

in the event of a Clearing Member default, OCC's operations would not be disrupted and non-defaulting Clearing Members would not be exposed to losses that they cannot anticipate or control. In this way, the Proposed Rule Change is designed to help assure the safeguarding of securities and funds which are in the custody or control of OCC, or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Exchange Act.

Second, the Proposed Rule Change could reduce the likelihood that OCC's margin requirements impose sudden and excessive stress on Clearing Members during times of broader market stress. As described above, the current Implied Volatility Model could result in dramatic increases in Clearing Member margin requirements in response to a sudden, large shock in market volatility. Based on its review of OCC's data comparing margin requirements to market data on February 5, 2018, the Commission understands that the size of such an increase would not necessarily be commensurate with the risk of the Clearing Member's portfolio because, as described above, the volatility of implied volatility forecasted by the current model on that day was 4 times the size of a comparable market index, resulting in margin requirements for some Clearing Members that rose by a factor of 10. Imposing a large, unexpected increase in margin requirements could impose a large, unexpected stress on a Clearing Member during a period of high volatility. The Commission believes that reducing the likelihood of unnecessarily large and unexpected stresses on Clearing Members could help to lessen the risk of Clearing Member defaults. Reducing the risk of Clearing Member defaults could also reduce the likelihood of contagion during times of market stress because Clearing Members, particularly large Clearing Members, tend to be active participants in multiple asset markets. Therefore, the Commission believes that the Proposed Rule Change provides for rules designed, in general, to protect investors and the public interest.

Accordingly, and for the reasons stated above, the Commission believes that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Exchange Act.²¹

B. Consistency With Rule 17Ad-22(e)(6) Under the Exchange Act

Rule 17Ad-22(e)(6)(i) under the Exchange Act requires that a covered

clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.²²

The Proposed Rule Change is designed to better align the margin requirements produced by OCC's margin methodology with the level of risk posed by changes in market volatility. The component of the current Implied Volatility Model that forecasts the volatility of implied volatility is very sensitive to sudden, large changes in market volatility, as evidenced by the model's reaction to the large, sudden spike in market volatility observed on February 5, 2018 discussed above, which produced dramatic increases in Clearing Member margin requirements. The Proposed Rule Change to the Implied Volatility Model would reduce the sensitivity of the model to sudden, large changes in market volatility, and, as demonstrated by OCC's backtesting, would be unlikely to reduce the level of coverage.²³

The Commission believes that revising the Implied Volatility Model could produce margin requirements that are more precise and better reflect the risks and particular attributes of the products cleared by OCC. The Commission further believes that such changes could produce margin levels that are commensurate with the risks of the products being cleared. Accordingly, based on the foregoing, the Commission believes that the Proposed Rule Change is consistent with Exchange Act Rule 17Ad-22(e)(6)(i).²⁴

IV. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Exchange Act, and in particular, the requirements of Section 17A of the Exchange Act²⁵ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,²⁶ that the Proposed Rule Change (SR-

OCC-2018-014) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Brent J. Fields,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84900; File No. SR-MIAX-2018-35]

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change To Amend Exchange Rule 100, Definitions; Rule 515, Execution of Orders and Quotes; and Rule 503, Openings on the Exchange

December 20, 2018.

On November 9, 2018, Miami International Securities Exchange, LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Exchange Rules 100 (Definitions), 515 (Execution of Orders and Quotes), and 503 (Openings on the Exchange). The proposed rule change was published for comment in the **Federal Register** on November 20, 2018.³ The Commission has received no comments on the proposal.

Section 19(b)(2) of the Act⁴ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day for this filing is January 4, 2019.

The Commission is extending the 45-day time period for Commission action on the proposed rule change. The Commission finds that it is appropriate

²² 17 CFR 240.17Ad-22(e)(6)(i).

²³ See *supra* note 15.

²⁴ 17 CFR 240.17Ad-22(e)(6).

²⁵ In approving this Proposed Rule Change, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²⁶ 15 U.S.C. 78s(b)(2).

²⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 84589 (Nov. 14, 2018), 83 FR 58633.

⁴ 15 U.S.C. 78s(b)(2).

²¹ 15 U.S.C. 78q-1(b)(3)(F).

to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change.

Accordingly, pursuant to Section 19(b)(2) of the Act⁵ and for the reasons stated above, the Commission designates February 18, 2019, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR-MIAX-2018-35).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶

Brent J. Fields,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84899; File No. SR-NYSE-2018-65]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Price List Regarding Certain Bond Trading License Fee Waivers

December 20, 2018.

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 December 19, 2018, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III 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.

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

The Exchange proposes to amend its Price List to (i) extend a fee waiver for new firm application fees for applicants seeking only to obtain a bond trading license ("BTL") for 2019; and (ii) waive the BTL fee for 2019. The Exchange proposes to implement the fee changes effective January 2, 2019. The proposed

rule change is available on the Exchange's website at 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Price List to (i) extend a fee waiver for new firm application fees for applicants seeking only to obtain a BTL for 2019;⁴ and (iii) waive the BTL fee for 2019. The Exchange proposes to implement the fee changes effective January 2, 2019.

The Exchange currently charges a New Firm Fee ranging from \$2,500 to \$20,000, depending on the type of firm, which is charged per application for any broker-dealer that applies to be approved as an Exchange member organization. The Exchange proposes to waive the New Firm Fee for 2019 for new member organization applicants that are seeking only to obtain a BTL and not trade equities at the Exchange. The proposed waiver of the New Firm Fee would be available only to applicants seeking approval as a new member organization, including carrying firms, introducing firms, or non-public organizations, which would be seeking to obtain a BTL at the Exchange and not trade equities. Further, if a new firm that is approved as a member organization and has had the New Firm Fee waived converts a BTL to a full trading license within one

year of approval, the New Firm Fee would be charged in full retroactively. The Exchange believes that charging the New Firm Fee retroactively within a year of approval is appropriate because it would discourage applicants to claim that they are applying for a BTL solely to avoid New Firm Fees.

Additionally, the Exchange currently charges a BTL fee of \$1,000 per year. The Exchange proposes to amend the Price List to waive the BTL fee for 2019 for all member organizations.

The Exchange believes that the proposed fee changes would provide increased incentives for bond trading firms that are not currently Exchange member organizations to apply for Exchange membership and a BTL. The Exchange believes that having more member organizations trading on the Exchange's bond platform would benefit investors through the additional display of liquidity and increased execution opportunities in Exchange-traded bonds at the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,⁶ in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that it is reasonable to waive the New Firm Fee and the annual BTL fee for 2019 to provide an incentive for bond trading firms to apply for Exchange membership and a BTL. The Exchange believes that providing an incentive for bond trading firms that are not currently Exchange member organizations to apply for membership and a BTL would encourage market participants to become members of the Exchange and bring additional liquidity to a transparent bond market. To the extent the existing New Firm Fees or the BTL fee serves as a disincentive for bond trading firms to become Exchange member organizations, the Exchange believes that the proposed fee change could expand the number of firms eligible to trade bonds on the Exchange. The Exchange believes creating incentives for bond trading firms to trade bonds on the Exchange protects investors and the public interest by increasing the competition and liquidity

⁴ The Exchange initially filed to adopt the fee waiver and waive the BTL fee in 2015. See Securities Exchange Act Release No. 74031 (January 12, 2015), 80 FR 2462 (January 16, 2015) (SR-NYSE-2014-78). The Exchange subsequently filed to extend the fee waiver and waive the BTL fee in 2017 and 2018. See Securities Exchange Act Release Nos. 79710 (December 29, 2016), 82 FR 1395 (January 5, 2017) (SR-NYSE-2016-89); and 82418 (December 28, 2017), 83 FR 568 (January 4, 2018) (SR-NYSE-2017-70).

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30-3(a)(31).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4), (5).