

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. Please include File Number SR-NYSEARCA-2015-38 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-NYSEARCA-2015-38. 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 Web site (<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 Web site 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 will also be available for inspection and copying at the NYSE's principal office and on its Internet Web site at www.nyse.com. 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-NYSEARCA-2015-38, and should be submitted on or before June 9, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁷

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2015-12028 Filed 5-18-15; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74955; File No. SR-ICEEU-2015-007]

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Relating to Collateral and Haircut Policy

May 13, 2015.

I. Introduction

On March 13, 2015, ICE Clear Europe Limited ("ICE Clear Europe" or "Clearing House") filed with the Securities and Exchange Commission ("Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² to implement a new collateral and haircut policy (the "Haircut Policy") applicable to Permitted Cover posted by Clearing Members to meet the Clearing House's Margin and Guaranty Fund requirements. The proposed rule change was published for comment in the **Federal Register** on March 31, 2015.³ The Commission did not receive comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description of the Proposed Rule Change

ICE Clear Europe proposes to implement a Haircut Policy, which would codify and consolidate certain existing practices of the Clearing House with respect to Permitted Cover. The proposed Haircut Policy is designed (i) to set out overall principles with respect to the assets accepted by the Clearing House as Permitted Cover; (ii) to establish a framework for determining absolute and relative limits, as applicable, on the value of the collateral that may be posted by a Clearing Member as Permitted Cover; (iii) to establish a value-at-risk ("VaR") based methodology for determining haircuts for all Permitted Cover; (iv) to mitigate wrong-way risk from Permitted Cover; (v) to address sources for pricing Permitted Cover; and (vi) to set out certain related monitoring, reviewing and reporting procedures. The Haircut Policy would apply to Permitted Cover provided for all product classes (F&O, CDS and FX).⁴ Following

implementation, the Clearing House will from time to time adjust the haircuts applicable to Permitted Cover under the methodology set forth in the policy.

The general aims of the proposed Haircut Policy are to ensure that the Clearing House can efficiently liquidate all forms of Permitted Cover, that appropriate prices are used for valuation of Permitted Cover and that appropriate haircuts (including, as applicable, cross-currency haircuts) are used. The proposed Haircut Policy would codify certain general principles considered by the Clearing House in accepting assets as Permitted Cover, including availability of pricing information, the existence of liquid and active markets for buyers and sellers of those assets, the existence of sufficient price history, the ability to liquidate Permitted Cover without causing a market disruption, compliance with legal and regulatory requirements and sufficient operational and technological framework to handle deposit, liquidation and return of such assets as Permitted Cover.

Under the proposed Haircut Policy, cash collateral must be in one of several specified currencies underlying contracts cleared by the Clearing House. Additional general requirements would apply to financial instruments, including prohibitions on acceptance of instruments that have non-"vanilla" features such as embedded options, instruments issued by a Clearing Member or its affiliate, instruments issued by a CCP or by entities that provide critical services to the Clearing House (other than central banks) and certain credit-based limits. Such limits would require that the issuer is rated at least "BBB -" by S&P (or its equivalent), the average yield on the asset over the previous three months is not greater than 8%, and the 5-year CDS spread of the issuer has not exceeded 500 basis points over the previous three months. The proposed Haircut Policy provides that where market conditions warrant, or where the Clearing House's sovereign risk model indicates deteriorating credit below a certain threshold (i.e., "BBB -" by S&P), the Clearing House may remove securities from the list of Permitted Cover and/or vary applicable haircuts. ICE Clear Europe will notify Clearing Members and other market participants of such actions by Circular. ICE Clear Europe maintains the current List of Permitted

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-74579 (Mar. 25, 2015), 80 FR 17132 (Mar. 31, 2015) (SR-ICEEU-2015-007).

⁴ ICE Clear Europe notes that although the Haircut Policy generally also applies to Permitted Cover

posted with respect to Guaranty Fund requirements, certain additional requirements apply to Guaranty Fund contributions under the Rules and Finance Procedures. Those additional requirements are not proposed to be changed in connection with the Haircut Policy.

³⁷ 17 CFR 200.30-3(a)(12).

Cover (along with haircut rates, limits and restrictions) on its Web site at https://www.theice.com/publicdocs/clear_europe/list-of-permitted-covers.pdf.

