Paper Comments

• Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549–1090.

All submissions should refer to File Number SR–EDGA–2012–27. 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 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–EDGA–2012–27, and should be submitted on or before July 30, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[11]

Kevin M. O'Neill,

Deputy Secretary.

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[11] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–67336; File No. SR–FICC–2012–04]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Clarify the Ability of the Government Securities Division To Use Implied Volatility Indicators as Part of the Volatility Model in Its Clearing Fund Formula

July 2, 2012.

I. Introduction

On May 15, 2012, the Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–FICC–2012–04 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder.[2] The proposed rule change was published for comment in the **Federal Register** on May 31, 2012.[3] The Commission received no comment letters regarding the proposal. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

II. Description

This proposed rule change relates to the use of implied volatility indicators in the clearing fund formula of FICC's Government Securities Division (''GSD''). As discussed in FICC's filing with the Commission, a primary objective of GSD's clearing fund (''Clearing Fund'')[4] is to have on deposit from each applicable Member[5] assets sufficient to satisfy losses that may otherwise be incurred by GSD as the result of the default of the Member and the resultant close out of that Member's unsettled positions under GSD's trade guaranty. The required Clearing Fund deposit of each Member is calculated twice daily[6] pursuant to a formula set forth in Section 1b of GSD Rule 4 designed to provide sufficient funds to cover this risk of loss. The Clearing Fund formula accounts for a variety of risk factors through the application of a number of components, each described in Section 1b of GSD Rule 4.

The volatility component of the Clearing Fund formula is designed to calculate the amount of money that may be lost on a portfolio over a given period of time assumed necessary to liquidate the portfolio within a given level of confidence. Pursuant to Section 1b of Rule 4, GSD may calculate the volatility component on a value at risk charge (''VaR Charge'') ''utilizing such assumptions (including confidence levels) and based on such historical data as [GSD] deems reasonable, and shall cover such range of historical volatility as [GSD] from time to time deems appropriate.''[7] FICC believes that Section 1b of Rule 4 therefore provides GSD with the flexibility to adjust the calculation of the volatility component of its Clearing Fund formula as needed to react to changes in market conditions, including through the use of such assumptions and data as it deems appropriate within its VaR Charge.

The historical simulation model currently used to calculate the VaR Charge in GSD's Clearing Fund formula is driven by historical data observed in the fixed-income market. While the model weighs the data it uses in favor of more recent observations, it is still limited in its ability to quickly reflect sudden changes in market volatility, which may lead to the collection of insufficient margin during periods of sudden market volatility.

GSD's Clearing Fund formula, in particular the VaR Charge, provides GSD with the discretion to adjust the model assumptions and data as necessary to react to these market conditions. To enhance the model's performance, additional information and other observable market data, including data derived from financial products with future maturity dates, thus may be incorporated into or utilized by the volatility model, including data observed in implied volatility indicators that are derived from historical prices of financial products that have maturity dates in the future (such as the 1-year option on the 10-year swap rate). For the avoidance of doubt, this proposed rule change

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 34–67059 (May 24, 2012), 77 FR 32153 (May 31, 2012). In its filing with the Commission, FICC included a detailed statement regarding the purposes of and basis for the proposed rule change. *See id.*

[4] FICC GSD Rule 1—Definitions provides that ''[t]he term 'Clearing Fund' means the Clearing Fund established by the Corporation pursuant to these Rules, which shall be comprised of the aggregate of all Required Fund Deposits and all other deposits, including Cross-Guaranty Repayment Deposits, to the Clearing Fund.''

[5] FICC GSD Rule 1—Definitions provides that ''[t]he term 'Member' means a Comparison-Only Member or a Netting Member. The term 'Member' shall include a Sponsoring Member in its capacity as a Sponsoring Member and a Sponsored Member, each to the extent specific in Rule 3A.''

[6] A Member's Clearing Fund deposit may also be recalculated on an intraday basis as needed.

[7] FICC GSD Rule 1—Definitions defining the term VaR Charge in relevant part.

amends the definition of VaR Charge to make clear that the assumptions and data utilized in calculating the VaR Charge may be based on observable market data, which may include implied market volatility indicators that are derived from historical prices of financial products that have maturity dates in the future, so as to enhance the performance of the model and enable GSD to more effectively achieve and maintain the confidence level required by regulatory and industry standards.[8] Incorporation of such information into volatility calculations is a generally accepted practice for portfolio volatility models, currently used by other clearing agencies, and accordingly consistent with current rules of FICC.

