

U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Gallagher, as duty officer, voted to consider the items listed for the Closed Meeting in closed session, and determined that no earlier notice thereof was possible.

The subject matter of the Closed Meeting will be: institution and settlement of injunctive actions; institution and settlement of administrative proceedings; and other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact the Office of the Secretary at (202) 551-5400.

Dated: May 29, 2014.

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

[FR Doc. 2014-12891 Filed 5-30-14; 11:15 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72268; File No. SR-OCC-2014-802]

### Self-Regulatory Organizations; The Options Clearing Corporation; Advance Notice Concerning the Consolidation of the Governance Committee and Nominating Committee Into a Single Committee, Changes to the Nominating Process for Directors, and Increasing the Number of Public Directors on The Options Clearing Corporation's Board of Directors

May 28, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4(n)(1)(i),<sup>2</sup> notice is hereby given that on May 8, 2014, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the advance notice described in Items I and II below, which Items have been prepared by OCC.<sup>3</sup> The Commission is publishing this notice to solicit

comments on the advance notice from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

This advance notice is filed by OCC in connection with a proposed change that would amend OCC's By-Laws regarding its Nominating Committee ("NC") and the Charter for OCC's Governance Committee ("GC") to consolidate the two Committees into a single Governance and Nominating Committee ("GNC"), make changes to OCC's nomination process for Directors and increase the number of Public Directors on OCC's Board of Directors.

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the advance notice and discussed any comments it received on the advance notice. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A) and (B) below, of the most significant aspects of such statements.

##### (A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

###### 1. Purpose

OCC is proposing to amend its By-Laws and Governance Committee Charter to combine the current NC and GC to establish a single GNC, make changes concerning OCC's nomination process for Directors and to increase the number of Public Directors on OCC's Board of Directors ("Board"). The proposed modifications are based on recommendations from the GC in the course of carrying out its mandate of reviewing the overall corporate governance of OCC and recommending improvements to the structure of OCC's Board. In part, the GC's recommendations stem from suggestions of an outside consultant that was retained to review and report on OCC's governance structure in relationship to industry governance practices. To conform to these proposed changes OCC is also proposing to make certain edits to its Stockholders Agreement, Board of Directors Charter and Fitness Standards for Directors.

Currently, the GC operates pursuant to its own Charter.<sup>4</sup> The NC is not a

Board level Committee and does not operate pursuant to a charter, however, provisions in Article III of OCC's By-Laws prescribe certain aspects of the NC's structure and operation. OCC is proposing to apply to the GNC many of the existing provisions of the relevant By-Laws and GC Charter that apply to the NC and GC. Where OCC is proposing amendments to the existing By-Laws and GC Charter, they are discussed below.

Certain provisions of Article III govern the role the NC plays in nominating persons as Member Directors<sup>5</sup> on OCC's Board as well as the composition and structure of the NC itself. The NC is required to endeavor to achieve balanced representation in its Member Director and Non-Director Member nominees, giving due consideration to business activities and geographic distribution.

Presently, the NC is composed of seven total members: One Public Director and six Non-Director Members.<sup>6</sup> The Public Director member, who is nominated by the Executive Chairman with the approval of a majority of the Board, generally serves a three year term, unless he or she ceases to be a Public Director. The six Non-Director Members nominated by the NC and selected by OCC's stockholders are divided into two equal classes of three members, and the classes serve staggered two year terms.<sup>7</sup> By comparison, the GC Charter requires the current GC to have not fewer than five directors and to include at least one Public Director, at least one Exchange Director, and at least one Member Director. It also provides that no Management Directors may serve on the Committee.

OCC's Board currently has 19 members consisting of nine Member Directors, five Exchange Directors, three Public Directors, who under Article III, Section 6A of OCC's By-Laws, may not be affiliated with any national securities exchange or national securities

OCC-2013-18); 71083 (Dec. 16, 2013), 78 FR 77182 (Dec. 20, 2013) (SR-OCC-2013-807).

<sup>5</sup> Under Article III, Section 2 every Member Director must be either a Clearing Member or a representative of a Clearing Member Organization.

