



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72761; File No. SR-ICEEU-2014-12)

August 5, 2014

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change to Liquidity Policies Relating to EMIR

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 July 25, 2014, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change 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. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The principal purpose of the proposed change is to amend and formalize certain ICE Clear Europe liquidity policies and procedures (the “Liquidity Policy Amendments”), including to facilitate compliance with requirements under the European Market Infrastructure Regulation (including regulations thereunder, “EMIR”)³ that will apply to ICE Clear Europe as an authorized central counterparty.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of these statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

ICE Clear Europe proposes to amend its existing Liquidity Risk Management Framework ("LRMF") and to adopt a separate Liquidity Plan that formalizes certain procedures and internal processes relating to liquidity objectives and monitoring, testing and decision-making relating to sufficiency of liquidity resources. In ICE Clear Europe's view, the creation of the Liquidity Plan does not materially change existing procedures and processes but is intended to formalize them, in order to be consistent with requirements under EMIR.

The Liquidity Plan has been drafted in accordance with Article 32 of the Regulatory Technical Standards implementing EMIR.⁴ Consistent with Article 32, the stated objectives of the Liquidity Plan are to: (i) identify sources of liquidity risk; (ii) manage and monitor liquidity needs across a range of stressed market scenarios; (iii) maintain sufficient and distinct financial resources to cover liquidity needs; (iv) assess and value the liquid assets available to the clearing house and its liquidity needs; (v) assess timescales over which liquid financial resources should

⁴ Commission Delegated Regulation (EU) No. 153/2013 of 9 December 2012 Supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council with regard to Regulatory Technical Standards on Requirements for Central Counterparties (the "Regulatory Technical Standards").

be available; (vi) manage a liquidity shortfall event; (vi) replace financial resources used in a liquidity shortfall event; and (vii) assess potential liquidity needs stemming from Clearing Members ability to swap cash for non-cash collateral. The Liquidity Plan also reflects requirements and guidance of the Bank of England.

The Liquidity Plan contains details about ICE Clear Europe's liquidity monitoring, stress testing, reporting and management procedures. With respect to monitoring, various systems and processes are used by ICE Clear Europe to ascertain the status of settlements at the start of the day, intra-day and at the end of day, as well as the status of related investment activity during the day. Any deviation from established tolerance levels will be escalated in accordance with the Liquidity Plan. The Liquidity Plan also uses certain Key Risk & Performance Indicators ("KRPIs") to ensure the investment policies are respected in light of ICE Clear Europe's credit and liquidity requirements, based on a number of investment categories (such as secured investments, unsecured investments, sovereign investors) and tenor categories.

The Liquidity Plan identifies various sources of liquidity risks, including exposure to settlement banks, custodian banks, liquidity providers, investment counterparties, payment systems, clearing members and other service providers, and provides for regular stress testing based on those risks. The Liquidity Plan also addresses liquidity risk tolerances and appetite limits established by the Board in connection with stress testing. Stress testing is conducted using a range of scenarios, including both historical scenarios and forward-looking scenarios involving extreme but plausible market events and conditions. Both types of scenarios simulate extreme but plausible losses arising from the default of the clearing members with the two largest liquidity exposures, consistent with EMIR requirements. Scenarios also address the required level of liquidity resources in a range of other conditions in the relevant currencies used

by ICE Clear Europe, including defaults of investment counterparties, settlement banks, Nostro agents, intraday liquidity providers and other service providers, market infrastructure failures and other systemic events (and combinations thereof). Historical scenarios are run on a single day, and a historical trend is kept. Forward-looking scenarios project these cash flows over the coming eight-day period.

ICE Clear Europe's Liquidity Plan also specifies procedures for liquidity management in cases of potential liquidity stress. ICE Clear Europe has defined a series of liquidity events and stress situations, ordered by severity, which trigger a notification to the relevant level of management and, if further escalation is required, the Board. The Liquidity Plan also outlines actions that may be taken in each situation to address the liquidity event or stress.

