

are available at [www.prc.gov](http://www.prc.gov), Docket Nos. MC2019–147, CP2019–163.

**Elizabeth Reed,**

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[FR Doc. 2019–12204 Filed 6–10–19; 8:45 am]

**BILLING CODE 7710–12–P**

## POSTAL SERVICE

### Product Change—Priority Mail Negotiated Service Agreement

**AGENCY:** Postal Service™.

**ACTION:** Notice.

**SUMMARY:** The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.  
**DATES:** *Date of required notice:* June 11, 2019.

**FOR FURTHER INFORMATION CONTACT:**  
Elizabeth Reed, 202–268–3179.

**SUPPLEMENTARY INFORMATION:** The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on June 4, 2019, it filed with the Postal Regulatory Commission a *USPS Request to Add Priority Mail Contract 530 to Competitive Product List*. Documents are available at [www.prc.gov](http://www.prc.gov), Docket Nos. MC2019–145, CP2019–161.

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**BILLING CODE 7710–12–P**

## POSTAL SERVICE

### Product Change—Priority Mail Express and Priority Mail Negotiated Service Agreement

**AGENCY:** Postal Service™.

**ACTION:** Notice.

**SUMMARY:** The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.  
**DATES:** *Date of required notice:* June 11, 2019.

**FOR FURTHER INFORMATION CONTACT:**  
Elizabeth Reed, 202–268–3179.

**SUPPLEMENTARY INFORMATION:** The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on June 5, 2019, it filed with the Postal Regulatory

Commission a *USPS Request to Add Priority Mail Express & Priority Mail Contract 92 to Competitive Product List*. Documents are available at [www.prc.gov](http://www.prc.gov), Docket Nos. MC2019–146, CP2019–162.

**Elizabeth Reed,**

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[FR Doc. 2019–12211 Filed 6–10–19; 8:45 am]

**BILLING CODE 7710–12–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86039; File No. SR–ICC–2019–004]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Relating to the ICC Model Validation Framework

June 5, 2019.

#### I. Introduction

On April 5, 2019, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to revise the ICC Model Validation Framework. The proposed rule change was published in the **Federal Register** on April 23, 2019.<sup>3</sup> The Commission has not received any 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

The proposed rule change would revise the ICC Model Validation Framework (“Framework”), which sets forth ICC’s model validation procedures.<sup>4</sup> Through the model validation procedures, ICC determines the appropriateness of changes to the risk modeling components (“Model Components”) of ICC’s risk management system and the appropriateness of the configuration and calibration of ICC’s risk management system.

The proposed rule change would update the Framework’s classification of Model Components, categorization of model changes, documentation

requirements relating to model inventory, the priority scale used by independent validators, and the annual validation of Model Components and related practices.

The proposed rule change would revise the ‘Risk Management System Models’ section to account for Model Components that are no longer utilized.<sup>5</sup> Currently, the Framework classifies Model Components as new Model Components, which consider risk drivers that are not currently included in the risk management system, and enhancements to Model Components, which improve upon the methodologies used by the risk management system to consider a given risk driver or drivers (these are, collectively, “Model Change”). The proposed rule change would amend the Framework to add a category for retired Model Components, which are Model Components that are no longer utilized in the risk management system.

In the ‘Model Change Qualification and Materiality’ section, the proposed rule change would add a quantitative measure to define certain Model Changes.<sup>6</sup> Currently, the Framework classifies a Model Change as either Materiality A or Materiality B, depending on how substantially the Model Change affects the risk management system’s assessment of risk for the related risk driver or drivers. Materiality B model changes do not substantially affect the risk management system’s assessment of risk for the related risk driver or drivers. The proposed rule change would characterize any Model Change that leads to a decrease/increase of the total pre-funded financial resources over a certain percentage as a Materiality A Model Change.

The proposed revisions to the ‘Documentation Requirements’ section of the Framework would relate to the Model Inventory.<sup>7</sup> The Model Inventory is maintained by the ICC Risk Department and contains key information about all Model Components and Model Changes. The Framework currently specifies documentation requirements for the information maintained in the Model Inventory. The proposed rule change would update the documentation requirements to require documentation related to retired Model Components and to remove information related to design and development resources and the location of filenames of certain documents, which ICC no longer

<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. 34–85673 (April 17, 2019), 84 FR 16900 (April 23, 2019) (SR–ICC–2019–004) (“Notice”).

<sup>4</sup> Notice, 84 FR at 16900. Capitalized terms used herein but not otherwise defined have the meaning set forth in the Framework and ICE Clear Credit rulebook, which is available at <https://www.theice.com/clear-credit/regulation>.

<sup>5</sup> Notice, 84 FR at 16901.

