

no longer be available to any Members. Further, their elimination will allow the Exchange to explore other pricing mechanisms in which it may enhance market quality for all Members.

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

The Exchange does not believe that the proposed change to fees related to QCC Orders will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange's proposed functionality is open to all market participants. The proposals to provide a rebate for certain QCC Agency Orders through the QCC Initiator Rebate and to reduce fees for QCC Contra Orders are competitive proposals intended to incentivize the entry of additional orders into QCC. Further, the pricing is designed to be competitive with pricing on other options exchanges and QCC functionality is a competitive offering by the Exchange. Further, the Exchange does not believe that the changes to eliminate pricing incentives that have been ineffective, to modify fee code descriptions or add fee codes will impose any burden on competition. For these reasons, the Exchange does not believe that the proposed fee schedule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and paragraph (f) of Rule 19b-4 thereunder.²⁰ 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-BatsEDGX-2017-21 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-BatsEDGX-2017-21. 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-BatsEDGX-2017-21, and should be submitted on or before June 7, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017-09928 Filed 5-16-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80666; File No. SR-LCH SA-2017-005]

Self-Regulatory Organizations; LCH SA; Notice of Proposed Rule Change, as modified by Amendment No. 1 Thereto, To Add Rules Related to the Clearing of CDX.NA.HY CDS

May 11, 2017

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² notice is hereby given that on April 28, 2017, Banque Centrale de Compensation, which conducts business under the name LCH SA ("LCH SA"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which Items have been prepared primarily by LCH SA. On May 5, 2017, LCH SA filed Amendment No. 1 to the proposal.³ 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

LCH SA is proposing to amend its (i) CDS Margin Framework and (ii) CDS Clear Default Fund Methodology to incorporate terms and make conforming changes to provide for credit default swaps ("CDS") on the CDX.NA.HY index to be cleared by LCH SA.

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

In its filing with the Commission, LCH SA 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. LCH SA has prepared summaries, set forth in sections A, B,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ LCH SA filed Amendment No. 1 to replace the initial filing in its entirety for the purpose of clarifying various changes to its CDS Margin Framework.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f).

²¹ 17 CFR 200.30-3(a)(12).

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 the proposed rule change is to modify LCH SA's CDS Margin Framework and CDS Clear Default Fund Methodology to allow LCH SA to clear additional CDS contracts on the CDX.NA.HY index consisting of North America high-yield reference entities. Specifically, LCH SA proposes to amend Sections 3, 4, 5, 6, 8, 10, and 11 of its CDS Margin Framework and Section 2 and 3 of the CDS Clear Default Fund Methodology. Each of these changes is described in further detail below.

With respect to the CDS Margin Framework, the heading in Section 3 and the fourth column in the table in Section 3.1.1 will be amended to clarify that the summary of the margin framework also applies to CDX HY contracts.

Section 4.1 of the CDS Margin Framework, setting forth the short charge component of LCH SA's margin methodology, will be amended to describe the purpose of the short charge component within LCH SA's margin methodology and to adjust the calculation to account for CDX.NA.HY index contracts. The purpose of the short charge component is to address the probability of a credit event occurring during the period from the default of a Clearing Member to liquidation of the defaulting Clearing Member's portfolio, *i.e.*, the so-called "jump to default" risk. Under the proposed rule change, the short charge component of the margin methodology will take into account the risk of clearing CDS contracts on high yield indices. Currently, with respect to a Clearing Member's portfolio, the short charge in the margin methodology considers the greater of (x) a "Global Short Charge," derived from the Clearing Member's largest, or "top," net short exposure (in respect of any CDS contracts) and its top net short exposure amongst the three "riskiest" reference entities (in respect of any entity type) that are most probable to default in its portfolio and (y) the top two net short exposures in respect of CDS contracts on senior financial entities. Because high yield entities are riskier than senior financial entities by nature and historically defaults of high yield entities appeared more clustered than investment grade or European entities, LCH SA proposes to introduce a "High

Yield Short Charge" to replace the top two net short exposures in respect of CDS on senior financial entities in the short charge calculation. Based upon historical data and the maximum number of defaults that have been observed in respect of reference entities in all CDS Clear eligible contracts within a 5 business day period, LCH SA believes that the "High Yield Short Charge" should consider not only a Clearing member's top net short exposure in respect of the high yield CDS contracts in its portfolio but also the top two net short exposures among the three "riskiest" high yield reference entities to reflect the possibility of defaults of multiple, or clustered, high yield entities. As a result, the new short charge under the proposed rule change will be the greater of (x) the "Global Short Charge," as described above and (y) a "High Yield Short Charge," derived from a member's top net short exposure (in respect of high yield CDS) and its top two net short exposures amongst the three "riskiest" reference entities (in the high yield category) in its portfolio.

