AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

on the part of any person concerned. This condition does not apply with respect to any services or transactions between a Fund and its investment adviser(s), or any person controlling, controlled by or under common control with such investment adviser(s).

5. The Fund of Funds Adviser, or trustee or Sponsor of an Investing Trust, as applicable, will waive fees otherwise payable to it by the Fund of Funds in an amount at least equal to any compensation (including fees received pursuant to any plan adopted by a Fund under rule 12b-l under the Act) received from a Fund by the Fund of Funds Adviser, or trustee or Sponsor of the Investing Trust, or an affiliated person of the Fund of Funds Adviser, or trustee or Sponsor of the Investing Trust, other than any advisory fees paid to the Fund of Funds Adviser, trustee or Sponsor of an Investing Trust, or its affiliated person by the Fund, in connection with the investment by the Fund of Funds in the Fund. Any Fund of Funds Sub-Adviser will waive fees otherwise payable to the Fund of Funds Sub-Adviser, directly or indirectly, by the Investing Management Company in an amount at least equal to any compensation received from a Fund by the Fund of Funds Sub-Adviser, or an affiliated person of the Fund of Funds Sub-Adviser, other than any advisory fees paid to the Fund of Funds Sub-Adviser or its affiliated person by the Fund, in connection with the investment by the Investing Management Company in the Fund made at the direction of the Fund of Funds Sub-Adviser. In the event that the Fund of Funds Sub-Adviser waives fees, the benefit of the waiver will be passed through to the Investing Management Company.

6. No Fund of Funds or Fund of Funds Affiliate (except to the extent it is acting in its capacity as an investment adviser to a Fund) will cause a Fund to purchase a security in any Affiliated Underwriting.

7. The Board of a Fund, including a majority of the non-interested Board members, will adopt procedures reasonably designed to monitor any purchases of securities by the Fund in an Affiliated Underwriting, once an investment by a Fund of Funds in the securities of the Fund exceeds the limit of section 12(d)(1)(A)(i) of the Act, including any purchases made directly from an Underwriting Affiliate. The Board will review these purchases periodically, but no less frequently than annually, to determine whether the purchases were influenced by the investment by the Fund of Funds in the Fund. The Board will consider, among other things: (i) Whether the purchases were consistent with the investment objectives and policies of the Fund; (ii) how the performance of securities purchased in an Affiliated Underwriting compares to the performance of comparable securities purchased during a comparable period of time in underwritings other than Affiliated Underwritings or to a benchmark such as a comparable market index; and (iii) whether the amount of securities purchased by the Fund in Affiliated Underwritings and the amount purchased directly from an Underwriting Affiliate have changed significantly from prior years. The Board will take any appropriate actions based on its review, including, if appropriate, the institution of procedures designed to ensure that purchases of securities in Affiliated Underwritings are in the best interest of shareholders of the Fund.

8. Each Fund will maintain and preserve permanently in an easily accessible place a written copy of the procedures described in the preceding condition, and any modifications to such procedures, and will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any purchase in an Affiliated Underwriting occurred, the first two years in an easily accessible place, a written record of each purchase of securities in Affiliated Underwritings once an investment by a Fund of Funds in the securities of the Fund exceeds the limit of section 12(d)(1)(A)(i) of the Act, setting forth from whom the securities were acquired, the identity of the underwriting syndicate's members, the terms of the purchase, and the information or materials upon which the Board's determinations were made.

9. Before investing in a Fund in excess of the limit in section 12(d)(1)(A), a Fund of Funds and the Trust will execute a FOF Participation Agreement stating without limitation that their respective boards of directors or trustees and their investment advisers, or trustee and Sponsor, as applicable, understand the terms and conditions of the order, and agree to fulfill their responsibilities under the order. At the time of its investment in Shares of a Fund in excess of the limit in section 12(d)(1)(A)(i), a Fund of Funds will notify the Fund of the investment. At such time, the Fund of Funds will also transmit to the Fund a list of the names of each Fund of Funds Affiliate and Underwriting Affiliate. The Fund of Funds will notify the Fund of any changes to the list of the names as soon as reasonably practicable after a change occurs. The Fund and the Fund of Funds will maintain and preserve a copy of the order, the FOF Participation Agreement, and the list with any updated information for the duration of the investment and for a period of not less than six years thereafter, the first two years in an easily accessible place.