<sup>6</sup> Under Sections 4 and 5 of Article III, a Non-Director Member of the NC must be a representative of a Clearing Member and no person associated with the same Clearing Member Organization as a member of the NC may be nominated by the NC for a position as a Member Director on the Board of Directors or a Non-Director Member of the NC for the ensuing year.

<sup>7</sup> This tiered structure eliminated the complete turnover of the members of the NC each year and fostered greater continuity among its elected members. Securities Exchange Act Release No. 29437 (July 12, 1991), 56 FR 33319 (July 19, 1991) (SR-OCC-91-11).

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

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> OCC also filed the proposal in this advance notice as a proposed rule change under Section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder. 15 U.S.C. 78s(b)(1); 17 CFR 240.19b-4. See SR-OCC-2014-802.

<sup>4</sup> Securities Exchange Act Release Nos. 71030 (Dec. 11, 2013), 78 FR 7612 (Dec. 16, 2013) (SR-

association or any broker or dealer in securities, and OCC's Executive Chairman and President, who are Management Directors. Based on recommendations from the GC in the course of review of OCC's overall corporate governance, OCC is proposing certain amendments detailed below to merge OCC's NC, GC and their related responsibilities into a single GNC and increase the number of Public Directors from three to five.

a. Proposed Amendments Common to the By-Laws and Other OCC Governance Documents

Certain of the proposed changes would amend the existing By-Laws as well as other governance documents of OCC. For example, conforming edits would be made throughout the By-Laws and GC Charter to delete NC and GC references and in many cases those references would be replaced with references to the GNC.

(1) GNC Composition

The new GNC would be composed of a minimum of three total members: at least one Public Director, at least one Exchange Director and at least one Member Director. To reflect this change, OCC would eliminate in Section 4 of Article III the requirement for six Non-Director Members, add requirements for at least one Member Director and one Exchange Director, and modify the current requirement for one Public Director to instead require that there must be at least one Public Director. The proposed composition for the GNC already mirrors the existing composition specified in the GC Charter. Therefore, no changes are proposed to the current GC Charter in that respect, other than the elimination of the requirements that the GNC have no fewer than five directors. That limitation would be eliminated with the goal of providing the Board with greater flexibility to determine the optimal size and composition of the GNC, so long as the composition also facilitates diverse representation by satisfying the proposed requirement for at least one GNC representative from each of the Member Director, Exchange Director and Public Director categories.

(2) GNC Member Appointment Process and Term Limits

The members of the GNC would be appointed annually by the Board from among certain Board members recommended by the GNC after consultation with OCC's Executive Chairman, and GNC Members would serve at the pleasure of the Board. The GNC's Chairman ("GNC Chair"), would

be designated from among the GNC's Public Directors. Provisions implementing these changes would be added to Section 4 of Article III to entirely supplant the class and term limit structure and nominations process that currently applies to the NC and its Non-Director Members and Public Director, and references to Non-Director Members would be removed from the By-Laws. Section II.A. of the GC Charter would also be amended to reflect this structure for GNC nominations and appointments.

(3) Number of Public Directors and Member Directors

OCC is proposing to amend its By-Laws to increase the number of Public Directors on its Board from three to five and to make certain other changes related to the overall composition of the Board and the classification and term of office of Public Directors. The proposed change in the number of Public Directors from three to five would reconstitute OCC's Board with a total of 21 directors. OCC continues to believe that, as indicated in OCC's initial 1992 proposal to add Public Directors to its Board,<sup>8</sup> Public Directors broaden the mix of viewpoints and business expertise that is represented on the Board. Accordingly, OCC believes that the input and expertise of two more Public Directors will further benefit OCC in the administration of its affairs in respect of the markets that it serves, and in the discharge of its obligations as a systemically important financial market utility. In addition, the decision to add two more Public Directors is consistent with the principles discussed in the Commission's recent release on standards for covered clearing agencies.<sup>9</sup> In particular, the additional Public Directors would facilitate OCC's compliance with the public interest requirements of Section 17A of the Act and allow OCC to balance potentially competing viewpoints of various stakeholders in its decision making.

