

As noted above, the Exchange believes that its quote mitigation strategy is no longer necessary because: (1) The Exchange has incorporated select provisions of the OLPP in Exchange Rule 930A, which the Exchange believes limits the number of series eligible to be listed; (2) current Exchange Rule 925.1NY Commentary .01 removes certain options series from market makers' continuous quoting obligations, which the Exchange believes reduces the number of quote messages that the Exchange sends to OPRA; and (3) both the Exchange's systems capacity and OPRA's systems capacity are more than sufficient to accommodate any additional increase in quote traffic that might be sent to OPRA as a result of the deletion of the quote mitigation strategy.<sup>32</sup> Do commenters believe that reliance on the Exchange's current rules and the existing systems capacity of the Exchange and OPRA are sufficient or insufficient means to mitigate quote message traffic from the Exchange to OPRA? Please explain.

2. What are commenters' views on the impact, if any, that might result from the Exchange's proposal to remove its current quote mitigation plan as provided in Exchange Rule 970.1NY? For example, what are commenters' views on the impact the Exchange's proposal would have, if any, on OPRA's system capacity? Please explain. Or, what are commenters' views on the impact the Exchange's proposal would have on market participants using OPRA and/or the Exchange's quotation message feeds? Please explain.

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-NYSEMKT-2014-86 on the subject line.

further notes that a June 2, 2009 sustained message traffic peak of 852,350 messages per second reported by OPRA is still well below OPRA's current messages per second capacity limit of 2,050,000. Moreover, NYSE Arca has adopted and will continue to utilize quote mitigation strategies that should continue to mitigate the expected increase in quotation traffic." *Id.* The Exchange extended and expanded its participation the Penny Pilot Program and made other changes to its Penny Pilot Program consistent with the changes proposed by its affiliate exchange, NYSE Arca, Inc. See Securities and Exchange Release No. 61106 (December 3, 2009), 74 FR 65193 (December 9, 2009) (citing Securities and Exchange Release No. 60711 (September 23, 2009), 74 FR 49419 (September 28, 2009)).

<sup>32</sup> See *supra* notes 13-18 and accompanying text.

#### *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-NYSEMKT-2014-86. 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 filings 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-NYSEMKT-2014-86 and should be submitted on or before February 13, 2015. Rebuttal comments should be submitted by February 27, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>33</sup>

#### **Brent J. Fields,**

*Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-74085; File No. SR-ICEEU-2014-20]

### **Self-Regulatory Organizations; ICE Clear Europe Limited; Order Granting Approval of Proposed Rule Change Relating to CDS Pricing Policy**

January 16, 2015.

#### **I. Introduction**

On November 24, 2014, ICE Clear Europe Limited ("ICE Clear Europe") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICEEU-2014-20 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 December 9, 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 of the Proposed Rule Change**

ICE Clear Europe is proposing this change to revise the ICE Clear Europe CDS End-of-Day Price Discovery Policy ("CDS Pricing Policy") to incorporate enhancements to its price discovery process. The revisions do not require any changes to ICE Clear Europe's Clearing Rules or Procedures.

According to ICE Clear Europe, it currently uses a "cross and lock" algorithm as part of its price discovery process for CDS Contracts. As described by ICE Clear Europe, under this algorithm, bids and offers derived from Clearing Member submissions are matched by sorting them from highest to lowest and lowest to highest levels, respectively. This sorting process pairs the Clearing Member submitting the highest bid price with the Clearing Member submitting the lowest offer price, the Clearing Member submitting the second highest bid price with the Clearing Member submitting the second-lowest offer price, and so on. The algorithm then identifies crossed and/or locked pairs (or "markets"). Crossed markets are the Clearing Member pairs generated by the sorting process for which the bid price of one Clearing Member is above the offer price of the matched Clearing Member. Locked

<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. 34-73731 (Dec. 3, 2014), 79 FR 73126 (Dec. 9, 2014) (SR-ICEEU-2014-20).

<sup>33</sup> 17 CFR 200.30-3(a)(57).

markets are the Clearing Member pairs where the bid and the offer are equal. The mid-point of the bid and offer of the first non-crossed, non-locked matched market is the final end-of-day level (with additional steps taken to remove off-market submissions from influencing the final level). As stated by ICE Clear Europe, this process captures the market dynamics of trading; however, final pricing levels are ultimately determined by a single bid and a single offer, which results in the ability for one submission to influence the outcome.

