

19(b)(3)(A)(iii) of the Act<sup>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.<sup>22</sup>

At any time within 60 days of the filing of such 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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>23</sup> of the Act to determine whether the proposed rule change should be approved or 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-NYSEArca-2014-53 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-NYSEArca-2014-53. 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 at 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 office of the Exchange. 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-NYSEArca-2014-53, and should be submitted on or before May 29, 2014

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

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

[FR Doc. 2014-10539 Filed 5-7-14; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72078; File No. SR-C2-2014-002]

### Self-Regulatory Organizations; C2 Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Qualification and Registration Requirements of Permit Holders and Associated Persons of Permit Holders

May 2, 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 April 21, 2014, 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 and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal 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 Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 3.4 (Qualification and Registration). 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.

#### 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

C2 Rule 3.4 (Qualification and Registration) sets forth the requirements for registration and qualification of individual Permit Holders and individual associated persons of Permit Holders. This rule filing proposes to amend C2 Rule 3.4 in several respects and make C2's registration and qualification requirements consistent with Chicago Board Options Exchange, Incorporated's ("CBOE") Rule 3.6A.<sup>5</sup>

First, C2 Rule 3.4(a)(1) provides that individual Permit Holders and individual associated persons engaged

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> 17 CFR 240.19b-4(f)(6)(iii). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>23</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>24</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> 15 U.S.C. 78s(b)(3)(A)(iii).

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

<sup>5</sup> See CBOE Rule 3.6A.

or to be engaged in the securities business of a Permit Holder shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. Additionally, C2 Rule 3.4(a)(1) provides that before the registration can become effective, the Permit Holder or individual associated person must pass a qualification examination appropriate to the category of registration in a form and manner prescribed by the Exchange. The Exchange proposes to clarify within the rule text that, in addition, the Permit Holder or individual associated person must also submit any required registration and examination fees. The Exchange believes that explicitly clarifying that Permit Holders must submit required registration and examination fees prior to any registration becoming effective reduces confusion as to what obligations Permit Holders have to satisfy prior to becoming properly registered.

C2 Rule 3.4(a)(1) also provides that a Permit Holder shall not maintain a registration with the Exchange for any person who no longer is active in the Permit Holder's securities business or where the sole purpose is to avoid an examination requirement. The Exchange proposes to provide that additionally, a Permit Holder shall not maintain a registration with the Exchange for any person who is no longer functioning in the registered capacity. Individual Permit Holders and associated persons are to be registered in the category appropriate to the function to be performed and accordingly, registrations for a specified capacity should not be maintained if the registered person no longer functions in that capacity. The Exchange believes that the proposed language explicitly requires registrations to accurately reflect the capacity in which the registered person performs.

Next, C2 Rule 3.4(a)(2) sets forth the types of individuals that are exempt from registration. C2 is proposing to amend this provision to include individual associated persons that are restricted from accessing the Exchange and that do not engage in the securities business of the Permit Holder relating to activity that occurs on the Exchange. The Exchange believes that these individuals do not need to be registered with the Exchange because these individuals do not access the Exchange directly and do not engage in the securities business of the Permit Holder relating to activity that occurs on the Exchange.

The Exchange also proposes to modify C2 Rule 3.4(a)(2) to exempt individual associated persons whose functions are

related solely and exclusively to transactions in commodities and transactions in security futures, as well as those who effect transactions solely on the floor of another national securities exchange and who are registered as floor members with such exchange. The Exchange believes these registration exemptions are also appropriate because the Exchange would not consider individuals that fall into the exemptions to be actively engaged in securities business unless they are registered as floor members on another national securities exchange, in which case, they are already registered as floor members and would not be required to register at C2.<sup>6</sup> The Exchange also believes incorporating these additional exemptions into the rule provides clarity to Permit Holders and associated persons as to who will or will not be required to register.