The proposed changes would remove a provision that currently is designed under certain conditions to automatically adjust the number of Member Directors serving on the Board. Article III, Section 1 requires that if the aggregate number of Exchange Directors and Public Directors equals at least nine, the total number of Member Directors must be automatically increased to always exceed that number by one. This provision would be

removed to provide the Board with greater flexibility to be able to determine its optimal composition. OCC also proposes to make corresponding changes to Article III, Section 3 under which it would remove provisions that provide for the classification and term of office of Member Directors where the number of Member Directors increases based on the provision in Article III, Section 1 that OCC proposes to delete. The proposed changes also remove a provision that reduces the number of Member Directors if the number is above nine and exceeds the sum of the number of Exchange Directors and the number of Public Directors by more than one, because as a result of the deletion of the above provision in Article III, Section 1, the number of Member Directors would be fixed at nine.

OCC is also proposing certain amendments to its Stockholders Agreement, Board of Directors Charter and Fitness Standards for Directors, Clearing Members and Others. In each case, conforming changes would be made to recognize the merger of the Nominating Committee and Governance Committee into the GNC as a standing Committee of the Board and reflect the role it would play in OCC's director nomination process. The proposed modifications to the Board Charter and Fitness Standards would reflect the increase in the number of Public Directors serving on the Board from three to five and the removal of the provision that currently is designed under certain conditions to automatically adjust the number of Member Directors serving on the Board. The criteria specified in the Fitness Standards for Directors, Clearing Members and Others for use in considering Member Director nominees would also be revised for consistency with the criteria proposed to be added to Article III, Section 5 designed to achieve balanced Board representation.

The Stockholders Agreement also contains proposed amendments to replace the term Chairman with Executive Chairman. This parallels a separate proposed amendment by OCC to implement this change in its By-Laws and Rules, but a consolidated amendment to the Stockholders Agreement is proposed for ease of administration.

b. Proposed Amendments to By-Laws Only

As explained in more detail below, certain of the proposed changes would require amendments only to OCC's existing By-Laws. One such example is that Sections 2 and 5 of Article III

<sup>8</sup> Securities Exchange Act Release No. 30328 (January 31, 1992), 57 FR 4784 (February 7, 1992) (SR-OCC-1992-02).

<sup>9</sup> Securities Exchange Act Release No. 71699 (March 12, 2014), 79 FR 16866 (March 26, 2014).

would be amended to remove prohibitions against representation of the same Clearing Member Organization on the Board and the NC.<sup>10</sup> This barrier would be eliminated since GNC members will be selected from among the members of the Board under the new approach.

#### (1) Balanced Representation

The NC's responsibility to endeavor to achieve balanced representation among Clearing Members on the Board would be carried over to the GNC. The proposed amendments would also add more detailed guidance for the GNC concerning how to achieve balanced Board representation. Specifically, the GNC would be required to assure that not all of the Member Directors represent the Clearing Member Organizations having the largest volume of business with OCC during the prior year and that the mix of Member Directors includes Clearing Member Organizations primarily engaged in agency trading on behalf of retail customers or individual investors.

#### (2) Nomination and Election Process

In place of the existing structure under which the NC nominates candidates to be Non-Director Members, who are not also required to be Board members, the Board would appoint members to the GNC from among the Board's members who are recommended by the GNC. This change requires certain proposed modifications to the nomination and election process currently reflected in Article III, Section 5. Changes are also proposed that would change the deadlines for nominations of Member Directors by both the GNC and Clearing Members, and OCC would preserve the petition process by which Clearing Members may nominate additional candidates for Member Director positions on the Board. In recognition of the elimination of the concept of Non-Director Members, several provisions in Section 5 of Article III addressing the ability of stockholders to elect or nominate Non-Director Members of the NC would be deleted. In relevant part, however, these provisions would be retained to the extent they apply to the ability of stockholders under certain conditions to nominate and elect Member Directors of the Board.