The proposed rule change clarifies that GSD at its discretion may utilize implied volatility indicators that are derived from historical prices of financial products that have maturity dates in the future among the assumptions and other observable market data as part of its volatility model. The proposal also clarifies the ability of GSD to adjust its volatility calculations as needed to improve the performance of the model in periods of market volatility. It therefore assists GSD to maintain the requisite confidence level notwithstanding those market conditions.

As an example of one such adjustment to the volatility model, GSD will apply a multiplier (''Augmented Volatility Adjustment Multiplier'') to the VaR Charge. The Augmented Volatility Adjustment Multiplier is based on the levels of change in current and implied volatility measures. An advantage of this approach is that as volatility subsides in the market so will the effect of the Augmented Volatility Adjustment Multiplier on Members' margin requirements. The volatility measures will be determined by reference to the implied volatility of the 1-year option on the 10-year USD LIBOR swap rate and the historical volatility of the 10-year USD LIBOR swap rate. It is expected that GSD will provide its Members with advance notice of the Augmented Volatility Adjustment Multiplier that may be applied to the Members' VaR Charge on a weekly basis.[9] By using a single fixed multiplier based on observable market data, Members will be able to predict the impact on their margin requirement. Although the Augmented Volatility Adjustment Multiplier will be automatically applied to each Member's VaR Charge, GSD may in its sole discretion determine to waive the application of the Augmented Volatility Adjustment Multiplier to all of its Members in circumstances it deems warrant such a waiver.[10]

FICC intends that this proposed rule change would be effective on a date no less than ten business days following an Important Notice to Members by FICC announcing any approval by the Commission.

III. Discussion

Section 19(b)(2)(B) of the Act [11] 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. In particular, Section 17A(b)(3)(F) of the Act [12] requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds that are in the custody or control of such clearing agency or for which it is responsible. The proposed rule change would clarify that FICC GSD's rules permit it to use implied volatility indicators that are derived from historical prices of financial products that have maturity dates in the future as part of the volatility model in its Clearing Fund formula. The use of these indicators should assist GSD in its efforts to ensure the efficacy of its volatility margin methodology in highly volatile markets and, thereby, reduce GSD's and its Members' exposure to the losses of a defaulting Member.

IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act, as well as with the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) [13] of the Act, that the proposed rule change (File No. SR–FICC–2012–04) be, and hereby is, *approved*.[14]

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[15]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2012–16653 Filed 7–6–12; 8:45 am]

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[8] The text of the proposed change to the definition of VaR Charge can be found in Exhibit 5 to proposed rule change SR–FICC–2012–04 at *http://www.dtcc.com/downloads/legal/rule_filings/2012/ficc/SR-FICC-2012-04.pdf.*

[9] FICC GSD will reserve the right to recalculate the multiplier more frequently than weekly in volatile market conditions.

[10] FICC GSD plans to apply a cap to the Augmented Volatility Adjustment Multiplier and initially the cap will be set at 2. FICC GSD will reserve the right to change the cap in its sole discretion.

[11] 15 U.S.C. 78s(b)(2)(B).

[12] 15 U.S.C. 78q–1(b)(3)(F).

[13] 15 U.S.C. 78s(b)(2).

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

[15] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[File No. 500–1]

Qiao Xing Universal Resources, Inc., and Qiao Xing Mobile Communication Co., Ltd.; Order of Suspension of Trading

July 5, 2012.

It appears to the Securities and Exchange Commission (''Commission'') that there is a lack of current and accurate information concerning the securities of Qiao Xing Universal Resources, Inc. (''XING''), a British Virgin Islands corporation with headquarters and operations in the People's Republic of China. Those securities now trade in the over-the-counter market under the symbol XINGF since trading in them was suspended by the NASDAQ Stock Market Inc. (''NASDAQ'') on May 10, 2012.

Questions have arisen regarding the accuracy and completeness of information contained in XING's public filings with the Commission concerning, among other things, the effectiveness of XING's internal control over financial reporting. It appears to the Commission that relevant information has not been disclosed about XING, including the following: (1) Its CFO resigned; (2) its independent auditor resigned; and (3) its US counsel resigned.

It also appears to the Commission that there is a lack of current and accurate information concerning the securities of Qiao Xing Mobile Communication Co., Ltd. (''QXM''), a British Virgin Islands corporation with headquarters and operations in the People's Republic of China, which now trades in the over-the-counter market under the symbol QXMCF since it was suspended by the New York Stock Exchange (''NYSE'') on May 18, 2012.

It appears to the Commission that relevant information has not been disclosed about QXM, including the