Next, the Exchange is proposing to adopt C2 Rule 3.4(c) which requires the designation of a Chief Compliance Officer by a Permit Holder, which designation shall be updated on Schedule A of Form BD. Under the rule, the Chief Compliance Officer is required to register and pass the appropriate qualification examination as prescribed by the Exchange. The proposed rule will include a limited exemption from the requirement to pass the appropriate qualification examination by a Chief Compliance Officer. Specifically, a person that has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002 and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a \$5,000 or more fine for a violation(s) of any provision of any securities law or regulation, or an agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization ("SRO"), or as imposed by any such SRO in connection with a disciplinary proceeding, shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange. The Exchange believes the proposed rule change will enhance Permit Holders' focus on compliance and supervision systems as well as ensure that all designated Chief Compliance Officers are appropriately

trained and qualified. The Exchange also notes that the "grandfathering" provision (*i.e.*, allow certain chief compliance officers as described above to register and qualify as a Chief Compliance Officer without having to take the appropriate qualification examination) is consistent with other Exchanges' rules.<sup>7</sup> The Exchange similarly believes that a Chief Compliance Officer who has been continuously employed by an organization since 2002 and meets the delineated stringent qualifications noted above is appropriately qualified to continue to serve as a Chief Compliance Officer without having to take the heightened qualification examination.

The Exchange next proposes to amend C2 Rule 3.4(d) which describes the applicable associated person statuses under CBOE Chapter IX. The Exchange believes the current language of C2 Rule 3.4(d) may not make it explicitly clear that individual associated persons of a TPH organization that conducts a public customer business must also comply with the registration requirements set forth in Chapter IX of CBOE's Rules. Chapter IX is generally applicable to TPH organizations that conduct public customer business. Accordingly, the Exchange proposes to amend C2 Rule 3.4(d) to clarify that individual associated persons of a TPH organization that conducts a public customer business must comply with the registration requirements set forth in Chapter IX, as well as identify the additional registration categories (*i.e.*, Registered Options Principal and Registered Representative). The Exchange believes the proposed change will reduce confusion as to what obligations those associated persons have. The Exchange notes that the proposed new language of C2 Rule 3.4(d) is identical to CBOE Rule 3.6A(d).<sup>8</sup>

The Exchange also proposes to adopt C2 Rule 3.4(e) which sets forth the requirements for examinations where there is a lapse in registration. Specifically, an individual Permit Holder or individual associated person shall be required to pass the appropriate qualification examination for the category of registration if the individual Permit Holder's or individual associated person's registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for a period of two or more years. The Exchange believes that this proposed

<sup>7</sup> See *e.g.*, NASD Rule 1022, CBOE Rule 3.6A, ISE Rule 313.

<sup>8</sup> See CBOE Rule 3.6A(d).

<sup>6</sup> The Exchange notes that C2 is an all-electronic exchange and does not have a trading floor.

rule change helps meet the important goals of appropriate registration and qualification for all persons engaged in the securities business and ensures that all associated persons are up to date with respect to the securities industry and will continue to be properly registered, trained and qualified to perform their functions.

Next, the Exchange is proposing to modify Interpretations and Policies .01, .02, and .03 of C2 Rule 3.4 to remove existing references to those with "an associated person status" enumerated under paragraph (a) through (c) of Rule 3.4 and extend the applicability to all individual Permit Holders or individuals associated persons subject to registration requirements in Rule 3.4. The Exchange also proposes to amend Interpretation and Policy .03 to require that each individual required to register under Rule 3.4 satisfy the continuing education requirements set forth in Rule 9.3A and any other applicable continuing education requirements as prescribed by the Exchange. The Exchange believes these proposed changes also help to achieve the important goals of appropriate registration and qualification for all persons engaged in the securities business, as well as ensures that all associated persons are up to date with respect to the securities industry and will continue to be, properly registered, trained and qualified to perform their functions.