10. Before approving any advisory contract under section 15 of the Act, the board of directors or trustees of each Investing Management Company including a majority of the disinterested directors or trustees, will find that the advisory fees charged under such contract are based on services provided that will be in addition to, rather than duplicative of, the services provided under the advisory contract(s) of any Fund in which the Investing Management Company may invest. These findings and their basis will be fully recorded in the minute books of the appropriate Investing Management Company.

11. Any sales charges and/or service fees charged with respect to shares of a Fund of Funds will not exceed the limits applicable to a fund of funds as set forth in NASD Conduct Rule 2830.

12. No Fund will acquire securities of an investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act, except to the extent the Fund acquires securities of another investment company pursuant to exemptive relief from the Commission permitting the Fund to acquire securities of one or more investment companies for short-term cash management purposes.

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

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–14803 Filed 6–20–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69774; File No. SR–FICC–2013–06]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Request To Extend the Pilot Program for Certain Government Securities Division Rules Relating to the GCF Repo® Service

June 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that, on

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

June 5, 2013, the Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule changes [2] as described in Items I, II and III below, which Items have been prepared primarily by FICC. 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 proposed rule changes consist of modifications to the Rulebook of the Government Securities Division (''GSD'') in connection with the GCF Repo® service.[3]

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

In its filing with the Commission, FICC 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. FICC 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

FICC is seeking the Commission's approval to extend the current pilot program (the ''2012 Pilot Program'') that is currently in effect for the GCF Repo® service. FICC is requesting that the 2012 Pilot Program be extended for one year following the Commission's approval of the present filing.[4]

By way of background, on July 12, 2011, FICC submitted a rule filing to the Commission (SR–FICC–2011–05) proposing to make certain changes to its GCF Repo service in order to comply with the recommendations that had been made by the Task Force on Triparty Reform (''TPR''), an industry group formed and sponsored by the Federal Reserve Bank of New York.[5] Because the GCF Repo service operates as a triparty mechanism, FICC was requested to incorporate changes to the GCF Repo service to align the service with the other TPR recommended changes for the overall triparty market.

The rule change described in SR–FICC–2011–05 was proposed to be run as a pilot program for one year starting from the date on which the filing was approved by the Commission (the ''2011 Pilot Program'').[6] Throughout 2011 and the earlier half of 2012, FICC implemented a portion of the rule changes that were included in SR–FICC–2011–05. As the expiration date of the 2011 Pilot Program approached, FICC elected to have certain aspects of the 2011 Pilot Program continue, however, FICC also proposed to make certain modifications to the 2011 Pilot Program. As a result, on June 8, 2012, FICC submitted a rule filing for the 2012 Pilot Program (SR–FICC–2012–05).[7] Because the 2012 Pilot Program is now approaching its expiry date, FICC is proposing to continue this pilot.[8]

Background: Description of the GCF Repo Service and History

(1) Creation of the GCF Repo Service

The GCF Repo service allows GSD dealer members to trade general collateral repos [9] throughout the day without requiring intra-day, trade-for-trade settlement on a delivery-versus-payment (DVP) basis. The service allows the dealers to trade such general collateral repos, based on rate and term, throughout the day with inter-dealer broker netting members on a blind basis. Standardized, generic CUSIP numbers have been established exclusively for GCF Repo processing and are used to specify the acceptable type of underlying Fedwire book-entry eligible collateral, which includes Treasuries, Agencies, and certain mortgage-backed securities.

The GCF Repo service was developed as part of a collaborative effort among GSCC (FICC's predecessor), its two clearing banks (The Bank of New York Mellon (''BNY'') and JPMorgan Chase Bank, National Association (''Chase''))—and industry representatives. GSCC introduced the GCF Repo service on an *intra*-clearing bank basis in 1998.[10] Under the intrabank service, dealers could only engage in GCF Repo transactions with other dealers that cleared at the *same* clearing bank.

