

markets faster than a Floor broker could while located on the Floor.<sup>20</sup> Accordingly, even if there continues to be a time and place advantage for Floor brokers by virtue of their presence on the Floor, the type of information available to Floor brokers is no longer the type of information that would provide Floor brokers with an advantage in connection with intra-day trading.<sup>21</sup>

As a result of these changes to its market and to overall market structure, NYSE contended that Rules 95(c) and (d) are no longer operating to place Floor brokers on equal footing with other market participants, but instead are placing them at a disadvantage in the largely automatic market that has developed in the almost twenty years since the restrictions were put in place.<sup>22</sup> According to NYSE, deleting Rules 95(c) and (d) and the related Supplementary Materials would place Floor brokers on a more equal footing with other market participants utilizing automatic executions.

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>23</sup> Specifically, the Commission finds that the Proposals are consistent with Section 6(b)(5) of the Act,<sup>24</sup> in that they are designed to remove impediments to and perfect the mechanism for a free and open market and a national market system and, in general, to protect investors and the public interest, and Section 6(b)(8) of the Act,<sup>25</sup> in that they do not impose any burden on competition not necessary or appropriate in furtherance of the Act. In particular, the Commission believes that the Proposals are consistent with these provisions because they are designed to place Floor brokers on more equal footing with other market participants that enter interest electronically.

The Commission notes that the Exchanges have undergone fundamental changes since the adoption of Rules 95(c) and (d), and that these changes have largely allayed the specific concerns that these rules were designed to address. For example, given the

increasing automation of the Exchanges, the Commission believes that there is a diminished concern that Floor brokers engaging in intra-day trading could “crowd out” public customer orders by virtue of their location on the trading Floor in relation to Designated Market Makers (formerly specialists). The Commission also notes that these rules only apply to instances where a Floor broker is representing both sides of an order at the minimum variation; to the extent that securities trading at the minimum variation are typically more liquid and have a higher trading volume, this further reduces the concern that Floor brokers could crowd out other market participants through intra-day trading.

In the Order Instituting Proceedings, the Commission expressed concern that the elimination of Rules 95(c) and (d) may not be consistent with the requirements of the Act. Specifically, given benefits conferred by the Exchanges upon Floor brokers, such as preferential parity allocation of executed shares, the Commission noted that removing the restrictions imposed by Rule 95(c) and (d) could produce unfair advantages for Floor brokers. While the Commission recognizes that the deletion of Rules 95(c) and (d) may competitively benefit Floor brokers, the Commission believes that, on balance, the Proposals are consistent with the Act because the specific concerns that these rules were originally designed to address have been largely allayed.

For the reasons stated above, the Commission finds that the Proposals are consistent with the requirements of the Act.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>26</sup> that the proposed rule changes (SR–NYSE–2012–57 and SR–NYSEMKT–2012–58) be, and hereby are, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**Elizabeth M. Murphy,**  
Secretary.

[FR Doc. 2013–17196 Filed 7–17–13; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69980; File No. SR–NSCC–2013–09]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to the Decommissioning of NSCC’s Over-the-Counter (OTC) Equity Comparison Service

July 12, 2013.

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 July 2, 2013, the National Securities Clearing Corporation (“NSCC”) 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 clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Rules & Procedures (“Rules”) of NSCC with respect to the decommissioning of the OTC Equity Comparison Service, as well as technical changes, as more fully described below.

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### (A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(i) NSCC provides a framework for the comparison and recording of transactions in eligible equity and debt securities executed on national stock exchanges and in the over-the-counter (“OTC”) market, through its Comparison and Trade Recording Operation, provided pursuant to Rule 7

<sup>20</sup> See NYSE Notice, 77 FR at 68189.

<sup>21</sup> See *id.* at 68189–68190.

<sup>22</sup> See *id.*, 77 FR at 68190.

<sup>23</sup> 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>24</sup> 15 U.S.C. 78f(b)(5).

<sup>25</sup> 15 U.S.C. 78f(b)(8).

<sup>26</sup> 15 U.S.C. 78s(b)(2).

<sup>27</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.

and Procedure II of the Rules. NSCC also provides an Obligation Warehouse service pursuant to Rule 51 and Procedure IIA, under which certain transactions may be submitted for comparison that are not otherwise submitted for processing to NSCC through its other services. Over time, in efforts to promote straight-through processing, markets have assumed increasing responsibility for trade comparison (i.e., matching the buy and sell side of a securities transaction) at the point of trade, and submitting the transaction to NSCC on a “locked-in” basis for trade recording purposes (i.e., with the transaction details having been already compared). Today, all marketplaces interfacing with NSCC have assumed responsibility for equity comparison on their respective venues; as a result the level of over-the-counter bilateral submissions of equity transactions to the equity comparison operation has become nominal.<sup>3</sup> In addition, NSCC’s OTC Equity Comparison service operates through legacy batch processing at the end of the day. Trade capture processes now mostly run in a real-time environment.