The Exchange proposes to adopt Interpretation and Policy .05 to codify in the rule what it means to be engaged in the securities business of a Permit Holder for purposes of this rule. Specifically, an individual Permit Holder or associated person will be considered to be a person engaged in the securities business of a Permit Holder if (i) the individual Permit Holder or individual associated person conducts proprietary trading, market-making, effects transactions on behalf of a broker-dealer, supervises or monitors proprietary trading, market-making, or brokerage activities on behalf of the broker-dealer, supervises or conducts training of those engaged in proprietary trading, market-making, or brokerage activities on behalf of a broker-dealer account; or (ii) the individual Permit Holder or individual associated person engages in the management of one or more of the activities identified in (i) above as an officer, partner or a director. The Exchange believes incorporating this definition into the rule provides additional clarity to Permit Holders and associated persons as to who will or will not be considered to be a person engaged in the securities business of a

Permit Holder, which will thereby reduce potential confusion.

The Exchange next seeks to add Interpretation and Policy .06 which requires registration and successful completion of a heightened examination by at least two individuals that are each an officer, partner or director of each Permit Holder that is a registered broker-dealer and has trading privileges on the Exchange. However, the Exchange notes that all individuals who engage in supervisory functions of the Permit Holder's securities business shall be required to register and pass the appropriate heightened qualification examination(s) relevant to the particular category of registration. Permit Holders that are sole proprietors will be exempt from this requirement. In addition, the Exchange may waive the requirement to have two officers, partners, and/or directors registered if a Permit Holder conclusively demonstrates that only one officer, partner or director should be required to register. For example, a Permit Holder could conclusively demonstrate that only one individual is required to register if such Permit Holder is owned by only one individual (such as a single member limited liability company), and such individual acts as the only trader on behalf of the Permit Holder and the Permit Holder employs only one other individual who functions only in a clerical capacity. The Exchange believes the proposed rule change helps to ensure that associated persons of Permit Holders are adequately and appropriately supervised, as well as ensures that those persons charged with such supervision are appropriately trained and qualified for their specific functions and responsibilities.

The Exchange is also proposing to allow Permit Holders that conduct proprietary trading only and have 25 or fewer registered persons to have only one officer or partner registered under this section, rather than two. This exception reflects that such Permit Holders do not necessitate the same level of supervisory structure as those Permit Holders that have customers or are larger in size. For purposes of Interpretation and Policy .06, a Permit Holder will be considered to conduct only proprietary trading if the Permit Holder has the following characteristics: (i) The Permit Holder is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act; (ii) all funds used or proposed to be used by the Permit Holder are the Permit Holder's own capital, traded through the

Permit Holder's own accounts; (iii) the Permit Holder does not, and will not, have customers; (iv) and all persons registered on behalf of the Permit Holder acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Permit Holder.

Next, the Exchange proposes to add Interpretation and Policy .07 which would require registration categories for Permit Holders that conduct proprietary trading, market-making and/or that effect transactions on behalf of broker dealers and specifies the acceptable qualification examinations (and related registration categories) for Permit Holders that conduct proprietary trading, market-making and/or that effect transactions on behalf of broker dealers. Specifically, as described above, C2 Rule 3.4(a) provides that individual Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Permit Holder must be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. More specifically, an individual Permit Holder and/or individual associated person who is engaged in the securities business of a Permit Holder will be required to register as a Proprietary Trader (PT) in WebCRD and pass the related qualification examination, the Series 56. An individual Permit Holder or individual associated person will be required to register as a Proprietary Trader Principal (TP) in WebCRD and pass the related qualification examination, the Series 24 (and be registered as a Proprietary Trader (PT) as a prerequisite to taking the Series 24) if such individual acts in any of the following capacities on behalf of a Permit Holder: (i) Officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities. Lastly, the Chief Compliance Officer (or individual performing similar functions) for a Permit Holder that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer will be required to register as a Proprietary Trader Compliance Officer (CT) in WebCRD and pass the related qualification examination, the Series 14 (and be registered as a Proprietary Trader (PT) as a prerequisite to taking the Series 14). The abovementioned registration categories