(2) Creation of the Interbank Version of the GCF Repo Service

In 1999, GSCC expanded the GCF Repo service to permit dealer participants to engage in GCF Repo trading on an *inter*-clearing bank basis, meaning that dealers using *different* clearing banks could enter into GCF Repo transactions (on a blind brokered basis).[11] Because dealer members that participate in the GCF Repo service do not all clear at the same clearing bank, introducing the service as an interbank service necessitated the establishment of a mechanism to permit after-hours movements of securities between the two clearing banks to deal with the fact that GSCC would likely have unbalanced net GCF securities and cash positions within each clearing bank (that is, it is likely that at the end of GCF Repo processing each business day, the dealers in one clearing bank will be net funds borrowers, while the dealers at the other clearing bank will be net funds lenders). To address this issue, GSCC and its clearing banks established, and the Commission approved, a legal mechanism by which securities would ''move'' across the clearing banks without the use of the securities Fedwire.[12] (Movements of cash do not present the same issue because the cash Fedwire is open later than the securities Fedwire.) Therefore, at the end of the day, after the GCF net results are produced, securities are pledged via a tri-party-like mechanism and the interbank cash component is moved via

[2] The rule changes described in this notice already appear in the rulebook of FICC's Government Securities Division because the Commission temporarily approved the changes in 2012. *See* Securities Exchange Act Release No. 67621 (August 8, 2012), 77 FR 48572–01 (August 14, 2012) (SR–FICC–2012–05). As the Commission's approval will expire in August 2013, this filing seeks Commission approval to extend those rule changes for one additional year.

[3] GCF Repo is a registered trademark of FICC/DTCC.

[4] If FICC determines to change the parameters of the service during the one-year Pilot Program extension period, it will submit a rule filing to the Commission. If FICC seeks to extend the Pilot Program beyond the one-year period or proposes to make the Pilot Program permanent, it will also submit a rule filing to the Commission.

[5] The main purpose of the TPR was to develop recommendations to address the risk presented by triparty repo transactions due to the current morning reversal or ''unwind'' process and to move to a process by which transactions are collateralized all day.

[6] Securities Exchange Act Release No. 34–65213 (August 29, 2011), 76 FR 54824 (September 2, 2011)(SR–FICC–2011–05).

[7] Securities Exchange Release No. 34–67621 (August 8, 2012); 77 FR 48572 (August 14, 2012) (SR–FICC–2012–05).

[8] If FICC determines to change the parameters of the service during the one-year Pilot Program extension period, it will submit a rule filing to the Commission. If FICC seeks to extend the Pilot Program beyond the one-year period or proposes to make the Pilot Program permanent, it will also submit a rule filing to the Commission.

[9] A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

[10] *See* Securities Exchange Act Release No. 34–40623 (October 30, 1998) 63 FR 59831 (November 5, 1998) (SR–GSCC–98–02).

[11] *See* Securities Exchange Act Release No. 34–41303 (April 16, 1999) 64 FR 20346 (April 26, 1999) (SR–GSCC–99–01).

[12] *See id.* for a detailed description of the clearing bank and FICC accounts needed to effect the after-hour movement of securities.

Fedwire. In the morning, the pledges are unwound, that is, funds are returned to the net funds lenders and securities are returned to the net funds borrowers.

The following simplified example illustrates the manner in which the GCF Repo services works on an interbank basis:

Assume that Dealer B clears at BNY and Dealer C clears at Chase. Further assume that: (i) Outside of FICC, Dealer B engages in a triparty repo transaction with Party X to obtain funds and seeks to invest such funds via a GCF Repo transaction, (ii) outside of FICC, Dealer C engages in a DVP repo with Party Y to buy securities and seeks to finance these securities via a GCF Repo transaction, and (iii) Dealer B and Dealer C enter into a GCF Repo transaction (on a blind basis via a GCF Repo broker) and submit the trade details to FICC.

At the end of ''Day 1,'' GCF Repo collateral must be allocated, i.e., Dealer B must receive the securities. However, the securities that Dealer B is to receive are at Chase and the securities Fedwire is closed. The after-hours movement mechanism permits the securities to be ''sent'' to Dealer B as follows: FICC will instruct Chase to allocate to a special FICC clearance account at Chase securities in an amount equal to the net short securities position.

