borrowings or repurchase transactions may be used in accordance with ICC's authority to use Guaranty Fund assets under ICC's current rules. Additionally, ICC states that, in connection with a Clearing Participant’s default, ICC will be able to exchange cash in the Guaranty Fund for the equivalent value of securities or cash of a different currency.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act 4 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 requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of contracts, and transactions, and assures 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 rule change is consistent with the requirements of Section 17A of the Act 5 and the rules and regulations thereunder applicable to such self-regulatory organization. The proposed Liquidity Risk Management Framework would formalize ICC’s liquidity management program, including the description of ICC’s liquidity resources, the order of use of such resources, and the methodology for testing the sufficiency of these resources. In addition, proposed Rules 402(j) and 802(f)(iv) would permit ICC to use, and provide details as to how ICC would use, margin and Guaranty Fund assets to support ICC’s liquidity obligations. The Commission believes the proposed rule change is reasonably designed to allow ICC to manage its liquidity needs in the event of one or more Clearing Participant defaults and, therefore, promotes the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, and assures the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act. 6

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 and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–ICC–2014–08) be, and hereby is, approved. 7

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority, 8

Kevin M. O’Neill.

Deputy Secretary.

[FR Doc. 2014–21001 Filed 9–3–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


August 28, 2014

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 1 and Rule 19b–4 thereunder, 2 notice is hereby given that on August 26, 2014, BATS Exchange, Inc. (the “Exchange”) 3 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 by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 11.9 to add certain functionality to the Exchange’s cash equities trading platform (“BATS Equities”). Consistent with its practice of offering similar functionality for the Exchange’s equity options trading platform (“BATS Options”) as it does for BATS Equities, the Exchange proposes to amend Rule 21.1 to add similar functionality to BATS Options.

The text of the proposed rule change is available at the Exchange’s Web site at http://www.batstrading.com, at the principal office of the Exchange, 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 parts of such statements.

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

1. Purpose

The Exchange currently offers various forms of sliding which, in all cases, result in the re-pricing of an order to, or ranking and/or display of an order at, a price other than an order’s limit price in order to comply with applicable securities laws and/or Exchange rules. Specifically, the Exchange currently offers price sliding to ensure compliance with Regulation NMS and Regulation SHO for BATS Equities, as well as price sliding for BATS Options to ensure compliance rules analogous to Regulation NMS adopted by the Exchange and other options exchanges. Price sliding currently offered by the Exchange re-prices and displays an order upon entry and in certain cases again re-prices and re-displays an order at a more aggressive price one time if and when permissible (“single display-price sliding”), and optionally continually re-prices an order (“multiple display-price sliding”) based on changes in the national best bid (“NBB”) or national best offer (“NBO”), and together with the NBB, the “NBB”). The Exchange proposes to add another optional process, the Price Adjust process, as described below. Price Adjust in all contexts for which it is being proposed will have to be
elected by a User in order to be applied by the Exchange.

In contrast to display-price sliding, which is based solely on Protected Quotations at equities markets and options exchanges other than the Exchange, Price Adjust would be based on Protected Quotations at external markets and at the Exchange. If the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such order executes against the resting order, or, if the incoming order is a BATS Post Only Order, at the Exchange is only relevant for interest), the fact that Price Adjust at the Exchange has a Protected Quotation that is a Protected Bid or Protected Offer to sell for $10.12 and the order received an offer to sell 100 shares at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock an external market’s Protected Offer to sell for $10.12. If the NBO then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at its limit price of $10.12.

As an example of an order executed while subject to the Price Adjust process before being un-slide by the Exchange, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock an external market’s Protected Offer to sell for $10.12. Assume next that the Exchange receives an offer to sell 100 shares at $10.11. The incoming order to sell will execute at $10.11 against the resting bid to buy 100 shares (originally priced at $10.12) that has been slid pursuant to the Price Adjust process. Thus, the order executes at a full penny per share better than if it were ranked at the locking price of $10.12 (buying for $10.11 rather than $10.12 per share).

Similarly, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.12 per share. Assume the NBBO is also $10.10 by $10.12. If the Exchange receives a BATS Post Only bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock the Exchange’s Protected Offer to sell for $10.12 and the order would not remove liquidity pursuant to Rule 11.9(c)(6). If the NBO, including the Exchange’s best offer, then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at its limit price of $10.12.

The Exchange also proposes to state that all orders that are re-ranked and re-displayed pursuant to Price Adjust will retain their priority as compared to other orders subject to Price Adjust based upon the times they were initially received by the Exchange. Further, as proposed, following the...

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3 As defined in BATS Rule 1.5(cc), a User is "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.3.

4 As defined in BATS Rule 1.5(l), applicable to BATS Equities, a “Protected Quotation” is "a quotation that is a Protected Bid or Protected Offer to sell for $10.12 and the order received an offer to sell 100 shares at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock an external market’s Protected Offer to sell for $10.12. Assume next that the Exchange receives an offer to sell 100 shares at $10.11. The incoming order to sell will execute at $10.11 against the resting bid to buy 100 shares (originally priced at $10.12) that has been slid pursuant to the Price Adjust process. Thus, the order executes at a full penny per share better than if it were ranked at the locking price of $10.12 (buying for $10.11 rather than $10.12 per share).

