

deposit may include an LC issued by any one of these non-U.S. institutions.<sup>5</sup>

Pursuant to review and analysis performed by OCC's Risk Committee, OCC is applying the existing concentration limits related to the deposit of LCs, as set forth in OCC Rule 604, Interpretation and Policy .02, applicable to all margin deposits of LCs regardless of issuer. As a result of this change, no more than 50% of a clearing member's margin on deposit may include LCs and no more than 20% of a clearing member's margin may include an LC from a single issuer. This change is intended to reduce OCC's overall credit risk exposure to LCs deposited as margin by a single clearing member and the potential adverse consequences should an LC issuer not perform upon its payment commitment after receiving a demand for payment.

OCC believes that the rule change will have a minimal impact on its clearing members because LCs comprise less than one percent of OCC's total margin deposits and are currently used by only 13 clearing members. OCC estimates that the proposal will impact three clearing members and .13% of OCC's total margin deposits. Each of these three clearing members has been advised by OCC of the proposed change and OCC stated that all of the affected clearing members have indicated that they will be able to modify its margin deposit practices to reduce its LC deposits without undue difficulty.

OCC has indicated that prior to implementation of this rule change it will publish an information memorandum to inform all clearing members of the rule change. In addition, OCC stated that it contacted clearing members with LCs on deposit that are directly affected by the filing and all clearing members will have access to information, as necessary, to better understand any potential impact the proposed rule change may have on their margin deposits at OCC.

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>6</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 applicable to such organization. Section 17A(b)(3)(F) of the Act<sup>7</sup> requires, among other things, that the rules of a clearing agency are 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 assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.

The Commission finds that the proposed rule change to enhance concentration limits related to deposits of LC and making those limits applicable to all LC is consistent with Section 17A(b)(3)(F) of the Act.<sup>8</sup> The Commission believes the limitations on the concentration of LC as margin deposits generally and the concentration of LCs by a particular issuer should reduce the credit risk and settlement risk to OCC associated with LCs as margin deposits by reducing the risk that an LC issuer would not be able to provide funds to OCC to close out a defaulting clearing member's positions. By reducing the risk that OCC will not be able to use the deposited LC in the event of a clearing member default, the limitations promote the prompt and accurate clearance and settlement of securities transactions and other transactions by OCC and help OCC assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible.<sup>9</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>10</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (File No. SR-OCC-2014-12) be and hereby is APPROVED.<sup>12</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> See *id.*

<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</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).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72596; File No. SR-ICC-2014-07]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change To Revise End-of-Day Price Discovery Policies and Procedures

July 11, 2014.

#### I. Introduction

On May 22, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-07 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> The proposed rule change was published for comment in the **Federal Register** on June 10, 2014.<sup>3</sup> The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### II. Description

ICC is proposing to amend the ICC End-of-Day Price Discovery Policies and Procedures ("EOD Pricing Policy") to revise the expectations surrounding the unwind of any Firm Trade transaction.

ICC contends that the proposed revision to ICC's EOD Pricing Policy is intended to make the policy more readily enforceable, while maintaining the same or similar level of incentive for ICC Clearing Participants to provide quality price submissions.

ICC contends that ICC Clearing Participants ("CPs") may be required from time to time, under the ICC EOD Pricing Policy, to enter into trades with other CPs as part of the ICC end-of-day price discovery process ("Firm Trade"). ICC contends that it does not require CPs to maintain Firm Trades as outstanding positions for any particular length of time. Prior to the operation of this proposed rule change, ICC has stated that the ICC EOD Pricing Policy requires CPs that elect to unwind a Firm Trade to do so "at the then-current market price." ICC contends that there are practical difficulties with objectively determining whether an unwind transaction was executed at the "then-current market price" and therefore such policy is difficult to enforce. ICC proposes via this rule change to revise

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

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

<sup>3</sup> Securities Exchange Act Release No. 34-72306 (June 4, 2014), 79 FR 33243 (June 10, 2014) (SR-ICC-2014-07).

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

<sup>6</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

the ICC EOD Pricing Policy to replace references to the “then-current market price” with the requirement that unwind transactions be executed in a competitive manner. Further, ICC proposes via this rule change to add the requirement that, upon request, CPs be able to demonstrate to ICC’s satisfaction that such unwind transaction was executed in a competitive manner. Additionally, ICC proposes to add a non-exclusive list of examples of how CPs may be able to demonstrate competitive execution of unwind transactions, for example: (i) Execution on an available trading venue (e.g., a SEF or DCM); (ii) multiple dealer quotes received and execution of the unwind transaction at the best quoted price; or (iii) placement of the unwind transaction with an interdealer broker with price terms and instructions commensurate with a competitive execution.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such self-regulatory organization. Section 17A(b)(3)(F) of the Act<sup>5</sup> requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest.

The Commission finds that the proposed revision to ICC’s EOD Pricing Policy is 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>6</sup> The Commission finds that the update to ICC’s EOD Pricing Policy regarding Firm Trade unwind transactions clarifies the policy while maintaining the same or similar level of incentive for CPs to provide quality price submissions. Because of the clarification of the Firm Trade unwind requirements and the potential increase in the enforceability thereof, CPs may

have a greater incentive to submit quality price submissions. Since quality price submissions are an integral part of the end-of-day pricing process, the Commission finds that the proposed rule change therefore promotes the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts and transactions and contributes to the safeguarding of securities and funds which are in the custody or control of ICC or for which it is responsible in a manner consistent with the Act and the regulations thereunder applicable to ICC.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>7</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (File No. SR-ICC-2014-07) be, and hereby is, approved.<sup>9</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Kevin M. O’Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72595; File No. SR-FINRA-2014-032]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 7710 Relating to Fees for the OTC Reporting Facility and Delete Rule 7740 Relating to Historical Research and Administrative Reports

July 11, 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 July 2, 2014, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the

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

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

<sup>3</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).

<sup>4</sup> 17 CFR 200.30-3(a)(12).

<sup>5</sup> 15 U.S.C. 78s(b)(1).

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

Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by 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

FINRA is proposing to amend Rule 7710 (OTC Reporting Facility) relating to fees for the OTC Reporting Facility (“ORF”) and delete Rule 7740 (Historical Research and Administrative Reports) upon migration of the ORF to FINRA’s Multi-Product Platform (“MPP”).

The text of the proposed rule change is available on FINRA’s Web site at <http://www.finra.org>, at the principal office of FINRA 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, FINRA 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. FINRA 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 ORF is the FINRA facility used by members to report transactions in OTC Equity Securities, as defined in Rule 6420 (*i.e.*, equity securities that are not NMS stocks), and transactions in Restricted Equity Securities, as defined in Rule 6420, effected pursuant to Securities Act Rule 144A.<sup>4</sup> Currently, the ORF utilizes technology provided by The NASDAQ OMX Group, Inc. (“NASDAQ”) that is based on NASDAQ’s proprietary Automated

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> 17 CFR 230.144A.

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

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> *Id.*