

19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹¹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹² permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that it may avoid any investor confusion over the implementation of the Extended Life Priority Order Attribute. In particular, the Exchange previously indicated that the Extended Life Priority Order Attribute would be implemented in the second half of 2018 but has since determined not to implement the Order Attribute at this time. For this reason, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.¹³

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or 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. Please include File Number SR-NASDAQ-2018-106 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-NASDAQ-2018-106. 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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-NASDAQ-2018-106 and should be submitted on or before January 22, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Brent J. Fields,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84933; File No. SR-ICEEU-2018-024]

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change as Modified by Amendment No. 1 Relating to the ICE Clear Europe Model Risk Governance Framework (the "MRGF")

December 21, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 14, 2018, ICE Clear Europe Limited ("ICE Clear Europe" or the "Clearing House") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes described in Items I, II and III below, which Items have been prepared by ICE Clear Europe. On December 21, 2018, ICE Clear Europe filed Amendment No.1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons.

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

ICE Clear Europe proposes to adopt a Model Risk Governance Framework (the "MRGF"). The revisions do not involve any changes to the ICE Clear Europe Clearing Rules or Procedures.⁴

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 such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The amendment clarified Items 1(a) and 2(a) in the Form 19b-4 but did not change any other items in Form 19b-4, any exhibits to the filing, or the text of the proposed rule change.

⁴ Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules (the "Rules").

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁴ 17 CFR 200.30-3(a)(12).

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

(a) Purpose

ICE Clear Europe is proposing to adopt a new MRGF, which is intended to establish overall standards and principles for managing and mitigating model risk, for all product categories. Specifically, it is designed to ensure that (1) the roles and responsibilities for model oversight are clearly defined, (2) an appropriate organizational structure is in place to address new models, model changes, review of existing models and model retirement, and (3) appropriate guidelines and schedules exist for model inventory, model validation and remediation of concerns with models. The MRGF applies throughout the life cycle of models used by the Clearing House.

The MRGF defines a "model" for this purpose as a quantitative method, system or approach that applies statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into quantitative estimates. The framework also defines "model risk" as the risk that a model does not perform as it was designed, either due to error or failure in the model specification or inappropriate use.

The MRGF addresses the materiality of models, based on the potential impact the related model risk may have on ICE Clear Europe and its clearing members. A model will be deemed material where the output of the model is the primary factor affecting risk management decisions relating to counterparty and liquidity risk.⁵ With respect to model changes, the framework also assesses the significance of the change, in accordance with applicable law and regulatory guidelines. Relevant factors include an assessment of the size of resulting changes in risk requirements calculated by the model, alterations in the scope of model use and the risk profile of products covered, and the development of new model features. As discussed herein, the materiality of a model, and significance of changes, are factors in the model review process.

The MRGF establishes the role of governance bodies in model review and approval, including the Model

Oversight Committee ("MOC") and Board. The MOC is responsible for model risk governance at an executive level, and advises the Board on material model risk. The MOC is responsible for approving new models, model changes and retirement of models, approving the periodic validation cycle, or validation pipeline, approving remediation actions, reviewing model performance assessments and approving external validators. The Board has ultimate responsibility for model risk governance, approving material new models and significant model changes for material models, reviewing the actions of the MOC, reviewing performance of material models outside of acceptable levels for model risk, in light of risk appetite metrics, and reviewing impact assessments for the retirement of material models.

The MRGF uses the Clearing House's tiered approach to model governance. This approach entails: (i) A first line, such as the clearing risk department, that is responsible for owning the model, ensuring that models are properly developed, implemented and used, establishing a model inventory, proposing new models, model changes and model retirements and related materiality and significance levels, conducting performance and impact assessments, and proposing and implementing remediation actions as needed; (ii) a second line, represented by the risk oversight department ("ROD"), that is responsible for performing or overseeing independent validation, reviewing performance assessments, establishing risk appetite metrics for model performance, establishing guidelines for validations and external validators (including criteria for expertise and independence), and reporting results of validations and assessments to appropriate committees; and (iii) a third line, represented by the Internal Audit Department, that is responsible for assessing the overall effectiveness of the MRGF and related governance policies and assessing independent validation work.

The MRGF sets out a general oversight process for models throughout their life cycle, including development of new models, model changes, review of existing models and model retirements. New models will be subject to validation before being approved and introduced into use. For model changes, significant changes will be validated before being approved (using the same criteria as for new models). Model changes that are not significant will be validated in accordance with the periodic re-validation pipeline. The MRGF provides for model re-validation

and performance assessments, to determine whether a model continues to be fit for its designed purposes. The ROD will establish a validation pipeline, or periodic re-validation cycle. The frequency of re-validation will be in accordance with regulatory requirements, which may be annually where required or more frequently as needed. Similarly, performance assessments will also be conducted on a periodic basis at least annually, in accordance with applicable regulatory requirements.

