

proposed rule change (File Number SR–ChoeBZX–2018–0666).

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

**Eduardo A. Aleman,**  
Deputy Secretary.

[FR Doc. 2018–27406 Filed 12–18–18; 8:45 am]

BILLING CODE 8011–01–P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84810; File No. SR–ICEEU–2018–021]

### Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the F&O Stress Testing Policy<sup>1</sup>

December 13, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> and Rule 19b–4 thereunder,<sup>3</sup> notice is hereby given that on December 6, 2018, ICE Clear Europe Limited (“ICE Clear Europe” or “The Clearing House”) 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 ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,<sup>4</sup> and Rule 19b–4(f)(4)(ii) thereunder,<sup>5</sup> so that the proposal was immediately 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

ICE Clear Europe proposes to update and formalize its Futures and Options Stress Testing Policy (the “F&O Stress Testing Policy”).

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

In its filing with the Commission, ICE Clear Europe 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. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

#### (A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### (a) Purpose

ICE Clear Europe proposes to update and formalize its F&O Stress Testing Policy. The Clearing Risk Department is the owner of the F&O Stress Testing Policy and is responsible for ensuring that it remains up-to-date and that it is reviewed in accordance with policy requirements. The policy is to be reviewed annually by the F&O Risk Committee and the Board Risk Committee.

The objective of the F&O Stress Testing Policy is to ensure the F&O Guaranty Fund is adequate to cover at least the two largest Clearing Member uncollateralised losses (*i.e.*, losses over Clearing Member account’s requirements). The F&O Guaranty Fund protects the Clearing House against losses over and above margin that may be experienced during periods of extreme market volatility. Stress tests are used to test the adequacy of the F&O Guaranty Fund size.

The F&O Stress Testing Policy describes ICE Clear Europe’s stress test principles, including frequency and reporting. The stress test results of Clearing Member portfolios are calculated daily and reported internally on a daily basis. The F&O Risk Committee reviews historical daily stress test results on a bi-monthly basis. The Clearing House will review internally the stress scenarios on a regular basis and inform the F&O Risk Committee where additions or changes to the scenarios employed have a material impact on the stress results. The F&O Stress Testing Policy also provides an overview of ICE Clear Europe’s stress loss calculation and stress shock calibration methodologies.

The F&O Stress Testing Policy describes and defines the types of F&O stress testing scenarios and their application. The Clearing House has two types of scenarios used to size the F&O Guaranty Fund: Historical and theoretical scenarios. The historical stress scenarios aim to select the most significant historic events in terms of extreme price movement of the relevant underlyings, and then replicate as accurately as possible the historic event that has been selected across the full

range of cleared products and apply these stress tests to contemporary positions. Theoretical scenarios are constructed using plausible combinations of extreme price moves that are not contained within the set of historical scenarios, including group or sector specific stresses. The development of these hypothetical and extreme scenarios is tailored to the specific risks of the products and markets served. They are designed to measure the response of Clearing Members’ portfolios to extreme conditions, and to assess the sufficiency of the available Guaranty Fund. Additionally, for other theoretical scenarios, ICE Clear Europe constructs theoretical scenarios, which are constructed of changes to macroeconomic events that are considered plausible given qualitative analysis of current market and geopolitical conditions. These scenarios are labelled “hypothetical”.

The policy also describes ICE Clear Europe’s reverse stress testing practices, which act as a tool to supplement existing stress analysis. Such scenarios follow the similar frequency and reporting as the standard stress test scenarios. Rather than sizing the F&O Guaranty Fund, these scenarios examine the magnitude of the stress required to exhaust the F&O Guaranty Fund size. Both historical reverse stress tests and theoretical reverse stress tests are performed. Reverse stress test scenarios results are reviewed and presented monthly to the F&O Risk Committee.

The F&O Stress Testing Policy describes how ICE Clear Europe aggregates stress test results. The uncollateralised stress losses across all scenarios per Clearing Member and sub-account<sup>6</sup> are calculated. The worst case result for each Clearing Member, by sub-account including segregated sponsored principal accounts, is then compared with the margin account’s requirements in respect of the Clearing Member. Where the stress testing result is greater than the margin account’s requirements, by sub-account, this modelled loss above requirement or shortfall is recorded as an uncollateralised stress testing loss. In order to derive the two largest uncollateralised losses, individual uncollateralised stress loss at each Clearing Member account is aggregated into the financial institution group.

The F&O Stress Testing Policy also describes how stress test results are reviewed and escalated. As noted above, daily stress testing results must be

<sup>6</sup> Sub-account refers to the definition of Margin Account as per the Rules.