Conforming changes will be made throughout Section 4.1.1, which describes the "net short exposure" calculation, to accommodate CDX.NA.HY contracts and to clarify that to obtain margin in Euros all USD denominated variables are converted to Euros utilizing the current USD/Euro foreign exchange rate and calibrated haircut based upon historical data. Similarly, conforming changes will be made in Section 4.1.2 of the CDS Margin Framework, which describes the "top exposure" component of the short charge and Section 4.1.3 of the CDS Margin Framework, which describes the process by which LCH SA identifies the "riskiest" entities in determining the short charge, to incorporate terms for CDX.NA.HY index contracts and to clarify the calculation as it applies to high yield indices. Clarification changes will be made in Section 4.1.4 of the CDS Margin Framework to summarize the calculation for the short charge amount.

Section 4.3 of the CDS Margin Framework will be deleted in its entirety because the substance of that section will be contained in Section 4.1, as described above.

In addition, LCH SA also proposes to amend Section 5.1 of the CDS Margin Framework, which sets forth the wrong way risk ("WWR") component of LCH SA's methodology. Currently, LCH SA considers the correlation between the default of a Clearing Member and the default(s) of one or more other financial institutions as part of its WWR management. Specifically, the current approach leverages on the Short Charge

framework by calculating the top two net short exposures of financial entities in a Clearing Member's portfolio following the algorithm described above for the Short Charge margin. LCH SA then compares these top two net short exposures of financial entities to the short charge margin and imposes the greater of those two as the adjusted jump-to-default charge, to address the WWR arising from the correlation between a Clearing Member default and the default(s) of one or more financial entities in the Clearing Member's portfolio. The proposed rule change does not substantively change this approach but amends Section 5.1 of the CDS Margin Framework to clarify that, when the top two net short exposures in respect of financial entities exceeds the short charge margin, as described above, LCH SA will impose a charge equal to such excess to address the jump-to-default WWR.

Other conforming changes in the CDS Margin Framework will be made in Sections 5, 6, 8, 10, and 11 to clarify that those sections also apply to high yield indices.

With respect to the CDS Clear Default Fund Methodology, Section 2.3 will be amended to facilitate clearing of CDS contracts on the CDX High Yield index and to modify the existing stressed short charge component of the CDS Clear Default Fund Methodology. Currently, the stressed short charge covers the greater of (x) the top net short exposure plus the top two net short exposures amongst the three entities most likely to default in the Clearing Member's portfolio and (y) the top two net short exposures which are senior financial entities plus the top net short exposures amongst the three senior financial entities most likely to default in the Clearing Member's portfolio. The proposed rule change will take the default of high yield entities into account and add a third prong to the stressed short charge calculation, which will take the greater of (x) and (y), each as described above, and (z) the top two net short exposure which are high yield entities plus the top two net short exposures amongst the three high yield entities most likely to default in the Clearing Member's portfolio.

Finally, Section 3.8 of the CDS Clear Default Fund Methodology, which describes the correlation between index families and series, will be updated to reflect additional data.

2. Statutory Basis

LCH SA believes that the proposed rule change and the clearing of CDX.NA.HY contracts is consistent with the requirements of Section 17A of the

Act⁴ and the regulations thereunder, including the standards under Rule 17Ad-22.⁵ Section 17(A)(b)(3)(F) of the Act⁶ 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 derivative agreements, contracts, and transactions and 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. As noted above, the proposed rule change is designed to provide for the clearing of CDX.NA.HY contracts. CDX.NA.HY contracts are similar to the contracts currently cleared by LCH SA and will be cleared in the same manner as other index contracts, consistent with LCH SA's existing operational arrangements. Clearing of the additional contracts will allow market participants to manage additional risk and ensure the safeguarding of margin and assets pursuant to LCH SA's rules. Therefore, LCH SA believes that the clearing of CDX.NA.HY and the related changes described herein are consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions, in accordance with 17(A)(b)(3)(F) of the Act.⁷