The proposed Haircut Policy contains a methodology for setting absolute limits on the value of non-cash Permitted Cover that can be posted by a Clearing Member.⁵ Absolute collateral limits would apply across a group of affiliated Clearing Members and apply across all product categories cleared by that group. The policy also sets out relative (or concentration) limits for Permitted Cover provided by a Clearing Member. ICE Clear Europe publishes on its Web site the current absolute and relative limits on government bonds provided as Permitted Cover. In addition, the policy sets out procedures for monitoring of limits on a daily basis and for remediation of breach of a limit by a Clearing Member. The risk management department will monitor all collateral limits on a daily basis using a collateral breakdown report which flags limit breaches. Breaches will be reviewed internally and the relevant Clearing Member will be contacted. Breaches can be remediated by posting additional collateral, removal of collateral that is in breach of a limit, or both of the above.

The policy also provides for a risk-based reduction in absolute limits for government bonds based on the credit default swap ("CDS") spread for the relevant issuer in order to mitigate wrong-way risk arising from government bonds accepted as Permitted Cover. Once the spread exceeds a specified level for a particular issuer, the absolute limit for Permitted Collateral of that issuer would be reduced pursuant to a defined formula. If the spread exceeds a second level, the absolute limit will be reduced to 5% of the otherwise applicable original limit. Spread levels are determined using a five-day average to avoid excessive volatility. The specified parameters will be reviewed on a quarterly basis.

Specific wrong-way risk arising in connection with clearing of Western European sovereign CDS is addressed through a requirement that U.S. dollar denominated collateral be provided for initial margin and that a portion of the CDS Guaranty Fund be U.S. dollar-based (determined based on the ratio between the dollar-denominated and Euro-denominated initial margin requirements for CDS). In addition, where the member's aggregate short

position in sovereign CDS with respect to a sovereign exceeds a specified threshold, the Clearing House may decline to accept government bonds of that sovereign or any other sovereign bonds that exhibit certain correlations with such government bonds.

The Haircut Policy also addresses potential wrong-way risk arising from Permitted Cover more generally. The Clearing House will monitor collateral on a daily basis. Where the Clearing House considers there to be strong general wrong-way risk between a Clearing Member and the asset it is posting, the Clearing House will ask the member to change the composition of collateral to mitigate that risk.

The Haircut Policy establishes a VaR-based methodology for determining haircuts for Permitted Cover. Under the proposed Haircut Policy, the Clearing House will calculate six different estimations of VaR for each applicable risk factor. Each estimation is calculated using a 99.9% confidence interval (applicable to Permitted Cover posted with respect to all product categories). The proposed haircut will be based on the largest VaR of the 6 estimations. The policy specifies relevant price sources that will be used for the calculation of haircuts for each type of Permitted Cover. Haircuts will be determined using the bid prices of Permitted Cover assets, in order to account for higher liquidation costs in stressed markets. The applicable haircuts will be reviewed on a monthly basis, or more frequently where the risk management department deems it necessary.

Under the proposed policy, the risk management department may further adjust the haircut determined under the model as it determines prudent in light of additional qualitative and quantitative factors, including: the Clearing House's credit assessment of the issuer, current market conditions and volatility, expected future volatility, the liquidity of the underlying market for the asset, including bid/ask spread, wrong way risk considerations, VaR estimates determined for a period of stressed market conditions, and other factors that might affect the liquidity or value of an asset in stressed market conditions. ICE Clear Europe anticipates that such adjustments to the value calculated under the model would be used only in exceptional circumstances and would expect to use such adjustments to increase haircuts in stressed market circumstances. ICE Clear Europe has stated that it will make judicious use of current market information to override the model but anticipates exercising this ability in less than 5% of haircut rates.

The proposed Haircut Policy also sets a minimum haircut level of 3% in order to avoid pro-cyclical variation in haircuts and will review this minimum level annually under the Haircut Policy. In addition, a haircut add-on of up to 1% will be applied during the period until the next monthly review to issuers presenting increased credit risk. The add-on is applied once the issuer's CDS spread exceeds a specified level, and increases in steps of 0.25% up to a maximum of 1% where the CDS spread exceeds higher thresholds. The add-on is generally designed to anticipate potential haircut increases as part of the next monthly review cycle.

