

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74407; File No. SR-NYSEArca-2014-89]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Shares of Eight PIMCO Exchange-Traded Funds

March 2, 2015.

On August 15, 2014, NYSE Arca, Inc. (“Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to list and trade shares of the following eight PIMCO exchange-traded funds, pursuant to NYSE Arca Equities Rule 8.600: PIMCO StocksPLUS® Absolute Return Exchange-Traded Fund, PIMCO Small Cap StocksPLUS® AR Strategy Exchange-Traded Fund, PIMCO Fundamental IndexPLUS® AR Exchange-Traded Fund, PIMCO Small Company Fundamental IndexPLUS® AR Strategy Exchange-Traded Fund, PIMCO EM Fundamental IndexPLUS® AR Strategy Exchange-Traded Fund, PIMCO International Fundamental IndexPLUS® AR Strategy Exchange-Traded Fund, PIMCO EM StocksPLUS® AR Strategy Exchange-Traded Fund, and PIMCO International StocksPLUS® AR Strategy Exchange-Traded Fund (Unhedged) (each a “Fund” and collectively, the “Funds”). The proposed rule change was published for comment in the **Federal Register** on September 3, 2014.<sup>3</sup> On October 15, 2014, pursuant to section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.<sup>5</sup> On December 1, 2014, the Commission instituted proceedings under section 19(b)(2)(B) of

the Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.<sup>7</sup> On December 23, 2014, the Exchange filed Amendment No. 1 to the proposed rule change, which entirely replaced and superseded its proposal as originally filed.<sup>8</sup> The Commission has not received any comments on the proposed rule change.

Section 19(b)(2) of the Act<sup>9</sup> provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of the filing of the proposed rule change. The Commission may, however, extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the **Federal Register** on September 3, 2014,<sup>10</sup> and the 180th day after publication of the notice of the filing of the proposed rule change in the **Federal Register** is March 2, 2015.

The Commission finds that it is appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time

<sup>6</sup> 16 U.S.C. 78s(b)(2)(B).

<sup>7</sup> See Securities Exchange Act Release No. 73706, 79 FR 72223 (December 5, 2014) (“Order Instituting Proceedings”). In the Order Instituting Proceedings, the Commission noted that it was instituting proceedings to allow for additional analysis of the proposed rule change’s consistency with the requirement of Section (6)(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest.

<sup>8</sup> In Amendment No. 1, the Exchange: (1) Clarified the definition of Fixed Income Instruments; (2) clarified that the types of securities and instruments specified as permitted investments may be economically tied to foreign countries; (3) clarified that the types of securities specified as permitted investments may be denominated in foreign currencies; (4) clarified that the Funds may invest in OTC foreign currency options contracts; (5) eliminated the ability of the Funds to enter into any series of purchase and sale contracts; (6) modified the proposal to exclude from the Funds’ permitted investments variable and floating rate securities and floaters and inverse floaters that are not Fixed Income Instruments; (7) modified the proposal to provide that a Fund may invest up to 20% of its total assets in (a) trade claims, (b) junior bank loans, (c) exchange-traded and OTC-traded structured products, and (d) privately placed and unregistered securities (except that no limit will apply to privately placed and unregistered securities that satisfy the listing requirements in the Exchange’s Rule 5.2(f)(3), Commentary .02(a)(6)); and (8) clarified that each Fund may invest up to 20% of its total assets in senior bank loans.

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

<sup>10</sup> See *supra* note 3.

to consider the proposed rule change, as modified by Amendment No. 1. Accordingly, the Commission, pursuant to section 19(b)(2) of the Act,<sup>11</sup> designates May 1, 2015 as the date by which the Commission shall either approve or disapprove the proposed rule change (File No. SR-NYSEArca-2014-89).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Brent J. Fields,**  
*Secretary.*

[FR Doc. 2015-05161 Filed 3-5-15; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74405; File No. SR-NYSE-2015-08]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List

March 2, 2015.

