

liquidity at a rate lower than the bank borrowing rate at times when the cash position of the Fund is insufficient to meet temporary cash requirements. In addition, Funds making short-term cash loans directly to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in repurchase agreements or certain other short term money market instruments. Thus, applicants assert that the facility would benefit both borrowing and lending Funds.

3. Applicants agree that any order granting the requested relief will be subject to the terms and conditions stated in the Application. Among others, the Adviser, through a designated committee, would administer the facility as a disinterested fiduciary as part of its duties under the investment management and administrative agreements with the Funds and would receive no additional fee as compensation for its services in connection with the administration of the facility. The facility would be subject to oversight and certain approvals by the Funds' Board, including, among others, approval of the interest rate formula and of the method for allocating loans across Funds, as well as review of the process in place to evaluate the liquidity implications for the Funds. A Fund's aggregate outstanding interfund loans will not exceed 15% of its net assets, and the Fund's loan to any one Fund will not exceed 5% of the lending Fund's net assets.<sup>3</sup>

4. Applicants assert that the facility does not raise the concerns underlying section 12(d)(1) of the Act given that the Funds are part of the same group of investment companies and there will be no duplicative costs or fees to the Funds.<sup>4</sup> Applicants also assert that the proposed transactions do not raise the concerns underlying sections 17(a)(1), 17(a)(3), 17(d) and 21(b) of the Act as the Funds would not engage in lending transactions that unfairly benefit insiders or are detrimental to the Funds. Applicants state that the facility will offer both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and each Fund would have an equal opportunity to borrow and lend on equal terms based on an interest rate formula that is objective and verifiable. With respect to the relief from section 17(a)(2) of the

Act, applicants note that any collateral pledged to secure an interfund loan would be subject to the same conditions imposed by any other lender to a Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another Fund) or the same or better conditions (in any other circumstance).<sup>5</sup>

5. Applicants also believe that the limited relief from section 18(f)(1) of the Act that is necessary to implement the facility (because the lending Funds are not banks) is appropriate in light of the conditions and safeguards described in the application and because the Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of a Fund, including combined interfund loans and bank borrowings, have at least 300% asset coverage.

6. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Rule 17d-1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise, joint arrangement or profit sharing plan on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

<sup>5</sup> Applicants state that any pledge of securities to secure an interfund loan could constitute a purchase of securities for purposes of section 17(a)(2) of the Act.

For the Commission, by the Division of Investment Management, under delegated authority.

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79028; File No. SR-OCC-2016-012]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Revise The Options Clearing Corporation's Schedule of Fees

October 3, 2016.

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> notice is hereby given that on September 30, 2016, The Options Clearing Corporation ("OCC") 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 OCC. OCC filed the proposal pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder<sup>4</sup> so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The proposed rule change by OCC would revise OCC's Schedule of Fees effective December 1, 2016, to implement an increase in clearing fees in accordance with OCC's Fee Policy.<sup>5</sup>

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

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

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

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

<sup>5</sup> OCC's Fee Policy was adopted as part of OCC's plan for raising additional capital ("Capital Plan"), which was put in place in light of proposed regulatory capital requirements applicable to systemically important financial market utilities, such as OCC. See Securities Exchange Act Release No. 74452 (March 6, 2015) 80 FR 13058 (March 12, 2015) (SR-OCC-2015-02). OCC also filed proposals in the Capital Plan Filing as an advance notice under Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010. 12 U.S.C. 5465(e)(1). On February 26, 2015, the Commission issued a notice of no objection to the advance notice filing. See Exchange Act Release No. 74387 (February 26, 2015), 80 FR 12215 (March 6, 2015) (SR-OCC-2014-813). BATS Global Markets, Inc., BOX Options Exchange LLC, KCG Holdings, Inc.,

Continued

<sup>3</sup> Under certain circumstances, a borrowing Fund will be required to pledge collateral to secure the loan.

<sup>4</sup> Applicants state that the obligation to repay an interfund loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

The proposed changes to the Schedule of Fees can be found in Exhibit 5 to the proposed rule change. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>6</sup>

**II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), 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*

(1) Purpose

The purpose of this proposed rule change is to revise OCC’s Schedule of

Fees in accordance with its Fee Policy to set OCC’s fees at a level designed to cover OCC’s operating expenses and maintain a Business Risk Buffer of 25%.<sup>7</sup> The revised fee schedule would become effective on December 1, 2016.

