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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85072; File No. SR-ICEEU-2019-001]

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Clearing Member Termination

February 7, 2019

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 January 30, 2019, ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which Items have been prepared by ICE Clear Europe. The Commission is publishing this notice and order to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

ICE Clear Europe proposes to amend certain provisions of its Clearing Rules³ relating to termination by the Clearing House of the membership of a CDS Clearing Member.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules (the “Rules”).

examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

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

(a) Purpose

ICE Clear Europe proposes to amend certain provisions of its Rules (and specifically its Continuing CDS Rule Provisions as defined therein) relating to termination by the Clearing House of the membership of a CDS Clearing Member.

The Continuing CDS Rule Provisions are certain provisions of the Rules as they were in effect prior to the adoption of rule amendments relating to recovery, wind-down and default management for the F&O Contract Category,⁴ and which continued in effect with respect to the CDS Contract Category, as provided in ICE Clear Europe Circular C14/012 of 31 January 2014 and in the definition thereof in the Rules.

The Continuing CDS Rule Provisions include Rule 209 as it relates to the CDS Contract Category and/or CDS Clearing Members. Under Rule 209(b) under the Continuing CDS Rule Provisions, the Clearing House may terminate the clearing membership of a CDS Clearing Member on not less than three months' notice.⁵ ICE

⁴ ICE Clear Europe adopted these rules, relating to Clearing House recovery and wind-down for the F&O and FX Contract Categories, in 2014. Exchange Act Release No. 34-71450 (SR-ICEEU-2014-013) (Jan. 31, 2014), 79 FR 7250 (Feb. 6, 2014).

⁵ ICE Clear Europe may use this provision to terminate the membership of a Clearing Member for a variety of reasons.. It may, for example, be used in a scenario where such termination is required in order for the Clearing House and its operations to remain in compliance with applicable laws in relevant jurisdictions.

Clear Europe proposes to change the notice period for such a termination to 30 Business Days. Such change would be made through an amendment to the definition of “Continuing CDS Rule Provisions” in the Rules, as set forth in Exhibit 5.

The change would make the notice period for termination of a CDS Clearing Member consistent with the notice period for termination of an F&O Clearing Member, which is also 30 Business Days under the Rules. The current difference in treatment exists for historical reasons relating the timing of the adoption of recovery, wind-down and default management related rules for the F&O product category as compared to the CDS product category. At this time, ICE Clear Europe does not believe that there is a substantive reason to have a different notice period for CDS Clearing Members. Furthermore, the current provision creates a disparity among F&O Clearing Members, as the three-month notice period also applies to F&O Clearing Members that are also CDS Clearing Members, whereas the 30 Business Day notice period applies to F&O Clearing Members that are not CDS Clearing Members.

In particular, in a scenario where ICE Clear Europe determined that it was necessary or appropriate to terminate the membership of a Clearing Member or a group or category of Clearing Members, ICE Clear Europe believes that having the shorter, 30 Business Day notice period apply to all Clearing Members, both CDS and F&O (including joint CDS and F&O Clearing Members), will avoid the additional disruption

The Clearing House has the right to terminate a CDS Clearing Member without notice in a variety of other circumstances, generally relating to the conduct or circumstances of the Clearing Member, as specified in Rule 209(a) of the Continuing CDS Rule Provisions. Those provisions would be unaffected by the proposed amendment.

that would be caused by having different notice periods for different categories of Clearing Member.

ICE Clear Europe is proposing to adopt the amendment now in connection with the expected departure of the United Kingdom (“UK”) from the European Union (“EU”), which pursuant to the European Union (Withdrawal) Act 2018 will occur on March 29, 2019. When the UK ceases to be an EU member state, there may be regulatory limitations on ICE Clear Europe’s ability to provide clearing services to persons located in the EU. As a result, it may become necessary for ICE Clear Europe to terminate the membership of a Clearing Member or a group or category of Clearing Members in advance of March 29, 2019 in order for the Clearing House to remain in compliance with applicable laws in all relevant jurisdictions. Failure to terminate EU-based Clearing Members in that scenario, in an orderly and timely way, could, among other consequences, result in legal uncertainty as to the rights and obligations of the Clearing House and its Clearing Members, and thus cause potential disruptions to clearing operations generally, including for clearing members in non-EU jurisdictions.