Pursuant to section 19(b)(1) <sup>1</sup> 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 February 26, 2015, New York Stock Exchange LLC (“NYSE” or “Exchange”) 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 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 Price List to (1) revise credits applicable to certain Designated Market Maker transactions, and (2) revise the credits for Supplemental Liquidity Providers. The Exchange also proposes to amend its Price List to remove certain trading license fees that expire on February 27, 2015. The Exchange proposes to implement the fee change effective March 1, 2015. The text of the proposed rule change is available on the Exchange’s Web site at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange,

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> 17 CFR 200.30-3(a)(57).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 72937 (Aug. 27, 2014), 79 FR 52385.

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

<sup>5</sup> See Securities Exchange Act Release No. 73364, 79 FR 62988 (Oct. 21, 2014). The Commission designated a longer period within which to take action on the proposed rule change and designated December 2, 2014 as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

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 Price List to (1) revise credits for certain Designated Market Makers ("DMMs") transactions, and (2) revise the credits for Supplemental Liquidity Providers ("SLPs"). The Exchange also proposes to amend its Price List to remove certain trading license fees that expire on February 27, 2015.

The Exchange proposes to implement these fee changes effective March 1, 2015.

#### Credits for Certain DMM Transactions

Currently, for securities with an ADV of less than 1 million per month in the previous month ("Less Active Securities"), DMMs receive all of the market data quote revenue (the "Quoting Share") received by the Exchange from the Consolidated Tape Association under the Revenue Allocation Formula of Regulation NMS (regardless of whether the stock price exceeds \$1.00) in any month in which the DMM quotes at the National Best Bid or Offer ("NBBO") in the applicable security at least 15% of the time (the "Less Active Securities Quoting Requirement").

The Exchange proposes to increase the DMM's quoting requirement at the NBBO to 20% in each applicable security in order for the DMM to receive 100% of the Quoting Share. The Exchange also proposes that if the DMM meets the Less Active Securities Quoting Requirement but quotes less than 20% of the time in an applicable month, the DMM would receive 50% of the Quoting Share. The Exchange also proposes to re-locate the text describing Quoting Share allocation to a stand-alone paragraph.

The current monthly rebate payable to DMMs for securities with an ADV of less than 250,000 shares during the billing month (regardless of whether the stock price exceeds \$1.00) in any month in which the DMM meets the Less Active Securities Quoting Requirement is \$200.

The Exchange proposes to introduce different rebate amounts depending on the ADV of the security and the DMM quoting percentage. In particular, for securities with an ADV of 100,000 up to 250,000 shares in the previous month, the Exchange proposes a monthly rebate of \$250 when the DMM quotes at the NBBO 20% of the time or more in an applicable security in any month in which the DMM meets the Less Active Securities Quoting Requirement. If the DMM quotes at the NBBO at least 15% and up to 20% of the time in an applicable month in an applicable security, the Exchange proposes a \$200 rebate.

For securities with an ADV of less than 100,000 shares in the previous month, the Exchange proposes a monthly rebate of \$175 when the DMM quotes at the NBBO 20% of the time or more in an applicable security in any month in which the DMM meets the Less Active Securities Quoting Requirement. If the DMM quotes at the NBBO at least 15% and up to 20% of the time in an applicable month in an applicable security, the Exchange proposes a \$125 rebate.

The Exchange proposes to specify that the ADV would be calculated based on the previous month in order to make the ADV calculation consistent with how ADV is calculated for Less Active Securities for purposes of the Quoting Share rebate.

No other changes to the DMM Tier or the corresponding credits would result from this proposed change.

#### Credits Applicable to SLPs

Currently, when adding liquidity to the NYSE in securities with a share price of \$1.00 or more, if an SLP (1) meets the 10% average or more quoting requirement in assigned securities pursuant to Rule 107B and (2) adds liquidity for assigned SLP securities in the aggregate<sup>4</sup> of an ADV of more than

<sup>4</sup> Under Rule 107B, an SLP can be either a proprietary trading unit of a member organization ("SLP-Prop") or a registered market maker at the Exchange ("SLMM"). For purposes of the 10% average or more quoting requirement in assigned securities pursuant to Rule 107B, quotes of an SLP-Prop and an SLMM of the same member organization are not aggregated. However, for purposes of adding liquidity for assigned SLP securities in the aggregate, shares of both an SLP-Prop and an SLMM of the same member organization are included.

