

its investment objective and to equitize cash in the short term.

With respect to any Fund holdings of exchange-traded or OTC equity securities issued upon conversion of fixed income convertible securities and Work Out Securities, such securities will not exceed 10% and 5%, respectively, of the Fund's total assets. The Adviser and Sub-Adviser represent that the Fund generally will not actively invest in equity securities issued upon conversion of fixed income convertible securities or Work Out Securities, but may, at times, receive a distribution of such securities in connection with the Fund's holdings in other securities. Therefore, the Fund's holdings in equity securities issued upon conversion of fixed income convertible securities and Work Out Securities generally would not be acquired as the result of the Fund's voluntary investment decisions.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of shares of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that principally will hold fixed income securities and that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

No written comments were solicited or received with respect to 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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which

the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the 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](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2018-43 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-NYSEArca-2018-43. 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 website (<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 website 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2018-43 and

should be submitted on or before August 22, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2018-16424 Filed 7-31-18; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-83721; File No. SR-NASDAQ-2018-038]**

### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Withdrawal of Proposed Rule Change To Amend Rule 4702(b)(14) To Establish a Price Improvement Only Variation on the Midpoint Extended Life Order**

July 26, 2018.

On May 4, 2018, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") 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 proposed rule change to establish a price improvement only variation on the Midpoint Extended Life Order. The proposed rule change was published for comment in the **Federal Register** on May 23, 2018.<sup>3</sup> On July 5, 2018, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup> The Commission received one comment letter on the proposed rule change<sup>6</sup> and one response letter from the Exchange.<sup>7</sup> On July 23, 2018, the Exchange withdrew

<sup>36</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. 83272 (May 17, 2018), 83 FR 23978.

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

<sup>5</sup> See Securities Exchange Act Release No. 83595, 83 FR 32158 (July 11, 2018). The Commission designated August 21, 2018 as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

<sup>6</sup> See Letter to Brent J. Fields, Secretary, Commission, from Sal Arnuk and Joe Saluzzi, Partners, Co-Founders, and Co-Heads of Equity Trading, Themis Trading LLC, dated June 12, 2018.

<sup>7</sup> See Letter to Brent J. Fields, Secretary, Commission, from Brett M. Kitt, Senior Associate General Counsel, Nasdaq, dated July 10, 2018.

the proposed rule change (SR–NASDAQ–2018–038).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

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

[FR Doc. 2018–16425 Filed 7–31–18; 8:45 am]

BILLING CODE 8011–01–P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–83714; File No. SR–OCC–2018–803]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of No Objection to Advance Notice, as Modified by Amendments No. 1 and 2, Concerning Proposed Changes to the Options Clearing Corporation's Stress Testing and Clearing Fund Methodology

July 26, 2018.

#### I. Introduction

On May 30, 2018, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) advance notice SR–OCC–2018–803 (“Advance Notice”) pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (“Act”)<sup>1</sup> and Rule 19b–4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934 (“Exchange Act”)<sup>3</sup> to propose changes to OCC’s By-Laws and Rules, the formalization of a substantially new Clearing Fund Methodology Policy (“Policy”), and the adoption of a document describing OCC’s new Clearing Fund and stress testing methodology (“Methodology Description”).<sup>4</sup> The proposed changes are primarily designed to enhance OCC’s overall resiliency, particularly with respect to the level of OCC’s pre-funded financial resources. Specifically, the proposed changes would:

(1) Reorganize, restate, and consolidate the provisions of OCC’s By-Laws and Rules relating to the Clearing Fund into a newly revised Chapter X of OCC’s Rules;

(2) modify the coverage level of OCC’s Clearing Fund sizing requirement to protect OCC against losses stemming from the default of the two Clearing

Member Groups that would potentially cause the largest aggregate credit exposure for OCC in extreme but plausible market conditions (*i.e.*, adopt a “Cover 2 Standard” for sizing the Clearing Fund);

(3) adopt a new risk tolerance for OCC to cover a 1-in-50 year hypothetical market event at a 99.5% confidence level over a two-year look-back period;

(4) adopt a new Clearing Fund and stress testing methodology, which would be underpinned by a new scenario-based one-factor risk model stress testing approach, as detailed in the newly proposed Policy and Methodology Description;

(5) document governance, monitoring, and review processes related to Clearing Fund and stress testing;

(6) provide for certain anti-procyclical limitations on the reduction in Clearing Fund size from month to month;

(7) increase the minimum Clearing Fund contribution requirement for Clearing Members to \$500,000;

(8) modify OCC’s allocation weighting methodology for Clearing Fund contributions;

(9) reduce from five to two business days the timeframe within which Clearing Members are required to fund Clearing Fund deficits due to monthly or intra-month resizing or due to Rule amendments;

(10) provide additional clarity in OCC’s Rules regarding certain anti-procyclicality measures in OCC’s margin model; and

(11) make a number of other non-substantive clarifying, conforming, and organizational changes to OCC’s By-Laws, Rules, Collateral Risk Management Policy, Default Management Policy, and filed procedures, including retiring OCC’s existing Clearing Fund Intra-Month Resizing Procedure, Financial Resources Monitoring and Call Procedure (“FRMC Procedure”), and Monthly Clearing Fund Sizing Procedure, as these procedures would no longer be relevant to OCC’s proposed Clearing Fund and stress testing methodology and would be replaced by the proposed Rules, Policy, and Methodology Description described herein.