Similarly, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.12 per share. Assume the NBBO is also $10.10 by $10.12. If the Exchange receives a BATS Post Only bid to buy 100 shares at $10.12 per share the Exchange will rank and display the order to buy at $10.11 because displaying the bid at $10.12 would lock the Exchange’s Protected Offer to sell for $10.12 and the order would not remove liquidity pursuant to Rule 11.9(c)(6). If the NBO, including the Exchange’s best offer, then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at its limit price of $10.12.

The Exchange also proposes to state that all orders that are re-ranked and re-displayed pursuant to Price Adjust will retain their priority as compared to other orders subject to Price Adjust based upon the times they were initially received by the Exchange. Further, as proposed, following the...

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5 The Exchange notes that it recently filed a proposal clarifying the methodology used by the Exchange to calculate the NBBO, including the data feeds used to calculate the NBBO as well as various types of feedback that update the Exchange’s view of the NBBO, such as feedback from receipt of Internarket Sweep Orders with a time-in-force of Day and feedback from the Exchange’s routing broker-dealer, BATS Trading, Inc. See Securities Exchange Act Release No. 72685 (July 28, 2014), 79 FR 44889 (August 1, 2014) (SR-BATS-2014-029).
initial ranking and display of an order subject to Price Adjust, an order will only be re-ranked and re-displayed to the extent it achieves a more aggressive price.

In order to offer multiple price sliding to Exchange Users that select Price Adjust, the Exchange proposes to make clear that the ranked and displayed prices of an order subject to Price Adjust may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing NBBO. As is true for display-price sliding, multiple price sliding pursuant to Price Adjust would be optional and would have to be explicitly selected by a User before it will be applied. Orders subject to multiple price sliding for Price Adjust will be permitted to move all the way back to their most aggressive price, whereas orders subject to Price Adjust may not be adjusted to their most aggressive price, depending upon market conditions and the limit price of the order upon entry.

As an example of multiple price sliding for Price Adjust assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.14 per share. Assume the NBBO is at $10.10 by $10.12. If the Exchange receives a non-routable bid to buy 100 shares at $10.13 per share, the Exchange would rank and display the order to buy at $10.11 because displaying the bid at $10.13 would cross an external market’s Protected Offer to sell for $10.12. If the Exchange then moved to $10.13, the Exchange would un-slide the bid to buy and rank and display it at $10.12. Under the proposed single Price Adjust functionality, the Exchange would not further adjust the ranked or displayed price following this un-slide. However, under multiple price sliding for Price Adjust if the NBO then moved to $10.14, the Exchange would un-slide the bid to buy and rank and display it at its full limit price of $10.13.

The Exchange currently offers display-price sliding functionality to avoid locking or crossing other markets’ Protected Quotations, but does not price slide to avoid executions on the Exchange’s order book (“BATS Book”). Specifically, when the Exchange receives an incoming order that could execute against resting displayed liquidity but an execution does not occur because such incoming order is designated as an order that will not remove liquidity (i.e., a BATS Post Only Order), then the Exchange will cancel the incoming order. As noted above, the Exchange proposes to make clear in the description of Price Adjust that any display-eligible BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(6) or adjusted pursuant to the Price Adjust process. Similarly, the Exchange proposes to make clear that any display-eligible Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(7) or adjusted pursuant to the Price Adjust process.

The Exchange reiterates that in contrast to the proposed operation of Price Adjust, the existing display-price sliding process would instead cancel BATS Post Only orders and BATS Partial Post Only at Limit Order conditions that lock or cross a Protected Quotation displayed by the Exchange to the extent such orders are not executed on entry.

The Exchange currently applies display-price sliding to Non-Display-Orders that cross Protected Quotations of external markets. The Exchange proposes language that makes clear that this functionality will apply to all orders for which a User has selected either display-price sliding or Price Adjust. The proposed rule states that Non-Display-Orders that are subject to display-price sliding or Price Adjust are ranked at the locking price on entry. The proposed description also makes clear that price sliding for Non-Display-Orders is functionally equivalent to the handling of displayable orders except that such orders will not have a displayed price and will not be re-priced again unless such orders cross a Protected Quotation of an external market (i.e., such orders are not un-slide). Other than updating the language of the rule to reflect that Non-Display-Orders for which a User has selected Price Adjust will be handled in the same way as orders subject to display-price sliding, the Exchange is not proposing to change its handling of Non-Display-Orders. As an example of the Exchange’s handling of Non-Display-Orders in the context of Price Adjust, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at $10.10 per share and a posted and displayed offer to sell 100 shares at $10.13 per share. Assume the NBBO is at $10.10 by $10.11. If the Exchange receives a Non-Display-Order bid to buy 100 shares at $10.12 per share, the Exchange would re-price the order to a $10.11 bid to buy to avoid potentially trading through the $10.11 offer displayed as the NBBO (i.e., to ensure the Exchange will not allow the bid to trade at $10.12 per share). In the event the NBBO moved to $10.09 by $10.10, the Exchange would re-price the Non-Display-Order bid to buy 100 shares to $10.10 per share. If the NBBO then moved to $10.10 by $10.11, the Non-Display-Order bid would not be re-priced to $10.11, but would remain on the Exchange’s order book at $10.10. This proposed handling is identical to handling of a Non-Display-Order for which a User has selected display-price sliding.

