

*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 filing also will be available for inspection and copying at the principal office of the Exchange. 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-ISEGemini-2014-15 and should be submitted on or before July 11, 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. 34-72397; File No. SR-ICC-2014-05]

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

June 16, 2014.

#### I. Introduction

On April 22, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-05 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 May 8, 2014.<sup>3</sup> The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### II. Description

ICC is proposing to update (1) its policy regarding valuation of maturing U.S. Treasury securities, and (2) its collateral asset haircut methodology. Under the proposed change, ICC will reduce the collateral valuation of maturing securities to \$0 two business days 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.

ICC has stated that it and other IntercontinentalExchange, Inc. clearing houses have applied this methodology when nearing the U.S. debt ceiling, so that this proposed rule change will provide consistent collateral valuation certainty at all times, as well as consistent implementation of this policy across other IntercontinentalExchange, Inc. clearing houses. ICC has also stated that revaluing the maturing securities two business days prior to maturity will allow for collection of additional margin or guaranty fund, if required, prior to maturity. ICC's Treasury Operations Policies and Procedures will be updated to reflect this change, and ICC plans to notify Clearing Participants of the change via circular, upon approval by the Commission.

Furthermore, 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 pursuant to the proposed change. 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 proposed rule change, the IntercontinentalExchange, Inc. clearing houses will calculate haircuts for relevant assets using the greater (which may be rounded to the nearest 1%) 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. ICC has stated that because the haircut currently used by ICC, that is, the haircut determined by using the five-day liquidation period and a 99% confidence interval expected shortfall calculation, is usually greater than the haircut determined using the two day holding period and a 99.9% confidence interval Value-at-Risk calculation, the haircut currently used at ICC will continue to be the driver of haircuts and thus, this proposed rule change will have little practical impact on ICC's current haircut values. Furthermore, ICC has stated that 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. ICC has also stated that the changes to the methodology for calculation of collateral asset haircuts do not require any operational changes.

#### 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 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 or 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> The proposed change to ICC's valuation of maturing securities will ensure ICC maintains adequate liquidity and the proposed change to ICC's haircut methodology will provide appropriate collateral valuation in a manner consistent or more conservative than existing policy. The proposed changes, therefore, are each consistent

<sup>6</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> Securities Exchange Act Release No. 34-72083 (May 2, 2014), 79 FR 26490 (May 8, 2014) (SR-ICC-2014-05).

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

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

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

with the requirements of Section 17A(b)(3)(F) of the Act<sup>7</sup> of promoting the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives agreements, contracts, and transactions, and helping to protect investors and the public interest.

#### 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-ICC-2014-05) 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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72396; File No. SR-FICC-2014-04]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Remove References to New York Portfolio Clearing, LLC in the Rules of the Government Securities Division and in the Cross-Margining Agreement With the Chicago Mercantile Exchange

June 16, 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 June 9, 2014, Fixed Income Clearing Corporation (“FICC”) 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 by the clearing agency. FICC filed the proposal pursuant to Section 19(b)(3)(A)

of the Act<sup>3</sup> and Rule 19b-4(f)(4) thereunder<sup>4</sup> so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change consists of amendments to the Government Securities Division (“GSD”) Rulebook (the “GSD Rules”) to remove references to New York Portfolio Clearing, LLC (“NYPC”) and the cross-margining arrangement between NYPC and FICC (the “NYPC Arrangement”) from the GSD Rules, as the NYPC Arrangement is no longer in effect.

#### II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC 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. FICC 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

(i) The purpose of this filing is to remove references to NYPC and the NYPC Arrangement from the GSD Rules, as the NYPC Arrangement is no longer in effect.

##### Background

On February 28, 2011, the Commission approved FICC’s proposed rule change SR-FICC-2010-09 in order to allow FICC to offer cross-margining of certain cash positions cleared at GSD with certain interest rate futures positions cleared at NYPC and allow margin requirements with respect to such eligible cash and futures positions to be calculated as a single portfolio (the “NYPC Order”).<sup>5</sup>

NYPC is jointly owned by NYSE Euronext (“NYSE”) and The Depository Trust & Clearing Corporation (“DTCC”), the parent company of FICC. On November 13, 2013, Intercontinental Exchange Group (“ICE”) completed its

acquisition of NYSE.<sup>6</sup> On November 29, 2013, ICE and DTCC announced plans to transition the clearing of interest rate futures contracts listed on NYSE Liffe U.S. to ICE Clear Europe and to wind down NYPC’s operations.<sup>7</sup>

Now that the migration of open interest in NYSE Liffe U.S. interest rate futures contracts from NYPC to ICE Clear Europe has been completed, the cross-margining agreement between FICC and NYPC (the “NYPC Agreement”) will be terminated and all references to NYPC and the NYPC Arrangement will be removed from the GSD Rules to reflect this change. In addition, FICC will no longer be providing the Commission with the reports enumerated in Section IV.D of the NYPC Order in light of the termination of the NYPC Arrangement.

##### Removal of References to NYPC and the NYPC Arrangement

FICC is proposing to amend the GSD Rules as follows:

In Rule 1—“Definitions”, the following definitions have been revised or deleted:

The term “Cross-Margining Agreement” is revised to remove the provision permitting an eligible GSD Member to elect to have its Required Fund Deposit in respect of Eligible Positions at FICC and its (or its Permitted Margin Affiliate’s, if applicable) margin requirements in respect of Eligible Positions at an FCO calculated as if such positions were in a single portfolio, as such provision relates only to the NYPC Arrangement.

The term “FCO” is revised to remove the reference to NYPC.

The term “Margin Portfolio” is revised to remove the reference to NYPC Accounts.

The term “Market Professional Agreement for Cross-Margining” is revised to replace the reference to NYPC with a reference to the relevant FCO with whom FICC may, in the future, enter into a cross-margining arrangement for Market Professional customers.

The term “NYPC” is removed.

The term “NYPC Account” is removed.

The term “NYPC Market Professional Account” is removed.

The term “NYPC Member” is removed.

<sup>6</sup> See IntercontinentalExchange. (2013). “IntercontinentalExchange Completes Acquisition of NYSE Euronext” [Press release]. Retrieved from <http://www.nyse.com/press/1385726419589.html>.

<sup>7</sup> See NYSE. (2013). “IntercontinentalExchange Group and DTCC Announce Plans for Interest Rate Futures Listed on NYSE Liffe U.S.” [Press release]. Retrieved from <http://www.nyse.com/press/1385726419589.html>.

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

<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).

<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. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(4).

<sup>5</sup> See Securities Exchange Act Release No. 63986 (Feb. 28, 2011), 76 FR 12144 (Mar. 4, 2011) (SR-FICC-2010-09).