

Clear Europe considers the proposed revision to further its goal in the existing policy of assuring that Clearing Members unwind firm trades on a competitive basis. If Clearing Members were permitted to unwind firm trades non-competitively at the original firm trade price, thereby alleviating the firm trade's impact to their portfolio, the incentive to provide accurate price submissions would be diminished. Given the significance of accurate submission to the end-of-day pricing process, ICE Clear Europe believes the proposed revision both clarifies and enhances its CDS Pricing Policy.

As such, the amendments will facilitate the prompt and accurate clearance and settlement of the CDS Contracts cleared by the Clearing House, and are therefore consistent with the requirements of 17A(b)(3)(F) of the Act and the rules thereunder.

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

ICE Clear Europe does not believe the proposed amendments would have any impact, or impose any burden, on competition not necessary or appropriate in furtherance of the purpose of the Act. The enhancements to the end-of-day price discovery process apply uniformly across all CDS Clearing Members. ICE Clear Europe does not anticipate that these enhancements will materially affect the cost of clearing or adversely affect the ability of Clearing Members or other market participants to continue to clear CDS Contracts. ICE Clear Europe also does not believe the enhancements will limit the availability of clearing in CDS products for Clearing Members or their customers or otherwise limit market participants' choices for selecting clearing services in CDS. Therefore, ICE Clear Europe does not believe the proposed rule change imposes any burden on competition that is not appropriate in furtherance of the purpose 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 amendments to the CDS Pricing Policy have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

#### **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 the 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-ICEEU-2014-20 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-2014-20. 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 Europe and on ICE Clear Europe's Web site at <https://www.theice.com/clear-europe/regulation>.

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-ICEEU-2014-20 and should be submitted on or before December 30, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

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

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#### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-73725; File No. SR-OCC-2014-19]**

#### **Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change To Permit the Executive Chairman, the President or a Delegate of Such Officer To Approve Requests by a Hedge Clearing Member To Become a Market Loan Clearing Member**

December 3, 2014.

On October 24, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2014-19 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 November 3, 2014.<sup>3</sup> The Commission did not receive any comments on the proposed rule change. This order approves the proposed rule change.

#### **I. Description**

The purpose of OCC's rule change is permit OCC's Executive Chairman, the President or their delegate to approve business expansion requests of Hedge Clearing Members<sup>4</sup> to become Market Loan Clearing Members.<sup>5</sup> Delegates of

<sup>7</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. 73449 (October 28, 2014), 79 FR 65277 (November 3, 2014) (SR-OCC-2014-19).

<sup>4</sup> See OCC By-Laws, Article 1.H(1). See also, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07.

<sup>5</sup> See OCC By-Laws, Article 1.M(4). See also, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07A.

the Executive Chairman and/or the President must be an officer of the rank of Senior Vice President or higher. Currently, OCC's By-Laws require that requests of a Hedge Clearing Member to become a Market Loan Clearing Member be processed through OCC's business expansion process, which involves review and approval by OCC's Risk Committee ("Committee"). As described below, this type of business expansion request is operational and administrative in nature and OCC does not believe review and approval of this type of business expansion request requires the Committee to assess the risk of such designation. Accordingly, OCC is amending its rules to permit the Executive Chairman, the President, or their delegate to approve business expansion requests of Hedge Clearing Members to become Market Loan Clearing Members without further review by the Committee, provided that any delegate be an officer of the rank of Senior Vice President or higher.

According to OCC, the Committee is responsible for reviewing and approving clearing member requests to clear a type or a kind of transaction for which it is not currently approved to clear through OCC (*i.e.*, a business expansion request).<sup>6</sup> The Committee has delegated the Executive Chairman, the Management Vice Chairman, the President, or their delegate with authority to review and approve business expansion requests in response to requests by clearing members for expedited review. Such approval is then subject to the Committee's review and ratification at its next regularly scheduled meeting. If a clearing member does not request expedited review of a business expansion request then such request will be reviewed by the Committee at a regularly scheduled meeting of the Committee, and not by the Executive Chairman, the Management Vice Chairman, the President, or their delegate.

In the case of a Hedge Clearing Member requesting a business expansion in order to be approved as Market Loan Clearing Member, the clearing member will have already been subject a robust risk review by the Committee concerning such clearing member's ability to participate in stock loan activity at OCC. Accordingly, the review of the Market Loan business expansion request by either the Committee and/or the Executive Chairman, the Management Vice Chairman, the President, or their delegate would be primarily operational

in nature and involve ensuring that the clearing member: (1) Is a U.S. Clearing Member, (2) is a member of a Loan Market,<sup>7</sup> (3) is a participant of the Depository Trust Company and has executed certain agreements with the Depository Trust Company, and (4) executes applicable agreements with OCC.<sup>8</sup> The Committee and/or the Executive Chairman, the Management Vice Chairman, the President, or their delegate would also review the current financial risk profile of the clearing member in connection with the business expansion request in order to verify that the clearing member continues to meet OCC's financial requirements. OCC believes that a second risk review by the Committee would be duplicative because the Committee has already analyzed and approved the clearing member's ability to participate in stock loan activity at OCC. In addition, OCC does not believe that review and approval of this type of business expansion request is an appropriate use of the Committee's time given other, more substantive, issues the Committee must consider. Therefore, OCC is amending Article V, Section 1, Interpretation and Policy .03 of its By-Laws to provide the Executive Chairman, the President, or their delegate with the authority to approve the business expansion requests of Hedge Clearing Members to become Market Loan Clearing Members without further review by the Committee, provided that any delegate be an officer of the rank of Senior Vice President or higher. According to OCC, it will implement appropriate procedures to ensure that Hedge Clearing Members meet the requirements to become Market Loan Clearing Members and participate and the Market Loan Program.

## II. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>9</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act,<sup>10</sup> which requires the rules of a registered clearing agency to, among other things, remove

impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transitions. OCC's rule is consistent with Section 17A(b)(3)(F) of the Act<sup>11</sup> because by providing the Executive Chairman, the President or their delegate, provided the delegate is a Senior Vice President or higher, the authority to review and approve the business expansion requests of Hedge Clearing Members that would like to become Market Loan Clearing Members without further review by the Committee, the Committee can have more time to focus on more substantive matters. As discussed above, the Committee will have already analyzed and approved the clearing member's ability to meet OCC's financial requirements when it approved the clearing member as a Hedge Clearing Member. This business expansion review and approval process can be accomplished by OCC's Executive Chairman, the President, or their delegate, provided that the delegate is an officer of the rank of Senior Vice President or higher, because it is primarily administrative in nature and includes a verification that the clearing member still meets OCC's financial requirements. By giving the Committee more time to focus on more substantive matters, this rule is consistent with removing impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transitions.<sup>12</sup>

## III. 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>13</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-OCC-2014-19) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

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

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<sup>11</sup> *Id.*

<sup>12</sup> *See id.*

<sup>13</sup> 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).

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

<sup>7</sup> *See* OCC By-Laws, Article 1.L(5).

<sup>8</sup> *See*, OCC By-Laws, Article V, Section 1, Interpretation and Policy .07A.

<sup>9</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>10</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> *See* OCC By-Laws, Article V, Section 1, Interpretation and Policy .03(e).