

excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow. The Exchange believes that the proposed rule changes reflect this competitive environment because they modify the Exchange's fees in a manner that encourages market participants to provide liquidity and to send order flow to the Exchange.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷ and Rule 19b-4(f)(2)¹⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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-MIAX-2016-21 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-MIAX-2016-21. 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 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-MIAX-2016-21, and should be submitted on or before September 6, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016-19321 Filed 8-12-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold an Open Meeting on Wednesday, August 17, 2016 at 2:00 p.m., in the Auditorium (L-002) at the Commission's headquarters building, to hear oral argument in an appeal from an initial decision of an administrative law judge by respondent Larry C. Grossman.

On December 23, 2014, the ALJ found that Grossman, the former principal of a registered investment adviser, violated certain antifraud, broker-dealer, and investment adviser provisions of the federal securities laws by, among other things, making misrepresentations and

omissions of material fact to his advisory clients when he advised them to invest in funds as to which he had an economic conflict of interest. For these violations, the ALJ ordered Grossman to pay a \$1.55 million civil penalty, to pay approximately \$3 million in disgorgement plus prejudgment interest, and to cease and desist from further violations of the securities laws. The ALJ also barred him from association with the securities industry.

Respondent appealed, challenging only the imposition of sanctions. The issues likely to be considered at oral argument include, among other things, whether the five year statute of limitations in 28 U.S.C. 2462 prohibits us from imposing a civil penalty, disgorgement, industry bar, or cease-and-desist order, and, to the extent that it does not, what sanctions, if any, are appropriate in the public interest.

For further information, please contact Brent J. Fields from the Office of the Secretary at (202) 551-5400.

Dated: August 10, 2016.

Lynn M. Powalski,

Deputy Secretary.

[FR Doc. 2016-19455 Filed 8-11-16; 11:15 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78510; File No. SR-IEX-2016-11]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 11.190(g) Related to Discretionary Peg Orders

August 9, 2016.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the "Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on August 4, 2016, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

¹⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁸ 17 CFR 240.19b-4(f)(2).

¹⁹ 17 CFR 200.30-3(a)(12).

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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act"),⁴ and Rule 19b-4 thereunder,⁵ Investors Exchange LLC ("IEX" or "Exchange") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend Rule 11.190(g) to optimize and enhance the effectiveness of the quote instability calculation in determining whether a crumbling quote exists, to: (i) Provide that the quote instability calculation would not include IEX protected quotations; (ii) reduce the time period that a crumbling quote condition remains in effect from ten to two milliseconds; (iii) add two new quote stability variables, together with their respective coefficients; and (iv) modify the quote instability coefficients and quote instability threshold included in the quote instability calculation, pursuant to subparagraph (1)(D)(iii) thereof. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.⁶

The text of the proposed rule change is available at the Exchange's Web site at www.iextrading.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 these statements [sic] may be examined at the places specified in Item IV below. The self-regulatory organization 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 Overview

The purpose of the proposed rule change is to amend Rule 11.190(g) to modify the quote instability coefficients

and quote instability threshold included in the quote instability calculation specified in subparagraph (g)(1) for purposes of determining whether a crumbling quote exists. When the Exchange determines that a crumbling quote exists in a particular security for Protected Quotations from the national best bid ("Protected NBB"), Discretionary Peg buy orders are restricted from exercising price discretion to trade against interest above the NBB. Similarly, when the Exchange determines that a crumbling quote exists in a particular security for Protected Quotations from the national best offer ("Protected NBO"), Discretionary Peg sell orders are restricted from exercising price discretion to trade against interest below the NBO.