FICC has established on its own books and records two ''securities accounts'' as defined in Article 8 of the New York Uniform Commercial Code, one in the name of Chase (''FICC Account for Chase'') and one in the name of BNY (''FICC Account for BNY''). The FICC Account for Chase is comprised of the securities in FICC's special clearance account maintained by BNY (''FICC Special Clearance Account at BNY for Chase''), and the FICC Account for BNY is comprised of the securities in FICC's special clearance account maintained by Chase (''FICC Special Clearance Account at Chase for BNY'').[13] The establishment of these securities accounts by FICC in the name of the clearing banks enables the bank that is in the net long securities position to ''receive'' securities by pledge after the close of the securities Fedwire. Once the clearing bank has ''received'' the securities by pledge, it can credit them by book-entry to a FICC GCF Repo account at that clearing bank and then to the dealers that clear at that bank that are net long the securities in connection with GCF Repo trades.

In our example, Chase, as agent for FICC, will transmit to BNY a description of the securities in the FICC Special Clearance Account at Chase for BNY. Based on this description, BNY will transfer funds equal to the funds borrowed position to the FICC GCF Repo account at Chase. Upon receipt of the funds by Chase, Chase will release any liens it may have on the FICC Special Clearance Account at Chase for BNY, and FICC will release any liens it may have on FICC Account for BNY (both of these accounts being comprised of the same securities). BNY will credit the securities in the FICC Account for BNY to FICC's GCF Repo account at BNY, and BNY will further credit these securities to Dealer B, who, as noted, is in a net long securities position. In the morning of ''Day 2,'' all securities and funds movements occurring on Day 1, are reversed (''unwind'').

(3) Issues With Morning Unwind Process

In 2003, FICC shifted the GCF Repo service back to intrabank status only.[14] By that time, the service had grown significantly in participation and volume. However, with the increase in use of the interbank service, certain payments systems risk issues arose from the inter-bank funds settlements related to the service, namely, the large interbank funds movement in the morning. FICC shifted the service back to intrabank status to enable management to study the issues presented and identify a satisfactory solution for bringing the service back to interbank status.

(4) The NFE Filing and Restoration of Service to Interbank Status

In 2007, FICC submitted a rule filing to address the issues raised by the interbank morning funds movement and return the GCF Repo service to interbank status (the ''2007 NFE Filing'').[15] The 2007 NFE Filing addressed these issues by using a hold against a dealer's ''net free equity'' (''NFE'') at the clearing bank to collateralize its GCF Repo cash obligation to FICC on an intraday basis.[16]

The 2007 NFE Filing replaced the Day 2 morning unwind process with an alternate process, which is currently in effect. Specifically, in lieu of making funds payments, the interbank dealers grant to FICC a security interest in their NFE-related collateral equal to their prorated share of the total interbank funds amount. FICC, in turn, grants to the other clearing bank (that was due to receive the funds) a security interest in the NFE-related collateral to support the debit in the FICC account at the clearing bank. The debit in the FICC account (''Interbank Cash Amount Debit'') occurs because the dealers who are due to receive funds in the morning must receive those funds at that time in return for their release of collateral. The debit in the FICC account at the clearing bank gets satisfied during the end of day GCF Repo settlement process. Specifically, that day's new activity yields a new interbank funds amount that will move at end of day—however, this amount gets netted with the amount that would have been due in the morning, thus further reducing the interbank funds movement. The NFE holds are released when the interbank funds movement is made at end of day. The 2007 NFE Filing did not involve any changes to the after-hours movement of securities occurring at the end of the day on Day 1. Using our simplified example:

On the morning of Day 2, Dealer C who needs to return funds in the unwind, instead of returning the funds in the morning, grants to FICC a security interest in Dealer C's NFE-related collateral equal to its funds movement (we have assumed only one GCF Repo transaction took place in this simplified example). FICC, in turn, grants BNY (that was due to receive the funds) a security interest in the NFE-related collateral to support the debit in the FICC account at BNY. As noted above, the debit in FICC's account at BNY arises because, under the current processing, Dealer B must receive its funds during the morning unwind. The FICC debit is then satisfied during the end of day GCF Repo settlement process.

