk Officer and the Head of Compliance. The Collateral Procedures also set out the role of senior personnel in reviewing Haircuts, Concentration Limits and Permitted Cover.

#### (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 purpose of the Act. As an initial matter, ICE Clear Europe does not anticipate that the amendments would in themselves result in a change to the list of Permitted Cover or the Haircuts or Concentration Limits. Rather, the amendments are intended to clarify the documentation of the relevant policies and procedures that are currently in effect. The amendments apply to all Contracts and are intended to strengthen risk management relating to these products primarily through providing greater clarity. ICE Clear Europe does not believe the amendments would have any direct effect on Clearing Members, other market participants or the market for cleared products generally. As a result, ICE Clear Europe does not believe the amendments would materially affect the cost of, or access to, clearing. Therefore, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is not 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 rule changes have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> 17 CFR 240.17 Ad-22(e)(3)(i). 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

the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

#### IV. Solicitation of Comments

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

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2019-019 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-2019-019. 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 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 <http://www.theice.com/clear-europe/regulation>.

[www.theice.com/clear-europe/regulation](http://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-2019-019 and should be submitted on or before January 13, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2019-27587 Filed 12-20-19; 8:45 am]

**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87769; File No. SR-CboeBZX-2019-057]

#### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To List and Trade Shares of the American Century Focused Dynamic Growth ETF and American Century Focused Large Cap Value ETF Under Currently Proposed Rule 14.11(k)

December 17, 2019.

On June 6, 2019, Cboe BZX Exchange, Inc. 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 list and trade shares of the American Century Focused Dynamic Growth ETF and American Century Focused Large Cap Value ETF under proposed Rule 14.11(k) (Managed Portfolio Shares). The proposed rule change was published for comment in the **Federal Register** on June 25, 2019.<sup>3</sup> On August 2, 2019, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine

<sup>11</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> See Securities Exchange Act Release No. 86155 (June 19, 2019), 84 FR 29912.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

whether to disapprove the proposed rule change.<sup>5</sup> On September 23, 2019, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.<sup>7</sup> The Commission has received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act<sup>8</sup> provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission, however, may extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes reasons for such determination. The proposed rule change was published for notice and comment in the **Federal Register** on June 25, 2019. December 22, 2019, is 180 days from that date, and February 20, 2020, is 240 days from that date.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> designates February 20, 2020, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File Number SR-CboeBZX-2019-057).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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<sup>5</sup> See Securities Exchange Act Release No. 86557, 84 FR 39024 (August 8, 2019). The Commission designated September 23, 2019, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

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

<sup>7</sup> See Securities Exchange Act Release No. 87059, 84 FR 51215 (September 27, 2019).

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> *Id.*

<sup>10</sup> 17 CFR 200.30-3(a)(31).