0.20% of NYSE CADV,<sup>5</sup> the SLP is eligible for a per share credit of \$.0023. In the case of Non-Displayed Reserve Orders, the SLP credit is \$.0018 and in the case of MPL Orders, the credit is \$.0020.

Similarly, a SLP adding liquidity for assigned SLP securities in the aggregate of an ADV of more than 0.35% of NYSE CADV is eligible for a per share credit of \$.0026. In the case of Non-Displayed Reserve Orders, the credit is \$.0021 and in the case of MPL Orders, the credit is \$.0020.

Finally, a SLP adding liquidity for assigned SLP securities in the aggregate of an ADV of more than 0.55% of NYSE CADV is eligible for a per share credit of \$.0029. In the case of Non-Displayed Reserve Orders, the credit is \$.0024 and in the case of MPL Orders, the credit is \$.0020.

The Exchange proposes to lower the ADV percentage requirement for SLPs that are also DMMs and subject to Rule 107B(i)(2)(A)<sup>6</sup> for the above-three described credits applicable to SLPs from 0.20% to 0.15%, 0.35% to 0.30%, and 0.55% to 0.50%, respectively. The Exchange does not propose to change the ADV percentage requirement of NYSE ADV for SLPs that are not subject to Rule 107B(i)(2)(A), which will remain at 0.20%, 0.35% and 0.55%, respectively.

For each of these three categories of SLP credits, the Exchange also proposes to increase the credit for securities with an ADV in the previous month of 500,000 shares or less per month ("Less Active SLP Securities") by \$.0005, as follows:

- For assigned SLP securities in the aggregate of an ADV of more than 0.20% of NYSE CADV or, if also a DMM and subject to Rule 107B(i)(2)(A), more than 0.15% of NYSE CADV, increase the credit from \$.0023 to \$.0028 and increase the credit for Non-Displayed Reserve Orders from \$.0018 to \$.0023. The credit applicable for MPL Orders would not change.

- for assigned SLP securities in the aggregate of an ADV of more than 0.35% of NYSE CADV or, if also a DMM and subject to Rule 107B(i)(2)(A), more than 0.30% of NYSE CADV, increase the credit from \$.0026 to \$.0031 and increase the credit for Non-Displayed Reserve Orders from \$.0021 to \$.0026. The credit applicable for MPL Orders would not change.

<sup>5</sup> NYSE CADV is defined in the Price List as the consolidated average daily volume of NYSE-listed securities.

<sup>6</sup> Rule 107B(i)(2)(A) prohibits a DMM from acting as a SLP in the same securities in which it is a DMM.

- for assigned SLP securities in the aggregate of an ADV of more than 0.55% of NYSE CADV or, if also a DMM and subject to Rule 107B(i)(2)(A), more than 0.050% of NYSE ADV, increase the credit from \$.0029 to \$.0034 and increase the credit for Non-Displayed Reserve Orders from \$.0024 to \$.0029. The credit applicable for MPL Orders would not change.

No other changes to SLP Tier or the corresponding credits would result from this proposed change.

#### Trading License Fees

On December 23, 2014, the Exchange filed to amend its Price List related to fees for trading licenses to extend the fee schedule to February 27, 2015 and to implement new trading license fees effective March 1, 2015.<sup>7</sup>

In particular, for the period between January 2, 2015 and February 27, 2015, the Exchange retained an annual fee of \$40,000 per license for the first two trading licenses held by a member organization and \$25,000 for each additional trading license. The Exchange also retained a fee relief scheme whereby fees for trading licenses issued after July 1, 2013 were prorated for the portion of the calendar year that the trading license was outstanding but if a member organization was issued additional trading licenses between July 1, 2013 and February 27, 2015, and the total number of trading licenses held by the member during that time was greater than the total number of trading licenses held by the member organization on July 1, 2013, the member organization would not be charged a prorated fee for the period from July 3, 2013 to February 27, 2015 for those additional trading licenses above the number the member organization held on July 1, 2013.<sup>8</sup>

The Exchange's filing also proposed that, effective March 1, 2015, the Exchange would charge an annual fee of \$50,000 for the first license held by a member organization and \$15,000 for each additional license. The Exchange also proposed to eliminate the existing fee relief for additional licenses and delete the relevant text from current footnote 15 effective March 1, 2015.

