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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act [11] and paragraph (f) of Rule 19b–4 [12] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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.* Please include File Number SR–NASDAQ–2013–166 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–NASDAQ–2013–166. 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 20549–1090, 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 offices of NASDAQ. 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–NASDAQ–2013–166, and should be submitted on or before February 5, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–00584 Filed 1–14–14; 8:45 am]

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[11] 15 U.S.C. 78s(b)(3)(A).

[12] 17 CFR 240.19b–4(f).

[13] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71265; File No. SR–FICC–2013–10]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Establish the Minimum Financial Requirements for the Existing Membership Category of Registered Investment Company Netting Members in the Government Securities Division

January 9, 2014.

I. Introduction

On November 12, 2013, the Fixed Income Clearing Corporation (''FICC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–FICC–2013–10 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 November 29, 2013.[3] The Commission received one comment letter in response to the proposed rule change.[4] For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

The purpose of this rule filing is to amend the Rulebook (''Rules'') of the Government Securities Division (''GSD'') of FICC to establish the minimum financial requirements for the existing membership category of Registered Investment Company Netting Members (''RIC'').[5] Historically, the GSD has served the ''sell-side'' community (which primarily consists of entities such as banks and broker-dealers). FICC believes the participation of RICs as guaranteed service members will contribute to the safety, efficiency, and transparency of the market by allowing FICC to capture a greater part of the activity of its existing members and by introducing activity of current non-members to FICC. FICC also believes that RICs will benefit from the GSD netting service and the associated operational efficiencies of a central counterparty service. RICs will not be permitted to use the GCF Repo® service.

Currently, RICs are already a permitted category in the GSD Rules; the rule as amended establishes minimum financial requirements for RICs.[6] Specifically, Rule 2A (''Initial Membership Requirements'') of the GSD Rules provides that the minimum financial requirement for RICs is $100 million in net asset value.

Currently, GSD Rule 3, ''Ongoing Membership Requirements,'' permits GSD to assess a premium against a netting member whose Clearing Fund requirement exceeds its specified regulatory capital figure.[7] Pursuant to this rule change, GSD will now be permitted to assess RICs in the same manner as other members.

Pursuant to GSD Rules, Tier One Netting Members are subject to potential loss mutualization and Tier Two Netting Members are not. Pursuant to this rule change, RICs will be Tier Two Netting

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

[2] 17 CFR 240.19b–4.

[3] Securities Exchange Act Release No. 70925 (Nov. 22, 2013), 78 FR 71702 (Nov. 29, 2013) (SR–FICC–2013–09).

[4] Letter from Peter Nowicki (December 5, 2013) (expressing general support for allowing Registered Investment Companies to participate in netting and clearing).

[5] Pursuant to GSD Rule 1, the term ''Registered Investment Company Netting Member'' is an Investment Company (1) that is registered with the Commission, (2) admitted to membership in GSD's Netting System pursuant to the GSD Rules, and (3) whose membership in the Netting System has not been terminated.

[6] The membership requirements for RICs will be the same as those already in place for RICs at FICC's Mortgage-Backed Securities Division (''MBSD'').

[7] By way of example, under GSD Rule 4, if a member has a Clearing Fund requirement of $11.4 million and excess net capital of $10 million, its ''ratio'' is 1.14 (or 114 percent), and the applicable collateral premium would be 114 percent of $1.4 million (which is equal to the amount by which the member's Clearing Fund requirement exceeds its excess net capital), or $1,596,000. The current GSD Rules provide that FICC has the right to: (i) Apply a lesser collateral premium (including no premium) based on specific circumstances (such as a member being subject to an unexpected haircut or capital charge that does not fundamentally change its risk profile), and (ii) return all or a portion of the collateral premium amount if it believes that the member's risk profile does not require the maintenance of that amount.