As part of the 2007 NFE Filing, FICC imposed certain additional risk management measures with respect to the GCF Repo service. First, FICC imposed a collateral premium (called ''GCF Premium Charge'') on the GCF Repo portion of the Clearing Fund deposits of all GCF participants to further protect FICC in the event of an

[13] FICC has appointed Chase as its agent to maintain FICC's books and records with respect to the BNY securities account, and FICC has appointed BNY as its agent to maintain FICC's books and records with respect to the Chase securities account.

[14] *See* Securities Exchange Act Release No. 34–48006 (June 10, 2003), 68 FR 35745 (June 16, 2003) (SR–FICC–2003–04).

[15] *See* Securities Exchange Act Release No. 34–57652 (April 11, 2008), 73 FR 20999 (April 17, 2008) (SR–FICC–2007–08).

[16] NFE is a methodology that clearing banks use to determine whether an account holder (such as a dealer) has sufficient collateral to enter a specific transaction. NFE allows the clearing bank to place a limit on its customer's activity by calculating a value on the customer's balances at the bank. Bank customers have the ability to monitor their NFE balance throughout the day.

intra-day default of a GCF Repo participant. FICC requires GCF Repo participants to submit a quarterly ''snapshot'' of their holdings by asset type to enable Risk Management staff to determine the appropriate Clearing Fund premium. Members who do not submit this required information by the deadlines established by FICC are subject to fine and an increased Clearing Fund premium, as with all other instances of late submission of required information.

Second, the 2007 NFE Filing addressed the situation where FICC becomes concerned about the volume of interbank GCF Repo activity. Such a concern might arise, for example, if market events were to cause dealers to turn to the GCF Repo service for increased funding at levels beyond normal processing. The 2007 NFE Filing provides FICC with the discretion to institute risk mitigation and appropriate disincentive measures in order to bring GCF Repo levels to a comfortable level from a risk management perspective.[17]

2011 Pilot Program—Proposed Changes to the GCF Repo Service To Implement the TPR's Recommendations

In SR–FICC–2011–05, FICC proposed the following rule changes with respect to the GCF Repo service to address the TPR's Recommendations:

(1)(a) To move the Day 2 unwind from 7:30 a.m. to 3:30 p.m., (b) to move the NFE process[18] from morning to a time established by the Corporation as announced by notice to all members,[19] (c) to move the cut-off time of GCF Repo submissions from 3:35 p.m. to 3:00 p.m., and (d) to move the cut-off time for dealer affirmation or disaffirmation from 3:45 p.m. to 3:00 p.m.

(2) To establish rules for intraday GCF Repo collateral substitutions (i.e., SR–FICC–2011–05 stated that with respect to interbank GCF Repo transactions, the substitution process will only permit cash as an initial matter to accommodate current processing systems, however, as noted below, the substitution process will permit cash and/or securities).

During the term of the 2011 Pilot Program, FICC implemented the proposed changes referred to in subsections 1(c) and 1(d) above and during the term of the 2012 Pilot Program, FICC implemented the proposed changes referred to in subsections 1(a), 1(b) and 2 above.

(1) Proposed Change Regarding the Morning Unwind and Related Rule Changes

The TPR recommended that the Day 2 unwind for all triparty transactions be moved from the morning to 3:30 p.m. The TPR made this recommendation in order to achieve the benefit of reducing the clearing banks' intraday exposure to the dealers. As stated, because the GCF Repo service is essentially a triparty mechanism, the TPR requested that FICC accommodate this time change. For the GSD rules, this necessitated a change to the GSD's ''Schedule of GCF Timeframes.'' Specifically, the 7:30 a.m. time in the Schedule was deleted and the language therein was moved to a new time of 3:30 p.m.

Because the Day 2 unwind moved from the morning to 3:30 p.m. and because the NFE process established by the 2007 NFE Filing is tied to the moment of the unwind, the NFE process also was required to move. During 2012, when the systems processing for the tri-party reform effort continued on the part of the clearing banks, the unwind moved to 3:30 p.m. and the funds continued to move between the two clearing banks at 5:00 p.m.; the NFE hold which applies to dealers moved to between 3:30 p.m. and 5:00 p.m. Because the NFE process is a legal process and not an operational process, it is not reflected on the Schedule of GCF Timeframes and therefore no change to the Schedule was required to accommodate the move of the NFE process. A change was needed in Section 3 of GSD Rule 20 to delete the reference to the ''morning'' timeframe on Day 2 with respect to the NFE process and to add language referencing ''at the time established by the Corporation.''