<sup>6</sup> Notice, 84 FR at 16901.

<sup>7</sup> Notice, 84 FR at 16901.

considers relevant for purposes of the Model Inventory.

The proposed updates to the 'Independent Initial Validation' section would relate to the priority scale used by independent validators in completing initial validations.<sup>8</sup> The Framework currently directs independent validators conducting initial validations to classify their findings based on a priority scale, consisting of high, medium, and low priority ratings, and an observation only rating. The Framework currently describes low priority findings as those where the likely deficiencies or impact to any process is not material. The Framework currently requires that ICC document all low priority items and address them within a reasonable timescale. The proposed rule change would modify this requirement to provide that ICC, in consultation with the Risk Committee, may determine that a low priority item does not reflect a potential deficiency and take no action. The proposed rule change would make an identical change with respect to low priority items found by independent validators conducting periodic reviews.

The proposed rule change would make clarifying changes to the 'Independent Periodic Review' section.<sup>9</sup> Specifically, the proposed rule change would add information regarding how ICC tracks the annual validation of Model Components and related practices. Currently, the Framework only provides that independent validators perform periodic reviews of Model Components and related practices once in every calendar year. The proposed rule change would further specify that independent validators perform periodic reviews of Model Components and related practices at least every twelve months and that ICC relies on the date of the engagement letter to track this twelve month requirement. The proposed rule change would also make a clarifying change to the 'Independent Periodic Review' section to refer to a twelve month cycle of reviews, rather than reviews each year.

### III. 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.<sup>10</sup> For the reasons given below, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>11</sup> and Rules 17Ad-22(b)(2), 17Ad-22(b)(3), and 17Ad-22(b)(4) thereunder.<sup>12</sup>

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

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of ICC be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, as well as to assure the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible, and, in general, to protect investors and the public interest.<sup>13</sup>

The Commission believes that the proposed rule change would enhance the operation of the Framework. Specifically, the Commission believes that in adding a category for retired Model Components the proposed rule change would distinguish Model Components that are no longer used, avoiding potential confusion regarding which Model Components are currently effective.

The Commission also believes that by adding a quantitative measure to define Materiality A Model Changes, the proposed rule change would provide greater certainty and objectivity regarding Materiality A Model Changes, which is important given that Materiality A Model Changes are subject to internal initial validation and an independent initial validation.

The Commission further believes that in adding retired Model Components to the Model Inventory the proposed rule change would help ensure that ICC has information on retired Model Components in case it ever needs to employ those Model Components again or needs to use those retired Model Components in developing new Model Components. Moreover, the Commission believes that in removing information no longer considered relevant to the Model Inventory, the proposed rule change would help to ensure that the Model Inventory focuses only on the information needed to carry out the purposes of the Framework.

In specifying that ICC, in consultation with the Risk Committee, may determine that a low priority item found

by an independent validator during an initial validation or periodic review does not reflect a potential deficiency and take no action in response to the item, the Commission believes that the proposed rule change would allow ICC to efficiently close findings by independent validators that may have no material impact on ICC's risk management system. Doing so could also free up resources within ICC and the Risk Committee to respond to other, higher priority findings by independent validators.

Finally, by specifying that independent validators perform periodic reviews of Model Components and related practices at least every twelve months and that ICC relies on the date of the engagement letter to track this twelve month requirement, the Commission believes that the proposed rule change would help to ensure that all Model Components and related practices are reviewed annually by providing a uniform and objective means of tracking the date of the validation through the date of the engagement letter.

For these reasons, the Commission believes these proposed revisions to the Framework would help improve the functioning of the Framework. The Commission further believes that because the Framework allows ICC to determine the appropriateness of Model Change and Model Components, a well-functioning Framework is necessary for an effective risk management system. Moreover, the Commission believes that ICC's risk mismanagement system enables ICC to manage the risks associated with clearing security based swap-related portfolios, and that such risks, if not properly managed, could cause ICC to realize losses on such portfolios and disrupt ICC's ability to promptly and accurately clear security based swap transactions. The Commission therefore believes that the proposed rule change, in improving the Framework and thereby improving the functioning of ICC's risk management system, would promote the prompt and accurate clearance and settlement of securities transactions. Similarly, given that mismanagement of the risks associated with clearing security based swap-related portfolios could cause ICC to realize losses on such portfolios and threaten ICC's ability to operate, thereby threatening access to securities and funds in ICC's control, the Commission believes that the proposed rule change, in improving the Framework, would help assure the safeguarding of securities and funds which are in the custody or control of the ICC or for which it is responsible. Finally, for both

<sup>10</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>12</sup> 17 CFR 240.17Ad-22(b)(2)-(4).

