

#### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

Section 19(b) of the Act<sup>3</sup> 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. The Commission finds that the proposed rule change is consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act, and the rules and regulations thereunder applicable to CME.<sup>4</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act, which requires, among other things, that the rules of a registered clearing agency be designed 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 and to protect investors and the public interest.<sup>5</sup>

In its filing, CME requested that the Commission approve this proposed rule change on an accelerated basis for good cause shown. CME cites as the reason for this request CME's operation as a derivatives clearing organization subject to regulation by the CFTC and that the proposed changes are required to comply with new CFTC regulations that become effective on November 8, 2012.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> for approving the proposed rule change prior to the 30th day after the date of publication of notice in the **Federal Register** because, as a registered derivatives clearing organization, CME must amend certain of its rules to comply with the CFTC's Part 22 Regulations that will become effective on November 8, 2012.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CME-2012-30) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67983; File No. SR-ICC-2012-17]

#### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change To Revise Rules Related To Legal Segregation With Operational Commingling

October 4, 2012.

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 21, 2012, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule changes described in Items I and II below, which Items have been prepared primarily by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the proposed rule change on an accelerated basis.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

ICC submits proposed amendments to its Rules to implement the enhanced margin segregation model for cleared swaps that the Commodity Futures Trading Commission ("CFTC") adopted in Part 22 of the CFTC regulations (generally referred to as "legal segregation with operational commingling" or "LSOC"). CFTC rules require ICC (like other derivatives clearing organizations) to implement LSOC by November 8, 2012. As result of the LSOC requirements, ICC principally proposes to (i) introduce new procedures for allocating initial margin to the positions carried for each customer on a customer-by-customer basis, (ii) introduce new procedures for calling for, holding and returning customer margin in light of the requirement to allocate initial margin on a customer-by-customer basis, and (iii) change the default "waterfall" to limit

ICC's ability to use customer margin in the event that a clearing member defaults, consistent with the requirements of LSOC. The LSOC requirements are intended to mitigate the risk that one customer of a clearing member would suffer a loss because of a default by another clearing member. ICC will also be removing existing provisions of the Rules that addressed the holding of excess margin and will not be necessary in ICC's initial implementation of LSOC.

ICC proposes to amend Parts 3, 4, 8, 20 and 20A of the ICC Rules, as well as related definitions, to incorporate Part 22 of the CFTC Regulations. The other proposed changes in the ICC Rules reflect conforming changes and drafting clarifications and do not affect the substance of the ICC Rules or forms of cleared products. All capitalized terms not defined herein are defined in the ICC Rules.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received on the proposed rule changes. The text of these statements may be examined at the places specified in Item III below. ICC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of these statements.<sup>3</sup>

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

As noted above, the principal purpose of the proposed rule amendments is intended to update the particular characteristics of the Rules applicable to the segregation of customer margin. Specifically, the proposed rule changes affect Parts 3, 4, 8, 20 and 20A of the ICC Rules, and related definitions, by providing, in summary, that initial margin allocated to a particular customer's positions may not be used to cover losses arising from another customer's positions. Each of these changes is described in detail as follows.

In Part 1 of the ICC Rules, the definitions of "custodial asset policies," "custodial client omnibus margin account," "eligible custodial assets,"

<sup>3</sup> The Commission has modified the text of the summaries prepared by ICC to reflect information communicated during phone calls with Michelle Weiler, Assistant General Counsel, on October 2 and October 3, 2012.

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

<sup>4</sup> 15 U.S.C. 78q-1. In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

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

<sup>7</sup> 17 CFR 200.30-3(a)(12).

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

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

“excess margin,” “net client omnibus margin account,” “net margin requirement,” and “Participant excess margin” have been deleted to reflect the LSOC model and particularly the elimination of provisions relating to holding excess margin at ICC. New definitions for “client omnibus margin account” and “non-Participant party portfolio” have been added to accommodate the LSOC model, including the customer-by-customer tracking of initial margin and positions.

Existing Rule 304(b), which pertains to offsets, has been revised to conform to LSOC requirements that ICC calculate and collect Client-Related Initial Margin on a gross basis as opposed to a net basis. Existing Rule 307 has been revised so that the Statement of Open Positions now lists the Net House Margin Requirement and the Net Client-Related Mark-To-Market Margin Requirement, and Existing Rule 308 has been modified so that the Statement of Initial Margin states the Net House Margin Requirement and the Non-Participant Party Portfolio Margin Requirement for each Non-Participant Party Portfolio.

Existing Rule 401(a) has been revised so that it only applies to house margin. ICC has adopted a new Rule 401(b) that governs for client-related margin, which is the margin posted by a Participant in respect of Client-Related Positions. To comply with LSOC as it relates to “initial margin,” under new Rule 401(b)(i), ICC will calculate the initial margin requirement separately for each Non-Participant Party Portfolio and compare it to the value of initial margin provided by the Participant and allocated by ICC under CFTC Rules to that portfolio. In each margin cycle, ICC will call for additional initial margin for each Non-Participant Party Portfolio for which there is a shortfall. ICC will separately make available for return to the Participant any excess initial margin held with respect to a Non-Participant Party Portfolio.

For “mark-to-market margin” under new Rule 401(b)(ii), ICC will continue to calculate a net amount for all Client-Related Positions in all Non-Participant Party Portfolios and compare it to the value of the mark-to-market margin held by ICC or the value of the mark-to-market margin held or deemed held by the Participant. For each margin cycle, ICC will make a net call or payment of mark-to-market margin, as appropriate.