#### (3) Public Directors

Proposed changes to Section 6A of Article III would require the GNC to

<sup>10</sup> A Clearing Member Organization is a Clearing Member that is a legal entity rather than a natural person.

nominate Public Directors for election by OCC's stockholders and to use OCC's fitness standards in making such nominations. Presently, OCC's Executive Chairman makes Public Director nominations with Board approval. Changes are also proposed to help clarify the class structure and term limits of Public Directors that are independent of changes proposed to facilitate the formation of the GNC. These changes would specify that, aside from the Class II Public Director who was elected to the Board at the 2011 annual meeting, two other Public Directors were appointed to the Board prior to its 2013 annual meeting, one designated as a Class I Public Director and the other designated as a Class III Public Director. Generally, the three year terms for Public Directors with staggered expiration for each class would be preserved, however, an exception would be added for the initial Class I and III Public Directors.

The proposed changes to Article III, Section 6A would also provide for the classification of the two new Public Directors, who will be first appointed or elected after the 2014 annual meeting. One of the new Public Directors will be designated as a Class I Public Director, and the other will be designated as a Class III Public Director. The proposed changes also establish the times at which the successors of the two new Public Directors will be elected. The successor of the new Public Director that is a Class III Public Director will be elected at the 2015 annual meeting of stockholders, and the successor of the new Public Director that is a Class I Public Director will be elected at the 2016 annual meeting.

#### (4) Disqualifications and Filling Vacancies and Newly Created Directorships

The disqualification provisions in Article III, Section 11 would be revised to reflect that any determination to disqualify a director would be effective and result in a vacancy only if the GNC makes a recommendation for disqualification in addition to an affirmative vote for disqualification by a majority of the whole Board. The By-Laws currently provide that if a Member Director vacancy is filled by the Board, the person filling the vacancy will serve until the next scheduled election for the relevant class of Member Director and a successor is elected. However, if the term for that class of Member Director extends beyond the Board's next annual meeting the vacancy must be filled by a person who is recommended by the Nominating Committee. Proposed changes to these terms in respect of the

GNC would require the Board in all cases to appoint a person who is recommended by the GNC. Similarly, Public Director vacancies would be required to be filled by the Board as generally provided for in Section 6A of Article III, including with regard to candidates being nominated by the GNC using OCC's fitness standards for directors. Provisions concerning filling vacancies with respect to the NC would be deleted, consistent with its elimination in favor of the GNC.

#### (5) Ministerial Changes

The proposed changes to Article III also include certain ministerial changes. A reference to stockholder exchanges in the interpretation and policy to Section 6 would be replaced by the defined term Equity Exchanges, and a reference in Section 14 to notice by telegram would be changed to facsimile to reflect current means of communication.

#### c. Proposed Amendments to the GC Charter Only

Certain of the proposed amendments relating to the creation of the GNC would apply only to OCC's existing GC Charter. These amendments are discussed below.

##### (1) GNC Purpose

The statement of purpose in the GC Charter would be revised to reflect the GNC's larger scope of responsibilities. The existing GC purpose of reviewing the overall corporate governance of OCC would be maintained, along with language clarifying that this review would be performed on a regular basis and that recommendations concerning Board improvements should be made when necessary. The GNC Charter would also provide that the GNC assists the Board in identifying, screening and reviewing individuals qualified to serve as directors and by recommending candidates to the Board for nomination for election at the annual meeting of stockholders or to fill vacancies. The GNC Charter would also specify that the GNC would develop and recommend to the Board, and oversee the implementation of, a Board Code of Conduct.

##### (2) GNC Membership and Organization

The requirement in the GC Charter that the GC hold four meetings annually would be modified to also permit the GNC to call additional meetings as it deems appropriate.<sup>11</sup> The GC Charter requirement for regular reporting to the Board on Committee activities by the GC

<sup>11</sup> This would bring the Governance and Nominating Committee Charter in line with the Charters of OCC's other Board Committees.

chair or a designee would be revised in favor of placing the reporting responsibility solely on the GNC Chair and requiring the GNC Chair to make timely reports to the Board on important issues discussed at GNC meetings. Taking into consideration certain pre-established guidelines in the GNC Charter, the GNC Chair would also be given responsibility for determining whether minutes should be recorded at any executive session. Aside from this exception for executive sessions, GNC meeting minutes would be required to be recorded. The GNC Charter would also create a position to be filled by an OCC officer who would assist the GNC and liaise between it and OCC's staff.