By way of background, OCC implemented its Capital Plan in 2015,<sup>8</sup> which was put in place in light of proposed regulatory capital requirements applicable to systemically important financial market utilities, such as OCC. As part of OCC’s Capital Plan, OCC adopted a Fee Policy whereby OCC would set clearing fees at a level that covers OCC’s operating expenses plus a Business Risk Buffer of 25%.<sup>9</sup> The purpose of the Business Risk Buffer is to ensure that OCC accumulates sufficient capital to cover unexpected fluctuations in operating expenses, business capital needs, and regulatory capital requirements.

OCC recently reviewed its current Schedule of Fees<sup>10</sup> against actual and projected revenues and expenses for 2016 in accordance with its Fee Policy to determine whether the Schedule of

Fees was sufficient to cover OCC’s anticipated operating expenses and achieve a Business Risk Buffer of 25%. In reviewing the Schedule of Fees, OCC analyzed: (i) Clearing fee revenues charged on a year-to-date basis, (ii) projected volume for the remainder of the year, (iii) the anticipated “mix” of volume among the various fee levels set forth in the Schedule of Fees, (iv) operating expenses incurred to date, and (v) operating expenses projected for the remainder of the year. Based on the foregoing analysis, OCC determined that the current fee schedule is set at a level that would be insufficient to ensure that OCC achieves its Business Risk Buffer of 25% as required under the Fee Policy. OCC arrived at the proposed fee schedule presented herein by determining the figures that provide the best opportunity for OCC to achieve coverage of its anticipated operating expenses plus a Business Risk Buffer of 25%.

As a result of the aforementioned analysis, OCC proposes to revise its Schedule of Fees as set forth below.<sup>11</sup>

Current fee schedule		Proposed fee schedule	
Trades with contracts of:	Proposed fee	Trades with contracts of:	Proposed fee
1–1370 .....	\$0.041 .....	1–1100 .....	\$0.050/contract.
>1370 .....	\$55/trade .....	>1100 .....	\$55/trade.

In accordance with its Fee Policy, OCC will continue to monitor cleared contract volume and operating expenses in order to determine if further revisions to OCC’s Schedule of Fees are required so that monies received from clearing fees cover OCC’s operating expenses plus a Business Risk Buffer of 25%.<sup>12</sup>

(2) Statutory Basis

Section 17A(b)(3)(D) of the Securities Exchange Act of 1934, as amended (“Act”), requires that the rules of a

clearing agency provide for the equitable allocation of reasonable dues, fees, and other charges among its participants.<sup>13</sup> The proposed fee schedule was set in accordance with the criteria set forth in OCC’s Capital Plan, which was approved by the Commission<sup>14</sup> and requires that OCC’s fees be set at a level designed to cover OCC’s operating expenses and maintain a Business Risk Buffer of 25%. OCC believes the proposed fee change is reasonable because the fee increase

would be set at a level intended only to facilitate the maintenance of OCC’s Business Risk Buffer of 25%, which is designed to ensure that OCC accumulates sufficient capital to cover unexpected fluctuations in operating expenses, business capital needs, and regulatory capital requirements. Moreover, OCC believes that the proposed fee change would result in an equitable allocation of fees among its participants because it would be equally applicable to all market participants. As

Miami International Securities Exchange, LLC, and Susquehanna International Group, LLP (collectively “Petitioners”) each filed petitions for review of the Approval Order, challenging the action taken by delegated authority. The filing of the petitions automatically stayed the Approval Order. OCC filed a Motion to Lift the Stay on April 2, 2015, and the Petitioners responded. The Commission subsequently determined that the automatic stay of delegated action should be discontinued, and the Commission granted OCC’s Motion to Lift Stay of the staff’s action in approving by delegated authority File No. SR–OCC–2015–02. On February 11, 2016, the Commission issued an order setting aside the approval order issued under delegated authority and approved the proposed rule change to implement the Capital Plan. See Securities Exchange Act Release No. 77112 (February 11, 2016) 81 FR 8294 (February 18, 2016) (SR–OCC–2015–02).

<sup>6</sup> OCC’s By-Laws and Rules can be found on OCC’s public Web site: <http://optionsclearing.com/about/publications/bylaws.jsp>.

<sup>7</sup> The Business Risk Buffer is equal to net income before refunds, dividends, and taxes divided by total revenue.

<sup>8</sup> See *supra* note 5.

