

to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change protects investors by allowing trading in options as long as the underlying security is trading on another exchange. Instead of relying on the “primary market,” the proposed rule change attempts to clarify when options will trade on the Exchange to allow greater continuity in the marketplace. By allowing the Exchange to trade options whenever the underlying securities are trading, the proposed changes seek to create less of a disconnect if the “primary” market should be experiencing technical difficulties, an emergency, or situation that may inhibit it to be connected to the marketplace.

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

C2 does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change imposes any burden on intramarket competition because it is applied to all TPHs. In addition, the Exchange does not believe the proposed rule change will impose any burden on intermarket competition as it will merely give the Exchange discretion to trade options when there is an ample market for the underlying security of those options. Thus, the Exchange believes the proposed rule change will promote competition by giving the Exchange the ability to trade options when the underlying security is trading anywhere, and, thus, helping the Exchange to better participate in the marketplace.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not:

- A. Significantly affect the protection of investors or the public interest;
- B. Impose any significant burden on competition; and

C. Become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the

Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> 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 will institute proceedings 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](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2013-027 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-C2-2013-027. 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 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-C2-2013-027 and should be submitted on or before August 26, 2013.

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

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-70068; File No. SR-FICC-2013-06]

#### **Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Extend the Pilot Program for Certain Government Securities Division Rules Relating to the GCF Repo<sup>®</sup> Service**

July 30, 2013.

On June 5, 2013, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2013-06 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 June 21, 2013.<sup>3</sup> The Commission received no comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

#### **I. Description of the Proposed Rule Change**

FICC seeks the Commission's approval to extend the pilot program that is currently in effect for the GCF

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of 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.

<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> Securities Exchange Act Release No. 69653 (May 29, 2013), 78 FR 33456 (June 4, 2013) (SR-FICC-2013-05).

Repo<sup>®</sup> service (“2012 Pilot Program”). FICC requests that the 2012 Pilot Program be extended for one year following the Commission’s approval of this filing.<sup>4</sup>

#### A. The GCF Repo<sup>®</sup> Service

The GCF Repo<sup>®</sup> service allows dealer members of FICC’s Government Services Division to trade general collateral repos<sup>5</sup> (“GCF”) throughout the day without requiring intraday, trade-for-trade settlement on a delivery-versus-payment (“DVP”) basis.<sup>6</sup> The service allows dealers to trade general collateral repos, based on rate and term, with inter-dealer broker netting members on a blind basis. Standardized, generic CUSIP numbers have been established exclusively for GCF Repo processing, and are used to specify the type of underlying security that is eligible to serve as collateral for GCF Repos. Only Fedwire eligible, book-entry securities may serve as collateral for GCF repos. Acceptable collateral for GCF repos include most U.S. Treasury securities, non-mortgage-backed federal agency securities, fixed and adjustable rate mortgage-backed securities, Treasury Inflation-Protected Securities (“TIPS”) and separate trading of registered interest and principal securities (“STRIPS”).<sup>7</sup>

#### B. Background of the Pilot Program

Because FICC’s GCF Repo service operates as a tri-party mechanism, FICC was asked to alter the service to align it with the recommendations of the Tri-Party Repo Infrastructure Reform Task Force (“TPR”).<sup>8</sup> FICC consequently developed a pilot program (“2011 Pilot

Program”) to address the TPR’s recommendations,<sup>9</sup> and sought Commission approval to institute that program.<sup>10</sup> The Commission approved the 2011 Pilot Program on August 29, 2011 for a period of one year.<sup>11</sup> When the expiration date for the 2011 Pilot Program approached, FICC sought Commission approval to implement the 2012 Pilot Program, which continued the 2011 Pilot Program in some aspects, and modified it in others.<sup>12</sup> On August 8, 2012, the Commission approved the 2012 Pilot Program for a period of one year.<sup>13</sup>

#### C. The 2012 Pilot Program

The 2012 Pilot Program has been the subject of a number of notices and approval orders published by the Commission,<sup>14</sup> many of which provide extensive detail on both the GCF Repo<sup>®</sup> service and the pilot program itself. Under this proposed rule change, FICC is not proposing to alter the 2012 Pilot Program in any way; rather, it proposes only to extend that program, as approved in 2012, for one additional year.<sup>15</sup>

<sup>9</sup> The TPR issued preliminary and final reports setting forth its recommendations for the reform of the tri-party repo market. See Tri-Party Repo Infrastructure Reform Task Force Report of May 17, 2000, available at [http://www.newyorkfed.org/prc/files/report\\_100517.pdf](http://www.newyorkfed.org/prc/files/report_100517.pdf); see also Tri-Party Repo Reform Infrastructure Task Force Final Report (February 15, 2012), available at [http://www.newyorkfed.org/tripartyrepo/pdf/report\\_120215.pdf](http://www.newyorkfed.org/tripartyrepo/pdf/report_120215.pdf).

