

Members because they are not permitted by law to mutualize loss.<sup>8</sup>

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.<sup>9</sup> 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.<sup>10</sup>

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

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>13</sup> 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

<sup>8</sup> 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).

<sup>9</sup> See GSD Rule 4.

<sup>10</sup> 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.

<sup>11</sup> Pursuant to GSD Rule 1, the term "Person" means a partnership, corporation, limited liability corporation or other organization, entity, or individual.

<sup>12</sup> See MBSD Rule 2A, Section 1.

<sup>13</sup> 15 U.S.C. 78s(b)(2)(C).

applicable to such organization. Section 17A(b)(3)(B)<sup>14</sup> 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.<sup>15</sup> Moreover, Section 17A(b)(3)(F) of the Act<sup>16</sup> 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.<sup>17</sup> 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.<sup>18</sup>

### 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,<sup>19</sup> and the rules and regulations thereunder.

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

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(B).

<sup>15</sup> See *Id.*

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>17</sup> 15 U.S.C. 78q-1(b)(3)(B) and (F).

<sup>18</sup> 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*.

<sup>19</sup> 15 U.S.C. 78q-1.

<sup>20</sup> 15 U.S.C. 78s(b)(2).

<sup>21</sup> 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).

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>22</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## 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")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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.<sup>3</sup> The Commission received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act<sup>4</sup> 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

<sup>22</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.

<sup>3</sup> See Securities Exchange Act Release No. 70905 (November 20, 2013), 78 FR 70610.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

of the Fund that seeks to invest in certain derivative instruments, including forwards, exchange-traded and over-the-counter options contracts, exchange-traded futures contracts, options on futures contracts, and swap agreements.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> designates February 24, 2014, as the date by which the Commission should either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File Number SR–NYSEArca–2013–122).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–71278; File No. SR–C2–2013–043]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fees Schedule

January 9, 2014.

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 December 30, 2013, C2 Options Exchange, Incorporated (the “Exchange” or “C2”) 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 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 Exchange proposes to amend its Fees Schedule. The text of the proposed rule change is available on the Exchange’s Web site (<http://www.c2exchange.com/Legal/>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 200.30–3(a)(31).

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

<sup>2</sup> 17 CFR 240.19b–4.

#### 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 Exchange proposes to amend its Fees Schedule with regard to PULSe Workstation routing (specifically, with regard to routing from one PULSe Workstation to another). By way of background, the PULSe workstation is a front-end order entry system designed for use with respect to orders that may be sent to the trading systems of C2. In addition, the PULSe workstation provides a user with the capability to send options orders to other U.S. options exchanges and/or stock orders to other U.S. stock exchanges and trading centers<sup>3</sup> (“away-market routing”).<sup>4</sup> PULSe Workstation users also have the capability to send orders between PULSe workstations. For example, a user is able to send an order from a PULSe workstation located in New York to a PULSe workstation located in Chicago. The ability to send orders “PULSe-to-PULSe” is available for use within a TPH (and any Non-TPHs to whom the TPH makes the PULSe workstation available) and between TPHs that use the PULSe workstation. A TPH may establish a PULSe-to-PULSe connection with

<sup>3</sup> A “trading center,” as provided under Rule 600(b)(78) of Regulation NMS, 17 CFR 242.600(b)(78), means a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.

<sup>4</sup> For a more detailed description of the PULSe workstation and its other functionalities, see, e.g., Securities Exchange Act Release Nos. 63246 (November 4, 2010) 75 FR 69478 (November 12, 2010) (SR–C2–2010–007), 65279 (September 7, 2011), 76 FR 56824 (September 14, 2011) (SR–C2–2011–020), 65482 (October 4, 2011), 76 FR 62879 (October 11, 2011) (SR–C2–2011–028), and 69991 (July 16, 2013), 78 FR 43956 (July 22, 2013) (SR–C2–2013–026).

another TPH by contacting C2, who will permission the connection. Before setting up the connection, both TPHs need to acknowledge in writing (e.g., including via email) their agreement to establish the mutual connection.

The Exchange hereby proposes to impose a monthly PULSe-to-PULSe Routing fee of \$50 for each receiving TPH. This means that each TPH with a PULSe Workstation that elects to receive orders from another PULSe Workstation will be assessed this fee. The Exchange proposes to assess the fee to cover costs associated with the development of PULSe-to-PULSe routing, as well as the upkeep of such systems. The Exchange proposes to assess the fee to the receiving TPH because, by electing to receive PULSe-to-PULSe orders, the receiving TPH then gets the ability to execute those orders on the Exchange.

The proposed change is to take effect on January 1, 2014.

###### 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>6</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities. The Exchange believes the imposition of the PULSe-to-PULSe Routing Fee is reasonable because it is intended to cover the costs associated with the development of PULSe-to-PULSe routing, as well as the upkeep of such systems. The Exchange believes that it is equitable and not unfairly discriminatory because it will be assessed to all receiving TPHs that elect to receive PULSe-to-PULSe orders. The Exchange proposes to assess the fee to the receiving TPH because, by electing to receive PULSe-to-PULSe orders, the receiving TPH then gets the ability to execute those orders on the Exchange.

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

C2 does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. C2 does not believe that the proposed rule change will impose any burden on intramarket

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

<sup>6</sup> 15 U.S.C. 78f(b)(4).