In addition, the proposed amendments to LCH SA's CDS Margin Framework and CDSClear Default Fund Methodology also satisfy the relevant requirements of Rule 17Ad-22, including Rule 17Ad-22(b)(2), (b)(3), (e)(4) and (e)(6).⁸ Rule 17Ad-22(b)(2) requires a clearing agency 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.⁹ Rule 17Ad-22(e)(4)(i) requires a covered clearing agency to maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence,¹⁰ and Rule 17Ad-22(e)(6)(i) requires a covered clearing agency that provides central counterparty services to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers and produces margin levels commensurate with the risks and particular attributes of each relevant

product, portfolio, and market.¹¹ The proposed rule change to LCH SA's CDS Margin Framework will take into account the risk particular to clearing CDS on high yield entities as part of LCH SA's jump-to-default risk management and wrong way risk management and produce margin levels commensurate with the risks and attributes of CDS on high yield entities and maintain margin sufficient to cover its credit exposure to its participants fully in normal market conditions, consistent with requirements of Rule 17Ad-22(b)(2), (e)(4)(i) and (e)(6)(i).¹² Moreover, Rule 17Ad-22(b)(3) requires a clearing agency acting as a central counterparty for security-based swaps to establish policies and procedures reasonably designed to maintain sufficient financial resources to withstand, at a minimum, a default by the two participant families to which it has the largest exposures in extreme but plausible market conditions (the "cover two standard").¹³ Similarly, Rule 17Ad-22(e)(4)(ii) requires a covered clearing agency that provides central counterparty services for security-based swaps to maintain financial resources additional to margin to enable it to cover a wide range of foreseeable stress scenarios that include, but are not limited to, meeting the cover two standard.¹⁴ LCH SA believes that its CDSClear Default Fund Methodology, with the modifications described herein, will provide a stress short charge appropriately incorporating the risk of clearing CDS on high yield entities, which, together with its margin methodology, will ensure that LCH SA maintains sufficient financial resources to meet the cover two standard, in accordance with Rule 17Ad-22(b)(3) and (e)(4)(ii).¹⁵ LCH SA also believes that the clearing of CDX.NA.HY contracts is consistent with Rule 17Ad-22(d)(4) and (e)(17),¹⁶ in that clearing the additional contracts will be substantially the same from an operational perspective as clearing existing contracts and LCH SA believes that its existing systems are adequately scalable to facilitate the clearing of additional contracts

B. Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act 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.¹⁷ LCH SA does not believe that its clearing of CDX.NA.HY contracts will adversely affect the trading market for those contracts or CDS generally. By allowing LCH SA to clear CDX.NA.HY contracts, market participants will have additional choices on where to clear CDX.NA.HY contracts, which, in turn, will promote competition and further the development of CDX.NA.HY contracts for risk management. Further, LCH SA will apply its existing fair and open access criteria to the clearing of CDX.NA.HY contracts. Accordingly LCH SA does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove 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 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

¹⁷ 15 U.S.C. 78q-1(b)(3)(I).

⁴ 15 U.S.C. 78q-1.

⁵ 17 CFR 240.17Ad-22.

⁶ 15 U.S.C. 78q-1(b)(3)(F).

⁷ 15 U.S.C. 78q-1(b)(3)(F).

⁸ 17 CFR 240.17Ad-22.

⁹ 17 CFR 240.17Ad-22(b)(22).

¹⁰ 17 CFR 240.17Ad-22(e)(4)(i).

¹¹ 17 CFR 240.17Ad-22(e)(6)(i).

¹² 17 CFR 240.17Ad-22(b)(2), (e)(4)(i) and (e)(6)(i).

¹³ 17 CFR 240.17Ad-22(b)(3).

¹⁴ 17 CFR 240.17Ad-22(e)(4)(ii).

¹⁵ 17 CFR 240.17Ad-22(b)(3) and (e)(4)(ii).

¹⁶ 17 CFR 240.17Ad-22(d)(4) and (e)(17).