are consistent with recent changes to CBOE Rule 3.6A and other exchange rules regarding registration and qualification.<sup>9</sup> The Exchange believes these proposed rule changes are also important to ensure that all individual Permit Holders and associated persons of Permit Holders, including those engaging in transactions on the exchange and those supervising those engaging in transactions on the Exchange, are properly registered, trained and qualified to perform their functions. Additionally, the Exchange believes that the qualification examinations help ensure all associated persons engaged in a securities business are properly qualified for their specific functions as each of the abovementioned examinations address industry topics and regulatory and procedural knowledge relevant to the corresponding categories of registration. For example, the Exchange believes the Series 24 examination is an appropriate qualification examination for Proprietary Trader Principals as it tests the individual's knowledge and understanding of supervision-related rules. Finally, the Exchange notes that individuals must register in the category(ies) of registration appropriate to the function(s) to be performed as prescribed by the Exchange. For example, if an individual is to engage in proprietary trading and is also an officer of the Permit Holder, that individual must be registered as both a Proprietary Trader (PT) and Proprietary Trader Principal (TP).

The Exchange is also proposing to include a chart in Interpretation and Policy .07(b) to Rule 3.4 to identify the required registration categories, the applicable qualification examinations as set forth above and the alternative acceptable qualifications for each of the three registration categories referenced above. Specifically, the General Securities Representative (GS) registration (Series 7) will serve as an acceptable alternative qualification to obtain the Proprietary Trader (PT) registration. The Exchange believes this is an acceptable alternative as the Series 7 is a comprehensive exam that encompasses proprietary trading. Accordingly, it would be unnecessary and redundant for someone who maintained the General Securities Representative (GS) registration to have to also pass the Series 56 examination. The Exchange also notes that other SROs permit individuals who maintain the General Securities Representative

(GS) registration (Series 7) to qualify for a Proprietary Trader (PT) registration and/or require the General Securities Representative (GS) registration (Series 7) to serve as the appropriate category of registration for proprietary traders.<sup>10</sup> Providing this alternative qualification avoids the imposition of duplicative examination requirements. Similarly, the General Securities Sales Supervisor registration (Series 9/10) and the General Securities Principal—Sales Supervisor Module registration (Series 23) collectively will serve as an alternative qualification to obtain the Proprietary Trader Principal (TP) registration. The Exchange notes that the Series 23 is designed to test a candidate's knowledge of the rules and statutory provisions applicable to the management of a broker-dealer. The Series 23 also covers material from the Series 24 examination that is not otherwise covered under the Series 9/10 examination and accordingly, the Exchange believes the Series 23 along with a General Securities Sales Supervisors registration is an alternative qualification. Moreover, the Exchange notes that other SROs permit the Series 23 as an alternative to the Series 24 for its members who are registered as General Securities Sales Supervisors and seeking to be registered and qualified as General Securities Principals.<sup>11</sup> In addition, the General Securities Principal (GP) registration (Series 24) or the Proprietary Trader Principal (TP) registration will serve as an alternative qualification to obtain the Proprietary Trader Compliance Officer (CT) registration. The Exchange notes that the Series 24 also establishes the skill and knowledge base necessary for a compliance official. The Exchange notes that acceptance of this alternative examination is consistent with other SROs' registration requirements<sup>12</sup> and that providing this alternative qualification avoids the imposition of duplicative examination requirements.

Finally, the Exchange proposes to adopt Interpretation and Policy .08 to state explicitly that any individual qualifying for a registration category pursuant to Rule 3.4 must satisfy all registration and qualification requirements prior to becoming engaged in the securities business of a Permit

Holder or, as applicable, prior to acting in a capacity on behalf of a Permit Holder requiring such registration. While this requirement exists today, C2 is proposing to add this language to ensure that Permit Holders and applicable associated persons are reminded of their obligation to register and qualify all applicable associated persons prior to engaging in the securities business of the Permit Holder or, as applicable, prior to acting in a capacity on behalf of a Permit Holder requiring such registration. For example, if an existing employee who currently conducts a public customer business on behalf of the Permit Holder (and thus, maintains the General Securities Representative (GS) registration) wishes to engage in proprietary trading, that individual must be approved in WebCRD in the Proprietary Trader (PT) registration category prior to acting in the capacity of a proprietary trader on behalf of the Permit Holder.