### (3) GNC Authority

As in the case of the existing GC, the GNC would have authority to inquire into any matter relevant to its purpose and responsibilities in the course of carrying out its duties. The GNC Charter would further specify that in connection with any such inquiry the GNC would have access to all books, records, facilities and personnel of OCC. Unlike the existing GC Charter, the GNC Charter would not provide express authority for the GNC to rely on members of OCC's management for assistance. Instead, this relationship between the GNC and OCC's management would be more specifically addressed through the role of the newly created staff liaison position. Additional revisions to the GC Charter would also establish that the GNC Chair would not have discretion to take unilateral action on behalf of the Committee, even in special circumstances.

### (4) Board Composition

Without limiting the GNC to particular activities, the GNC Charter would specify certain responsibilities meant to guide the GNC in achieving its purposes, including with respect to its role in the development of the Board's composition. As an overarching goal, the GNC's Charter would require it to pursue development of a Board comprised of individuals who have a reputation for integrity and represent diverse professional backgrounds as well as a broad spectrum of experience and expertise. The GNC Charter would also prescribe more detailed responsibilities designed to further this goal. For example, the GNC would be required to conduct periodic reviews of the composition of the Board against the goal, including whether the Board reflects the appropriate balance of types of directors, business specialization, technical skills, diversity and other

qualities.<sup>12</sup> The GNC would be required to recommend policies and procedures to the Board for identifying and reviewing Board nominee candidates, and it would implement and oversee the effectiveness of those policies, including with regard to criteria for Board nominees. Using criteria approved by the Board, the GNC would identify, screen and review persons who it determines are qualified to serve as directors. This process would also extend to incumbent directors concerning any potential re-nomination. In all cases, the GNC would only recommend candidates to the Board for nomination for election after consulting with OCC's Executive Chairman. In the event that a sitting director offers to resign because of a change in occupation or business association, the GNC would be responsible for reviewing whether continued service is appropriate and making a recommendation of any action, consistent with OCC's By-Laws and Rules, that should be taken by the Board. The GNC would also undertake periodic reviews of term limits for certain directors and recommend changes to these limits where appropriate.

### (5) Governance Practices

The GNC would have responsibility for reviewing the Board's Charter for consistency with regulatory requirements, transparency of the governance process and other sound governance practices. Currently, this is a GC function, and certain GC Charter amendments are proposed to help further detail the GNC's review responsibilities. These include a general responsibility to recommend changes, as the GNC deems appropriate, to the Board concerning Committee Charters. This would include the GNC Charter, which the GNC would be required to review annually.<sup>13</sup> In connection with a periodic review of Board Committee structure, the GNC would advise the Board regarding related matters of structure, operations and charters. Furthermore, and in each case after consultation with OCC's Executive Chairman, the GNC would recommend to the Board for its approval certain directors for Committee service as well as for assignment as Committee chair persons.

<sup>12</sup> The GNC would also review director conflicts of interest and the manner in which any such conflicts are to be monitored and resolved.

<sup>13</sup> As part of the annual review, the GNC would also submit the GNC Charter to the Board for re-approval, including any changes the GNC deems advisable.

The GNC would develop and recommend to the Board the annual process used by the Board and Board Committees for self-evaluation of their role and performance in the governance of OCC. The GNC would also be responsible for coordinating and providing oversight of that process. Corporate governance principles applicable to OCC would be developed by the GNC for recommendation to the Board, and the GNC would review them at least once a year.

### (6) Other Proposed GC Charter Amendments

The GNC Charter would require the Committee to regularly evaluate its performance and the performance of its individual members and provide results of such assessments to the Board. It would also require an annual report to be prepared by the GNC and delivered to the Board regarding the GNC's activities for the preceding year, and the GNC would be required to include a statement that it carried out all of its GNC Charter responsibilities. In addition to such responsibilities, the GNC would generally be empowered to perform any other duties that it deems necessary or appropriate and consistent with the GNC Charter or as may otherwise be further delegated to it by the Board.

