

institute proceedings to determine whether the proposed rule 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](mailto:rule-comments@sec.gov). Please include File Number SR-MIAX-2014-45 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-MIAX-2014-45. 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 filing also will be available for inspection and copying at the principal office of the Exchange. 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-MIAX-2014-45, and should be submitted on or before September 25, 2014.

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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72944; File No. SR-ICC-2014-08]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change Related to ICC's Authority to Use Guaranty Fund and House Initial Margin as an Internal Liquidity Resource

August 28, 2014.

#### I. Introduction

On June 24, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-08 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 July 14, 2014.<sup>3</sup> The Commission did not receive comments on the proposed rule change. For the reasons described below, the Commission is approving the proposed rule change.

#### II. Description of the Proposed Rule Change

ICC has stated that the principal purpose of the proposed rule change is to formalize ICC's Liquidity Risk Management Framework, including its comprehensive liquidity monitoring program, and, through proposed changes to two sections of ICC's Rulebook, to clarify ICC's authority to use, and to provide details as to how ICC would use, Guaranty Fund and House Initial Margin as an internal liquidity resource.

ICC's proposed Liquidity Risk Management Framework includes a discussion of all resources available to ICC and the order in which ICC would use available liquidity resources, if necessary, when managing one or more Clearing Participant defaults. The liquidity waterfall classifies available liquidity resources on any given day

into four levels. Level One includes the House Initial Margin and Guaranty Fund cash deposits of the defaulting Clearing Participant. Level Two includes Guaranty Fund cash deposits of: (i) ICC; and (ii) non-defaulting Clearing Participants. Level Three includes House Initial Margin cash deposits of the non-defaulting Clearing Participants. Level Four includes ICC's committed credit facility to access additional cash, and contemplates the establishment of other committed facilities to convert U.S. Treasuries to USD cash.

In addition, the Liquidity Risk Management Framework describes: (i) The methodology used by ICC to estimate its minimum day-of-default available liquidity resources based on its liquidity risk management model; (ii) historical analysis based on back testing considerations; and (iii) forward-looking analysis based on stress testing. The Liquidity Risk Management Framework also provides for governance concerning ICC's liquidity testing, amending the liquidity program and the procedure for additional risk measures to be taken, as necessary, based upon testing results.

Proposed new Rule 402(j) addresses ICC's use of any Clearing Participant's House Initial Margin as a liquidity resource in connection with a Clearing Participant's default. ICC states that under this rule, ICC may use a Clearing Participant's cash, securities or other property constituting Initial Margin for its House account to support liquidity arrangements relating to ICC's payment obligations. Such liquidity arrangements would include borrowing, repurchase transactions, exchange of Initial Margin for other assets or similar transactions, under which equivalent value is provided for such Initial Margin and such equivalent value will be held as Initial Margin and used or applied by ICC solely for the purposes for which Initial Margin in the House Account may be used. ICC states that any use of House Initial Margin may be used in a manner consistent with ICC's liquidity policies and applicable law. Additionally, ICC states that in connection with a Clearing Participant's default, ICC will be able to exchange cash that is House Initial Margin for the equivalent value of securities or cash of a different currency.

Proposed new Rule 802(f)(iv) addresses ICC's authority to pledge assets in the Guaranty Fund to secure loans made to the clearing house, including for purposes of default management, or to transfer such assets to counterparties under repurchase transactions or similar transactions. ICC states that the proceeds of such

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

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Securities Exchange Act Release No. 34-72556 (July 8, 2014), 79 FR 40796 (July 14, 2014) (SR-ICC-2014-08).

borrowings or repurchase transactions may be used in accordance with ICC's authority to use Guaranty Fund assets under ICC's current rules. Additionally, ICC states that, in connection with a Clearing Participant's default, ICC will be able to exchange cash in the Guaranty Fund for the equivalent value of securities or cash of a different currency.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act<sup>5</sup> requires, among other things, that the rules of a clearing agency are 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 which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>6</sup> and the rules and regulations thereunder applicable to ICC. The proposed Liquidity Risk Management Framework would formalize ICC's liquidity management program, including the description of ICC's liquidity resources, the order of use of such resources, and the methodology for testing the sufficiency of these resources. In addition, proposed Rules 402(j) and 802(f)(iv) would permit ICC to use, and provide details as to how ICC would use, margin and Guaranty Fund assets to support ICC's liquidity obligations. The Commission believes the proposed rule change is reasonably designed to allow ICC to manage its liquidity needs in the event of one or more Clearing Participant defaults and, therefore, promotes the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, and assures the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is

responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>7</sup>

### IV. 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>8</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> that the proposed rule change (SR-ICC-2014-08) be, and hereby is, approved.<sup>10</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72945; File No. SR-BATS-2014-038]

### Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Rules 11.9 and 21.1 of BATS Exchange, Inc.

August 28, 2014

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 August 26, 2014, BATS Exchange, Inc. (the "Exchange" or "BATS") 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 the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 11.9 to add certain functionality to the Exchange's cash equities trading platform ("BATS Equities"). Consistent with its practice of offering similar functionality for the Exchange's equity options trading

platform ("BATS Options") as it does for BATS Equities, the Exchange proposes to amend Rule 21.1 to add similar functionality to BATS Options.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange 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. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange currently offers various forms of sliding which, in all cases, result in the re-pricing of an order to, or ranking and/or display of an order at, a price other than an order's limit price in order to comply with applicable securities laws and/or Exchange rules. Specifically, the Exchange currently offers price sliding to ensure compliance with Regulation NMS and Regulation SHO for BATS Equities, as well as price sliding for BATS Options to ensure compliance rules analogous to Regulation NMS adopted by the Exchange and other options exchanges. Price sliding currently offered by the Exchange re-prices and displays an order upon entry and in certain cases again re-prices and re-displays an order at a more aggressive price one time if and when permissible ("single display-price sliding"), and optionally continually re-prices an order ("multiple display-price sliding") based on changes in the national best bid ("NBB") or national best offer ("NBO", and together with the NBB, the "NBBO"). The Exchange proposes to add another optional process, the Price Adjust process, as described below. Price Adjust in all contexts for which it is being proposed will have to be

<sup>4</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> 15 U.S.C. 78q-1.

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

<sup>10</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>11</sup> 17 CFR 200.30-3(a)(12).

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