The Exchange also proposes that in the event the NBBO changes such that display-eligible orders subject to display-price sliding and Price Adjust would not lock or cross a Protected Quotation and are eligible to be displayed at a more aggressive price, the System will first display all orders subject to display-price sliding at their ranked price followed by orders subject to Price Adjust, which will be re-ranked and re-displayed as set forth above. The Exchange believes it is reasonable to un-slide orders subject to display-price sliding before it un-slide orders subject to Price Adjust because Price Adjust is a less aggressive form of price sliding than display-price sliding, in that an order submitted by a User that elects Price Adjust will be displayed and ranked at the same price rather than ranked at the locking price and displayed at a less aggressive price. The Exchange also proposes to make clear that if a User elects to apply Price Adjust to an order submitted to BATS Equities, price sliding will apply short sale price sliding in connection with the handling of the order by the Exchange. The Exchange does not propose to modify its short sale price sliding functionality.

BATS Options—Price Adjust

In order to maintain consistency between analogous processes offered by BATS Equities and BATS Options, the Exchange proposes to modify the rules of BATS Options to conform to the changes described above related to Price Adjust. BATS Options currently offers display-price sliding (including multiple display-price sliding) offered...
to ensure compliance with locked and crossed market rules relevant to participation on BATS Options. The proposed Price Adjust functionality for BATS Options is similar to the proposed functionality for BATS Equities, with the exception of language related to non-displayed orders. BATS Options does not have non-displayed orders, and thus, has omitted language regarding Price Adjust functionality applicable to non-displayed orders.

As drafted, Rules 21.1(i) and 21.1(j) are identical to the description of display-price sliding set forth in proposed Rule 11.9 and described above with the exception of minor references necessary due to the difference between rules applicable to BATS Equities and BATS Options and the omission of certain rule text specific to non-displayed orders, which are applicable to BATS Equities only. Further, the examples set forth above are equally applicable to the operation of Price Adjust on BATS Options as they are to the operation of Price Adjust on BATS Equities.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”) and further the objectives of Section 6(b)(5) of the Act because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the operation of Price Adjust on BATS Options as they are to the operation of Price Adjust on BATS Equities.

The Exchange believes that the proposed changes to offer Price Adjust are consistent with Section 6(b)(5) of the Act, as well as Rule 610 of Regulation NMS and Rule 201 of Regulation SHO. The Exchange is not modifying the overall functionality of price sliding, which, to avoid locking or crossing quotations of other market centers or to comply with applicable short sale restrictions, displays orders at permissible prices while retaining a

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10 Id. 17 CFR 242.610.
11 17 CFR 242.201.
12 17 CFR 242.610(d).
13 Id.
14 Id.
15 17 CFR 242.201.
competitors of the Exchange. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges.

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

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

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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. Please include File Number SR–BATS–2014–038 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–BATS–2014–038. 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–BATS–2014–038, and should be submitted on or before September 25, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\footnote{Kevin M. O’Neill, Deputy Secretary.}

[FR Doc. 2014–21002 Filed 9–3–14; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Add Rules Related to the Clearing of Standard Western European Sovereign CDS Contracts

August 28, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),\footnote{17 CFR 200.30–3(a)(12).} and Rule 19b–4 thereunder,\footnote{15 U.S.C. 78s(b)(1).} notice is hereby given that on August 25, 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 the proposed rule change is to adopt new rules that will provide the basis for ICC to clear additional credit default swap contracts. Specifically, ICC is proposing to amend Chapter 26 of its rules to add Subchapter 26I and to amend the ICC Risk Management Framework to provide for the clearance of Standard Western European Sovereign CDS contracts, specifically the Republic of Ireland, the Italian Republic, the Portuguese Republic, and the Kingdom of Spain (collectively, the “SWES Contracts”). The proposed change is dependent on the approval and implementation of the proposed rule change contained in ICC–2014–11 and therefore, the text of the proposed rule change in Exhibit 5 should be read in conjunction with the text of the proposed rule change in Exhibit 5 to ICC–2014–11.\footnote{17 CFR 240.19b–4.}

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

In its filing with the Commission, ICC included statements concerning the purpose 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

1. Purpose

ICC has identified SWES Contracts as products that have become increasingly important to market participants to utilize for risk management. ICC believes that clearance of SWES Contracts will facilitate the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts, and transactions for which it is responsible.

SWES Contracts have similar terms to the Standard North American Corporate Single Name CDS contracts (“SNAC Contracts”) currently cleared by ICC and governed by Subchapter 26B of the ICC Rules, the Standard Emerging Sovereign CDS contracts (“SES Contracts”) currently cleared by ICC and governed by Subchapter 26D of the ICC Rules, and the Standard European Corporate Single Contracts...