On June 7, 2018, OCC filed Amendment No. 1 to the Advance Notice.<sup>5</sup> The Advance Notice, as amended, was published for public comment in the **Federal Register** on July 6, 2018.<sup>6</sup> On July 11, 2018, OCC filed

Amendment No. 2 to the Advance Notice.<sup>7</sup> The Commission received five comment letters in support of the proposal contained in the Advance Notice.<sup>8</sup> This publication serves as notice of no objection to the Advance Notice.

#### II. Background

The Advance Notice concerns proposed changes to OCC’s By-Laws<sup>9</sup> and Rules,<sup>10</sup> the formalization of the substantially new Policy, and the adoption of OCC’s new Methodology Description.<sup>11</sup> According to OCC, the changes comprising the Advance Notice are primarily designed to enhance OCC’s overall resiliency, particularly with respect to the level of OCC’s pre-funded financial resources.<sup>12</sup>

Filing”). On May 30, 2018, OCC also filed a related proposed rule change (SR–OCC–2018–008) with the Commission pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder, seeking approval of changes to its rules necessary to implement the Advance Notice (“Proposed Rule Change”). 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b–4, respectively. The Proposed Rule Change was published in the **Federal Register** on June 15, 2018. Securities Exchange Act Release No. 83406 (Jun. 11, 2018), 83 FR 28018 (Jun. 15, 2018).

<sup>7</sup> In Amendment No. 2, OCC made three non-substantive changes to the proposal. Specifically, OCC (1) updated a cross-reference in Article VI, Section 27 of the OCC By-Laws to reflect the relocation of OCC’s clearing fund-related rules, (2) added an Interpretation and Policy to proposed Rule 1001 to clarify the applicability of the 5 percent month-over-month limitation in the reduction of clearing fund size is not intended to apply to the initial changes in to OCC’s clearing fund sizing resulting from implementation of the proposed methodology, and (3) clarified an implementation date of September 1, 2018 for the proposed changes in the filing.

<sup>8</sup> See letter from Andrej Bolkovic, CEO, ABN AMRO Clearing Corporation LLC (“AACC”), dated June 26, 2018, to Brent Fields, Secretary, Commission (AACC Letter I); letter from Chris Concannon, President and COO, Cboe Global Markets (“CBOE”), dated July 6, 2018, to Brent Fields, Secretary, Commission (CBOE Letter I); letter from Matthew R. Scott, President, Merrill Lynch Professional Clearing Corp. (“MLPRO”), dated July 6, 2018, to Brent J. Fields, Secretary, Commission (MLPRO Letter I); letter from Kurt Eckert, Partner, Wolverine Execution Services (“WEX”), dated July 12, 2018, to Brent Fields, Secretary, Commission (WEX Letter I); and letter from Mark Dehnert, Managing Director, Goldman Sachs & Co. LLC (“GS”), dated July 17, 2018, to Brent J. Fields, Secretary, Commission (GS Letter I), available at <https://www.sec.gov/comments/sr-occ-2018-008/occ2018008.htm>.

Since the proposal contained in the Advance Notice was also filed as a proposed rule change, all public comments received on the proposal are considered regardless of whether the comments are submitted on the proposed rule change or the Advance Notice.

<sup>9</sup> OCC’s By-Laws are available at [https://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/occ\\_bylaws.pdf](https://www.theocc.com/components/docs/legal/rules_and_bylaws/occ_bylaws.pdf).

<sup>10</sup> OCC’s Rules are available at [https://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/occ\\_rules.pdf](https://www.theocc.com/components/docs/legal/rules_and_bylaws/occ_rules.pdf).

<sup>11</sup> See Notice of Filing, 83 FR at 31594.

<sup>12</sup> See *id.*

<sup>8</sup> 17 CFR 200.30–3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(1).

<sup>2</sup> 17 CFR 240.19b–4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78a *et seq.*

<sup>4</sup> See Notice of Filing *infra* note 6, at 83 FR 31594.

<sup>5</sup> In Amendment No. 1, OCC corrected formatting errors in Exhibits 5A and 5B without changing the substance of the proposed rule change.

<sup>6</sup> Securities Exchange Act Release No. 83561 (Jun. 29, 2018), 83 FR 31594 (Jul. 6, 2018) (“Notice of