## 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>13</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

First, the Exchange believes the proposed rule changes enhance C2's registration and qualification requirements, as well as helps [sic] to ensure an effective supervisory structure for those conducting business on C2, which will provide additional protection to investors and further

<sup>10</sup> See e.g., CBOE Rule 3.6A and NASDAQ OMX PHLX Rule 613.

<sup>11</sup> See e.g., CBOE Rule 3.6A. It is CBOE's understanding that FINRA also permits the Series 23 as an alternative to the Series 24 for its members who are registered as General Securities Sales Supervisors and who are seeking to register and qualify as General Securities Principals (See <http://www.finra.org/industry/compliance/registration/qualificationsexams/qualifications/p011051>).

<sup>12</sup> See e.g., CBOE Rule 3.6A.

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

<sup>14</sup> 15 U.S.C. 78f(b)(5).

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

<sup>9</sup> See Securities Exchange Act Release No. 67000 (May 16, 2012) 77 FR 30338 (May 22, 2012) (SR-CBOE-2012-039).

promote the public interest. Additionally, the Exchange believes that the proposed rule changes are designed to not permit unfair discrimination among market participants, as the proposed changes are applicable to all similarly situated Permit Holders and associated persons of Permit Holders.

The Exchange also believes the proposed rule change is consistent with Section 6(c) of the Act, in general, and furthers the objectives of Section 6(c)(3)<sup>16</sup> of the Act, which authorizes C2 to prescribe standards of training, experience and competence for persons associated C2 Permit Holders, in that the proposed rule provides for registration and qualification requirements (including alternative acceptable qualifications) for C2 Permit Holders. C2 believes the proposed changes are reasonable and set forth the appropriate qualifications for individual Permit Holders and individual associated persons who are required to register under C2 Rule 3.4, including, but not limited to, Market-Makers, proprietary traders and individuals effecting transactions on behalf of other broker-dealers. Additionally, the Exchange believes that these requirements bolster the integrity of the Exchange by helping to ensure that all individual Permit Holders and associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions and can be identified by regulators, as well as be subject to continuing education requirements. C2 also believes the proposed rule change will enhance C2's ability to ensure an effective supervisory structure for those conducting business on C2.

#### *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. Specifically, the Exchange does not believe the proposed rule change will pose any burden on intramarket competition because it is applied to similarly situated Permit Holders and associated persons of Permit Holders. Further, the Exchange does not believe that such change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule changes will promote uniformity of regulation across markets and help to make the

Exchange's registration, qualification and continuing education requirements more consistent with the requirements of other SROs.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and Rule 19b-4(f)(6) thereunder.<sup>18</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because the proposal will ensure that all individual Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Permit Holder will be registered, qualified, and subject to continuing education requirements. Further, the proposal would render C2's Rule 3.4 substantially identical to CBOE Rule 3.6A, and it is substantially similar to previously submitted rule filings made by CBOE which have either been approved by the Commission or are now operative. Waiver of the delay would allow the Exchange to implement the proposed rule change, enabling C2's Permit Holders to comply with the registration, qualification and continuing education requirements without undue delay. Therefore, the Commission designates the proposal operative upon filing.<sup>19</sup>

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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or 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-C2-2014-002 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-C2-2014-002. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. 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

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

<sup>19</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>16</sup> 15 U.S.C. 78f(c)(3).

should refer to File Number SR-C2-2014-002, and should be submitted on or before May 29, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2014-10534 Filed 5-7-14; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72083; File No. SR-ICC-2014-05]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change To Update ICC's Policy Regarding Valuation of Maturing U.S. Treasury Securities and Update ICC's Collateral Asset Haircut Methodology

May 2, 2014.