(2) Proposed Change Regarding Intraday GCF Repo Securities Collateral Substitutions

As a result of the time change of the unwind (i.e., the reversal on Day 2 of collateral allocations established by FICC for each netting member's GCF net funds borrower positions and GCF net funds lender positions on Day 1) to 3:30 p.m., the provider of GCF Repo securities collateral in a GCF Repo transaction on Day 1 no longer has possession of such securities at the beginning of Day 2. Therefore, during Day 2 prior to the unwind of the Day 1 collateral allocations, the provider of GCF Repo securities collateral (in our simple example, Dealer C) needs a substitution mechanism for the return of its posted GCF Repo securities collateral in order to make securities deliveries for utilization of such securities in its business activities. (In our example, Dealer C may need to return the securities to Party Y depending upon the terms of their transaction.) In the 2012 Pilot Program, FICC established a substitution process for this purpose in conjunction with its clearing banks. The language for the substitution mechanism was added to Section 3 of GSD Rule 20. It provides that all requests for substitution for the GCF Repo securities collateral must be submitted by the provider of the GCF Repo securities collateral (i.e., Dealer C) by the applicable deadline on Day 2 (the ''substitution deadline'').[20]

Substitutions on Intrabank GCF Repos

If the GCF Repo transaction is between dealer counterparties effecting the transaction through the same clearing bank (i.e., on an intra-clearing bank basis and in our example Dealer C and other dealers clearing at Chase), on Day 2 such clearing bank will process each substitution request of the provider of GCF Repo securities collateral (i.e., Dealer C) submitted prior to the substitution deadline promptly upon receipt of such request. The return of the GCF Repo securities collateral in

[17] Specifically, the 2007 NFE filing introduced the term ''GCF Repo Event'', which will be declared by FICC if either of the following occurs: (i) The GCF interbank funds amount exceeds five times the average interbank funds amount over the previous ninety days for three consecutive days; or (ii) the GCF interbank funds amount exceeds fifty percent of the amount of GCF Repo collateral pledged for three consecutive days. FICC reviews these figures on a semi-annual basis to determine whether they remain adequate. FICC also has the right to declare a GCF Repo Event in any other circumstances where it is concerned about GCF Repo volumes and believes it is necessary to declare a GCF Repo Event in order to protect itself and its members. FICC will inform its members about the declaration of the GCF Repo Event via important notice. FICC will also inform the Commission about the declaration of the GCF Repo Event.

[18] No other changes are being proposed to the NFE process that was in place by the 2007 NFE Filing; the risk management measures that were put in place by the 2007 NFE Filing remain in place with the present proposal.

[19] SR–FICC–2011–05 noted that the possible time range would be 8 a.m. to 1 p.m. to coincide with the collateral substitution mechanism that was being developed between FICC and its clearing banks. In rule filing SR–FICC–2012–05, FICC clarified that the 8:00 a.m. to 1:00 p.m. proposed time range in SR–FICC–2011–05 referred to the clearing bank hold on the FICC interest in the NFE (i.e., as part of the NFE process, FICC grants to the other clearing bank (that was due to receive the funds) a security interest in the NFE—related collateral to support the debit in the FICC account at the clearing bank). At present, given the move of the NFE process (as discussed in more detail below), this proposed time range has now moved from 8:00 a.m. to 3:30 p.m.

[20] As noted in SR–FICC–2012–05, FICC will establish such deadline prior to the implementation of the changes to this service in conjunction with the clearing banks and the Federal Reserve in light of market circumstances. As noted in Important Notice GOV088.12, once delivery has been made to GSD on the new obligations for that business day, no substitutions will be permitted for the remainder of the day.

exchange for cash and/or eligible securities of equivalent value can be effected by simple debits and credits to the accounts of the GCF Repo dealer counterparties at the clearing agent bank (i.e., in our example, Chase). Eligible securities for this purpose will be the same as what is currently permitted under the GSD rules for collateral allocations, namely, Comparable Securities,[21] (ii) Other Acceptable Securities,[22] or (iii) U.S. Treasury bills, notes or bonds maturing in a time frame no greater than that of the securities that have been traded (except where such traded securities are U.S. Treasury bills, substitution may be with Comparable Securities and/or cash only).