(b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act⁶ and the regulations thereunder applicable to it. Section 17A(b)(3)(F) of the Act⁷ 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

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

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. When the UK ceases to be an EU member state, there may be limitations on ICE Clear Europe's ability to provide clearing services to persons located in the EU. As a result, it may become necessary for ICE Clear Europe to terminate the membership of a Clearing Member or a group or category of Clearing Members in order to remain in compliance with applicable laws and to avoid resulting legal uncertainty and related potential disruptions to the functioning of the Clearing House, including with respect to default management, use and protection of margin and guaranty fund contributions and other matters. As a result, in ICE Clear Europe's view, the amendments will facilitate the continued prompt and accurate clearance and settlement of cleared transactions, the safeguarding of securities and funds in the custody or control of ICE Clear Europe or for which it is responsible, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.⁸

Section 17A(b)(3)(F) further requires that the rules of the clearing agency not be designed to permit unfair discrimination in the admission of participants or among participants in the use of the clearing agency.⁹ The proposed amendments eliminate an unnecessary distinction between the termination notice period for CDS Clearing Members and F&O Clearing Members. In so doing, the amendments will also better enable the Clearing House to manage any scenario in which it may determine to

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 15 U.S.C. 78q-1(b)(3)(F).

terminate Clearing Members (or a category of Clearing Members), in response to the UK's expected departure from the EU and the resulting potential limitations on ICE Clear Europe's ability to provide clearing services to persons located in the EU. As a result, in ICE Clear Europe's view, the amendments will facilitate the continued prompt and accurate clearance and settlement of cleared transactions and will avoid unfair discrimination among Clearing Members, within the meaning of Section 17A(b)(3)(F).¹⁰

The amendments are also consistent with Rule 17Ad-22(e)(1), which requires in relevant part that a covered clearing agency have policies and procedures reasonably designed to "provide for a well-founded, clear, transparent and enforceable legal basis for each aspect of its activities in all relevant jurisdictions."¹¹ As noted above, the amendments will permit the Clearing House to terminate the membership of CDS Clearing Members, on the same basis as F&O Clearing Members, where the Clearing House determines it is necessary or appropriate to do so in order to remain in compliance with applicable laws in all relevant jurisdictions.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 17 C.F.R. 240.17Ad-22(e)(1).

(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. The amendments will provide for a uniform notice period for termination of Clearing Members, across the F&O and CDS product categories. As such, ICE Clear Europe does not believe the amendments will in themselves materially affect the cost of, or access to, clearing. Although the market for cleared services may be adversely affected if ICE Clear Europe terminates the membership of Clearing Members or categories of Clearing Members, the amendments will, in ICE Clear Europe's view, assist with Clearing House with mitigating and managing any such adverse consequences. As a result, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is inappropriate 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.¹²

¹² ICE Clear Europe has previously conducted public consultations with respect to proposed rule changes (not ultimately adopted) that included the change in termination notice period addressed in these amendments. See ICE Clear Europe Circular C17107 (Sept. 22, 2017) and C13009 (Feb. 15, 2013), available at <https://www.theice.com/clear-europe/circulars>. No comments were received in those consultations with respect to that proposed change.

III. 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-2019-001 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ICEEU-2019-001. 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, N.E., Washington, D.C. 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2019-001 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

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.¹³ For the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act¹⁴ and Rule 17Ad-22(e)(1) thereunder.¹⁵

(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 ICE Clear Europe 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 which are in

¹³ 15 U.S.C. 78s(b)(2)(C).

¹⁴ 15 U.S.C. 78q-1(b)(3)(F).

¹⁵ 17 CFR 240.17Ad-22(e)(1).

the custody or control of ICE Clear Europe or for which it is responsible, and, in general, to protect investors and the public interest.¹⁶

As discussed above, when the UK withdraws from the EU on March 29, 2019, ICE Clear Europe believes that, in certain circumstances, there may be regulatory limitations on its ability to provide clearing services to persons located in the EU. As a result, ICE Clear Europe believes it may become necessary to terminate the membership of Clearing Members located in the EU in advance of March 29, 2019 to remain in compliance with applicable EU law. In that event, the Commission believes the proposed rule change would allow ICE Clear Europe to terminate the membership of such Clearing Members. As discussed above, Rule 209 of the Continuing CDS Rule Provisions currently provides CDS Clearing Members with three months' notice before ICE Clear Europe may terminate their membership (as opposed to 30 business days for F&O Clearing Members). If, as a result of the UK ceasing to be an EU member state on March 29, 2019, it becomes unlawful under applicable law for ICE Clear Europe to continue providing clearing services to persons located in the EU, under current Rule 209 ICE Clear Europe would not be able to terminate the membership of such Clearing Members because the deadline for providing three months' notice in advance of March 29, 2019 has already passed. By changing the notice required for termination of CDS Clearing Members from three months to thirty business days, consistent with the existing notice period for F&O Clearing Members, the Commission believes that the proposed rule change would allow ICE Clear Europe to terminate the membership of CDS Clearing

¹⁶ 15 U.S.C. 78q-1(b)(3)(F).

