

time the collateral is accepted by OCC and that are monitored regularly to help ensure the haircuts remain adequate.¹²

Additionally, the CRM Policy provides that OCC's Credit and Liquidity Working Group must review the policy's performance and adequacy on at least an annual basis, including with respect to collateral eligibility, concentration limits, collateral haircuts and monitoring processes.¹³

III. Summary of Comment Received

The Commission received one comment letter in response to the proposed rule change.¹⁴ The commenter stated that the proposed rule change is consistent with the Act.¹⁵

IV. Discussion and Commission Findings

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.¹⁶ After carefully considering the proposed rule change and the comment letter, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to OCC. More specifically, the Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Act and Rule 17Ad-22(e)(5) under the Act.

A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of the Act requires that the rules of a registered clearing agency be designed to do, among other things, the following: (1) Promote the prompt and accurate clearance and settlement of securities transactions; (2) 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 (3) in general protect investors and the public interest.¹⁷

The CRM Policy describes OCC's process for limiting the collateral that it accepts to assets with low credit, liquidity, and market risk. The acceptance of only low-risk collateral increases the likelihood that such collateral can be liquidated in a timely manner, thereby enhancing OCC's ability to continue to perform its critical

services for the financial markets while also managing a default. The CRM Policy also describes how OCC haircuts such collateral, and requires review of such haircuts at least annually. Ensuring that collateral haircuts are appropriately set and reviewed on a regular basis increases the likelihood that OCC will collect and hold collateral that can be liquidated at a value at or above the value attributed to it. This approach thereby increases the likelihood that OCC will be able to continue to meet its settlement obligations and manage the default of a clearing member by liquidating the defaulting clearing member's collateral in a timely and effective manner.

The timely liquidation of collateral at or above the expected value would, therefore, support OCC's ability to continue to meet settlement obligations on time, promoting the prompt and accurate clearance and settlement of securities transactions. In addition, being able to successfully liquidate collateral in a timely and effective manner would reduce the likelihood of OCC having to draw on mutualized resources, including Clearing Fund contributions. As such, the Commission believes that the proposal would help assure the safeguarding of securities and funds which are in the custody or control of OCC, or for which OCC is responsible. As a result, the Commission also finds that the proposed rule change, in general, protects investors and the public interest. Accordingly, the Commission finds that the proposed rule change is consistent with Section 17A of the Act.¹⁸

B. Consistency With Rule 17Ad-22(e)(3) of the Act

Rule 17Ad-22(e)(5) requires that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to limit the assets it accepts as collateral to those with low credit, liquidity, and market risks; set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its or its participants' credit exposure; and, require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.¹⁹

As discussed above, the proposed CRM Policy would address each component of Rule 17Ad-22(e)(5).²⁰

First, the proposed CRM Policy requires that, in determining forms of collateral as margin assets and Clearing Fund contributions, OCC evaluates the market, credit, and liquidity risk of an asset class. Second, the CRM Policy provides for the maintenance of redundant pricing information feeds from multiple sources to ensure the availability of information that is critical to OCC's daily and intraday processes for collateral valuation. The CRM Policy further describes OCC's processes for setting haircuts either via the use of STANS or percentage-based haircuts. Third, the proposed CRM requires at least annual review of concentration limits and collateral haircuts. The Commission finds, therefore, that the proposed rule change is consistent with Rule 17Ad-22(e)(5).²¹

V. Conclusion

On the basis of the foregoing, the Commission finds that the proposed change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A of the Act²² and the rules and regulations thereunder.

It is therefore ordered pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-OCC-2017-008) be, and hereby is, approved.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.²³

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017-27230 Filed 12-18-17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-420, OMB Control No. 3235-0479]

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736.

Extension:
Rule 15c2-7

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission

²¹ 17 CFR 240.17Ad-22(e)(5).

²² In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²³ 17 CFR 200.30-3(a)(12).

¹² Notice, 82 FR at 52081.

¹³ *Id.*

¹⁴ See *supra* note 4.

¹⁵ *Id.*

¹⁶ 15 U.S.C. 78s(b)(2)(C).

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 15 U.S.C. 78q-1.

¹⁹ 17 CFR 240.17Ad-22(e)(5).

²⁰ *Id.*

(“Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of extension of the previously approved collection of information provided for in Rule 15c2-7 (17 CFR 240.15c2-7) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*).

Rule 15c2-7 places disclosure requirements on broker-dealers who have correspondent relationships, or agreements identified in the rule, with other broker-dealers. Whenever any such broker-dealer enters a quotation for a security through an inter-dealer quotation system, Rule 15c2-7 requires the broker-dealer to disclose these relationships and agreements in the manner required by the rule. The inter-dealer quotation system must also be able to make these disclosures public in association with the quotation the broker-dealer is making.