<sup>13</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> Notice, 84 FR at 16901.

<sup>9</sup> Notice, 84 FR at 16901.

of these reasons, the Commission believes the Framework would, in general, protect investors and the public interest.

Therefore, the Commission finds that the proposed rule change would promote the prompt and accurate clearance and settlement of securities transactions, assure the safeguarding of securities and funds in ICC's custody and control, and, in general, protect investors and the public interest, consistent with the Section 17A(b)(3)(F) of the Act.<sup>14</sup>

#### *B. Consistency With Rules 17Ad-22(b)(2) and 17Ad-22(b)(3)*

Rule 17Ad-22(b)(2) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements and review such margin requirements and the related risk-based models and parameters at least monthly.<sup>15</sup> Rule 17Ad-22(b)(3) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to maintain sufficient financial resources to withstand, at a minimum, a default by the two participant families to which it has the largest exposures in extreme but plausible market conditions, in its capacity as a central counterparty for security-based swaps.<sup>16</sup>

As described above, the proposed rule change would enhance the operation of the Framework. In doing so, the Commission believes that the proposed rule change would help ensure that ICC's risk management system is appropriate and effective for dealing with the risks associated with clearing security based swap-related portfolios. The Commission further believes that the proposed improvements to the Framework would also improve ICC's review and maintenance of the models that generate margin requirements. The Commission believes that the proposed rule change would therefore improve ICC's use of initial margin requirements to limit its credit exposures to participants under normal market conditions and ICC's use of risk-based models and parameters to set margin requirements. The Commission therefore finds that the proposed rule change is consistent with Rule 17Ad-22(b)(2).<sup>17</sup>

Moreover, the amount a clearing member must contribute to ICC's Guaranty Fund is equal to the expected losses to ICC associated with the default of that clearing member, calculated using ICC's stress test methodology, and taking into account, among other things, the loss after application of initial margin.<sup>18</sup> Thus, ICC's guaranty fund is based on the initial margin requirements. The Commission therefore believes that, in improving the operation of the Framework, which would in turn improve the operation of ICC's margin model and margin requirements, the proposed rule change would also help ICC to maintain sufficient financial resources to withstand, at a minimum, a default by the two participant families to which it has the largest exposures in extreme but plausible market conditions. The Commission therefore finds that the proposed rule change is consistent with Rule 17Ad-22(b)(3).<sup>19</sup>

Therefore, for the above reasons the Commission finds that the proposed rule change is consistent with Rules 17Ad-22(b)(2) and 17Ad-22(b)(3).<sup>20</sup>

#### *C. Consistency With Rule 17Ad-22(b)(4)*

Rule 17Ad-22(b)(4) requires that ICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for an annual model validation consisting of evaluating the performance of its margin models and the related parameters and assumptions associated with such models by a qualified person who is free from influence from the persons responsible for the development or operation of the models being validated.<sup>21</sup>

As discussed above, the proposed rule change would revise the Framework to specify that independent validators perform periodic reviews of Model Components and related practices at least every twelve months and that ICC relies on the date of the engagement letter to track this twelve month requirement. The Commission believes that the proposed rule change would therefore help to ensure that all Model Components and related practices are reviewed annually by providing a uniform and objective means of tracking the date of the validation through the date of the engagement letter. Therefore, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(b)(4).<sup>22</sup>

<sup>18</sup> See ICC Rule 801(a).

<sup>19</sup> 17 CFR 240.17Ad-22(b)(3).

<sup>20</sup> 17 CFR 240.17Ad-22(b)(2), (b)(3).

<sup>21</sup> 17 CFR 240.17Ad-22(b)(4).

<sup>22</sup> 17 CFR 240.17Ad-22(b)(4).

## IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A(b)(3)(F) of the Act<sup>23</sup> and Rules 17Ad-22(b)(2), 17Ad-22(b)(3), and 17Ad-22(b)(4) thereunder.<sup>24</sup>

*It is therefore ordered* pursuant to Section 19(b)(2) of the Act<sup>25</sup> that the proposed rule change (SR-ICC-2019-004) be, and hereby is, approved.<sup>26</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2019-12193 Filed 6-10-19; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86038; File No. SR-C2-2019-013]

### Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Adopt Limit-on-Close ("LOC") and Market-on-Close ("MOC") Orders

June 5, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 29, 2019, Cboe C2 Exchange, Inc. (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>23</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>24</sup> 17 CFR 240.17Ad-22(b)(2)-(4).

<sup>25</sup> 15 U.S.C. 78s(b)(2).

<sup>26</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>27</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)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>15</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>16</sup> 17 CFR 240.17Ad-22(b)(3).

<sup>17</sup> 17 CFR 240.17Ad-22(b)(2).