Substitutions on Interbank GCF Repos

For a GCF Repo that was processed on an interbank basis and to accommodate a potential substitution request, FICC initiates a debit of the securities in the account of the lender through the FICC GCF Repo accounts at the clearing bank of the lender and the FICC GCF Repo account at the clearing bank of the borrower (''Interbank Movement''). This Interbank Movement is done so that a borrower who elects to substitute collateral will have access to the collateral for which it is substituting. The Interbank Movement occurs in the morning, though the clearing banks and FICC have the capability to have the Interbank Movement occur at any point during the day up until 2:30 p.m. During the 2012 Pilot Program, FICC and the clearing banks implemented a change to unwind the intrabank GCF Repo transactions at 3:30 p.m.

In the example above, the GCF Repo securities collateral will be debited from the securities account of the receiver of the collateral (i.e., Dealer B) at its clearing bank (i.e., BNY), and from the FICC Account for BNY. If a substitution request is received by the clearing bank (i.e., Chase) of the provider of GCF Repo securities collateral, prior to the substitution deadline at a time specified in FICC's procedures,[23] that clearing bank will process the substitution request by releasing the GCF Repo securities collateral from the FICC GCF Repo account at Chase and crediting it to the account of the provider of GCF Repo securities collateral (i.e., Dealer C). All cash and/or securities substituted for the GCF Repo securities collateral being released will be credited to FICC's GCF Repo account at the clearing bank (i.e., Chase).

Simultaneously, with the debit of the GCF Repo securities collateral from the account at the clearing bank (i.e., BNY) of the original receiver of GCF Repo securities collateral (i.e., Dealer B), for purposes of making payment to the original receiver of securities collateral (i.e., Dealer B), such clearing bank will effect a cash debit equal to the value of the securities collateral in FICC's GCF Repo account at such clearing bank and will credit the account of the original receiver of securities collateral (i.e., Dealer B) at such clearing bank with such cash amount. (This is because when Dealer B is debited the securities, Dealer B must receive the funds.) In order to secure FICC's obligation to repay the balance in FICC's GCF Repo account at such clearing bank (i.e., BNY), FICC will grant to such clearing bank a security interest in the cash and/or securities substituted for the GCF securities collateral in FICC's GCF repo account at the other clearing bank (i.e., Chase).

Using the example from above, assume the Dealer C submits a substitution notification—it requires the securities collateral that has been pledged to Dealer B and will substitute cash and/or securities. BNY will debit the securities from Dealer B's account and the relevant liens will released so that the securities are in FICC's account at Chase. Chase will credit the securities to Dealer C's account and the cash and/or securities that Dealer C uses for its collateral substitution will be credited by Chase to FICC's account at Chase. From Dealer B's perspective, when BNY debits the securities from Dealer B's account, Dealer B is supposed to receive the funds—but as noted, the funds are at Chase. BNY will credit the funds to Dealer B's account and debit FICC's account at BNY.

At this point in our example, FICC is running a credit at Chase and a debit at BNY. In order to secure FICC's debit at BNY, FICC will grant a security interest in the funds in the FICC account at Chase.

For substitutions that occur with respect to GCF Repo transactions that were processed on an inter-clearing bank basis, FICC and the clearing banks permit cash and/or securities for the substitutions. The proposed rule change provided FICC with flexibility in this regard by referring to FICC's procedures.

As noted above, each of the above-referenced changes were approved in connection with SR–FICC–2011–05 [24] and 2012–05 [25]. FICC proposes to extend the pilot program reflecting these changes for an additional one year. The changes referenced above are reflected in Exhibit 5.