<sup>6</sup> 17 CFR 200.30–3(a)(31).

<sup>1</sup> Capitalized terms used but not defined herein have the meanings specified in the Rules.

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 17 CFR 240.19b–4.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b–4(f)(4)(ii).

reviewed daily by Senior Clearing Risk Department staff. A bi-monthly summary of any significant events in the stress testing will be presented to the F&O Risk Committee. Further, trigger levels will be set to flag certain events, *e.g.* when a Clearing Member's stressed losses exceed a predetermined percentage of its Original Margin requirement (but the change is not affecting the Guaranty Fund). In the event of a trigger of such event, Senior Clearing Risk Department staff will determine what action to follow, dependent on the nature of the event and Clearing Member to which it applies. The F&O Stress Testing Policy contains a non-exhaustive list of available actions.

The F&O Stress Testing Policy also includes reference to the Board risk appetite, and lists the escalation and notification protocols for each risk appetite metric. Each risk appetite metric is calculated as per its predetermined frequency, has a defined threshold in accordance with the latest calibration process, and is routinely reported to the Board and its committees as part of the Risk Appetite Metric Dashboard.

#### (b) Statutory Basis

ICE Clear Europe believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> and the regulations thereunder applicable to it, including the standards under Rule 17Ad–22.<sup>8</sup> Section 17A(b)(3)(F) of the Act<sup>9</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, the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible, and the protection of investors and the public interest. The F&O Stress Testing Policy sets forth the methodology by which ICE Clear Europe ensures that the Guaranty Fund is adequate to cover at least the two largest Clearing Member uncollateralised losses (*i.e.* losses over Clearing Member account's requirements), in order to identify any potential deficiencies. Such testing ensures that ICE Clear Europe maintains the appropriate level of risk management resources to cover losses in the case of a default. As such, the proposed changes enhance ICE Clear Europe's ability to manage risk, and

therefore enhance ICE Clear Europe's ability to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and contribute to the safeguarding of securities and funds in ICE Clear Europe's custody or control, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>10</sup>

In addition, the proposed rule change is consistent with the relevant requirements of Rule 17Ad–22,<sup>11</sup> and in particular Rule 17Ad–22(e)(4).<sup>12</sup> Rule 17Ad–22(e)(4)(ii)<sup>13</sup> requires, in relevant part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by, for covered clearing agencies that are clearing agencies involved in activities with a more complex risk profile, maintaining additional financial resources at the minimum to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, the default of the two participant families that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions. The F&O Stress Testing Policy contains stress testing practices designed to test the sufficiency of ICE Clear Europe's F&O Guaranty Fund, and ensure that ICE Clear Europe maintains sufficient financial resources to withstand a default by the two Clearing Member families to which it has the largest aggregate exposure in extreme, but plausible market conditions, in accordance with Rule 17Ad–22(e)(4)(ii).<sup>14</sup>

Rule 17Ad–22(e)(4)(vi)(A)<sup>15</sup> requires, in relevant part, that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to test the sufficiency of its total financial resources available to meet the minimum financial resource requirements under Rule 17Ad–22(e)(4)(i) through (iii)<sup>16</sup> by conducting stress testing of its total financial resources once each day using standard predetermined parameters and assumptions. The F&O Stress Testing

Policy describes and defines the types of F&O stress testing scenarios and their application. ICE Clear Europe uses the results of the stress testing scenarios to determine the sufficiency of its financial resources on a daily basis. Thus, the proposed rule change is consistent with the requirement of Rule 17Ad–22(e)(4)(vi)(A).<sup>17</sup>

Rules 17Ad–22(e)(4)(vi)(B) through (D)<sup>18</sup> require, in relevant part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to: (i) Conduct a comprehensive analysis on at least a monthly basis of the existing stress testing scenarios, models, and underlying parameters and assumptions, and consider modifications to ensure they are appropriate for determining the covered clearing agency's required level of default protection in light of current and evolving market conditions; (ii) conduct a comprehensive analysis of stress testing scenarios, models, and underlying parameters and assumptions more frequently than monthly when the products cleared or markets served display high volatility or become less liquid, or when the size or concentration of positions held by the covered clearing agency's participants increases significantly; and (iii) report the results of the analyses described above to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors.

