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For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77042; File No. SR-OCC-2015-018]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving the Adoption of a Charter of a New Committee of The Options Clearing Corporation's Board of Directors, the Technology Committee

February 3, 2016.

On December 8, 2015, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2015-018 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> On December 24, 2015, the proposed rule change was published for comment in the *Federal Register*.<sup>3</sup> The Commission did not receive any comments on the proposed rule change. This order approves the proposed rule change.

#### I. Description

OCC is adopting a Charter for a new committee of OCC's Board of Directors ("Board"), the Technology Committee ("TC"). Additionally, OCC is adding a description of the TC into Article III, Section 9 of OCC's By-Laws. The Board formed the TC in order to enhance the Board's understanding and oversight of key technology, information security, and cyber-security risk issues at OCC. Consistent with OCC's other Board-level committee charters, the TC Charter sets forth: (i) The purpose, functions, and responsibilities of the TC; and (ii) the composition and organization of the TC.

As set forth in the TC Charter, the TC will be responsible for: (i) Overseeing major information technology ("IT") related strategies, projects, and technology architecture decisions; (ii) monitoring whether OCC's IT programs effectively support OCC's business objectives and strategies; (iii) monitoring OCC's IT risk management efforts as well as the security of OCC's information systems and physical security of information system assets; and (iv) conferring with OCC's senior IT management team and informing the Board on IT-related matters.

Further, and with respect to the TC Charter's role in the oversight of OCC's IT strategy and projects, the TC Charter provides that the TC will be specifically tasked with: (i) Evaluating OCC's IT strategy, including the financial, tactical, and strategic benefits of IT projects and technology architecture initiatives; (ii) critically reviewing IT projects and technology architecture decisions, including review of the process related to approval of capital expenditures as they relate to IT projects; and (iii) making recommendations to the Board with respect to IT-related projects and investments that require Board approval. In addition, the TC Charter will require that the TC: (i) Monitor the quality and effectiveness of OCC's IT and physical security, including periodically reviewing and appraising OCC's disaster recovery capabilities and crisis management plans; (ii) in coordination and cooperation with the Audit Committee of the Board, monitor the quality and effectiveness of OCC's IT systems and processes that relate to or affect OCC's internal controls and assess OCC's management of IT-related compliance risks; (iii) report to the Board and the Audit Committee about IT risks and controls; and (iv) serve in an advisory role with respect to IT decisions at OCC. In connection with carrying out its responsibilities, the TC will also, in general, inform and make recommendations to the Board and other Board-level committees with respect to IT-related matters.

The TC Charter will provide that the TC be comprised of three or more directors, and meet at least four times per year.<sup>4</sup> The TC will function in a manner similar to the other Board-level committees in that it will have the ability to hire specialists and meet in executive session as well as be required to report to the Board on an annual basis. The TC will also have to annually confirm to the Board that its

responsibilities, as set forth in the TC Charter, have been carried out and evaluate its and its members' performance on a regular basis.

#### II. 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 it finds that the rule change, as proposed, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act. This section requires, among other things, that the rules of a clearing agency promote the prompt and accurate clearance and settlement of securities transactions.<sup>6</sup> The rule change should enhance the effectiveness of the Board's oversight on OCC's business and operational processes. Specifically, it should enhance technology-related processes (such as disaster recovery and crisis management plans), as well as IT systems that relate to internal controls and compliance risks, through a dedicated Board-level committee's oversight of such processes. Accordingly, the proposed rule change will increase the likelihood that OCC's technology processes work as expected, including those processes tied to the clearance and settlement of securities transactions.

Additionally, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(d)(8). This rule requires a clearing agency's the written policies and procedures to: (i) Have governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act; (ii) support the objectives of OCC's owners and participants; and (iii) promote the effectiveness of OCC's risk management procedures.<sup>7</sup> First, the TC Charter delineates a clear and transparent governance arrangement designed to increase the likelihood that OCC's technology processes work as expected (including those processes tied to the clearance and settlement of securities transactions). By increasing the likelihood that OCC's technology processes work as expected, the TC Charter also supports the objective of OCC's owners and participants to promote the prompt and accurate clearance and settlement of securities

<sup>23</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> Securities Exchange Act Release No. 76686 (December 18, 2015), 80 FR 80422 (December 24, 2015) (SR-OCC-2015-018).

<sup>4</sup> Members of the TC will not need to be technology experts.

<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> 17 CFR 240.17Ad-22(d)(8).

transactions. Finally, the TC Charter promotes the effectiveness of OCC's risk management procedures by establishing a Board-level committee focused on reducing IT-related risk at OCC.

### III. 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>8</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> that the proposed rule change (SR-OCC-2015-018) be, and it hereby is, approved.

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

**Robert W. Errett,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77045; File No. SR-NYSEArca-2015-113]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change Relating to the Index Underlying the WisdomTree Put Write Strategy Fund

February 3, 2016.

#### I. Introduction

On December 2, 2015, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") 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 proposal to change a representation the Exchange made in support of a prior proposed rule change. The proposed rule change was published for comment in the **Federal Register** on December 21, 2015.<sup>3</sup> The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

<sup>8</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>9</sup> 15 U.S.C. 78s(b)(2).

<sup>10</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 76646 (Dec. 15, 2015), 80 FR 79371 ("Notice").

