

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

Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>11</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>12</sup> 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 investors may continue to trade nonstandard expiration options listed by the Exchange as part of the pilot program on an uninterrupted basis. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest as it will allow the pilot program to continue uninterrupted, thereby avoiding investor confusion that could result from a temporary interruption in the pilot program. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>13</sup>

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](mailto:rule-comments@sec.gov). Please include File Number SR-ISE-2019-11 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-ISE-2019-11. 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-ISE-2019-11 and should be submitted on or before May 14, 2019.

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

Jill M. Peterson,

Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85673; File No. SR-ICC-2019-004]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to ICC's Model Validation Framework

April 17, 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 April 5, 2019, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission the proposed rule change, security-based swap submission, or advance notice as described in Items I, II and III below, which Items have been prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change, security-based swap submission, or advance notice from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

The principal purpose of the proposed rule change is to revise the ICC Model Validation Framework. These revisions do not require any changes to the ICC Clearing Rules ("Rules").

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B),

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 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.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>13</sup> 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).

<sup>14</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.

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, Security-Based Swap Submission, or Advance Notice*

(a) Purpose

ICC proposes revisions to its Model Validation Framework. ICC believes such revisions will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. The proposed revisions are described in detail as follows.

The Model Validation Framework sets forth ICC's model validation procedures. 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. ICC's proposed changes consist of clarification updates related to the classification of Model Components, documentation requirements, the priority scale used by independent validators, and the annual validation of Model Components and related practices. ICC proposes to make such changes effective following Commission approval of the proposed rule change.

ICC proposes to revise the 'Risk Management System Models' section to account for Model Components that are no longer utilized. Currently, the Model Validation Framework notes 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 (collectively, "Model Change"). ICC proposes to amend the Model Validation Framework to also consider retired Model Components, which are no longer utilized in the risk management system.

In the 'Model Change Qualification and Materiality' section, ICC proposes to include a quantitative measure to define certain Model Changes. ICC classifies Model Changes 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. ICC proposes to 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 relate to the Model Inventory, which is maintained by the ICC Risk Department and contains key information about all Model Components and Model Changes. The Model Validation Framework specifies documentation requirements for the type of information maintained in the Model Inventory. ICC proposes updates to the documentation requirements to include retired Model Components and to remove information considered not relevant for purposes of the Model Inventory.

The proposed updates to the 'Independent Initial Validation' section relate to the priority scale used by independent validators. The Model Validation Framework requires independent initial validators to classify their findings based on a priority scale, consisting of high, medium, and low priority ratings. ICC proposes to amend the low priority rating to allow ICC, in consultation with the Risk Committee, to take no action with respect to the corresponding item if it does not reflect a potential deficiency.

ICC proposes clarifying changes to the 'Independent Periodic Review' section. ICC proposes to include additional information regarding how it tracks the annual validation of Model Components and related practices. The proposed changes 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. As part of the independent periodic review, the Model Validation Framework also directs independent validators to classify their findings based on the priority scale. ICC proposes amendments to the low priority rating to note that corresponding items may reflect deficiencies that create immaterial risks and that ICC, in consultation with the Risk Committee, may take no action with respect to the corresponding item if it does not reflect a potential deficiency.

(b) Statutory Basis

Section 17A(b)(3)(F) of the Act<sup>3</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; 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 to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17A(b)(3)(F)<sup>4</sup>, because ICC believes that the proposed rule change will 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 associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible. The Model Validation Framework provides assurances as to the suitability of changes to Model Components and the appropriateness of the configuration and calibration of ICC's risk management system, including the appropriateness of risk requirements. The proposed changes to the Model Validation Framework provide additional detail and transparency regarding ICC's model validation procedures, which enhance ICC's approach to identifying potential weaknesses in ICC's risk management system by providing a process for reviewing and enhancing ICC's risk management system. Moreover, ICC believes that having policies and procedures that clearly and accurately document ICC's model validation procedures are an important component to the effectiveness of ICC's risk management system, which promotes the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible. As such, the proposed rule change is designed to promote the prompt and accurate clearance and settlement of securities transactions, derivatives agreements, contracts, and transactions and to contribute to the safeguarding of securities and funds associated with security-based swap transactions in ICC's custody or control, or for which ICC is responsible within the meaning of Section 17A(b)(3)(F) of the Act.<sup>5</sup>

In addition, the proposed rule change is consistent with the relevant requirements of Rule 17Ad-22.<sup>6</sup> Rule

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 240.17Ad-22.

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

17Ad–22(b)(2)<sup>7</sup> requires ICC to 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. As described above, the Model Validation Framework sets forth ICC's model validation procedures, which provide assurances as to the appropriateness of changes to Model Components; the appropriateness of the configuration and calibration of ICC's risk management system, including through ongoing monitoring and validation; and the use of independent initial and annual validations. Such procedures serve to promote the soundness of Model Components and to ensure that ICC's risk management system is effective and appropriate in addressing the risks associated with clearing security based swap-related portfolios. Namely, the Model Validation Framework provides a process for continually reviewing and enhancing ICC's risk management system, including risk requirements, thereby promoting ICC's use of 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 and review such margin requirements and the related risk-based models and parameters at least monthly, consistent with Rule 17Ad–22(b)(2).<sup>8</sup>