ICE Clear Europe proposes enhancements to this methodology to improve the consistency of prices and reduce the sensitivity of the final end-of-day level to a single Clearing Member's submission. ICE Clear Europe proposes that, under the new "cross and lock" methodology, the average of the mid-points of all non-crossed, non-locked matched markets for which the difference between the matched market bid and matched market offer is less than or equal to one bid-offer width is used as the final level (with additional steps taken to remove off-market submissions from influencing the final level). According to ICE Clear Europe, this approach would make end-of-day price determinations less sensitive to outlying submissions.

In addition, ICE Clear Europe proposes a clarification to the calculation of a Clearing Member's open interest for purposes of the end-of-day price submission process to take into account the aggregate of both house and client positions carried by the Clearing Member. ICE Clear Europe also proposes revisions to the CDS Pricing Policy to correct the minimum number of Clearing Members that need to have open interest in a particular instrument; this change, as stated by ICE Clear Europe, conforms to current practice by the Clearing House.

ICE Clear Europe further proposes revisions to clarify that notional limits for firm trades that may be assigned to Clearing Members as a result of the end-of-day price submission process will be established at risk sub-factor and sector levels, and to clarify the sequencing of firm trades for determining breaches of those limits, including accounting for the applicable risk sub-factor and addressing sequencing within a particular instrument that is part of a particular risk sub-factor, if necessary.

Additionally, ICE Clear Europe proposes amendments to certain requirements applicable to the unwinding of firm trades entered into by Clearing Members. ICE Clear Europe states that its current policy does not require firm trades to be maintained for

any particular period of time, but it requires Clearing Members that elect to unwind a firm trade to do so at the then-current market price. ICE Clear Europe contends that there are practical difficulties with objectively determining whether an unwind transaction was executed at the then-current market price and therefore this requirement can be difficult to enforce. ICE Clear Europe proposes revising the policy to replace the requirement that unwinds be executed at the then-current market price with the requirement that any unwind be executed in a competitive manner. Further, ICE Clear Europe proposes adding the requirement that, upon request, Clearing Members be able to demonstrate to the Clearing House's reasonable satisfaction that such unwind transaction was executed in a competitive manner. ICE Clear Europe proposes adding a non-exclusive list of examples of how Clearing Members may be able to demonstrate competitive execution of unwind transactions. Such examples would include: (i) Execution on an available trading venue; (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.

In addition, ICE Clear Europe proposes amendments to make certain clarifications with respect to permissible reversing transactions with respect to firm trades and the manner in which the Clearing House designates that actively traded benchmark instruments are not eligible for reversing transactions.

Furthermore, ICE Clear Europe proposes certain other conforming changes to the CDS Pricing Policy as a consequence of a prior rule change.<sup>4</sup> Specifically, ICE Clear Europe proposes adding references to risk sub-factors (as that term is described in the CDS Risk Policy) throughout the CDS Pricing Policy, as well as conforming changes to various references to risk factors. Finally, ICE Clear Europe proposes various non-substantive drafting clarifications throughout the CDS Pricing Policy.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>5</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>6</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.

The Commission finds that the proposed rule change is consistent with Section 17A of the Act<sup>7</sup> and the rules thereunder applicable to ICE Clear Europe. The proposed revisions to the "cross and lock" methodology are expected to reduce the sensitivity of the final price level to a single Clearing Member's submission, resulting in more consistent day-over-day end-of-day levels. Furthermore, the proposed revisions that would require Clearing Members to execute unwinds in a competitive manner and, upon request, demonstrate to ICE Clear Europe's reasonable satisfaction that the Clearing Member complied with this requirement, are expected to make the CDS Pricing Policy more readily enforceable, while maintaining the incentive for Clearing Members to provide accurate price submissions.

ICE Clear Europe's clarifications concerning (1) the referencing of risk sub-factors, including the clarifications concerning the notional limits applicable to firm trades, (2) permissible reversing transactions and (3) calculations of a Clearing Member's open interest each clarify or conform the text of the CDS Pricing Policy in accordance with ICE Clear Europe's existing practice. All other revisions proposed by ICE Clear Europe as a result of this proposed rule change are conforming changes to other rule changes previously filed by ICE Clear Europe. The proposed rule change is therefore reasonably expected to provide a pricing methodology that more accurately reflects the market level and existing practice. The proposed rule change is also reasonably expected to be more readily enforceable and to enhance incentives for Clearing Members to provide accurate pricing information. As such, the Commission believes that the changes are designed to promote the prompt and accurate settlement of securities and derivatives transactions, and, therefore, are consistent with the requirements of the Act and the rules and regulations thereunder applicable to

<sup>4</sup> See Exchange Act Release No. 34-73156 (Sept. 19, 2014), 79 FR 57629 (Sept. 25, 2014) (SR-ICEEU-2014-13).