The Exchange accordingly proposes to amend the Price List to reflect the elimination of the fees in effect through February 27, 2015 and the fee relief for additional licenses by deleting the text describing those fees and corresponding footnote 15 from the Price List. The

Exchange also proposes to delete the "A" from footnote 15A in the current Price List so that footnote 15A would become footnote 15 to the new annual fee and regulated only member annual administration fee effective March 1, 2015.

Finally, the Exchange proposes to amend current footnote 15A to the Price List (proposed footnote 15) to change the number of calendar days a trading license is charged a flat fee. Currently, footnote 15A provides that for a trading license in place for 15 calendar days or less in a calendar month, proration for that month is at a flat rate of \$100 per day with no tier pricing involved. For a trading license in place for 16 calendar days or more in a calendar month, proration for that month is computed based on the number of days as applied to the applicable annual fee for the trading license.

The Exchange proposes to lower the number of calendar days charged the flat rate of \$100 per day with no tier pricing from 15 to 10 and make a corresponding change from 16 to 11 calendar days for licenses that would be held beyond the period subject to the flat rate and that would be prorated based on the number of days as applied to the applicable annual fee for the trading license. The Exchange has determined this change is necessary once the fee for additional licenses becomes \$15,000 effective March 1, 2015 in order to avoid charging a fee to license holders at a flat rate (\$1500/\$100 per day for 15 calendar days) that would exceed the monthly cost of the license (\$1,250/\$15,000 divided by 12). The Exchange believes that lowering the calendar days during which license holders are charged the flat rate to 10 days (\$1,000/\$100 per day for 10 calendar days) would avoid this result and be more equitable for license holders.

The above proposed changes are not otherwise intended to address any other issues, and the Exchange is not aware of any problems that members and member organizations would have in complying with the proposed change.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with section 6(b) of the Act,<sup>9</sup> in general, and furthers the objectives of sections 6(b)(4) and 6(b)(5) of the Act,<sup>10</sup> in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed higher monthly credit of \$250 for each security that has a consolidated ADV of more than 100,000 and less than 250,000 shares during the month when the DMM quotes at the NBBO in the applicable security at least 20% of the time in the applicable month is reasonable because of the proposed higher quoting requirement associated with this increase in the credit. The Exchange also believes that it is reasonable to retain a \$200 credit for each security that has a consolidated ADV of more than 100,000 and less than 250,000 shares during the month when the DMM quotes at the NBBO in the applicable security at least 15% and up to 20% of the time in the applicable month as this is the rate currently charged and it would apply equally to all DMM firms. The Exchange believes that the proposal would increase the incentive to add liquidity across thinly-traded securities where there may be fewer liquidity providers.

The Exchange also believes that the proposed lower monthly credits of \$175 for each security that has a consolidated ADV 100,000 shares or less during the month when the DMM quotes at the NBBO in the applicable security at least 20% of the time in the applicable month is reasonable in light of lower trading volumes in the applicable securities relatively to those securities that have a consolidated ADV of more than 100,000 and less than 250,000 shares. The Exchange further believes it is reasonable to provide a lower rebate of \$125.00 for each security that has a consolidated ADV of 100,000 shares or less if the DMM does not meet the proposed 20% quoting requirement. Moreover, the requirement is equitable and not unfairly discriminatory because it would apply equally to all DMM firms.

Further, the Exchange believes that the proposed higher DMM quoting requirement at the NBBO of 20% in order to receive in each applicable security 100% of the Quoting Share is reasonable because the higher proposed requirement would improve quoting and increase adding liquidity across thinly-traded securities where there may be fewer liquidity providers. Under the proposal, DMMs that do not meet the proposed quoting requirement of 20% but still meet the Less Active Securities Quoting Requirement of 15% would still receive 50% of the Quoting Share. Moreover, the requirement is equitable and not unfairly discriminatory because it would apply equally to all DMM

<sup>7</sup> See Securities Exchange Act Release No. 34-73996 (January 6, 2015), 80 FR 1534 (January 12, 2015) (SR-NYSE-2014-74).