### d. Fair Representation Requirement for Clearing Agencies

Section 17A(b)(3)(C) of the Act requires the rules of a clearing agency to assure fair representation of its shareholders (or members) and participants<sup>14</sup> in the selection of its directors and administration of its affairs.<sup>15</sup> The Act does not define fair representation but instead reserves to the Commission the authority to determine whether a clearing agency's rules give fair voice to participants and shareholders or members in the selection of directors and administration of affairs. On this subject, the Division of Market Regulation's Announcement of Standards for the Registration of Clearing Agencies provides that a clearing agency's procedures concerning fair representation are evaluated on a case-by-case basis but that a clearing agency could comply with the standard,

<sup>14</sup> In relevant part, a clearing agency participant is defined in Section 3(a)(24) of the Act as "any person who uses a clearing agency to clear or settle securities transactions or to transfer, pledge, lend, or hypothecate securities . . ."

<sup>15</sup> 15 U.S.C. 78q-1(b)(3)(C). The statute further provides that one way of establishing that the representation of participants is fair is by affording them a reasonable opportunity to acquire voting stock of the clearing agency in reasonable proportion to their use.

including with respect to board nominations, through the use of a nominating committee composed of and selected by participants or their representatives.<sup>16</sup> Subsequent Commission guidance in this area also provides that the entity responsible for nominating individuals for membership on the board of directors should be obligated by by-law or rule to make nominations with a view toward assuring fair representation of the interests of shareholders and a cross-section of the community of participants.<sup>17</sup>

OCC believes for several reasons that the proposed amendments to the By-Laws and GC Charter would continue to assure fair representation of OCC's shareholders and participants in the selection of its directors and the administration of its affairs. First, as the body responsible for nominating Member Director and Public Director candidates to OCC's Board, the GNC would be composed of and selected by OCC's participants and shareholders or their representatives because, along with at least one Public Director, the GNC would be composed of Board members who represent OCC's Clearing Members and equity exchanges. Furthermore, the GNC would be obligated by OCC's By-Laws and the GNC Charter to make nominations that serve the interests of shareholders and a cross-section of participants because it would be required to nominate candidates with a view toward: assuring that the Board consists of, among other things, individuals who have a reputation for integrity and represent diverse professional backgrounds and a broad spectrum of experience and expertise; that not all Member Directors of the Board would represent the largest Clearing Member Organizations; and that the mix of Member Directors on the Board should include representatives of Clearing Member Organizations primarily engaged in agency trading on behalf of retail customers or individual investors. Finally, rather than prescribing pre-set term limits, OCC believes that having GNC members serve at the pleasure of the Board would help foster continuity on the GNC and thereby strengthen the quality of the representation of OCC's participants and

shareholders in the administration of its affairs.

## 2. Statutory Basis

OCC believes that the proposed change to OCC's By-Laws are consistent with Section 805(b) of the Clearing Supervision Act<sup>18</sup> because the changes are designed to improve the structure and effectiveness of the Board, thereby promoting robust risk management,<sup>19</sup> as well as safety and soundness.<sup>20</sup> The proposed change achieve this purpose by, among other things, creating a framework that requires the GNC to be composed of representatives of at least one Member Director, Exchange Director and Public Director, requiring the GNC to endeavor to develop a Board that represents a broad range of skills and experience and increasing the number of Public Directors the proposed changes would help ensure that OCC continues to have clear and transparent governance arrangements that are in the public interest. The proposed change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended or any advance notice filings pending with the Commission.

## 3. Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants, or Others

Written comments on the advance notice were not and are not intended to be solicited with respect to the advance notice and none have been received.

## III. Date of Effectiveness of the Advance Notice and Timing for Commission Action

The proposed changes contained in the advance notice may be implemented pursuant to Section 806(e)(1)(G) of Clearing Supervision Act<sup>21</sup> if the Commission does not object to the proposed changes within 60 days of the later of (i) the date that the advance notice was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed changes contained in the advance notice if the Commission objects to the proposed changes.