<sup>5</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>7</sup> 15 U.S.C. 78q-1.

ICE Clear Europe, in particular, Section 17(A)(b)(3)(F).<sup>8</sup>

#### 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>9</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>10</sup> that the proposed rule change (File No. SR-ICEEU-2014-20) be, and hereby is, approved.<sup>11</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**Brent J. Fields,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-74086; File No. SR-NYSEMKT-2015-04]

### Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Amex Options Fee Schedule

January 16, 2015.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on January 14, 2015, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) filed with the 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 the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the NYSE Amex Options Fee Schedule

(“Fee Schedule”) to: (1) Make certain changes to transaction fees for Standard Options; (2) provide a discount to NYSE Amex Options Market Makers for transaction fees based on a sliding volume scale; (3) offer to NYSE Amex Options Market Makers the opportunity to prepay a portion of certain transaction fees; (4) eliminate the Order Flow Provider (“OFP”) Electronic average daily volume (“ADV”) Tiers as well as the Customer Electronic Complex Order ADV Tiers and replace them with a new Amex Customer Engagement Program, which would provide credits payable to an OFP for certain Electronic Customer volume; and (5) reformat and reorganize the Fee Schedule. The Exchange proposes to implement the changes on January 2, 2015. The text of the proposed rule change is available on the Exchange’s Web site at [www.nyse.com](http://www.nyse.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 self-regulatory organization 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 those 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to: (1) Make certain changes to transaction fees for Standard Options; (2) provide a discount to NYSE Amex Options Market Makers for transaction fees based on a sliding volume scale; (3) offer to NYSE Amex Options Market Makers the opportunity to prepay a portion of certain transaction fees; (4) eliminate the OFP Electronic ADV Tiers as well as the Customer Electronic Complex Order ADV Tiers and replace them with a new Amex Customer Engagement Program, which would provide credits payable to an OFP solely for certain Electronic Customer volume; and (5) reformat and reorganize the Fee Schedule. The Exchange proposes to implement the changes on January 2, 2015.

As a general matter, the Exchange notes that it has proposed to reorganize certain content within and reorder certain sections of the current Fee Schedule. For example, as will be discussed further below, the Exchange has proposed to eliminate Endnotes and instead include notes relevant to each Section within that Section, often using the text that is contained in the current Endnotes within each new Section. If the Exchange revises any text in the Endnotes when moving it to notes within relevant Sections, including for non-substantive reasons, we will explain in more detail below. The Exchange believes this structure will make the Fee Schedule easier to comprehend.

The Exchange describes below each of the sections, together with any changes, in the proposed Fee Schedule.

#### Table of Contents, Preface, Definitions and Terms

The Exchange proposes to amend its Fee Schedule by adding a Table of Contents, using numbered and lettered headings and subheadings that list the various transaction fees and credits offered by the Exchange. The Exchange believes that including a Table of Contents would make the Fee Schedule easier to navigate and assist market participants in locating fees and/or credits related to those transactions in which they may be most interested.

Following the Table of Contents, the Exchange proposes to add a Preface that includes information about the Exchange’s billing and rounding practices and that sets forth key terms and definitions. First, the Exchange proposes to include information about Billing Disputes, as the first part of the Preface. The current Fee Schedule describes how the Exchange handles Billing Disputes under “NYSE Amex Options General,”<sup>4</sup> and this description will be incorporated into the proposed Preface verbatim.

Second, the Exchange proposes to add a description of its rounding practices. Specifically, the Exchange proposes to include the following language.

Any per contract fees that are less than \$0.01 will be handled in the following manner. All volume for the month will be summed and the applicable rate applied. In those cases where a fractional cent occurs, the Exchange will round up to the nearest whole cent for purposes of computing the invoice. For example, if the monthly volume is 3,001 contracts and the applicable rate is \$0.055 per contract,

<sup>4</sup> This information appears at the end of the current Fee Schedule, right before the Endnotes.

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</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>12</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.