• Send an email to rule-comments@sec.gov. Please include File Number SR-LCH SA-2017-005 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-LCH SA-2017-005. 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 LCH SA and on LCH SA's Web site at <http://www.lch.com/asset-classes/cdsclear>.

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-LCH SA-2017-005 and should be submitted on or before June 7, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Brent J. Fields,

Secretary.

[FR Doc. 2017-09935 Filed 5-16-17; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80657; File No. SR-NYSEArca-2017-09]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2, Regarding Investments of the Janus Short Duration Income ETF Listed Under NYSE Arca Equities Rule 8.600

May 11, 2017.

I. Introduction

On January 30, 2017, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change regarding investments of the Janus Short Duration Income ETF ("Fund"), which is currently listed and traded on the Exchange under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the **Federal Register** on February 17, 2017.³ On March 13, 2017, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the proposed rule change as originally filed. On March 30, 2017, 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.⁴ On April 10, 2017, the Exchange filed Amendment No. 2 to the proposed rule change, which replaced and superseded the proposed rule change as modified by Amendment No. 1.⁵ The Commission

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 80028 (February 13, 2017), 82 FR 11089.

⁴ See Securities Exchange Act Release No. 80346, 82 FR 16643 (April 5, 2017).

⁵ In Amendment No. 2, the Exchange: (1) Proposes to revise the limit on the Fund's investments in over-the-counter ("OTC") derivatives that are used for hedging purposes, from unlimited in the original proposal to up to 50% of the Fund's assets (calculated as the aggregate gross notional value); (2) clarifies how certain Fund holdings will be valued for purposes of the net asset value ("NAV") and Portfolio Indicative Value ("PIV") calculations; (3) supplements the description of the quantitative information available on the Fund's Web site; (4) supplements the description of the surveillance procedures for the shares of the Fund ("Shares"); and (5) makes other conforming, clarifying, and technical changes. Amendment No. 2 is available at: <https://www.sec.gov/comments/sr-nysearca-2017-09/nysearca201709.htm>.

received no comments on the proposed rule change. The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons, and is approving the proposed rule change, as modified by Amendment No. 2, on an accelerated basis.

II. The Exchange's Description of the Proposed Rule Change, as Modified by Amendment No. 2⁶

The Shares of the Fund are currently listed and traded on the Exchange under Commentary .01 to NYSE Arca Equities Rule 8.600, which provides generic listing standards for Managed Fund Shares.⁷ The Shares are offered by Janus Detroit Street Trust ("Trust"), which is registered with the Commission as an open-end management investment company.⁸ Janus Capital Management LLC ("Adviser") is the Fund's investment adviser.⁹ ALPS Distributors, Inc. is the principal underwriter and distributor of the Fund's Shares. State Street Bank and Trust Company serves as the custodian, administrator, and transfer agent for the Fund.

Principal and Other Investments

According to the Exchange, the Fund seeks to provide a steady income stream

⁶ The Commission notes that additional information regarding the Trust (as defined below), the Fund, its investments, and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, calculation of NAV, distributions, and taxes, among other things, can be found in Amendment No. 2 and the Registration Statement (as defined below), as applicable. See Amendment No. 2, *supra* note 5, and Registration Statement, *infra* note 8.

⁷ Shares of the Fund commenced trading on the Exchange on November 17, 2016 pursuant to Commentary .01 to NYSE Arca Equities Rule 8.600.

⁸ The Trust is registered under the Investment Company Act of 1940 ("1940 Act"). On November 16, 2016, the Trust filed with the Commission its registration statement on Form N-1A under the Securities Act of 1933 and under the 1940 Act relating to the Fund (File Nos. 333-207814 and 811-23112) ("Registration Statement"). In addition, the Exchange states that the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 31540 (March 30, 2015) (File No. 812-13819).

⁹ The Adviser is not registered as a broker-dealer but the Adviser is affiliated with a broker-dealer and has implemented and will maintain a "fire wall" with respect to such broker-dealer regarding access to information concerning the composition of and/or changes to the Fund's portfolio. In the event (a) the Adviser becomes registered as a broker-dealer or newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer or becomes affiliated with a broker-dealer, it will implement and maintain a fire wall with respect to its relevant personnel or broker-dealer affiliate regarding access to information concerning the composition of and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

¹⁸ 17 CFR 200.30-3(a)(12).