Members if it determines that doing so is necessary to avoid providing clearing services to persons located in the EU without legal authorization.

The Commission further understands that, in the event that it becomes unlawful for ICE Clear Europe to provide clearing services for persons located in the EU as a result of the UK withdrawing from the EU, ICE Clear Europe could incur legal liability, and its personnel could incur personal legal liability. Potential sanctions for such legal liability could include, among other penalties, monetary penalties and fines, potentially putting at risk funds which are in the custody or control of ICE Clear Europe or for which it is responsible. Moreover, providing clearing services to persons located in the EU without legal authorization could potentially put at risk ICE Clear Europe's ability to safeguard securities and funds held on behalf of such persons by negating the legal basis for holding such securities and funds. Thus, by allowing ICE Clear Europe to terminate the membership of CDS Clearing Members located in the EU if necessary to avoid providing clearing services to such Clearing Members in contravention of applicable law after March 29, 2019, the Commission believes that the proposed rule change would help assure the safeguarding of securities and funds which are in the custody or control of ICE Clear Europe or for which it is responsible.

Conversely, the Commission believes that, to help mitigate potential disruption to the CDS markets that could result from the termination of the membership of EU-based CDS Clearing Members, it would be beneficial for ICE Clear Europe to have (i) sufficient time prior to March 29, 2019 to determine whether it will be able to provide clearing services to persons located in the EU after the UK's withdrawal from the EU without violating applicable law, and (ii) Rules that provide it with sufficient flexibility to

avoid prematurely terminating the membership of EU-based CDS Clearing Members in the event that it makes such a determination. Under the current Rule requiring three months' notice ICE Clear Europe cannot terminate the membership of EU-based CDS Clearing Members prior to March 29, 2019. The Commission believes that, by aligning the termination notice period for CDS Clearing Members with the thirty business days' notice period for F&O Clearing Members, the proposed rule change would allow ICE Clear Europe additional time to determine whether it will be able to provide clearing services to persons located in the EU after the UK's withdrawal from the EU without violating applicable law and, if no such determination is made, still provide ICE Clear Europe sufficient time to provide notice of termination of membership to EU-based CDS Clearing Members prior to March 29, 2019. In allowing ICE Clear Europe to avoid prematurely or unnecessarily terminating the membership of EU-based CDS Clearing Members, the Commission believes that the proposed rule change would help ICE Clear Europe avoid the potential disruptions that could result from Clearing Members in the EU no longer being able to clear at ICE Clear Europe. For example, if a Clearing Member in the EU is not able to clear CDS contracts at ICE Clear Europe and is unable to either reduce its positions or transfer them to an alternative clearing house, then the Clearing Member may need to cease entering into CDS contracts with its clients. Such a potential disruption to the clearing of CDS contracts could negatively affect the prompt and accurate clearance and settlement of such contracts, and, in general, the protection of investors and the public interest.

Section 17A(b)(3)(F) further requires that the rules of ICE Clear Europe not be designed to permit unfair discrimination in the admission of participants or among

participants in the use of the clearing agency.¹⁷ As discussed above, the proposed rule change would resolve a disparity in ICE Clear Europe's rules. Under the current rules, Clearing Members that only clear F&O products are provided thirty business days' notice before ICE Clear Europe may terminate their membership, while Clearing Members that clear CDS contracts (including those that also clear F&O products) are provided three months' notice. The Commission understands that, as ICE Clear Europe explains above, this disparity is the result of ICE Clear Europe adopting recovery, wind-down and default management rules with respect to the F&O product category but not yet adopting similar rules with respect to the CDS product category. Further, the Commission agrees with ICE Clear Europe that there is no substantive reason for this difference in notice periods and that allowing it to continue could result in unfair discrimination between those Clearing Members that only clear F&O products and those Clearing Members that also clear CDS contracts. The Commission finds that the proposed rule change would resolve this disparity and help avoid potential unfair discrimination between F&O Clearing Members and CDS Clearing Members.