The MRGF also addresses model retirements and deactivations (retirement permanently discontinues a model while deactivation is a temporary discontinuation). Prior to retiring or deactivating a model, the Clearing House will conduct an impact assessment of the risks and consequences.

In terms of validation, the ROD is responsible for conducting the independent validation (if done internally) at the appropriate frequency and coordinating external validation when appropriate. ICE Clear Europe has adopted a set of independent validator selection guidelines addressing external validation. Under the guidelines, the Clearing House may engage an external independent model validator when there are insufficient internal resources to meet both the technical expertise and independence requirements for the model undergoing independent validation, internal resources do not have the operational capacity to perform the validation within an appropriate timeframe or otherwise at the discretion of the ROD. The use of external independent model validators is subject to review and approval by the MOC.

To be considered independent with respect to a model:

- The validator must have no involvement or responsibility for any component of the model development, implementation or operation for at least two years other than reviewing and commenting on the scope of model documentation, the completeness and appropriateness of documentation, the scope of model performance testing and analysis on the acceptance criteria for performance testing and analysis;
- the validator must have no involvement or responsibility for a period of two years or more for any upstream development process relating to an input feeding into the model being submitted for validations;
- If the validator is an employee of ICE Clear Europe, they must report into the chief risk officer; and
- If the validator is an employee of an Intercontinental Exchange, Inc. group

⁵ A model may also be considered material if it has a high error potential, with sizeable impact, most likely resulting from complexities in the data model and inputs (e.g., complex manipulation of input data), the modelling approach (e.g., reliance on large number of assumptions), the model output (e.g., large number of dependent downstream models) or model users and operations (e.g., large number of independent systems).

company, the company they are employed by must have no direct dependence on the outcome of the validation.

Requirements may be waived at the discretion of the ROD, subject to review and approval by the MOC. In evaluating the independence of an external validator, the ROD may also take into account the following factors:

- Connections of the validator to ICE Clear Europe;
- duration of time that the validator has been performing independent model validations for ICE Clear Europe;
- dependence of the validator on ICE Clear Europe; and
- outside interests of or any other conflicts of interest with the validator.

ICE Clear Europe maintains a list of external validators, which is approved by the MOC, and the use of a particular validator depends on their ability to fulfill both the technical and independence requirements for a particular external validation. In addition, the second line keeps track of the frequency of the reviews per validator, and may decide to alternate validators if outputs deteriorate and requirements specified in the validation guidelines become less likely to be met.

(b) Statutory Basis

ICE Clear Europe believes that the changes described herein are consistent with the requirements of Section 17A of the Act⁶ and the regulations thereunder applicable to it. Section 17A(b)(3)(F) of the Act⁷ in particular requires, among other things, that the rules of the 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, to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which it is responsible, and, in general, protect investors and the public interest. The proposed amendments adopt the MRGF, which will be applicable to all models used by the Clearing House and is intended to set an overall framework for, and generally facilitate, the ongoing development, review and validation of such models (and changes thereto) throughout their life cycle. The MRGF will also assist the Clearing House in managing the risks from its use of models. In ICE Clear Europe's view, the amendments will enhance the overall risk management of the Clearing House, and thereby promote the prompt and accurate clearance of transactions and

further the public interest in sound operation of clearing agencies, within the meaning of Section 17A(b)(3)(F).⁸ The amendments are not intended to effect, and are consistent with, the Clearing House's existing provisions relating to the safeguarding of funds and securities in the custody or control of the Clearing House or for which it is responsible, within the meaning of that section.

ICE Clear Europe also believes that the amendments are consistent with specific requirements of Rule 17Ad-22.⁹ Rule 17Ad-22(b)(4)¹⁰ requires clearing agencies to perform an annual model validation, including a performance evaluation, of their margin models and the related parameters and assumptions. Rules 17Ad-22(e)(4)(vii)¹¹ and 17Ad-22(e)(6)(vii),¹² also require clearing agencies to have policies and procedures in place to ensure the performance of a model validation of their credit risk models, margin system, and related models not less than annually. In compliance with these requirements, the MRGF provides for periodic re-validation and assessment of models, consistent with the timing

⁸ 15 U.S.C. 78q-1(b)(3)(F).

⁹ 17 CFR 240.17Ad-22.

