

should refer to File Number SR-C2-2014-002, and should be submitted on or before May 29, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72083; File No. SR-ICC-2014-05]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change To Update ICC's Policy Regarding Valuation of Maturing U.S. Treasury Securities and Update ICC's Collateral Asset Haircut Methodology

May 2, 2014.

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 April 22, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by ICC. 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 purpose of this proposed rule change is to amend the ICC Clearing Rules (the "Rules") in order to update ICC's policy regarding valuation of maturing U.S. Treasury securities and update ICC's collateral asset haircut methodology.

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

In its filing with the Commission, ICC 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. ICC 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

The proposed changes are intended to update ICC's policy regarding valuation of maturing U.S. Treasury securities and update ICC's collateral asset haircut methodology.

ICC believes such changes will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. The proposed changes are described in detail as follows.

ICC is updating its policy regarding the valuation of maturing U.S. Treasury securities deposited to satisfy margin and guaranty fund requirements. ICC will reduce the collateral valuation of maturing securities to \$0 two business days prior to maturity. This timing allows for collection of additional margin or guaranty fund, if required, prior to maturity. Clearing Participants will receive notice the week prior to any collateral maturity dates and will be encouraged to replace maturing securities with other acceptable collateral. If collateral matures while on deposit with ICC, proceeds will be credited to the margin or guaranty fund account, as appropriate, when received by ICC on the maturity day. In the past, ICC and other IntercontinentalExchange, Inc. clearing houses have applied this methodology when nearing the U.S. debt ceiling, and this update will provide consistent collateral valuation certainty at all times. Implementation of this policy will align ICC with other IntercontinentalExchange, Inc. clearing houses. ICC's Treasury Operations Policies and Procedures have been updated to reflect this change, and Clearing Participants will be notified via circular.

In order to provide consistency in the calculation of collateral asset haircuts among the IntercontinentalExchange, Inc. clearing houses, ICC is updating its Risk Management Framework. Currently at ICC, haircuts for relevant assets (e.g. U.S. Treasury securities and currencies) are calculated using a five-day liquidation period and a 99% confidence interval expected shortfall calculation. Under the updated collateral asset haircut methodology, the IntercontinentalExchange, Inc. clearing houses will calculate haircuts for relevant assets using the greater (which may be rounded to the nearest 1%), and hence more conservative, of: (i) The haircut determined using a five-day

liquidation period and a 99% confidence interval expected shortfall calculation (currently used at ICC), and (ii) the haircut determined using a two day holding period and 99.9% confidence interval Value-at-Risk calculation. In practice, the more conservative five-day liquidation period and a 99% confidence interval expected shortfall calculation, currently used at ICC, will continue to be the driver of haircuts. Thus, the updated collateral asset haircut methodology will have no practical impact on ICC's haircut values. Furthermore, as applied to currencies, should ICC choose to use one haircut for a given foreign exchange pair (e.g. USD v. Euro, Euro v. USD), ICC will apply the more conservative haircut. The changes to the methodology for calculation of collateral asset haircuts do not require any operational changes.

Section 17A(b)(3)(F) of the Act<sup>3</sup> 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 and regulations thereunder. ICC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F),<sup>4</sup> because ICC believes that the proposed rule changes will facilitate the prompt and accurate settlement of swaps and contribute to the safeguarding of securities and funds associated with swap transactions which are in the custody or control of ICC or for which it is responsible. The update to ICC's policy regarding valuation of maturing U.S. Treasury securities and the update to ICC's collateral asset haircut methodology provide consistency across the IntercontinentalExchange, Inc. clearing houses. ICC considers the update to its policy regarding valuation of maturing U.S. Treasury securities to be a risk reducing measure, providing consistent collateral valuation certainty at all times. ICC believes the update to its collateral asset haircut methodology assures that ICC will continue to apply the more conservative haircut of the two methodologies included in ICC's policy. As such, the proposed rule changes will facilitate the prompt and accurate settlement of swaps and contribute to the safeguarding of customer funds and securities within the control of ICC

<sup>20</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> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> Id.

within the meaning of Section 17A(b)(3)(F)<sup>5</sup> of the Act.

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

ICC does not believe the proposed rule changes would have any impact, or impose any burden, on competition. The update to ICC's policy regarding valuation of maturing U.S. Treasury securities and the update to ICC's collateral asset haircut methodology apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule changes impose any burden on competition that is inappropriate 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 relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

### **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 such 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICC-2014-05 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-ICC-2014-05. 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 such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's Web site at <https://www.theice.com/notices/Notices.shtml?regulatoryFilings>.

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-ICC-2014-05 and should be submitted on or before May 29, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-72087; File No. PCAOB-2013-03]

### **Public Company Accounting Oversight Board; Notice of Filing of Amendment No. 1, and Order Granting Accelerated Approval of Proposed Rules, Amendments To Conform the Board's Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications, as Modified by Amendment No. 1**

May 2, 2014.

#### **I. Introduction**

On December 23, 2013, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section 107(b)<sup>1</sup> of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and Section 19(b)<sup>2</sup> of the Securities Exchange Act of 1934 (the "Exchange Act"), proposed amendments to conform the Board's rules and forms to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and make certain updates and clarifications (collectively, the "Proposed Rules"). The Proposed Rules were published for comment in the **Federal Register** on February 3, 2014.<sup>3</sup> At the time the notice was issued, the Commission designated a longer period to act on the Proposed Rules, until May 5, 2014.<sup>4</sup> The Commission received one comment letter in response to the notice.<sup>5</sup> On March 13, 2014, the PCAOB filed Amendment No. 1 to the Proposed Rules ("Amendment No. 1").<sup>6</sup> This order approves the Proposed Rules, as modified by Amendment No. 1, on an accelerated basis.

#### **II. Description of the Proposed Rules**

The Proposed Rules include specific references to audits and auditors of brokers and dealers in the Board's rules and are necessary to ensure that the

<sup>1</sup> 15 U.S.C. 7217(b).

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

<sup>3</sup> See Release No. 34-71237 (January 6, 2014), 79 FR 6271 (February 3, 2014).

<sup>4</sup> *Ibid.*

<sup>5</sup> See letter to the Commission from Suzanne H. Shatto, dated March 6, 2014 ("Shatto Letter").

<sup>6</sup> In Amendment No. 1, the PCAOB added amendments to Rule 3526, Communication with Audit Committees Concerning Independence. These amendments were discussed in the Proposed Rules, but the amendments to Rule 3526 were inadvertently omitted from the Proposed Rules. The Amendment also proposes a non-substantive modification to a cross-reference in Item 3.2.e.1 of Form 4.

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 200.30-3(a)(12).