Discretionary Peg Order

The manner in which Discretionary Peg orders operate is described in Rule 11.190(b)(10). Specifically, a Discretionary Peg order is a non-displayed, pegged order that upon entry into the System, the price of the order is automatically adjusted by the System to be equal to the less aggressive of the Midpoint Price or the order's limit price, if any. When unexecuted shares of such order are posted to the Order Book, the price of the order is automatically adjusted by the System to be equal to and ranked at the less aggressive of the primary quote or the order's limit price and is automatically adjusted by the System in response to changes in the NBB (NBO) for buy (sell) orders up (down) to the order's limit price, if any. In order to meet the limit price of active orders on the Order Book, a Discretionary Peg order will exercise the least amount of price discretion necessary from the Discretionary Peg order's resting price to its discretionary price (defined as the less aggressive of the Midpoint Price or the Discretionary Peg order's limit price, if any), except during periods of quote instability (*i.e.*, when a crumbling quote exists) as defined in paragraph Rule 11.190(g).

In determining whether a crumbling quote exists, the Exchange utilizes real time relative quoting activity of Protected Quotations and a proprietary mathematical calculation (the "quote instability calculation") to assess the probability of an imminent change to the current Protected NBB to a lower price or Protected NBO to a higher price for a particular security ("quote instability factor"). When the quoting activity meets predefined criteria and the quote instability factor calculated is greater than the Exchange's defined threshold ("quote instability threshold"), the System treats the quote

as not stable ("quote instability" or a "crumbling quote"). During all other times, the quote is considered stable ("quote stability"). The System independently assesses the stability of the Protected NBB and Protected NBO for each security.

When the System determines that a quote, either the Protected NBB or the Protected NBO, is unstable, the determination remains in effect at that price level for ten (10) milliseconds. The System will only treat one side of the Protected NBBO as unstable in a particular security at any given time.⁷ By not permitting resting Discretionary Peg orders to execute at a price that is more aggressive than the near-side protected NBB or NBO (as applicable) during periods of quote instability, the Exchange System is intended to attempt to protect such orders from unfavorable executions when the market is moving against them. Once the market has moved and the Exchange System deems the near-side Protected NBB or NBO (as applicable) to be stable (pursuant to a pre-determined, objective set of conditions as described below), Discretionary Peg orders are permitted to exercise discretion up to (for buy orders) or down to (for sell orders) the midpoint of the NBBO in order to meet the limit price of active orders on the order book and thereby potentially provide price improvement to such active orders.

Quote stability or instability (also referred to as a crumbling quote) is an assessment that the Exchange System makes on a real-time basis, based on a pre-determined, objective set of conditions specified in Rule 11.190(g)(1). Specifically, quote instability, or the presence of a crumbling quote, is determined by the System when the following factors occur:

(A) The Protected NBB and Protected NBO are the same as the Protected NBB and Protected NBO one (1) millisecond ago; and

(B) the Protected NBBO spread is less than or equal to the thirty (30) day median Protected NBBO spread during the Regular Market Session; and

(C) there are more Protected Quotations on the far side, *i.e.*, more Protected Quotations on the Protected NBO than the Protected NBB for buy orders, or more Protected Quotations on the Protected NBB than the Protected NBO for sell orders; and

(D) the quote instability factor result from the quote stability calculation is greater than the defined quote instability threshold.

⁷ See, Rule 11.190(g).

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

⁶ 17 CFR 240.19b-4(f)(6)(iii).

(i) Quote Instability Factor. The Exchange's proprietary quote stability calculation used to determine the current quote instability factor is defined by the following formula that utilizes the quote stability coefficients and quote stability variables defined below:

$$1 / (1 + e^{\wedge} - (C_0 + C_1 * N + C_2 * F + C_3 * N_{-1} + C_4 * F_{-1}))$$

(a) Quote Stability Coefficients. The Exchange utilizes the values below for the quote stability coefficients.

- (1) $C_0 = -2.39515$
- (2) $C_1 = -0.76504$
- (3) $C_2 = 0.07599$
- (4) $C_3 = 0.38374$
- (5) $C_4 = 0.14466$

(b) Quote Stability Variables. The Exchange utilizes the quote stability variables defined below to calculate the current quote instability factor.

1. N = the number of Protected Quotations on the near side of the market, *i.e.*, Protected NBB for buy orders and Protected NBO for sell orders.

2. F = the number of Protected Quotations on the far side of the market, *i.e.*, Protected NBO for buy orders and Protected NBB for sell orders.