¹⁰ 17 CFR 240.17Ad-22(b)(4). The rule states that "[a] registered clearing agency that performs central counterparty services shall establish, implement, maintain and enforce written policies and procedures reasonably designed to:

(4) Provide for an annual model validation consisting of evaluating the performance of the clearing agency's 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";

¹¹ 17 CFR 240.17Ad-22(e)(4)(vii). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:

(4) Effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by:

(vii) Performing a model validation for its credit risk models not less than annually or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to paragraph (e)(3) of this section";

¹² 17 CFR 240.17Ad-22(e)(6)(vii). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:

(6) Cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum:

(vii) Requires a model validation for the covered clearing agency's margin system and related models to be performed not less than annually, or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to paragraph (e)(3) of this section";

required under these and other applicable regulations.

In addition, Rule 17Ad-22(e)(2)¹³ requires clearing agencies to establish reasonably designed policies and procedures to provide for governance arrangements that are clear and transparent and specify clear and direct lines of responsibility. To facilitate compliance with this requirement, the MRGF sets out clear responsibilities of various Clearing House personnel and committees with respect to the development, validation and ongoing review of all models used by the Clearing House.

Rule 17Ad-22(e)(3)(i)¹⁴ requires clearing agencies to have reasonably designed policies and procedures that, at a minimum, include risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by a clearing agency. The MRGF is intended to facilitate compliance with this requirement as it covers all models used by the Clearing House, and provides for evaluations and validations by second line personnel and procedures for ongoing review, amendment and retirement of models, to ensure models remain appropriate to manage the range of risks borne by the Clearing House.

¹³ 17 CFR 240.17 Ad-22(e)(2). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:

(2) Provide for governance arrangements that:

(i) Are clear and transparent;

(ii) Clearly prioritize the safety and efficiency of the covered clearing agency;

(iii) Support the public interest requirements in Section 17A of the Act (15 U.S.C. 78q-1) applicable to clearing agencies, and the objectives of owners and participants;

(iv) Establish that the board of directors and senior management have appropriate experience and skills to discharge their duties and responsibilities;

(v) Specify clear and direct lines of responsibility; and

(vi) Consider the interests of participants' customers, securities issuers and holders, and other relevant stakeholders of the covered clearing agency." "

¹⁴ 17 CFR 240.17 Ad-22(e)(3)(i). The rule states that "[e]ach covered clearing agency shall establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable:

(3) Maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency, which:

(i) Includes risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by the covered clearing agency, that are subject to review on a specified periodic basis and approved by the board of directors annually";

⁶ 15 U.S.C. 78q-1.

⁷ 15 U.S.C. 78q-1(b)(3)(F).

1. Self-Regulatory Organization'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 purpose of the Act. The MRGF, which will apply to all product categories, implements internal procedures intended to strengthen oversight of models, and is not intended to affect directly Clearing Members or market participants, or the markets for cleared products. As a result, ICE Clear Europe does not believe the amendments will materially affect the cost of, or access to, clearing. To the extent the framework results in changes to risk and other models that do have an impact on margin levels or otherwise affect the cost of clearing, ICE Clear Europe believes such changes will be appropriate in furtherance of the risk management of the Clearing House. 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.

(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 purpose of the Act. The MRGF, which will apply to all product categories, implements internal procedures intended to strengthen oversight of models, and is not intended to affect directly Clearing Members or market participants, or the markets for cleared products. As a result, ICE Clear Europe does not believe the amendments will materially affect the cost of, or access to, clearing. To the extent the framework results in changes to risk and other models that do have an impact on margin levels or otherwise affect the cost of clearing, ICE Clear Europe believes such changes will be appropriate in furtherance of the risk management of the Clearing House. 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 written comments received with respect to the proposed rule change.

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.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

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. Please include File Number SR-ICEEU-2018-024 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-2018-024. 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-2018-024 and should be submitted on or before January 22, 2019.

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

Brent J. Fields,

Secretary.

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DEPARTMENT OF VETERANS AFFAIRS

Allowance for Private Purchase of an Outer Burial Receptacle in Lieu of a Government-Furnished Graveliner for a Grave in a VA National Cemetery

AGENCY: Department of Veterans Affairs.

ACTION: Notice.

SUMMARY: The Department of Veterans Affairs (VA) is updating the monetary allowance payable for qualifying interments that occur during calendar year 2019, which applies toward the private purchase of an outer burial receptacle (or "graveliner") for use in a VA national cemetery. The allowance is equal to the average cost of Government-furnished graveliners less any administrative costs to VA. The purpose of this Notice is to notify interested parties of the average cost of Government-furnished graveliners, administrative costs that relate to processing and paying the allowance and the amount of the allowance payable for qualifying interments that occur during calendar year 2019.

FOR FURTHER INFORMATION CONTACT:

William Carter, Chief of Budget Execution Division, National Cemetery Administration, Department of Veterans

¹⁵ 17 CFR 200.30-3(a)(12).