

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-71791; File No. SR-ICEEU-2014-02)

March 25, 2014

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Regarding New Permitted Cover

I. Introduction

On February 4, 2014, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change SR-ICEEU-2014-02 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> The proposed rule change was published for comment in the Federal Register on February 18, 2014.<sup>3</sup> The Commission received no comment letters regarding the proposed changes. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

ICE Clear Europe is proposing to permit Clearing Members of ICE Clear Europe to post certain KfW Euro Benchmark Bonds (“KfWs”) and European Investment Bank Euro Area Reference Notes (“EIBs”, together with KfWs, the “New Permitted Cover”) to ICE Clear Europe in order to meet initial margin, original margin and certain other margin requirements, including delivery margin requirements. The New Permitted Cover will not be accepted to satisfy variation margin requirements or guaranty fund requirements.

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

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

<sup>3</sup> Securities Exchange Act Release No. 34-71519 (February 11, 2014), 79 FR 9296 (February 18, 2014) (SR-ICEEU-2014-02).

ICE Clear Europe has stated that the New Permitted Cover will provide its Clearing Members with a greater range of high-quality collateral that can be posted to ICE Clear Europe. Furthermore, ICE Clear Europe has stated that (1) the New Permitted Cover is of minimal credit risk comparable to that of other sovereign debt currently accepted by ICE Clear Europe as permitted cover for margin obligations, and (2) the New Permitted Cover has demonstrated low volatility in stressed and normal market conditions.

ICE Clear Europe has established initial valuation haircut levels and concentration limitations for the New Permitted Cover, and proposes to review and modify such haircuts and limitations from time to time in accordance with the Rules and procedures.

The New Permitted Cover may only constitute up to 25% of a Clearing Member's total initial and original margin requirement, up to a maximum amount of EUR 30 million. The New Permitted Cover will be subject to a valuation haircut of 3%, except that New Permitted Cover with a maturity of more than eleven years will be subject to a valuation haircut of 5%. The concentration limitations apply on an aggregate basis across all product categories. Upon a Clearing Member's use of New Permitted Cover to cover a margin requirement denominated in a different currency, ICE Clear Europe has stated that an additional haircut will apply, in accordance with existing rules, in order to cover exchange rate risk.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> 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

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

to such self-regulatory organization. Section 17A(b)(3)(F) of the Act<sup>5</sup> 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, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency and for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act,<sup>6</sup> as Clearing Members of ICE Clear Europe will have access to a greater range of collateral that ICE Clear Europe has determined to be of high quality to satisfy certain margin requirements, and the New Permitted Cover will be subject to appropriate valuation haircuts and concentration limits, which will be reviewed and modified periodically by ICE Clear Europe in accordance with its Rules and procedures. The proposed rule changes will thereby (1) promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions; and (2) help to protect investors and the public interest, consistent with the requirements of Section 17A(b)(3)(F) of the Act.<sup>7</sup>

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<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

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

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 Act<sup>8</sup> and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> that the proposed rule change (File No. SR-ICEEU-2014-02) be, and hereby is, approved.<sup>10</sup>

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

Kevin M. O'Neill  
Deputy Secretary

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<sup>8</sup> 15 U.S.C. 78q-1.

<sup>9</sup> 15 U.S.C. 78s(b)(2).

<sup>10</sup> 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).

<sup>11</sup> 17 CFR 200.30-3(a)(12).