Members because they are not permitted by law to mutualize loss.[8]

Under FICC's current loss allocation methodology, any loss allocation is first made against the retained earnings of FICC attributable to the GSD (after application of the defaulting member's Clearing Fund, funds-only settlement amounts and any other collateral on deposit with the GSD and any funds from any cross-margining or cross-guaranty agreements), in an amount up to 25 percent of FICC's retained earnings or such higher amount as may be approved by the Board of Directors of FICC.[9] If a loss still remains, the GSD will divide the loss between the Tier One Netting Members and the Tier Two Netting Members. Tier One Netting Members will be allocated the loss applicable to them first by assessing the Clearing Fund deposit of each such member in the amount of up to $50,000, equally. If a loss still remains, Tier One Netting Members will be assessed ratably, in accordance with the respective amounts of their Required Fund Deposits, based on the average daily amount of the member's Required Fund Deposit over the prior twelve months. Applicable Tier Two Netting Members will be assigned the Tier Two loss amount using a loss allocation methodology based on the activity that the Tier Two Netting Member conducted with the defaulting member.[10]

FICC is also amending GSD's rules to state explicitly that GSD will make its services available to Persons [11] in other categories as FICC may determine, subject to the approval of the Commission. A parallel provision is already contained in MBSD's rules.[12]

III. Discussion

Section 19(b)(2)(C) of the Act [13] directs the Commission to approve a self-regulatory organization's proposed rule change if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(B) [14] states that a clearing agency shall not be registered unless the Commission determines that the rules of the clearing agency provide that certain categories of parties may become participants, subject to certain provisions governing denials of participation. RICs are one of the listed categories of participants deemed appropriate to the development of a national system for the prompt and accurate clearance and settlement of securities transactions.[15] Moreover, Section 17A(b)(3)(F) of the Act [16] requires, among other things, that the rules of a clearing agency registered with the Commission be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general to protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(B) and (F) of the Act.[17] The proposal establishes minimum financial requirements for RICs, thus extending GSD membership to participants in a category enumerated by Section 17A(b)(3)(B). Furthermore, it promotes the prompt and accurate clearance and settlement of securities transactions and protects investors and the public interest by allowing FICC to clear a greater market share of activity of its existing members and non-members. [18]

IV. Conclusion

On the basis of the foregoing, the Commission concludes that the proposal is consistent with the requirements of the Act, particularly the requirements of Section 17A of the Act,[19] and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[20] that the proposed rule change (File No. SR–FICC–2013–10) be and hereby is *approved.*[21]

For the Commission by the Division of Trading and Markets, pursuant todelegated authority.[22]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2014–00576 Filed 1–14–14; 8:45 am]

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[8] Tier One Members include banks, dealers, futures commission merchants, government securities issuers and registered clearing agencies and Tier Two Members include RICs. *See* Securities Exchange Act Release No. 63986 (Feb. 28, 2011), 76 FR 12144 (Mar. 4, 2011) (SR–FICC–2010–09).

[9] *See* GSD Rule 4.

[10] GSD Rule 4, Section 7 pertains to the satisfaction of any loss incurred by FICC as a result of the failure of a defaulting member to fulfill its obligations to FICC. MBSD Rule 4 contains the same loss allocation methodology.

[11] Pursuant to GSD Rule 1, the term ''Person'' means a partnership, corporation, limited liability corporation or other organization, entity, or individual.

[12] *See* MBSD Rule 2A, Section 1.

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

[14] 15 U.S.C. 78q–1(b)(3)(B).

[15] *See Id.*

[16] 15 U.S.C. 78q–1(b)(3)(F).

[17] 15 U.S.C. 78q–1(b)(3)(B) and (F).

[18] This Order addresses whether the proposed rule change is consistent with the Act. As such, this Order does not address any relief that may be necessary under the Investment Company Act of 1940 for an individual RIC to participate as a Registered Investment Company Netting Member as defined by GSD Rule 1. *See* footnote 5, *supra.*

[19] 15 U.S.C. 78q–1.

[20] 15 U.S.C. 78s(b)(2).

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

[22] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71271; File No. SR–NYSEArca–2013–122]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change Relating to the Use of Derivative Instruments by PIMCO Total Return Exchange Traded Fund

January 9, 2014.

On November 6, 2013, NYSE Arca, Inc. filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change relating to the use of derivative instruments by the PIMCO Total Return Exchange Traded Fund (''Fund''). The proposed rule change was published for comment in the **Federal Register** on November 26, 2013.[3] The Commission received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act [4] provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The Commission is extending this 45-day time period.

The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. The proposed rule change would, among other things, permit the continued listing and trading of shares

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 70905 (November 20, 2013), 78 FR 70610.

[4] 15 U.S.C. 78s(b)(2).