

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-CBOE-2017-076 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-CBOE-2017-076. 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-CBOE-2017-076 and should be submitted on or before January 12, 2018.

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

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82345; File No. SR-LCH SA-2017-009]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to Wrong Way Risk Margin

December 18, 2017.

I. Introduction

On October 30, 2017, Banque Central de Compensation, which conducts business under the name LCH SA ("LCH SA"), 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 (SR-LCH SA-2017-009) to amend its Reference Guide: CDS Margin Framework ("CDSClear Margin Framework" or "Framework") to adjust the manner in which the wrong way risk ("WWR") margin component of the Framework addresses offsets between currencies when calculating WWR margin. The proposed rule change was published for comment in the **Federal Register** on November 16, 2017.³ The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

LCH SA has proposed to amend its CDSClear Margin Framework to adjust the manner in which the WWR margin component of the Framework addresses offsets between currencies when calculating WWR margin. According to LCH SA, the WWR component of the Framework is designed to cover the anticipated financial contagion effect that would arise in case of a clearing member being declared in default. The current WWR margin formula provides for offsets between currencies by allowing offset between WWR and right way risk ("RWR"). Specifically, under the current approach, a WWR currency offset is applied as the greater of: (x) The WWR amount in Euros minus the RWR amount in Euros⁴; and (y) the WWR amount in Euros multiplied by 1 minus

a factor representing the correlation between European and U.S. financial institutions by calculating the average historical cross correlation of credit spreads on credit default swaps ("CDS") with respect to all pairs of European and U.S. financial institutions that are clearing members of LCH SA.⁵ Under this approach, if one currency has WWR and the other has RWR, LCH SA would compare the WWR amount, as offset by the RWR, to the WWR amount, which is reduced by scaling the WWR by 1 minus the correlation factor, and take the greater of these two amounts.⁶ As a result, either the full amount of RWR is allowed to offset the WWR, or only a portion of the WWR is taken into account without any regard to the amount of RWR.⁷

LCH SA proposed to revise this approach by amending the WWR currency offset formula in the Framework to set the WWR margin component of Framework as the greater of: (i) The WWR amount in Euros, minus the RWR amount multiplied by the 10-year average historical correlation of credit spreads on CDS in respect of European and U.S. financial institutions; and (ii) zero. Thus, under the proposed approach, RWR would never completely offset WWR, but rather would offset WWR after discounting it based on the average of observed correlations of CDS credit spreads with respect to European and U.S. financial institutions.⁸

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.⁹ Section 17A(b)(3)(F) of the Act¹⁰ requires, among other things, that the rules of a registered 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, as well as to assure the safeguarding of securities and funds which are in the custody and control of the clearing agency or for which it is responsible, and to protect investors and the public interest. Rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 34-82043 (November 9, 2017), 82 FR 53536 (November 16, 2017) (SR-LCH-SA-2017-009) ("Notice").

⁴ Amounts not denominated in Euros are converted to Euros using a foreign exchange rate plus or minus a haircut. See, Notice, 82 FR at 53536.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ 15 U.S.C. 78s(b)(2)(C).

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ 17 CFR 200.30-3(a)(12).

17Ad-22(b)(2) requires, in relevant part, a registered clearing agency that performs central counterparty services to establish, implement, maintain and enforce written policies and procedures that are 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.¹¹ Rules 17Ad-22(e)(6)(i) and (v) require 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, among other things, considers and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market, and uses an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products.¹²

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act and the relevant provisions of Rule 17Ad-22 thereunder. Specifically, the Commission believes that the proposed rule change will enhance LCH SA's assessment of the risks associated with clearing products that may exhibit WWR, and thereby collect an appropriate level of resources, which in turn will improve LCH SA's ability to withstand the default of a Clearing Member. As a result, the Commission believes that the proposed rule change will augment LCH SA's ability to safeguard the securities and funds which are in its custody and control. Therefore, the Commission finds that the proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) of the Act.

Moreover, the Commission believes that WWR is a relevant factor when considering the risks associated with clearing securities products, including CDS products, and when developing margin models to cover credit exposures associated with providing clearance and settlement services for such products. By ensuring that it will take into consideration both WWR and RWR as proposed, LCH SA will have margin that more accurately measures the level of risk, and should therefore produce margin requirements that are commensurate with such risks, as well as the attributes of the products it clears. Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of Rule 17Ad-

22(b)(2) and Rule 17Ad-22(e)(6)(i) and (v).

IV. Conclusion

It Is Therefore Ordered pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-LCH SA-2017-009) be, and hereby is, approved.¹³

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

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82343; File No. SR-NYSE-2017-68]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Price List To Adopt a Rebate for the NYSE BondsSM System

December 18, 2017.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on December 14, 2017, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission (the "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 adopt a rebate for the NYSE BondsSM system. The proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

¹³ In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁴ 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 provide a rebate for the NYSE Bonds system.⁴

The Exchange currently does not charge any execution fee for orders in bonds that take liquidity from the NYSE Bonds Book. For orders in bonds that provide liquidity, the Exchange currently provides a rebate of \$0.05 per bond, with a maximum rebate of \$50 per execution, for bond liquidity providers that meet the requirements of Rule 88.⁵ The Exchange also currently provides rebates under the Liquidity Provider Incentive Program⁶ pursuant to which the Exchange pays a daily rebate to a User⁷ that is a Member or Member Organization based on the number of Qualifying CUSIPs on the NYSE Bonds Book for which a Unique User⁸ meets prescribed quoting requirements. The Exchange is not proposing any change to the bond liquidity provider rebate

⁴ The Exchange originally filed to amend the Fee Schedule on December 1, 2017 (SR-NYSE-2017-65) and withdrew such filing on December 14, 2017.

⁵ There are currently no bond liquidity providers who meet the requirements of Rule 88 and therefore no rebates are currently provided under the program.

⁶ See Securities Exchange Act Release Nos 77591 (April 12, 2016), 81 FR 22656 (April 18, 2016) (SR-NYSE-2016-26); 77812 (May 11, 2016), 81 FR 30594 (May 17, 2016) (SR-NYSE-2016-34); and 79210 (November 1, 2016), 81 FR 78213 (November 7, 2016) (SR-NYSE-2016-68).

⁷ Rule 86(b)(2)(M) defines a User as any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE Bonds.

⁸ For purposes of the Liquidity Provider Incentive Program, the term 'Unique User' means a User, a trading desk of a User, or a customer of a User, on whose behalf a Member or Member Organization enters quotes or orders under a Unique User ID that such User requests from and is provided by the Exchange. See Securities Exchange Act Release No. 80934 (June 15, 2017), 82 FR 28173 (June 20, 2017) (SR-NYSE-2017-27).

¹¹ 17 CFR 240.17Ad-22(b)(2).

¹² 17 CFR 240.17Ad-22(e)(6)(i) and (v).