Rule 7 and Procedure II each contain notes stating that the comparison function offered thereunder will discontinue once each exchange and/or marketplace assumes responsibility for trade comparison.<sup>4</sup> Therefore, in light of the assumption of the comparison function by each marketplace and minimal volume to equity trades submissions to the OTC Equity Comparison service, NSCC proposes to decommission its OTC Equity Comparison service offering. The proposed change will not, however, impact comparison services with respect to debt transactions (which are compared through the Real Time Trade Matching (or “RTTM”) system) or transactions submitted to the Obligation Warehouse, both of which will continue to be processed in the ordinary course. Once the OTC Equity Comparison service is decommissioned, comparison submissions for equity transactions other than those submitted to the Obligation Warehouse in accordance with Rule 51 and Procedure IIA will not be accepted by NSCC and related output will not be produced. As a result, upon the effective date of this proposal, all equity transactions submitted for processing to NSCC, other than those

submitted through the Obligation Warehouse, must be compared prior to submission (i.e., at the marketplace of execution or through FINRA/NASDAQ’s Automated Comparison Transaction facility (“ACT”) and submitted to NSCC on a locked-in basis for trade recording).

To facilitate this proposal, NSCC will mend Rule 7 (Comparison and Trade Recording Operation) and Procedure II (Trade Comparison and Recording Service) to reflect rules text changes consistent with the above. NSCC also proposes to make technical changes to Procedure II to: (i) delete a provision relating to the submission of municipal securities transactions by Members on behalf of non-members, and (ii) delete a provision relating to potential announcement via Important Notice of the availability of the comparison service for when-issued corporate securities.<sup>5</sup>

In addition Rule 5 (General Provisions) will be revised to clarify that output issued by NSCC with respect to transactions either compared by it, or recorded locked-in transactions (defined as “Compared Contracts”), evidence valid, binding and enforceable compared transactions for purposes of the Rules. In this regard, Rule 1 (Definitions) will be revised to reflect the definition of “Compared Contracts”.

NSCC will also: (i) Amend its fee schedule in Addendum A to the Rules to delete references to charges associated with OTC equity comparison, and (ii) make technical changes to the numbering of footnotes and certain cross-references in the Rules to reflect the changes noted above.

The effective date of the proposed rule change will be announced via an NSCC Important Notice at least 30 days in advance of its implementation.

(ii) *Statutory Basis.* The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) <sup>6</sup> of the Securities Exchange Act of 1934, as amended (the “Act”), and the rules and regulations thereunder, because it provides for operational efficiencies by promoting the comparison of transactions at the point of trade, and therefore are designed to promote the prompt and accurate clearance and settlement of securities transactions.

<sup>5</sup> With respect to the former provision, the function described is no longer in use and the provision has become obsolete, and with respect to the latter provision, a comparison service is not currently scheduled to be implemented for corporate when-issued securities and NSCC would submit a rule filing to the Commission in the event such an implementation is proposed.

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

### *(B) Clearing Agency’s Statement on Burden on Competition*

NSCC does not believe that the proposed rule change will have any impact, or impose any burden, on competition, as usage of the OTC Equity Comparison service has declined significantly and other alternatives (including NSCC’s Obligation Warehouse and the ACT facility) are available.

### *(C) Clearing Agency’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

Written comments relating to the proposed rule change have not yet been solicited or received with respect to this filing.

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

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

(A) By order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

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

#### *Electronic Comments*

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR–NSCC–2013–09 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–NSCC–2013–09. 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

<sup>3</sup> During May 2013, NSCC compared an average of approximately 90 sides (an approximate average of 45 trades) for equity transactions through its OTC Comparison service. As of June 24, 2013, NSCC compared a total of 74 sides (37 trades) for the entire month of June 2013 to date.

<sup>4</sup> See footnotes to Rule 7 and Procedure II.

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 NSCC and on NSCC's Web site ([http://www.dtcc.com/legal/rule\\_filings/nscc/2013.php](http://www.dtcc.com/legal/rule_filings/nscc/2013.php)). 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-NSCC-2013-09 and should be submitted on or before August 8, 2013.

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

**Elizabeth M. Murphy,**  
*Secretary.*

[FR Doc. 2013-17178 Filed 7-17-13; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-69985; File No. SR-DTC-2013-04]

### Self-Regulatory Organizations; the Depository Trust Company; Order Approving Proposed Rule Change in Connection With the Modifications to Receiver Authorized Delivery and Reclaim Processing Value Limits by Transaction

July 12, 2013.