<sup>9</sup> OCC’s Schedule of Fees must also meet the requirements set forth in Article IX, Section 9 of OCC’s By-Laws. In general, Article IX, Section 9 of OCC’s By-Laws requires that OCC’s fee structure be designed to: (1) Cover OCC’s operating expenses plus a business risk buffer; (2) maintain reserves deemed reasonably necessary by OCC’s Board of Directors; and (3) accumulate an additional surplus deemed advisable by the Board of Directors to permit OCC to meet its obligations to its clearing members and the public. Clauses 2 and 3 above will only be invoked at the discretion of OCC’s Board of Directors and in extraordinary circumstances.

<sup>10</sup> OCC previously revised its Schedule of Fees effective March 1, 2016, to implement a reduction of clearing fees in accordance with the Fee Policy. See Securities Exchange Act Release No. 77041 (February 3, 2016), 81 FR 6917 (February 9, 2016), (SR–OCC–2016–001). OCC subsequently amended its Schedule of Fees to simplify its fee structure through: (i) The adoption of a flat clearing fee per contract with a fixed dollar cap and (ii) the elimination of the “scratch” fee. The revised fee structure, which became effective May 2, 2016, was designed to be revenue neutral when compared to the previous fee structure. See Securities Exchange Act Release No. 77336 (March 10, 2016), 81 FR 14153 (March 16, 2016), (SR–OCC–2016–005).

<sup>11</sup> These changes are also reflected in Exhibit 5.

<sup>12</sup> Any subsequent changes to OCC’s Schedule of Fees would be the subject of a subsequent proposed rule change filed with the Commission.

<sup>13</sup> 17 U.S.C. 78q–1(b)(3)(D).

<sup>14</sup> See *supra* note 5.

a result, OCC believes that the proposed fee schedule provides for the equitable allocation of reasonable fees in accordance with Section 17A(b)(3)(D) of the Act.<sup>15</sup> The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

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

Section 17A(b)(3)(I) of the Act<sup>16</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed rule change would have any impact or impose a burden on competition. Although this proposed rule change affects clearing members, their customers, and the markets that OCC serves, OCC believes that the proposed rule change would not disadvantage or favor any particular user of OCC's services in relationship to another user because the proposed clearing fees apply equally to all users of OCC. Accordingly, OCC does not believe that the proposed rule change would have any impact or impose a burden on competition.

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

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

Pursuant to Section 19(b)(3)(A)(ii)<sup>17</sup> of the Act, and Rule 19b-4(f)(2) thereunder,<sup>18</sup> the proposed rule change is filed for immediate effectiveness as it constitutes a change in fees charged to OCC clearing members. 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.<sup>19</sup>

<sup>15</sup> 17 U.S.C. 78q-1(b)(3)(D).

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

<sup>19</sup> Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Regulation § 40.6.

**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-OCC-2016-012 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-OCC-2016-012. 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 the filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site ([http://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_16\\_012.pdf](http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_16_012.pdf)). 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-OCC-2016-012 and should be submitted on or before October 28, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Robert W. Errett,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Investment Company Act Release No. 32300; File No. 812-14583]

**Legg Mason Global Asset Management Trust, et al.; Notice of Application**

October 3, 2016.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of an application for an order pursuant to: (a) Section 6(c) of the Investment Company Act of 1940 ("Act") granting an exemption from sections 18(f) and 21(b) of the Act; (b) section 12(d)(1)(J) of the Act granting an exemption from section 12(d)(1) of the Act; (c) sections 6(c) and 17(b) of the Act granting an exemption from sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Act; and (d) section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint arrangements and transactions. Applicants request an order that would permit certain registered open-end management investment companies to participate in a joint lending and borrowing facility.

**APPLICANTS:** Legg Mason Global Asset Management Trust, Legg Mason Global Asset Management Variable Trust, Legg Mason Partners Income Trust, Legg Mason Partners Institutional Trust, Legg Mason Partners Money Market Trust, Legg Mason Partners Premium Money Market Trust, Legg Mason Partners Variable Income Trust, Master Portfolio Trust, and Western Asset Funds, Inc., registered under the Act as open-end management investment companies with one or more series, and Legg Mason Partners Fund Advisor, LLC (the "Adviser"), registered as an investment adviser under the Investment Advisers Act of 1940.

**FILING DATES:** The application was filed on November 27, 2015, and amended on May 5, 2016.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request,

<sup>20</sup> 17 CFR 200.30-3(a)(12).