The Liquidity Plan provides for daily, weekly and monthly reporting requirements to relevant levels of clearing house management, Board risk committee, the Board and regulators, as appropriate. In addition, the Liquidity Plan establishes a protocol for breaches and liquidity events, which includes reporting and escalation based on the severity of the event, mitigating actions and replenishment of liquidity. The Liquidity Plan also provides for periodic testing of liquidity resources to ensure that they are "highly reliable" within the meaning of Article 44 of EMIR.

As part of the specified governance process, the Liquidity Plan will be reviewed by management and must be approved by the Board annually following consultation with the Board risk committee. Deviations and interim changes similarly require Board approval following consultation with the Board risk committee.

ICE Clear Europe has also revised its LRMF to reflect the adoption of the new, separate Liquidity Plan (and the two documents together are intended to reflect the clearing house's

approach to liquidity management). Various sections of the LRMF have also been modified to improve clarity and readability. As revised, the LRMF specifies the objectives of liquidity management, and references relevant policies, including investment policies, collateral management and haircut policies, stress testing policies and operational risk management policies. The LRMF also addresses the policies for establishing liquidity risk tolerances and appetites, the range of relevant stress scenarios (which are derived from the CPSS-IOSCO Principles for Financial Market Infrastructures and Regulatory Technical Standards Article 32.4), reverse stress testing requirements in accordance with Regulatory Technical Standards Article 49, and the resources the clearing house will treat as available for liquidity management purposes. The LRMF specifies further procedures concerning liquidity shortfalls and replenishment, complementing the provisions set forth in the Liquidity Plan. The LRMF also specifies procedures for internal review and governance over the liquidity policies, as well as procedures for exceptions and breaches of risk tolerance or risk appetite levels.

2. Statutory Basis

ICE Clear Europe believes that the proposed rule change is consistent with the requirements of Section 17A of the Act⁵ and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22.⁶ Section 17A(b)(3)(F) of the Act⁷ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to the extent applicable, derivative agreements, contracts and transactions and to comply with the provisions of the Act and the rules

⁵ 15 U.S.C. 78q-1.

⁶ 17 CFR 240.17Ad-22.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

and regulations thereunder. The proposed rules are designed to formalize the clearing house's policies and procedures relating to liquidity risk management. In particular, the revised policies address ICE Clear Europe's liquidity resources and procedures for testing the adequacy of those resources in a range of scenarios, including extreme but plausible scenarios involving, among other things, the default of a clearing member, settlement bank, liquidity provider and other service providers. They also provide further clarity as to the steps ICE Clear Europe may take when confronted with a potential liquidity shortfall or similar event. In ICE Clear Europe's view, the amendments thereby enhance the ability of the clearing house to assess potential liquidity events that may impact its ability to conduct settlements for cleared transactions and its ability to avoid or manage such events and continue clearing house operations. As such, ICE Clear Europe believes that the changes will promote the prompt and accurate settlement of securities and derivatives transactions, and therefore are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICE Clear Europe, in particular, to Section 17(A)(b)(3)(F).

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

ICE Clear Europe does not believe the Liquidity Policy Amendments would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The amendments formalize certain liquidity management policies and procedures. ICE Clear Europe does not believe that the revised policies will materially affect the cost of clearing for clearing members or their customers, impose additional requirements on clearing members, or otherwise affect access to clearing. The amendments will promote liquidity risk management and thereby enhance the stability of the clearing house and its ability to continue to provide clearing services in the case of liquidity stresses.

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

Written comments relating to the proposed change to the rules 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 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.

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 e-mail to rule-comments@sec.gov. Please include File Number SR-ICEEU-2014-12 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-2014-12. This file number should be included on the subject line if e-mail 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 also will be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation>.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2014-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Kevin M. O'Neill
Deputy Secretary

[FR Doc. 2014-18877 Filed 08/08/2014 at 8:45 am; Publication Date: 08/11/2014]

⁸ 17 CFR 200.30-3(a)(12).