The Commission may extend the period for review by an additional 60 days if the proposed changes raise novel or complex issues, subject to the Commission providing the clearing

agency with prompt written notice of the extension. Proposed changes may be implemented in fewer than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed changes and authorizes the clearing agency to implement the proposed changes on an earlier date, subject to any conditions imposed by the Commission.

OCC has also filed the advance notice as a proposed rule change pursuant to Section 19(b)(1) of the Act<sup>22</sup> and Rule 19b-4 thereunder.<sup>23</sup> Pursuant to those provisions, within 45 days of the date of publication of the notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will: (A) By order approve or disapprove the proposed rule change or (B) institute proceedings to determine whether the proposed rule change should be disapproved.

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed. The clearing agency shall post notice on its Web site of proposed changes that are implemented.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. 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-OCC-2014-802 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-OCC-2014-802. 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

<sup>16</sup> Securities Exchange Act Release No. 16900 (June 17, 1980), 45 FR 41 (June 23, 1980) (citing in relevant part Securities Exchange Act Release 14531 (March 6, 1978), 43 FR 10288, 10291 (March 10, 1978) regarding proposed Commission-level standards for clearing agency registration). The Division of Market Regulation is now known as the Division of Trading and Markets.

<sup>17</sup> Securities Exchange Act Release No. 20221 (September 23, 1983), 48 FR 45167, 45172 (October 3, 1983) (Depositary Trust Co., et. al.; Order).

<sup>18</sup> 12 U.S.C. 5464(b).

<sup>19</sup> 12 U.S.C. 5464(b)(1).

<sup>20</sup> 12 U.S.C. 5464(b)(2).

<sup>21</sup> 12 U.S.C. 5465(e)(1)(G).

<sup>22</sup> 15 U.S.C. 78s(b)(1).

<sup>23</sup> 17 CFR 240.19b-4. See *supra* note 3.

Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the advance notice that are filed with the Commission, and all written communications relating to the advance notice 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 filings also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at <http://www.theocc.com/about/publications/bylaws.jsp>.

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-OCC-2014-802 and should be submitted on or before June 24, 2014.

By the Commission.

Kevin O'Neill,  
Deputy Secretary.

[FR Doc. 2014-12772 Filed 6-2-14; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72269; File No. SR-FINRA-2014-008]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, Relating To Protecting Personal Confidential Information in Documents Filed With FINRA Dispute Resolution

May 28, 2014.

#### I. Introduction

On February 13, 2014, the Financial Industry Regulatory Authority, Inc. ("FINRA") 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 to amend FINRA's

Code of Arbitration Procedure for Customer Disputes (the "Customer Code") and the Code of Arbitration Procedure for Industry Disputes (the "Industry Code") to require parties to redact all but the last four digits of an individual's Social Security number, taxpayer identification number, or financial account number (collectively, "personal confidential information" or "PCI") from documents filed with FINRA Dispute Resolution ("DR"). The proposed rule change was published for comment in the **Federal Register** on February 28, 2014.<sup>3</sup> The Commission received six comments on the proposal.<sup>4</sup>

On April 10, 2014, FINRA granted the Commission an extension of time to act on the proposal until May 29, 2014.<sup>5</sup> On May 5, 2014, FINRA responded to the comment letters<sup>6</sup> and filed Amendment No. 1 to the proposed rule change in response to a commenter's concern.<sup>7</sup> The Commission is publishing this notice and order to solicit comments on Amendment No. 1 from interested persons, and to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

#### II. Description of the Proposed Rule Change

##### Overview

FINRA filed the proposed rule change to amend the Customer Code and the Industry Code to provide that any document that a party files with DR that contains an individual's Social Security number, taxpayer identification number, or financial account number must be

redacted to include only the last four digits of any of these numbers.<sup>8</sup> The proposed redaction requirements would apply only to documents filed with DR and would not apply to documents that parties exchange with each other or submit to the arbitrators at a hearing on the merits.<sup>9</sup> In addition, the proposed redaction requirements would not apply to cases administered under FINRA Rule 12800 of the Customer Code and FINRA Rule 13800 of the Industry Code (collectively, the "Simplified Arbitration rules").<sup>10</sup>