When Rule 15c2-7 was adopted in 1964, the information it requires was necessary for execution of the Commission’s mandate under the Securities Exchange Act of 1934 to prevent fraudulent, manipulative and deceptive acts by broker-dealers. In the absence of the information collection required under Rule 15c2-7, investors and broker-dealers would have been unable to accurately determine the market depth of, and demand for, securities in an inter-dealer quotation system.

There are approximately 3,939 broker-dealers registered with the Commission. Any of these broker-dealers could be potential respondents for Rule 15c2-7, so the Commission is using that number as the number of respondents. Rule 15c2-7 applies only to quotations entered into an inter-dealer quotation system, such as the OTC Bulletin Board (“OTCBB”) or OTC Link (formerly “Pink Sheets”), operated by OTC Markets Group Inc. (“OTC Link”). According to representatives of both OTC Link and the OTCBB, neither entity has recently received, or anticipates receiving any Rule 15c2-7 notices. However, because such notices could be made, the Commission estimates that one filing is made annually pursuant to Rule 15c2-7.

Based on prior industry reports, the Commission estimates that the average time required to enter a disclosure pursuant to the rule is .75 minutes, or 45 seconds. The Commission sees no reason to change this estimate. We estimate that impacted respondents spend a total of .0125 hours per year to comply with the requirements of Rule 15c2-7 (1 notice (x) 45 seconds/notice).

An agency may not conduct or sponsor, and a person is not required to

respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: www.reginfo.gov. Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: Shagufta.Ahmed@omb.eop.gov; and (ii) Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE, Washington, DC 20549, or by sending an email to: PRA_Mailbox@sec.gov. Comments must be submitted to OMB within 30 days of this notice.

Dated: December 14, 2017.

Eduardo A. Aleman,
Assistant Secretary.

[FR Doc. 2017-27314 Filed 12-18-17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82313; File No. SR-ICEEU-2017-013]

Self-Regulatory Organizations; ICE Clear Europe Limited; Order Approving Proposed Rule Change Relating to the ICE Clear Europe Procyclicality Framework

December 13, 2017.

I. Introduction

On October 23, 2017, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change (SR-ICEEU-2017-013) to adopt a new policy framework for addressing the procyclicality (“Procyclicality Framework”) associated with its risk management policies. Specifically, the Procyclicality Framework would establish the risk appetite, monitoring and assessment, and management of procyclicality in the risk models used by ICE Clear Europe to manage default risk. The proposed rule change was published for comment in the **Federal**

Register on November 7, 2017.³ The Commission did not receive comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

ICE Clear Europe proposed to adopt a Procyclicality Framework that is intended to set forth, generally, (1) the aspects of ICE Clear Europe’s risk policies that may exhibit procyclicality; (2) the manner in which ICE Clear Europe will assess procyclicality (using both qualitative and a quantitative metrics); and (3) how ICE Clear Europe will take procyclicality into account with respect to its consideration of and response to emerging risks. ICE Clear Europe proposed to define “procyclicality” as the extent to which changes in market conditions can have an effect on a clearing member’s ability to manage its liquidity to meet ICE Clear Europe’s changing margin requirements.⁴

ICE Clear Europe represented that although it has in place certain measures intended to mitigate procyclicality, as required by the European Market Infrastructure Regulation,⁵ it proposed to implement the Procyclicality Framework in order to establish a more defined approach to assessing procyclicality in its risk management policies and procedures.⁶ In particular, ICE Clear Europe proposed to identify the risk management policies that may introduce procyclical concerns, which includes margin models, stress testing, and collateral haircut policies. In addition, as part of the Procyclicality Framework, ICE Clear Europe also proposed to reference existing methods for mitigating procyclicality in the above mentioned areas, as well as certain stress testing arrangements.⁷

Furthermore, ICE Clear Europe proposed to incorporate into the Procyclicality Framework the measures by which it would assess the level of procyclicality. Specifically, ICE Clear Europe proposed to assess procyclicality by monitoring the 95th percentile expected shortfall of the 5-day

³ Securities Exchange Act Release No. 34-81994 (Nov. 1, 2017), 82 FR 51663 (Nov. 7, 2017) (SR-ICEEU-2017-013) (“Notice”).

⁴ Notice, 82 FR at 51663.

⁵ Article 28 of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties.

⁶ Notice, 82 FR at 51663.

⁷ *Id.*

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.