Specifically, the F&O Stress Testing Policy contains certain requirements regarding routine review of the policy, including a requirement that the policy be kept up-to-date and annual review by ICE Clear Europe's F&O Risk Committee and the Board Risk Committee. The F&O Stress Testing Policy also includes a notification and escalation process, which could, depending on the extent of the breach of pre-established thresholds could require a particular response and review of the response by the Executive Risk Committee or the Board Risk Committee. Further, the F&O Stress Testing Policy describes how stress test results are reviewed and escalated. Daily stress testing results must be reviewed daily by Senior Clearing Risk Department staff, and stress testing results are reported to the F&O Risk Committee. The F&O Stress Testing Policy also includes reference to Board escalation and notification protocols, based on pre-defined risk appetite metrics. As described above, the F&O

<sup>10</sup> *Id.*

<sup>11</sup> 17 CFR 240.17Ad–22.

<sup>12</sup> 17 CFR 240.17Ad–22(e)(4).

<sup>13</sup> 17 CFR 240.17Ad–22(e)(4)(ii).

<sup>14</sup> *Id.*

<sup>15</sup> 17 CFR 240.17Ad–22(e)(4)(vi)(A).

<sup>16</sup> 17 CFR 240.17Ad–22(e)(4)(i)–(iii).

<sup>17</sup> 17 CFR 240.17Ad–22(e)(4)(vi)(A).

<sup>18</sup> 17 CFR 240.17Ad–22(e)(4)(vi)(B)–(D).

<sup>7</sup> 15 U.S.C. 78q–1.

<sup>8</sup> 17 CFR 240.17Ad–22.

<sup>9</sup> 15 U.S.C. 78q–1(b)(3)(F).

Stress Testing Policy sets forth ICE Clear Europe's processes for review of the policy and stress testing results, and oversight by ICE Clear Europe's Board and certain of its committees. As such, the proposed rule change is consistent with the requirement of Rule 17Ad-22(e)(4)(vi)(B) through (D).<sup>19</sup>

Rule 17Ad-22(e)(2)<sup>20</sup> requires, in relevant part, that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent and that specify clear and direct lines of responsibility. As detailed above, the F&O Stress Testing Policy sets forth the governance process for changes to the policy, as well as details the oversight by ICE Clear Europe's Board and certain of its committees of the stress testing results. As such, ICE Clear Europe believes the changes are reasonably designed to meet the requirements of 17Ad-22(e)(2).<sup>21</sup>

*(B) Clearing Agency's Statement on Burden on Competition*

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purposes of the Act. The F&O Stress Testing Policy applies uniformly across all F&O Clearing Members. ICE Clear Europe does not believe that the formalization of the F&O Stress Testing Policy will otherwise impact competition among Clearing Members or other market participants, or affect the ability of market participants to access clearing generally. Therefore, ICE Clear Europe does not believe the proposed rule changes impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments relating to the proposed amendments have not been solicited or received by ICE Clear Europe. ICE Clear Europe will notify the Commission of any comments received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**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-ICEEU-2018-021 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-ICEEU-2018-021. 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 website (<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 website 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 Europe and on ICE

Clear Europe's website at <https://www.theice.com/clear-europe/regulation>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2018-021 and should be submitted on or before January 9, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Eduardo A. Aleman,**  
*Deputy Secretary.*

[FR Doc. 2018-27405 Filed 12-18-18; 8:45 am]

**BILLING CODE 8011-01-P**

**DEPARTMENT OF STATE**

**[Public Notice: 10634]**

**Notice of Public Meeting**

The Department of State will conduct an open meeting at 9:30 a.m. on Wednesday, January 9, 2019, at the headquarters of the Radio Technical Commission for Maritime Services (RTCM) in Suite 705, 1621 N Kent Street, Arlington, Virginia 22209. The primary purpose of the meeting is to prepare for the 6th session of the International Maritime Organization's (IMO) Sub-Committee on Navigation, Communication, and Search and Rescue, to be held at the IMO Headquarters, United Kingdom, January 21-25, 2019.

The agenda items to be considered include:

- Decisions of other IMO bodies
- Routing measures and mandatory ship reporting systems
- Updates to the LRIT system
- Application of the "Indian Regional Navigation Satellite System (IRNSS)" in the maritime field and development of performance standards for shipborne IRNSS receiver equipment
- Revised General requirements for shipborne radio equipment forming part of the GMDSS and for electronic navigational aids (resolution A.694(17)) relating to Built-In Integrity testing (BIIT) for navigation equipment
- Guidelines on standardized modes of operation, S-mode
- Develop guidance on definition and harmonization of the format and

<sup>19</sup> Id.

<sup>20</sup> 17 CFR 240.17Ad-22(e)(2).

<sup>21</sup> Id.

<sup>22</sup> 17 CFR 200.30-3(a)(12).