#### I. Introduction

On May 17, 2013, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-DTC-2013-04 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> The proposed rule change was published for comment in the **Federal Register** on June 5, 2013.<sup>3</sup> The Commission did not receive any comments on the proposed rule change. This order approves the proposed rule change.

#### II. Description

DTC filed the proposed rule change to modify its Rules & Procedures ("Rules"), with respect to Receiver Authorized Delivery ("RAD") and reclaim transactions, to: (i) Lower limits against which valued Deliver Orders ("DO") and Payment Orders ("PO")<sup>4</sup> will be required to be accepted for receipt (i.e., "matched" for settlement); (ii) lower limits for same day reclaim transactions; and (iii) revise the process for RAD matching of stock loans and returns.

Currently DOs and POs valued in amounts above \$15 million and \$1 million, respectively, are subject to the RAD process, which allows receivers to review and reject transactions that they do not recognize prior to processing for delivery. In contrast, lower value DOs and POs do not require the receiver's acceptance prior to processing in accordance with DTC's Rules; instead, such transactions may be returned by the receiver in a reclaim transaction, if the receiver does not recognize the DO or PO. While both the reclaim and RAD functionalities allow receiving DTC participants ("Participants") to exercise control over which transactions to accept, reclaims tend to create uncertainty because transactions can be returned late in the day, when the original deliverer may have limited options to respond. Because such reclaims are permitted without regard to risk management controls, the Participant that initiated the original delivery versus payment may then incur a greater settlement obligation, increasing credit and liquidity risk to that Participant and to DTC.<sup>5</sup>

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

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

<sup>3</sup> Release No. 34-69666 (May 30, 2013), 78 FR 33876 (June 5, 2013).

<sup>4</sup> A Deliver Order is a book-entry movement of a particular security between two DTC participants. A Payment Order is a method for settling funds amounts related to transactions and payments not associated with a Deliver Order. The defined term "DO" as used in this proposed rule change filing includes all valued Deliver Orders except for Deliver Orders of: (i) Money market instruments and (ii) institutional deliveries affirmed through Omgeo, both of which are not impacted by the proposed rule change.

<sup>5</sup> DTC's risk management controls, including Collateral Monitor and Net Debit Cap (as defined in DTC Rule 1), are designed so that DTC can effect system-wide settlement notwithstanding the failure

Under the proposal, DTC is changing RAD to require Participants to match all settlement-related transactions valued greater than \$7.5 million for valued DOs and \$500,000 for POs, prior to processing. Matched transactions will be processed through DTC subject to risk management controls.<sup>6</sup> According to DTC the rule change will reduce the intraday uncertainty that may arise from reclaim transactions and any potential credit and liquidity risk from such reclaims.

DTC also proposed a further revision to RAD for stock loan and stock loan return transactions. Currently, Participants may set bilateral and global limits for transactions subject to RAD which allow transactions with settlement values that are greater than DTC's default limits, but less than the Participant's defined bilateral and/or global limits, to be passively approved.<sup>7</sup> Any established limits apply to all transactions with the applicable counterparties (on either a bilateral or global basis) for all transaction types subject to RAD. However, stock loan transactions (and stock loan returns) are often different from ordinary buys and sells, because stock loans are often agreed upon on a same-day basis (as opposed to T+3 settlement of purchases and sales). Taking this difference into account, in addition to the revisions described above, the rule changes will allow receiving Participants to establish bilateral and global RAD limits for stock loans and stock loan returns that are different from other transaction types.<sup>8</sup>

The DTC Settlement Services Guide will be revised to reflect the changes discussed above, and the effective date of the rule change will be announced

to settle of its largest Participant or affiliated family of Participants. Net Debit Cap limits the net debit balance a Participant can incur so that the unpaid settlement obligation of the Participant, if any, cannot exceed DTC liquidity resources. The Collateral Monitor tests that a receiver has adequate collateral to secure the amount of its net debit balance so that DTC may borrow funds to cover that amount for system-wide settlement if the Participant defaults.

<sup>6</sup> Each reclaim of a matched transaction that is attempted will be processed as an original instruction and be subject to risk management controls and receiver approval (the original deliverer) via RAD.

<sup>7</sup> A bilateral limit established by a Participant applies to transactions from a specified deliverer. A global limit established by a Participant is applied to all valued DOs and POs to the Participant not otherwise subject to a bilateral limit. Transactions passively approved under such limits may not be reclaimed.

<sup>8</sup> The use of a stock lending and return profile will be voluntary and, absent a profile, the Participant's transactions will be subject to RAD as applicable to ordinary DOs, including the established DTC limits as well as Participant established bilateral and global limits as described above.

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