## II. The Exchange's Description of the Proposed Rule Change

### A. The Prior Proposal

The Commission approved the listing and trading on the Exchange of shares ("Shares") of the WisdomTree Put Write Strategy Fund ("Fund") under NYSE Arca Equities Rule 5.2(j)(3), which governs the listing and trading of Investment Company Units.<sup>4</sup> The Exchange filed that proposed rule change because the Fund and the Shares did not meet all of the "generic" listing requirements of Commentary .01(a)(A) to NYSE Arca Equities Rule 5.2(j)(3), applicable to the listing of Investment Company Units based upon an index of "US Component Stocks."<sup>5</sup> The Exchange represented that the Shares would conform to the initial and continued listing criteria under NYSE Arca Equities Rules 5.2(j)(3) and 5.5(g)(2), except that the underlying index, the CBOE S&P 500 Put Write Index (the "Index"), would not meet the requirements of NYSE Arca Equities Rule 5.2(j)(3), Commentary .01(a)(A)(1)-(5). The Exchange, however, also represented that the Index would (1) include a minimum of 20 components, and therefore (2) meet the numerical requirements of NYSE Arca Equities Rule 5.2(j)(3), Commentary .01(a)(A)(4), which requires a minimum of 13 index or portfolio components.

The Exchange has not listed or commenced trading in the Shares.<sup>6</sup>

### B. The Instant Proposed Rule Change

The Exchange submitted this proposal to correct two representations made in support of its prior proposal to list and trade the Shares. Specifically, the Exchange seeks to strike its representations that the Index will (1) include a minimum of 20 components; and (2) meet the numerical requirements of NYSE Arca Equities Rule 5.2(j)(3), Commentary .01(a)(A)(4). At any given time, the Index consists of one component, an "SPX Put."<sup>7</sup>

<sup>4</sup> See Securities Exchange Act Release Nos. 74290 (February 18, 2015), 80 FR 9818 (February 24, 2015) (SR-NYSEArca-2015-05) ("Prior Notice"); 74675 (April 8, 2015), 80 FR 20038 (April 14, 2015) (SR-NYSEArca-2015-05) ("Prior Order" and, together with the Prior Notice, the "Prior Release").

<sup>5</sup> NYSE Arca Equities Rule 5.2(j)(3) provides that the term "US Component Stock" shall mean an equity security that is registered under Sections 12(b) or 12(g) of the Act and an American Depositary Receipt, the underlying equity securities of which is registered under Sections 12(b) or 12(g) of the Act.

<sup>6</sup> See Notice, *supra* note 3, 80 FR at 79371.

<sup>7</sup> The Index is maintained by the Chicago Board Options Exchange, Inc. ("CBOE") and tracks the value of a passive investment strategy, which consists of overlaying of S&P 500 Index put options ("SPX Puts") over a money market account,

Additionally, NYSE Arca clarifies that the Commentary is inapplicable because the Index contains options components.<sup>8</sup>

The Exchange asserts that the deletion of its prior representations would not adversely affect investors or the public interest, because the Index is based on CBOE-traded puts on the S&P 500, which are highly liquid.<sup>9</sup> The Exchange further estimates that, on the launch date, the Fund would hold approximately \$2.5-\$5.0 million in cash and cash equivalents. The Exchange also believes that sufficient protections are in place to protect against market manipulation of the Fund's Shares and SPX Puts because: (i) Trading in the Shares and the underlying Fund instruments are subject to the federal securities laws and to the Exchange's, CBOE's, and the Financial Industry Regulatory Authority's rules and surveillance programs, which are designed to detect violations; (ii) assets in the portfolio—which will primarily be short-term U.S. Treasury bills<sup>10</sup> and SPX Puts—will be acquired in extremely liquid and highly regulated markets; and (iii) the exchange-traded fund creation/redemption and arbitrage mechanisms are tied to the large pool of liquidity of each of the Fund's underlying investments.

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances and that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws. Furthermore, the Financial Industry

invested in one and three-month Treasury bills. The SPX Puts are struck at-the-money and are sold on a monthly basis, usually the third Friday of the month (*i.e.*, the "Roll Date"), which matches the expiration date of the SPX Puts. All SPX Puts are standardized options traded on the CBOE.

<sup>8</sup> NYSE Arca Equities Rule 5.2(j)(3), Commentary .01(a)(A)(5) provides that all securities in the applicable index or portfolio shall be US Component Stocks listed on a national securities exchange and shall be NMS Stocks as defined in Rule 600 under Regulation NMS of the Act. Each component stock of the S&P 500 Index is a US Component Stock that is listed on a national securities exchange and is an NMS Stock. Options are excluded from the definition of NMS Stock.

<sup>9</sup> See Notice, *supra* note 3, at 79372 and 79373 for the Exchange's representation of the average daily trading volume of at-the-money 30-day SPX Puts, the trading volume of the at-the-money SPX Puts, and the daily high, low and last reported sales prices on each of the Roll Dates for SPX Puts at-the-money.

<sup>10</sup> See Notice, *supra* note 3, at 79373. The Exchange states that the short-term Treasury securities that the Fund will acquire as part of its strategy are not readily susceptible to market manipulation due to the liquidity and extensive oversight associated with the short-term U.S. Treasury market.