The proposed policy also imposes cross-currency haircuts to address the exchange rate risk faced by the Clearing House where the Permitted Cover is denominated in a different currency from the currency of the applicable margin requirement. Under the proposed Haircut Policy, cross-currency haircuts are determined using the same methodology described above for other haircuts, but are subject to a minimum haircut of 4.5%. Cross-currency haircuts will be applied in addition to any applicable haircut for the relevant form of Permitted Cover.

The Clearing House will monitor Permitted Cover on a daily and intraday basis. The Clearing House may, under its existing Rules and the Haircut Policy, take action to mitigate any change in risk, including by increasing haircuts, calling for additional collateral, reducing concentration limits and removing an asset from eligibility as Permitted Cover. The Clearing House will monitor the value of Permitted Cover deposited with it on a real time basis. Any change in a member's intraday cover value that is greater than 3% will be flagged immediately by the Risk Management intraday monitoring system that is monitored by the Risk Management team throughout the business day. Any breach will be investigated and appropriate action taken where necessary. The Clearing House also will backtest haircuts based on price moves observed in the markets on a daily basis, and review haircut levels if a price move breaches an existing haircut. The Clearing House will prepare daily reports with respect to Permitted Cover for purposes of internal monitoring and provide monthly reports to the relevant Risk Committees and Board Risk Committee.

The Clearing House will review the Haircut Policy on an annual basis (which will include review by the Board Risk Committee) or where there is a material change to the risk exposure of the Clearing House. The Haircut Policy

⁵ The Clearing House does not impose absolute or relative limits on the use of U.S. Treasury securities as Permitted Cover.

also will be independently reviewed annually under the Clearing House's model governance framework.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁶ directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act⁷ requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and, in general, to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with Section 17A of the Act⁸ and the rules thereunder applicable to ICE Clear Europe. The proposed Haircut Policy will codify the general principles and limitations for assets accepted by ICE Clear Europe as Permitted Cover. The proposed policy also provides a framework for ensuring that appropriate prices are used to value Permitted Cover and establishes a VaR-based methodology, utilizing six different estimations for each applicable risk factor and calculating each estimation using a 99.9% confidence interval, for determining haircuts to ensure that the value of Permitted Cover held by ICE Clear Europe is sufficient to cover the Clearing House's Margin and Guaranty Fund requirements. The policy also provides a methodology for setting absolute and relative concentration limits on particular bonds a Clearing Member may provide as Permitted Cover to guard against liquidity and concentration risks and establishes several measures designed to mitigate wrong-way-risk. In addition, the proposed policy provides procedures for the regular review and monitoring of Permitted Cover and associated haircuts and permits the Clearing House to respond promptly to changes in market conditions by modifying haircuts or other limits on Permitted Cover. Accordingly, the Commission believes that the Haircut Policy is designed to appropriately value Permitted Cover and enable ICE Clear Europe to efficiently and effectively liquidate all

forms of accepted Permitted Cover to satisfy its payment obligations in the event of a Clearing Member default. The Commission therefore finds that the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and, in general, to protect investors and the public interest in accordance with Section 17A(b)(3)(F) of the Act.⁹

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act¹⁰ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹¹ that the proposed rule change (File No. SR-ICEEU-2015-007) be, and hereby is, approved.¹²

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2015-12032 Filed 5-18-15; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74947; File No. SR-NYSEArca-2015-39]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services To Reduce Fees for Routing Certain Retail Orders to Away Market Centers

May 13, 2015.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 30, 2015, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 15 U.S.C. 78q-1.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 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).

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

(the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Equities Schedule of Fees and Charges for Exchange Services ("Fee Schedule") to reduce fees for routing certain retail orders to away market centers. The Exchange proposes to implement the changes on May 1, 2015. The text of the proposed rule change is available on the Exchange's Web site at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend the Fee Schedule to reduce fees for routing certain retail orders to away market centers. The Exchange proposes to implement the changes on May 1, 2015.

The Exchange currently charges \$0.0029 per share for all orders in Tape A Securities that are routed outside the Book to the NYSE; and \$0.0035 per share for all orders in Tape B Securities and Tape C Securities that are routed outside the Book to any away market center.

The Exchange proposes to reduce the fees for certain orders, *i.e.*, for Primary Until 9:45 Orders⁴ and Primary After

⁴ A Primary Until 9:45 Order is an Order entered for participation on the primary market until 9:45 a.m. Eastern Time (6:45 a.m. Pacific Time) after

⁶ 15 U.S.C. 78s(b)(2)(C).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 15 U.S.C. 78q-1.