3. N_{-1} = the number of Protected Quotations on the near side of the market one (1) millisecond ago.

4. F_{-1} = the number of Protected Quotations on the far side of the market one (1) millisecond ago.

(ii) Quote Instability Threshold. The Exchange utilizes a quote instability threshold of 0.32.

Rule 11.190(g)(1)(D)(iii) provides that the Exchange reserves the right to modify the quote instability coefficients or quote instability threshold at any time, subject to a filing of a proposed rule change with the SEC. The Exchange is proposing such changes in this rule filing.

Changes to Quote Instability Coefficients and Quote Instability Threshold

The alternative trading system ("ATS") operated by the Exchange's affiliate, IEX Services LLC ("IEX ATS") offers a Discretionary Peg order type that is identical to the Exchange's Discretionary Peg order type, including the factors for determining when a crumbling quote (or quote instability) is present. IEX conducted an analysis of the effectiveness of the existing factors in predicting whether a crumbling quote would occur, by reviewing randomly selected market data from March through June 2016. The results of the analysis were verified by reviewing randomly selected market data from July

2016. Based on this analysis, the Exchange has determined that further optimization of the existing factors would incrementally increase the accuracy of the formula in predicting whether a crumbling quote will occur. The following describes the proposed changes:

1. Rule 11.190(g) states that the Exchange utilizes real time relative quoting activity of Protected Quotations in the quote instability calculation. As proposed, the quote instability calculation would not include IEX protected quotations. The quote instability calculation has been optimized, subject to further proposed enhancements, based on actual market data from trading on the IEX ATS prior to the launch of the Exchange with a protected quotation. Accordingly, IEX does not have data that includes IEX protected quotations to consider in optimization of the quote instability calculation at this time.⁸

2. The Exchange also proposes to reduce the time period that a crumbling quote condition remains in effect from ten to two milliseconds. Based on the market data analysis, IEX found that generally in the instances in which the formula correctly predicted a crumbling quote, the crumbling quote occurred within two milliseconds. By reducing the time period that the crumbling quote condition remains on, IEX believes that it will ameliorate the potential impact of any false positives, because the condition will remain on for a shorter period of time.

3. The Exchange proposes to add two new quote stability variables, "E" and "D", and their coefficients to the quote instability factor calculation specified in subparagraph (g)(1)(D)(i) of Rule 11.190. Quote stability variable E is a Boolean indicator that equals 1 if and only if the last two received quotation updates received by IEX have been quotations of protected markets moving away from the near side of the market on the same side of the market (*i.e.*, bids moving lower or offers moving higher). Based on the market data analysis, the Exchange believes that inclusion of quote stability variable E will help to make the quote instability calculation more accurate in predicting a crumbling quote. Quote stability variable D is a measure of whether the quotation updates received by IEX from the Nasdaq Stock Market, EDGX Exchange or BATS BZX Exchange have been quotations moving away from the near side of the market on the same

side of the market (*i.e.*, bids moving lower or offers moving higher) in the last one (1) millisecond. The value will be either 0, 1, 2 or 3 depending on how many of such exchanges (if any) meet the quote stability variable D measure. Based on the market data analysis, the Exchange believes that when these three exchanges move away from the near side of the market on the same side of the market, it is more likely that the quote will crumble, and that inclusion of quote stability variable D will help to make the quote instability calculation more accurate in predicting a crumbling quote.

4. The Quote Stability Coefficients specified in subparagraph (1)(D)(i) of Rule 11.190(g) are proposed to be modified to take into account the recent market data analysis, as well as to add new quote stability variables E and D. The Exchange believes that the modifications, as proposed, will increase the accuracy of the quote instability calculation.

5. The Exchange proposes to modify and re-optimize the Quote Instability Threshold specified in subparagraph (1)(D)(ii) of Rule 11.190(g) based on the recent market data analysis and the two new quote stability variables. The Exchange believes that the modifications, as proposed, will increase the accuracy of the quote instability calculation.