<sup>10</sup> Securities Exchange Act Release No. 64955 (July 25, 2011), 76 FR 45638 (July 29, 2011) (FICC–2011–05).

<sup>11</sup> Securities Exchange Act Release No. 65213 (August 29, 2011), 76 FR 54824 (September 2, 2011) (SR–FICC–2011–05).

<sup>12</sup> The 2012 Pilot Program implemented several changes which, although described in the rule filing that accompanied the 2011 Pilot Program, were not implemented during the 2011 Pilot Program’s period of effectiveness. They include: (i) Moving the time for unwinding repos from 7:30 a.m. to 3:30 p.m.; (ii) moving the net-free-equity process from morning to the evening; and (iii) establishing rules for intraday GCF Repo collateral substitutions. See Securities Exchange Act Release No. 67277 (June 20, 2012), 77 FR 38108, 38111 (June 26, 2012) (SR–FICC–2012–05).

<sup>13</sup> Securities Exchange Release No. 67621 (August 8, 2012), 77 FR 48572 (August 14, 2012) (SR–FICC–2012–05).

<sup>14</sup> See Securities Exchange Act Release Nos. 67277 (June 20, 2012), 77 FR 38108, 38109–12 (June 26, 2012) (SR–FICC–2012–05); 67621 (August 8, 2012), 77 FR 48572, 48573–76 (August 14, 2012) (SR–FICC–2012–05); and 69774 (June 17, 2013), 78 FR 37631, 37632–35 (June 21, 2013) (SR–FICC–2013–06).

<sup>15</sup> FICC would be required to file a proposed rule change with the Commission pursuant to Section 19(b) of the Act if were to do any of the following: (i) Change the parameters of the GCF Repo<sup>®</sup> service during the one-year extension period, (ii) extend the Pilot Program beyond the one-year period extension period, or (iii) establish the 2012 Pilot Program as a permanent program.

## II. Discussion

Section 19(b)(2)(C) of the Act<sup>16</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act<sup>17</sup> requires, among other things, that the rules of a clearing agency be designed to achieve several goals, including (i) promoting the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions, (ii) assuring the safeguarding of securities and funds that are in the custody or control of the clearing agency or for which it is responsible, and (iii) protecting investors and the public interest.

The Commission concludes that extending the 2012 Pilot Program for one additional year is consistent with the requirements of the Act and the rules and regulations thereunder. The 2012 Pilot Program furthers the Act’s goals because it helps attenuate the substantial risks confronting the tri-party repo market, particularly those risks associated with the provision of intraday credit to market participants.<sup>18</sup> The Commission believes that extending the 2012 Pilot Program will ensure that these risks remain subject to more stringent controls and that this, in turn, will help promote the prompt and accurate clearance and settlement of securities transactions. The Commission further believes that, by requiring tri-party repos to remain collateralized for a longer period each day, the 2012 Pilot Program helps to assure the safety of the securities and funds within FICC’s control, or for which it is responsible.<sup>19</sup>

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, particularly those set forth in Section 17A,<sup>20</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>21</sup> that the

<sup>16</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>17</sup> 15 U.S.C. 78q–1(b)(3)(F).

<sup>18</sup> The TPR characterized the “practical elimination” of this intraday credit as its “first and most significant . . . recommendation.” See Tri-Party Repo Infrastructure Reform Task Force Final Report, 4 (February 15, 2012), available at [http://www.newyorkfed.org/tripartyrepo/pdf/report\\_120215.pdf](http://www.newyorkfed.org/tripartyrepo/pdf/report_120215.pdf).

<sup>19</sup> See 15 U.S.C. 78q–1(b)(3)(F).

<sup>20</sup> 15 U.S.C. 78q–1.

<sup>21</sup> 15 U.S.C. 78s(b)(2).

<sup>4</sup> FICC has represented that, if it determines to change the parameters of the service during the one-year extension period, it will file a proposed rule change with the Commission. FICC has further warranted that, if it seeks to extend the 2012 Pilot Program beyond the one-year extension period or proposes to make the program permanent, it will also file a proposed rule change with the Commission.

<sup>5</sup> A general collateral repo is a repo in which the underlying securities collateral is nonspecific, general collateral whose identification is at the option of the seller. This is in contrast to a specific collateral repo.

<sup>6</sup> Delivery-versus-payment is a settlement procedure in which the buyer’s cash payment for the securities it has purchased is due at the time the securities are delivered.

<sup>7</sup> See Securities Exchange Act Release No. 58696 (September 30, 2008), 73 FR 58698–03, 58699 (October 7, 2008) (SR–FICC–2008–04).