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 April 22, 2014, ICE Clear Credit LLC ("ICC") 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 primarily by ICC. 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 purpose of this proposed rule change is to amend the ICC Clearing Rules (the "Rules") in order to update ICC's policy regarding valuation of maturing U.S. Treasury securities and update ICC's collateral asset haircut methodology.

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

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule 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. ICC has prepared summaries, set forth in sections A, B,

and C below, of the most significant aspects of these statements.

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

The proposed changes are intended to update ICC's policy regarding valuation of maturing U.S. Treasury securities and update ICC's collateral asset haircut methodology.

ICC believes such changes will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible. The proposed changes are described in detail as follows.

ICC is updating its policy regarding the valuation of maturing U.S. Treasury securities deposited to satisfy margin and guaranty fund requirements. ICC will reduce the collateral valuation of maturing securities to \$0 two business days prior to maturity. This timing allows for collection of additional margin or guaranty fund, if required, prior to maturity. Clearing Participants will receive notice the week prior to any collateral maturity dates and will be encouraged to replace maturing securities with other acceptable collateral. If collateral matures while on deposit with ICC, proceeds will be credited to the margin or guaranty fund account, as appropriate, when received by ICC on the maturity day. In the past, ICC and other IntercontinentalExchange, Inc. clearing houses have applied this methodology when nearing the U.S. debt ceiling, and this update will provide consistent collateral valuation certainty at all times. Implementation of this policy will align ICC with other IntercontinentalExchange, Inc. clearing houses. ICC's Treasury Operations Policies and Procedures have been updated to reflect this change, and Clearing Participants will be notified via circular.

In order to provide consistency in the calculation of collateral asset haircuts among the IntercontinentalExchange, Inc. clearing houses, ICC is updating its Risk Management Framework. Currently at ICC, haircuts for relevant assets (e.g. U.S. Treasury securities and currencies) are calculated using a five-day liquidation period and a 99% confidence interval expected shortfall calculation. Under the updated collateral asset haircut methodology, the IntercontinentalExchange, Inc. clearing houses will calculate haircuts for relevant assets using the greater (which may be rounded to the nearest 1%), and hence more conservative, of: (i) The haircut determined using a five-day

liquidation period and a 99% confidence interval expected shortfall calculation (currently used at ICC), and (ii) the haircut determined using a two day holding period and 99.9% confidence interval Value-at-Risk calculation. In practice, the more conservative five-day liquidation period and a 99% confidence interval expected shortfall calculation, currently used at ICC, will continue to be the driver of haircuts. Thus, the updated collateral asset haircut methodology will have no practical impact on ICC's haircut values. Furthermore, as applied to currencies, should ICC choose to use one haircut for a given foreign exchange pair (e.g. USD v. Euro, Euro v. USD), ICC will apply the more conservative haircut. The changes to the methodology for calculation of collateral asset haircuts do not require any operational changes.

Section 17A(b)(3)(F) of the Act<sup>3</sup> requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions and to comply with the provisions of the Act and the rules and regulations thereunder. ICC believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to ICC, in particular, to Section 17(A)(b)(3)(F),<sup>4</sup> because ICC believes that the proposed rule changes will facilitate the prompt and accurate settlement of swaps and contribute to the safeguarding of securities and funds associated with swap transactions which are in the custody or control of ICC or for which it is responsible. The update to ICC's policy regarding valuation of maturing U.S. Treasury securities and the update to ICC's collateral asset haircut methodology provide consistency across the IntercontinentalExchange, Inc. clearing houses. ICC considers the update to its policy regarding valuation of maturing U.S. Treasury securities to be a risk reducing measure, providing consistent collateral valuation certainty at all times. ICC believes the update to its collateral asset haircut methodology assures that ICC will continue to apply the more conservative haircut of the two methodologies included in ICC's policy. As such, the proposed rule changes will facilitate the prompt and accurate settlement of swaps and contribute to the safeguarding of customer funds and securities within the control of ICC

<sup>20</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> 15 U.S.C. 78q-1(b)(3)(F).

<sup>4</sup> Id.