For these reasons, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Exchange Act.¹⁸

(B) Consistency with Rule 17Ad-22(e)(1)

Rule 17Ad-22(e)(1) requires that ICE Clear Europe establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 15 U.S.C. 78q-1(b)(3)(F).

a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions.¹⁹

As discussed above, ICE Clear Europe believes that, in certain circumstances, it could become unlawful under applicable law to continue providing clearing services to EU-based Clearing Members after the UK's withdrawal from the EU on March 29, 2019. In that event, ICE Clear Europe may determine that it must terminate the membership of such Clearing Members prior to that date in order to remain in compliance with applicable law. However, because Rule 209 of the Continuing CDS Rule Provisions currently provides CDS Clearing Members with three months' notice before ICE Clear Europe may terminate their membership, ICE Clear Europe would not be able to terminate the membership of EU-based CDS Clearing Members by March 29, 2019 because the deadline for providing notice by that time has already passed. The Commission believes that the proposed rule change would remedy this issue by permitting ICE Clear Europe to provide thirty business days' notice rather than three months, which would be consistent with the current notice requirement for F&O Clearing Members and allow ICE Clear Europe sufficient time to determine whether it must terminate the membership of EU-based Clearing Members and, if such a determination is made, provide the required notice. At the same time, if ICE Clear Europe determines that it continues to be able to comply with applicable laws and still provide clearing services to EU-based Clearing Members after March 29, 2019, the proposed rule change would allow ICE Clear Europe to avoid prematurely terminating the membership of such Clearing Members. Thus, by permitting ICE Clear Europe to remain in compliance with

¹⁹ 17 CFR 240.17Ad-22(e)(1).

applicable law and with its own Rules, and by providing ICE Clear Europe sufficient time to determine whether it must terminate the membership of EU-based CDS Clearing Members to remain in compliance with applicable law, the Commission believes that the proposed rule change would allow ICE Clear Europe to provide for a well-founded, clear, transparent, and enforceable legal basis for its clearing services as required by Rule 17Ad-22(e)(1).

For these reasons, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(1).²⁰

(C) Accelerated Approval of the Proposed Rule Change

In its filing, ICE Clear Europe requests that the Commission grant accelerated approval of the proposed rule change pursuant to Section 19(b)(2)(C)(iii) of the Exchange Act.²¹ Under Section 19(b)(2)(C)(iii) of the Act,²² the Commission may grant accelerated approval of a proposed rule change if the Commission finds good cause for doing so. ICE Clear Europe believes that accelerated approval is warranted because, in the event that ICE Clear Europe determines that it must terminate the membership of EU-based Clearing Members to remain in compliance with applicable law following the UK's withdrawal from the EU on March 29, 2019, the thirty business day notice period that would be afforded by the proposed rule change is necessary to provide ICE Clear Europe with sufficient time prior to that date to provide such Clearing Members with the required notice of termination.

²⁰ 17 CFR 240.17Ad-22(e)(1).

²¹ 15 U.S.C. 78s(b)(2)(C)(iii).

²² Id.

The Commission finds good cause, pursuant to Section 19(b)(2)(C)(iii) of the Act,²³ for approving the proposed rule change on an accelerated basis, prior to the 30th day after the date of publication of notice in the Federal Register, because the proposed rule change is required to permit ICE Clear Europe to terminate the membership of EU-based CDS Clearing Members prior to the UK's withdrawal from the EU on March 29, 2019 should ICE Clear Europe determine that such termination is necessary to remain in compliance with applicable law after that date. Additionally, the Commission notes that the proposed rule change would help ICE Clear Europe to avoid prematurely terminating the membership of EU-based CDS Clearing Members in the event that ICE Clear Europe determines that it can continue to provide clearing services to such members after March 29, 2019 while remaining in compliance with applicable law.

V. 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 Act²⁴ and the Rule 17Ad-22(e)(1)²⁵ thereunder.

²³ 15 U.S.C. 78s(b)(2)(C)(iii).

²⁴ 15 U.S.C. 78q-1(b)(3)(F).

²⁵ 17 CFR 240.17Ad-22(e)(1).

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Act²⁶ that the proposed rule change (SR-ICEEU-2019-001) be, and hereby is, approved on an accelerated basis.²⁷

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Eduardo A. Aleman,
Deputy Secretary.

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 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).

²⁸ 17 CFR 200.30-3(a)(12).