Rule 17Ad–22(b)(3)<sup>9</sup> requires ICC to 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 Clearing Participant ("CP") families to which it has the largest exposures in extreme but plausible market conditions. The Model Validation Framework supports ICC's ability to maintain sufficient risk requirements and enhances ICC's approach to identifying potential weaknesses in the risk management system by requiring ICC to review and improve its risk management system, including through the use of independent initial and annual validations, thereby ensuring that ICC continues to maintain sufficient financial resources to withstand, at a

minimum, a default by the two CP families to which it has the largest exposures in extreme but plausible market conditions, consistent with the requirements of Rule 17Ad–22(b)(3).<sup>10</sup>

Rule 17Ad–22(b)(4)<sup>11</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to 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. The proposed changes to the Model Validation Framework require independent validators to perform periodic reviews of Model Components and related practices at least every twelve months and include additional detail regarding tracking the annual validation of Model Components and related practices, thereby ensuring that ICC provide for an annual model validation consisting of evaluating the performance of ICC'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, consistent with Rule 17Ad–22(b)(4).<sup>12</sup>

Rule 17Ad–22(d)(8)<sup>13</sup> requires ICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to have governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act.<sup>14</sup> The Model Validation Framework clearly assigns and documents responsibility and accountability for oversight of the Model Validation Framework and the performance of model validation procedures. The proposed revisions allow ICC, in consultation with the Risk Committee, to take no action with respect to certain items from independent validator reports. As such, the governance arrangements in the Model Validation Framework are clear and transparent, such that information relating to the assignment of responsibilities and the requisite involvement of ICC personnel, ICC departments, the Risk Committee, and the Board is clearly documented,

consistent with the requirements of Rule 17Ad–22(d)(8).<sup>15</sup>

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

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition. The proposed changes to ICC's Model Validation Framework will apply uniformly across all market participants. Therefore, ICC does not believe the proposed rule change imposes 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, Security-Based Swap Submission, or Advance Notice Received From Members, Participants or Others*

Written comments relating to the proposed rule change have not been solicited or received. ICC will notify the Commission of any written comments received by ICC.

**III. Date of Effectiveness of the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice 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 such 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, security-based swap submission, or advance notice 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–ICC–2019–004 on the subject line.

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

<sup>11</sup> 17 CFR 240.17Ad–22(b)(4).

<sup>12</sup> *Id.*

<sup>13</sup> 17 CFR 240.17Ad–22(d)(8).

<sup>14</sup> 15 U.S.C. 78q–1.

<sup>15</sup> 17 CFR 240.17Ad–22(d)(8).

<sup>7</sup> 17 CFR 240.17Ad–22(b)(2).

<sup>8</sup> *Id.*

<sup>9</sup> 17 CFR 240.17Ad–22(b)(3).

*Paper Comments*

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR-ICC-2019-004. 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, security-based swap submission, or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission, or advance notice 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 Credit and on ICE Clear Credit's website at <https://www.theice.com/clear-credit/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-ICC-2019-004 and should be submitted on or before May 14, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85674; File No. SR-NYSENAT-2019-09]

### Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Schedule of Fees and Rebates

April 17, 2019.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the "Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on April 9, 2019, NYSE National, Inc. ("NYSE National" or the "Exchange") 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 self-regulatory organization. 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 Substance of the Proposed Rule Change

The Exchange proposes to amend its Schedule of Fees and Rebates to (1) charge a fee for removing liquidity; (2) offer the current adding tier fees (Adding Tier 1, Adding Tier 2, Adding Tier 3, Adding Tier 4, and Step Up Adding Tier) for adding displayed liquidity in Tape B and Tape C securities and introduce separate fees for adding liquidity in Tape A securities; and (3) replace the current Taking Tier with three Taking Tiers (Tiers 1, 2 and 3). The Exchange proposes to implement the rule change on April 9, 2019. The proposed rule change is available on the Exchange's website at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to amend its Schedule of Fees and Rebates to (1) charge a fee for removing liquidity; (2) offer the current adding tier fees (Adding Tier 1, Adding Tier 2, Adding Tier 3, Adding Tier 4, and Step Up Adding Tier) for adding displayed liquidity in Tape B and Tape C securities and introduce separate fees for adding displayed liquidity in Tape A securities; and (3) replace the current Taking Tier with three Taking Tiers (Tiers 1, 2 and 3).

The Exchange proposes to implement the rule change on April 9, 2019.<sup>4</sup>

##### Proposed Rule Change

##### Liquidity Removing Fees

The Exchange currently does not charge a fee for executions on the Exchange of orders that remove liquidity from the Exchange in securities priced at or above \$1.00. The Exchange proposes to charge a fee of \$0.0005 per share for executions on the Exchange of orders that remove liquidity from the Exchange in securities priced at or above \$1.00, unless a better tiered credit or fee set forth in the Schedule of Fees and Rebates applies. Hence, for example, an ETP Holder that would meet the requirements for the proposed Taking Tier 1 credit discussed below would not be charged the proposed fee of \$0.0005 per share for removing liquidity.

##### Proposed Changes to Adding Tiers

##### Adding Tier 1

Under current Adding Tier 1, the Exchange offers the following fees for transactions in stocks with a per share price of \$1.00 or more when adding liquidity to the Exchange if the ETP Holder has at least 0.015% of Adding average daily volume ("ADV") as a percent of US consolidated ADV ("CADV"):<sup>5</sup>

- \$0.0020 per share for displayed orders;

<sup>4</sup> The Exchange originally filed to amend the Schedule of Fees and Rebates on March 29, 2019 (SR-NYSENAT-2019-06). SR-NYSE-2019-06 [sic] was subsequently withdrawn and replaced by this filing.

<sup>5</sup> The Adding Tier 1 volumes are currently waived. See footnote \* in the current Schedule of Fees and Rebates.

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>16</sup> 17 CFR 200.30-3(a)(12).