<sup>8</sup> See *id.*

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

<sup>10</sup> 15 U.S.C. 78f(b)(4) and (5).

firms. The Exchange notes that the Quoting Share in Less Active Securities the DMMs receive is in addition to the DMM rebate for providing liquidity and the monthly rebate payable to DMMs for securities with an ADV of less than 250,000 shares during the billing month.

In addition, the Exchange believes that proposal to lower the ADV percentage requirement for SLPs that are also DMMs and subject to Rule 107B(i)(2)(A) is reasonable because the current ADV requirement is more difficult for such market participants to meet given that the pool of stocks they are allowed to trade is smaller. Pursuant to Rule 107B(i)(2)(A), a DMM unit may not act as an SLP in the same securities in which it is a DMM. Accordingly, a SLP that is also a DMM subject to Rule 107B(i)(2)(A) would not be eligible to be assigned securities in which the affiliated DMM is registered, thereby reducing the number of securities available to such an SLP to meet the adding liquidity requirement, which is expressed as a percentage of NYSE CADV. The Exchange further believes that the proposed lower ADV percentage for such SLPs is equitable and not unfairly discriminatory because it would be applied equally to all SLPs that are also DMMs subject to Rule 107B(i)(2)(A). SLPs that are not DMMs do not have the same restrictions on which securities they may be assigned as a SLP and would not be harmed by the proposal for those firms that are also DMMs.

Further, increasing the credit for SLP transactions providing liquidity in Less Active SLP Securities by \$0.0005 is reasonable because it will encourage greater liquidity and competition in such securities on the Exchange. The Exchange also believes that increasing the SLP credit is reasonable because it will increase the incentive to add liquidity across thinly traded securities where there may be fewer liquidity providers. Once again, the Exchange believes that the proposed higher credit is equitable and not unfairly discriminatory because it would apply equally to all SLPs.

Finally, amending the Price List to remove fees that are expiring on February 27, 2015 provides greater clarity and transparency to the Price List and avoids confusion as to what trading license fees would apply after that date. Further, amending the Price List to change the number of calendar days a trading license is charged a flat fee is reasonable because it would avoid charging a fee to license holders at a flat rate that would exceed the monthly cost of the license, which is scheduled to begin on March 1, 2015. This proposal

is equitable and not unfairly discriminatory because it would apply the unchanged flat rate equally to all license holders over the same number of days.

The Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

For the foregoing reasons, the Exchange believes that the proposal is consistent with the Act.

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

In accordance with section 6(b)(8) of the Act,<sup>11</sup> the Exchange believes that the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed change would contribute to the Exchange's market quality by promoting price discovery and ultimately increased competition. For the same reasons, the proposed change also would not impose any burden on competition among market participants. Pricing for executions at the opening would remain at the same relatively low levels and would continue to reflect the benefit that market participants receive through the ability to have their orders interact with other liquidity at the opening.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees and rebates to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own fees and credits in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. As a result of all of these considerations, the Exchange does not believe that the proposed changes will impair the ability of member organizations or competing order execution venues to maintain their competitive standing in the financial markets.

<sup>11</sup> 15 U.S.C. 78f(b)(8).

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were solicited or 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 is effective upon filing pursuant to section 19(b)(3)(A)<sup>12</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>13</sup> thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such 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 under section 19(b)(2)(B)<sup>14</sup> of the Act 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-NYSE-2015-08 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-NYSE-2015-08. 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/>

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

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

*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 the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet Web site at *www.nyse.com*. 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-NYSE-2015-08 and should be submitted on or before *March 27, 2015*.

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

**Brent J. Fields,**  
*Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74406; File No. SR-OCC-2014-21]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change in Order To Permit OCC To Adjust the Size of Its Clearing Fund on an Intra-Month Basis

March 2, 2015.

#### I. Introduction

On November 13, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-OCC-2014-21 ("Proposed Rule Change") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange

Act")<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> In the Proposed Rule Change, OCC proposes to amend its Rule 1001(a) to delete the requirement that OCC readjust the size of its clearing fund on a monthly basis.<sup>3</sup> On December 2, 2014, the proposed rule change was published in the **Federal Register**.<sup>4</sup> The Commission received no comments to the Proposed Rule Change.<sup>5</sup> This order institutes proceedings under Section 19(b)(2)(B) of the Exchange Act<sup>6</sup> to determine whether to approve or disapprove the Proposed Rule Change.