2. Statutory Basis

IEX believes that the proposed rule change is consistent with Section 6(b)⁹ of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. Specifically, and as discussed above, the proposal is designed to optimize and enhance the effectiveness of the quote instability calculation in determining whether a crumbling quote exists. The Exchange believes that the proposed changes are designed to protect investors and the public interest by enhancing the accuracy of the Exchange's quote instability calculation in determining whether a crumbling quote exists thereby preventing Discretionary Peg

⁸ IEX may consider further enhancements that include IEX's protected quotation, subject to IEX submitting a proposed rule change under Section 19(b) of the Act.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(5).

orders from trading at prices more aggressive than the near side of the market (NBB for buy orders, NBO for sell orders) to protect such orders from unfavorable executions when the market appears to be moving against them. The Exchange believes that not including IEX protected quotations in the quote instability calculation is consistent with the protection of investors and the public interest because the calculation is optimized based on actual market data, and IEX does not yet have actual market data that includes IEX protected quotations to consider in optimization of the quote instability calculation at this time. The Exchange also believes that it is consistent with the protection of investors and the public interest to reduce the time period that a crumbling quote condition remains in effect from ten to two milliseconds to ameliorate the potential impact of any false positives. Further, IEX believes that adding the two new quote stability variables, as well as the proposed additions to and modification of the quote instability coefficients and quote instability threshold, as contemplated by 11.190(g)(1)(D)(iii), is consistent with the public interest and the protection of investors because these changes are designed to increase the accuracy of the calculation.

As proposed, the new quote instability calculation will continue to be a fixed formula specified transparently in IEX's rules. The Exchange is not proposing to add any new functionality, but merely to revise the fixed formula based on market data analysis designed to increase the accuracy of the formula in predicting a crumbling quote, and as contemplated by the rule.

B. Self-Regulatory Organization's Statement on Burden on Competition

IEX does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change will apply equally to all IEX Members. The Commission has already considered the Exchange's Discretionary Peg order type in connection with its grant of IEX's application for registration as a national securities exchange under Sections 6 and 19 of the Act.¹¹ The proposed rule change is designed to merely enhance the accuracy of the quote instability calculation specified in Rule 11.190(g) and ameliorate the impact of any false

positives; therefore, no new burdens are being proposed.

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

Written comments were neither solicited nor received.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)¹² of the Act and Rule 19b-4(f)(6)¹³ thereunder. Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁴

A proposed rule change filed under Rule 19b-4(f)(6)¹⁵ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁶ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay, and stated that the proposed rule change will merely revise the fixed formula specified in Rule 11.190(g) for predicting a crumbling quote, as contemplated by the rule. The Exchange noted that the proposed rule change is designed to enhance the accuracy of the quote instability calculation and protect Members that enter Discretionary Peg orders from unfavorable executions when the market is moving against such orders. Further, the Exchange stated that waiver of the operative delay will allow the Exchange to implement the proposed rule change to coincide with IEX's launch of exchange operations during a security-by-security phase-in period beginning on August 19, 2016, thus enabling the

Exchange to provide the contemplated protections to Members entering Discretionary Peg orders from exchange launch. The Commission notes that the changes proposed by IEX are intended to optimize the quote instability equation contained in the discretionary peg order type rule, and are not intended to materially change the operation of the rule or introduce new functionality. Rather, the Exchange intends the proposed changes to increase the ability of the discretionary peg order type to meet its stated objectives as reflected in the Exchange's rule. Accordingly, the Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.¹⁷

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁸ of the Act to determine whether the proposed rule change should be approved or 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-IEX-2016-11 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-IEX-2016-11. This file

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁸ 15 U.S.C. 78s(b)(2)(B).

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹¹ See Securities Exchange Act Release No. 34-78101 (June 17, 2016), 81 FR 41142 (June 23, 2016) (File No. 10-222).