Under the proposed revised Rule 402(h), ICC has incorporated the new CFTC Rule 22.15, which limits ICC’s use of the Initial Margin posted in respect of Client-Related Positions. Revisions to Rule 406 eliminate various provisions

that are now covered by CFTC regulations and are no longer necessary with the implementation of the LSOC framework. Further, under the proposed new Rule 406(l), ICC states that it will not accept the deposit of Margin from a Participant in respect of Client-Related Positions in excess of the amount required by ICC.

ICC proposes to revise Rule 20–605(c)(i)(A) in order to modify the default “waterfall” for application of resources in the Closing-out Process for Client-Related Positions upon a Participant default to reflect new CFTC Rule 22.15. The principal change to the rule is in subclause (C), which provides that ICC is only entitled to use Initial Margin allocated to a particular Non-Participant Party Portfolio to cover losses from that portfolio. Initial Margin for Client-Related Positions could not otherwise be applied by ICC as part of the default waterfall. Rule 20–605(c)(i)(A) and (B) also contain various non-substantive drafting improvements and clarifications as compared to the existing Rule. Revisions to Rule 20–605(d) address ICC’s ability to allocate margin to a particular Non-Participant Party Portfolio for purposes of the default waterfall. ICC has also made conforming changes to Chapter 8 of the Rules, which addresses the use of the guaranty fund in the default waterfall.

The proposed changes to Part 20A of the ICC Rules, which address transfer of positions, are also intended to conform to the changes in the default waterfall.

Finally, in addition to rule changes designed to address Part 22 of the CFTC Regulations, existing Rule 405 has been deleted because it is no longer applicable.

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

ICC does not believe the proposed rule change would have any impact, or impose any burden, on competition.

#### *C. Self-Regulatory Organization’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. ICC will notify the Commission of any written comments received by ICC.

### **III. 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–ICC–2012–17 on the subject line.

#### *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–ICC–2012–17. 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 filings will also be available for inspection and copying at the principal office of ICC and on ICC’s Web site at [https://www.theice.com/publicdocs/regulatory\\_filings/ICEClearCredit\\_092112.pdf](https://www.theice.com/publicdocs/regulatory_filings/ICEClearCredit_092112.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–ICC–2012–17 and should be submitted on or before November 2, 2012.

### **IV. Commission’s Findings and Order Granting Accelerated Approval of Proposed Rule Change**

Section 19(b) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule

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

change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. The Commission finds that the proposed rule change is consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act, and the rules and regulations thereunder applicable to ICC.<sup>5</sup> Specifically, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act, which requires, among other things, that the rules of a registered clearing agency be designed 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 and to protect investors and the public interest.<sup>6</sup>

In its filing, ICC requested that the Commission approve this proposed rule change on an accelerated basis for good cause shown. ICC believes there is good cause for accelerated approval because the rule change is required to be in compliance with Part 22 of the CFTC Regulations, which will become effective on November 8, 2012.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> for approving the proposed rule change prior to the 30th day after the date of publication of notice in the **Federal Register** because, as a derivatives clearing organization registered with the CFTC, ICC must amend certain of its rules to comply with CFTC's Part 22 Regulations that will become effective on November 8, 2012.

## V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-ICC-2012-17) be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Kevin M. O'Neill**,  
Deputy Secretary.

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<sup>5</sup> 15 U.S.C. 78q-1. In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 15 U.S.C. 78s(b)(2).

<sup>8</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67992; File No. SR-CBOE-2012-095]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Closing Rotation Procedures for S&P 500 Index Options

October 5, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 28, 2012, Chicago Board Options Exchange, Incorporated ("Exchange" or "CBOE") 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 Exchange. The Exchange has designated the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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 filing proposes to adopt Interpretation and Policy .06 under CBOE Rule 6.2B relating to closing rotation procedures to determine the month-end closing price for each series of S&P 500 Index options based on the theoretical fair value of such series. The text of the proposed rule change is available on the Exchange's Web site at <http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>, at the principal office of the Exchange, 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 Exchange 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. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization'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 codify and formalize the process by which, at each month-end, the closing price of each series of S&P 500 Index ("SPX") options are aligned with the closing value of (i) the underlying stock index in the cash market, and (ii) the related SPX futures contracts traded on the Chicago Mercantile Exchange ("CME").

##### Background

Beginning in December 1999, the CME instituted a special settlement procedure to determine a fair value settlement price of its domestic stock index futures for the December month-end based on the closing value of the underlying stock index, rather than the actual closing price of the index futures contract.<sup>5</sup> The fair value of each index futures contract is calculated based on the value of the underlying stock index as of the cash market close at 3:00 p.m.,<sup>6</sup> even though futures trading continues until 3:15 p.m. For these month-end settlement days, this 3:00 p.m. theoretical fair value replaces the actual 3:15 p.m. final trading price as the settlement value of the stock index futures contract for all purposes—including account value reporting and end-of-day variation margin calls.<sup>7</sup>

The Exchange understands that the CME created this fair value settlement price at the request of certain institutional investors. These institutional investors require an independent third-party valuation of the fair value of their futures positions as of the 3:00 p.m. close of the underlying cash markets. Many market participants are active in both the futures and cash markets and want the values of their futures positions to align with the value of their underlying cash market positions. If the month-end settlement price in their stock index futures positions were based on the 3:15 p.m.

<sup>5</sup> The CME originally instituted this practice for the December 31, 1999 year-end, but has adopted the practice for each month-end closing date since January 2001.

<sup>6</sup> All times referred to herein are Chicago time.

<sup>7</sup> See generally CME Group, Month-End Fair Value Procedures, available at <http://www.cmegroup.com/trading/equity-index/fairvaluefaq.html>.

<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)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).