##### Requiring Parties To Redact Specified PCI From Documents Filed With FINRA

During an arbitration proceeding, parties file pleadings and other supporting documents with DR that may contain individuals' PCI. FINRA stated that, as a service to forum users, DR serves certain pleadings on other parties to an arbitration.<sup>11</sup> DR also provides arbitrators with pleadings and attachments.<sup>12</sup> FINRA believes that the greatest risk of DR staff misdirecting PCI occurs when DR staff serves pleadings on a party at an incorrect or outdated address (e.g., an associated person of a member who has not updated his or her Central Registration Depository record).<sup>13</sup> In addition, FINRA stated that arbitrators occasionally have misplaced parties' pleadings containing PCI.<sup>14</sup>

FINRA also stated that, since FINRA employees are regularly exposed to PCI as they handle party documents, it has policies and procedures in place to help guide staff on how to keep confidential information safe.<sup>15</sup> For example, FINRA maintains an Information Privacy and Protection Policy, and administers Information Privacy and Protection Training to all FINRA staff annually.<sup>16</sup> In addition, DR has its own procedures for protecting confidential information relating to, among other matters, storage and disposal of case materials in a manner that preserves the confidentiality of the information, and removal of PCI that appears in awards

<sup>3</sup> See Securities Exchange Act Release No. 71608 (Feb. 24, 2014), 79 FR 11491 (Feb. 28, 2014) ("Notice").

<sup>4</sup> See Letters from Steven B. Caruso, Esq., Maddox Hargett & Caruso, P.C., dated March 4, 2014 ("Caruso Letter"); Nataliya Nemtseva, Student Intern, Timothy Guilmette, Student Intern, Thomas Abrahamson, Student Intern, and Nicole Iannarone, Assistant Clinical Professor, Georgia State University College of Law's Investor Advocacy Clinic, dated March 14, 2014 ("Georgia State Letter"); Kara Cain, Esq., Aderant CompuLaw, dated March 19, 2014 ("Aderant Letter"); Jason Doss, Public Investors Arbitration Bar Association, dated March 20, 2014 ("PIABA Letter"); Ryan Jennings, Legal Intern, Christian Corkery, Legal Intern, and Daniel Coleman, Legal Intern, Securities Arbitration Clinic, St. Vincent DePaul Legal Program, Inc., St. John's University School of Law, dated March 20, 2014 ("St. John's Letter"); and Jill I. Gross, James D. Hopkins Professor of Law, Director, Investor Rights Clinic, Pace Law School, dated March 24, 2014 ("Pace Letter").

<sup>5</sup> See Letter from Margo A. Hassan, Assistant Chief Counsel, FINRA Dispute Resolution, Inc., to Lourdes Gonzalez, Assistant Chief Counsel, Sales Practices, Division of Trading and Markets, Securities and Exchange Commission, dated April 10, 2014.

<sup>6</sup> See Letter from Margo A. Hassan, Assistant Chief Counsel, FINRA Dispute Resolution, Inc., to Secretary, Securities and Exchange Commission, dated May 5, 2014 ("FINRA Response Letter").

<sup>7</sup> See Aderant Letter.

<sup>8</sup> See proposed FINRA Rules 12300(g)(1) and 13300(g)(1); see also Notice, 79 FR at 11492. The text of the proposed rule change is available at the principal office of FINRA, on FINRA's Web site at <http://www.finra.org>, and at the Commission's Public Reference Room.

<sup>9</sup> See proposed FINRA Rules 12300(g)(2) and 13300(g)(2); see also Notice, 79 FR at 11492.

<sup>10</sup> See proposed FINRA Rules 12300(g)(3) and 13300(g)(3); see also Notice, 79 FR at 11492. The Simplified Arbitration rules generally apply to arbitrations involving \$50,000 or less, exclusive of interest and expenses.

<sup>11</sup> See Notice, 79 FR at 11492.

<sup>12</sup> See *id.*

<sup>13</sup> See *id.*

<sup>14</sup> See *id.*

<sup>15</sup> See Notice, 79 FR at 11492.

<sup>16</sup> See *id.*

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

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