(ii) The proposed rule change is consistent with the Securities and Exchange Act of 1934, as amended (the ''Act'') and the rules and regulations promulgated thereunder because it will align the GCF Repo service with recommendations being made by the TPR to address risks in the triparty market overall and therefore will serve to further safeguard the securities and funds for which FICC is responsible.

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

FICC does not believe that the proposed rule change will have any negative 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 changes have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

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 the proposed rule change, or

[21] The GSD rules define ''Comparable Securities'' as follows: The term ''Comparable Securities'' means, with respect to a security or securities that are represented by a particular Generic CUSIP Number, any other security or securities that are represented by the same Generic CUSIP Number.

[22] The GSD rules define ''Other Acceptable Securities'' as follows: The term ''Other Acceptable Securities'' means, with respect to: (an) adjustable-rate mortgage-backed security or securities issued by Ginnie Mae, any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (an) adjustable-rate mortgage-backed security or securities issued by either Fannie Mae or Freddie Mac: (a) Any fixed-rate mortgage-backed security or securities issued by Fannie Mae and Freddie Mac, (b) any fixed-rate mortgage-backed security or securities issued by Ginnie Mae, or (c) any adjustable-rate mortgage-backed security or securities issued by Ginnie Mae.

[23] Rule filing SR–FICC–2012–05 noted that this timeframe would also be established in consultation with the clearing banks and the Federal Reserve. At that time, the parties were considering whether to have the substitution process be accomplished in two batches during the day depending upon the time of submission of the notifications for substitution. The clearing banks, however, developed a real-time substitution mechanism for both tri-party and GCF collateral making batch processing unnecessary.

[24] Securities Exchange Act Release No. 34–65213 (August 29, 2011) 76 FR 54824 (September 2, 2011).

[25] Securities Exchange Act Release No. 34–67277 (June 20, 2012) 77 FR 38108 (June 26, 2012).

(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
- Send an email to *rule-comment@sec.gov.* Please include File Number SR–FICC–2013–06 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–FICC–2013–06. 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 of submission. 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 FICC and on FICC's Web site at *http://www.dtcc.com/downloads/legal/rule_filings/2013/ficc/SR-FICC-2013-06.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 the File Number SR–FICC–2013–06 and should be submitted on or before July 12, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[26]

Kevin M. O'Neill,

Deputy Secretary .

[FR Doc. 2013–14795 Filed 6–20–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69773; File No. SR–BYX–2013–020]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Y-Exchange, Inc.

June 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the ''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on June 7, 2013, BATS Y-Exchange, Inc. (the ''Exchange'' or ''BYX'') 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 the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act [3] and Rule 19b–4(f)(2) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule applicable to Members [5] and non-members of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

The text of the proposed rule change is available at the Exchange's Web site at *http://www.batstrading.com*, 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 parts of such statements.

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

1. Purpose

The Exchange proposes to modify its fee schedule effective June 7, 2013, in order to amend the fee structure related to its Retail Price Improvement (''RPI'') program. Specifically, the Exchange is proposing to: (i) Apply standard pricing to all securities participating in the RPI program; (ii) eliminate the language related to groups of securities; and (iii) eliminate RPI-specific fees for non-displayed liquidity. In summary, the Exchange is proposing a simplification of the fees and rebates applied to the RPI program, such that the Exchange will: Provide a $0.0025 rebate per share for a Retail Order [6] that removes liquidity from the BYX order book, except for a Retail Order that removes displayed liquidity, which will be subject to standard rebates and fees; and charge a $0.0025 fee per share for any Retail Price Improving Order [7] that adds liquidity to the Exchange order book and is removed by a Retail Order.

Under the RPI program as currently constituted, the Exchange generally provides a rebate of $0.0025 per share for Retail Orders that remove liquidity from the Exchange order book in Group

[26] 17 CFR 200.30–3(a)(12)

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

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A)(ii).

[4] 17 CFR 240.19b–4(f)(2).

[5] A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

[6] As defined in BYX Rule 11.24(a)(2), a ''Retail Order'' is an agency order that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

[7] As defined in BYX Rule 11.24(a)(3), a ''Retail Price Improvement Order'' consists of non-displayed interest on the Exchange that is priced better than the Protected NBB or Protected NBO by at least $0.001 and that is identified as such.