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 the 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-IEX-2016-11 and should be submitted on or before September 6, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2016-19315 Filed 8-12-16; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78520; File No. SR-DTC-2016-005]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Regarding the Implementation of Functionality To Submit a Cover of Protect on Behalf of Another Participant and the Removal of the Option To Cover of Protect Directly With Agent

August 9, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,²

notice is hereby given that on July 29, 2016, The Depository Trust Company ("DTC") 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 DTC. DTC filed the proposed rule change pursuant to Section 19(b)(2) of the Act.³ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change by DTC would update its Procedures⁴ set forth in the Guide to make changes to certain options within its Participant Subscription Offer Program ("PSOP")⁵ and Participant Tender Offer Program ("PTOP") functions.⁶ Specifically, DTC proposes to add an option called "Cover of Protect on Behalf of Another Participant" ("CPAP") to both PSOP and PTOPTOP ("PSOP/PTOPTOP") that would allow a Participant to tender subscription rights ("Rights") or Securities through DTC to an agent ("Offer Agent"),⁷ on behalf of another Participant that needs to tender such Rights or Securities in order to receive the shares and/or consideration from (i) a subscription rights offering (a "Rights Offer"); or (ii) a cash tender offer or exchange offer (collectively, a "Tender/Exchange Offer") (together with Rights

³ 15 U.S.C. 78s(b)(2).

⁴ Capitalized terms not otherwise defined herein have the meaning set forth in the Rules, By-Laws and Organization Certificate of DTC (the "Rules"), available at <http://www.dtcc.com/legal/rules-and-procedures.aspx> and the Reorganizations Service Guide (the "Guide"), available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Reorganizations.pdf>.

⁵ References in this rule filing to "PSOP" refer to both the PSOP function within the DTC Participant Terminal System ("PTS") interface and the equivalent "Rights Subscription" function within the Participant Browser System ("PBS") interface. PSOP is a function that is used by Participants to submit instructions including oversubscriptions, submit protects, submit cover of protects, submit cover of protects on behalf of another Participant, and submit Rights sell instructions on Rights Subscription events. PTS and PBS are user interfaces for DTC's Settlement and Asset Services functions. PTS is mainframe-based and PBS is web-based with a mainframe back-end. Participants may use either PTS or PBS, as they are functionally equivalent.

⁶ References in this rule filing to "PTOPTOP" refer to both the PTOPTOP function within the PTS interface and the equivalent "Voluntary Tenders and Exchanges" function within the PBS interface. PTOPTOP is a function that is used by Participants to submit instructions, submit protects, submit cover of protects, submit cover of protects on behalf of another Participant, and submit withdrawals on various Voluntary Reorganization events.

⁷ The Offer Agent is the fiscal agent of the offeror, typically a bank or trust company that is designated to coordinate the process of the Offer.

Offer, "Offer"). DTC would also eliminate an option called "Cover of Protect Submitted Directly to Agent" ("CPDA") from PSOP/PTOPTOP that has allowed a Participant to tender Rights or Securities through DTC to be eligible to receive the shares and/or consideration from an Offer, when such Participant submitted its initial acceptance directly to the Offer Agent outside of DTC. In addition, DTC proposes to make ministerial changes to the text of the Guide, as more fully described below.

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC 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. DTC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change by DTC would update its Procedures set forth in the Guide to make changes to certain options within its PSOP and PTOPTOP functions. Specifically, DTC proposes to add an option called CPAP to PSOP/PTOPTOP that would allow a Participant to tender Rights or Securities through DTC to an Offer Agent, on behalf of another Participant that needs to tender such Rights or Securities in order to receive the shares and/or consideration from (i) a Rights Offer; or (ii) a Tender/Exchange Offer. DTC would also eliminate an option called CPDA from PSOP/PTOPTOP that has allowed a Participant to tender Rights or Securities through DTC to be eligible to receive the shares and/or consideration from an Offer, when such Participant submitted its initial acceptance directly to the Offer Agent outside of DTC. In addition, DTC proposes to make ministerial changes to the text of the Guide, as more fully described below.

(i) Protects and Covers

(a) Protects and Covers Outside of DTC Subscription Rights Offering

A Rights Offer is the issuance of Rights to each shareholder as of a record date set by the issuer. Rights are issued to each shareholder in proportion to the number of shares it holds, and entitles the shareholder to purchase additional

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.