<sup>8</sup> The TPR was an industry group formed and sponsored by the Federal Reserve Bank of New York in 2009 to address weaknesses that emerged in the tri-party repo market during the financial crisis. The TPR’s chief goal was to develop recommendations to address the risks presented by the reversal of tri-party repo transactions, and to develop procedures to ensure that tri-party repos would be collateralized throughout the day, rather than at the end of the day.

proposed rule change (File No. SR-FICC-2013-06) be, and hereby is, approved.<sup>22</sup>

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

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70075; File No. SR-NYSEArca-2013-75]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31(a)(2) To Specify That the Exchange Would Use The Last Official Closing Price To Calculate the Market Order Trading Collar If There Is No Consolidated Last Sale Price That Trading Day

July 30, 2013.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on July 18, 2013, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend NYSE Arca Equities Rule 7.31(a)(2) to specify that the Exchange would use the last official closing price to calculate the market order trading collar if there is no consolidated last sale price that trading day. 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.

<sup>22</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>23</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.

#### 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 is proposing to amend NYSE Arca Equities Rule 7.31(a)(2) to specify that the Exchange would use the last official closing price to calculate the market order trading collar ("Trading Collar") if there is no consolidated last sale price on that trading day. Pursuant to Rule 7.31(a)(1), during Core Trading Hours,<sup>4</sup> a market order to buy (sell) will not execute or route to another market center at a price above (below) the Trading Collar. Trading Collars are based on a price that is a specified percentage away from the consolidated last sale price, which can be a price either reported on the Consolidated Tape or the UTP Trade Data Feed, depending on which market the security is listed. The upper boundary of the Trading Collar is calculated by increasing the consolidated last sale price by a specific percentage, and the lower boundary is calculated by decreasing the consolidated last sale price by the same specified percentage.

In thinly-traded securities, there may not be a consolidated last sale price available for a security that trading day. Currently, if this occurs, the Exchange does not calculate a Trading Collar until there is a consolidated last during Core Trading Hours, which means that the first execution of a market order at the Exchange may not be subject to a Trading Collar.

The Exchange proposes to amend Rule 7.31(a)(2) to specify that if there is no consolidated last sale price on the same trading day, the Exchange would use the last official closing price for the security. The Exchange proposes to make this change to assure that there

will be a Trading Collar available for all executions of market orders at the Exchange, even if an execution has not yet been reported for a security that day.

As proposed, the Exchange could use a consolidated last sale price that is reported to the Consolidated Tape or the UTP Trade Data Feed before Core Trading Hours begin that day. For example, assume XYZ security, a thinly-traded security, had an official closing price on Day 1 of \$10.00. On Day 2, a trade is reported to the Consolidated Tape in XYZ security at 5:30 a.m. Eastern for \$10.01, but there are no additional trades in XYZ during Core Trading Hours. Accordingly, as proposed, on Day 2, the Exchange would use the \$10.01 consolidated last sale price as the reference price for calculating the Trading Collar for XYZ, and not the \$10.00 official last close. If there are no further trades on Day 2 and no trades on Day 3, on Day 3, the Exchange would use the Day 1 official closing price to calculate the Trading Collar, and not the Day 2 pre-Core Trading Hours execution of \$10.01. The Exchange believes that it is appropriate to use an execution that may occur on the same day in the pre-Core Trading Hours as the reference price because it may be reflective of the current price of the security. However, if there are no further transactions in the security that day or on the next day(s), the Exchange believes that the last official closing price is more indicative of the true value of the security and should be used as the reference price.

The Exchange would not use a consolidated last sale price that is reported after the official closing price for the prior day. For example, if XYZ had an official closing price on Day 1 of \$10.00 and an execution reported to the Consolidated Tape at 5:30 p.m. Eastern of \$10.01, and no trades on Day 2, the Exchange would use the \$10.00 closing price as the reference price for calculating the Trading Collar for XYZ.

The Exchange also proposes to amend Rule 7.31(a)(1) to clarify that Trading Collars are available for the Market Order Auction. Because the Market Order Auction occurs during Core Trading Hours,<sup>5</sup> the Exchange believes that it is implied in the rule that the Trading Collars are also applicable during the Market Order Auction. However, in the interest of full

<sup>5</sup> Pursuant to NYSE Arca Equities Rule 7.34(a)(1), the Market Order Auction occurs during the Exchange's Opening Session. However, because the Market Order Auction occurs no earlier than 9:30:00 a.m. Eastern, although it is part of the Opening Session, it takes place during what are defined as Core Trading Hours pursuant to Rule 1.1(j).

<sup>4</sup> See NYSE ARCA Equities Rule 1.1(j) (defining "Core Trading Hours" as the hours of 6:30 a.m. to 1:00 p.m. (Pacific Time)).