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

OCC proposed this Proposed Rule Change to permit OCC to collect additional financial resources from its clearing members by increasing the size of its clearing fund on an intra-month basis when OCC determines that such action should be taken to ensure the clearing fund has sufficient resources to protect OCC against potential losses under simulated default scenarios. Specifically, OCC's Proposed Rule Change proposes to amend Rule 1001(a) to delete the second sentence, which states, "[s]uch [clearing fund resizing calculations] shall be made on a daily basis, and the size of the Clearing Fund shall be readjusted monthly based upon the average of such daily calculations performed during the preceding month."<sup>7</sup>

##### A. Background

In emergency circumstances and subject to certain conditions, Article IX, Section 14, of OCC's By-Laws permit OCC's Board of Directors, Executive Chairman, or President to waive or suspend its by-laws, rules, policies and procedures, or any other rules issued by OCC, or extend the time fixed thereby for the doing of any act or acts for up to thirty calendar days. To extend such a waiver or suspension for more than thirty calendar days, OCC's by-laws

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

<sup>2</sup> 17 CFR 204.19b-4. On October 15, 2014, OCC also filed an emergency notice with the Commission to suspend the effectiveness of the second sentence of Rule 1001(a). See *infra* note 10 and accompanying discussion.

<sup>3</sup> Exchange Act Release No. 73685 (November 25, 2014) 78 FR 71479 (December 2, 2014) (SR-OCC-2014-21).

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

<sup>5</sup> On January 5, 2015, pursuant to Section 19(b)(2)(A)(ii)(II) of the Exchange Act, as amended, OCC consented to an extension until March 2, 2015, for the Commission to approve the proposed rule change, disapprove the Proposed Rule Change, or institute proceedings to determine whether to disapprove the Proposed Rule Change. 15 U.S.C. 78s(b)(2)(A)(ii)(II).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> OCC Rule 1001(a).

require it to submit a proposed rule change to the Commission seeking approval of such waiver.<sup>8</sup> Upon submission of a rule filing, the waiver may continue in effect until the Commission approves or disapproves the proposed rule change.<sup>9</sup>

Although OCC monitors the sufficiency of its clearing fund on a daily basis, OCC Rule 1001(a) provides that it may only readjust the size of the clearing fund on a monthly basis. On October 15, 2014, in order to address certain unanticipated intra-month market volatility OCC's Executive Chairman, pursuant to emergency authority, temporarily waived the OCC Rule 1001(a) requirement that OCC readjust the size of its clearing fund on a monthly basis, allowing OCC to resize the clearing fund intra-month. OCC was concerned that its current financial resources might not meet the total financial resources required to cover the default of its largest participant family. The waiver permitted OCC to increase the size of the clearing fund for the remainder of October 2014, prior to the next monthly resizing scheduled for the first business day of November 2014. As a result of the emergency action, OCC's clearing fund for October 2014 was increased by \$1.8 billion to a total amount of \$5.8 billion.

##### B. Proposed Rule Change SR-OCC-2014-21

OCC submitted the Proposed Rule Change, which amends its Rule 1001(a) by deleting the provision that requires OCC to readjust the size of its clearing fund on a monthly basis, allowing OCC to continue to collect additional financial resources from its clearing membership by increasing the size of its clearing fund on an intra-month basis when OCC determines such action should be taken so that the clearing fund is sufficient to protect OCC against potential loss under simulated default scenarios.<sup>10</sup> OCC stated that it took this action to respond to the potential risk under prevailing market conditions that the clearing fund could be underfunded, which could have affected OCC's ability to provide services in a safe and sound manner. As noted, OCC's waiver of the provisions of the second sentence of Rule 1001(a) is permitted to continue for

<sup>8</sup> See OCC By-Laws, Article IX, Section 14(c).

<sup>9</sup> *Id.*

<sup>10</sup> On October 15, 2014, OCC also filed an emergency notice with the Commission pursuant to Section 806(e)(2) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act"). 12 U.S.C. 5465(e)(2). See Securities Exchange Act Release No. 73579 (November 12, 2014), 79 FR 68747 (November 18, 2014) (SR-OCC-2014-807).

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