

unreliable and increases the risk that MBSD is not collecting sufficient margin given market conditions. Moving to the FICC Model that can be updated as the economic environment changes promotes robust risk management and reduces systemic risk because these changes can be more accurately reflected in margin calculations.

The Commission is conditioning its notice of no objection on FICC implementing policies and procedures reasonably designed to ensure that FICC timely analyzes and monitors the performance and appropriateness of the FICC Model. As discussed above, the OTS model directly incorporates the concept of seasonality, while the FICC model does not. In addition, the FICC model relies on market-observed data to capture the prepayment risk of the mortgage pools underlying the TBAs. The Commission understands that the OTS and many industry models use historical data on actual prepayments to determine the level of prepayment risk. The Commission believes it is important for both FICC and the Commission to observe how the FICC model compares to actual seasonality and prepayment history, two parameters that had previously informed the OTS model. As a result, the Commission would expect such policies and procedures to assess the performance of the FICC Model as compared to other published or calculated prepayment rate forecasts and to analyze the VaR coverage resulting from the use of the FICC Model as compared to the coverage that would be obtained after applying alternate VaR methodologies, such as the index-based haircut methodology already utilized by FICC. The Commission expects that this analysis would be disseminated to the Commission on a monthly basis.

The Commission believes that the replacement of the OTS Model with the FICC Model, subject to the conditions described above, meets the objectives and principles for the risk management standards prescribed under Section 805(a). The ability for FICC to update the FICC Model in response to changing economic conditions allows FICC to more appropriately calculate and collect margin, which better enables FICC to respond in the event that a member defaults. This in turn promotes robust risk management and safety and soundness, reduces systemic risk and supports the stability of the broader financial system.

## Conclusion

*It is therefore noticed*, pursuant to Section 806(e)(1)(I) of the Clearing

Supervision Act,<sup>17</sup> that, the Commission *does not object* to the Prepayment Model Change (File No. AN-FICC-2012-09) and that FICC be and hereby is *authorized* to implement the Prepayment Model Change (File No. AN-FICC-2012-09) subject to FICC implementing policies and procedures reasonably designed to ensure that FICC timely analyzes and monitors the performance and appropriateness of the FICC Model.

By the Commission.

**Kevin O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68490; File No. SR-CME-2012-46]

### Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule Applicable to its OTC Credit Default Swap Clearing Offering

December 20, 2012.

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> notice is hereby given that on December 18, 2012, the Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) 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 primarily by CME. CME filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) <sup>3</sup> of the Act and Rule 19b-4(f)(2) <sup>4</sup> thereunder so that the proposal was effective upon filing with the Commission. 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

CME is proposing to amend the fee schedule that currently applies to its OTC Credit Default Swap clearing offering. The text of the proposed rule change is available at the Exchange’s Web site at <http://www.cmegroup.com>,

at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the clearing agency 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. The clearing agency 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

This filing proposes to make minor amendments to the current fee schedule that applies to CDX North American Index Credit Default Swaps cleared at CME. The only modification that is proposed is to extend the current twenty five percent (25%) discount of base clearing fees for all market participants that clear OTC North American Index CDS products at CME for another year. This discount was scheduled to expire as of December 31, 2012.

The proposed changes are related to fees and therefore will become effective immediately. However, the proposed fee changes will become operative as of January 2, 2013. CME has also certified the proposed rule changes that are the subject of this filing to the Commodity Futures Trading Commission (“CFTC”), in CFTC Submission 12-464.

The proposed CME rule amendments establish or change a member due, fee, or other charge imposed by CME under Section 19(b)(3)(A)(ii) of the Securities Exchange Act of 1934 and Rule 19b-4(f)(2) thereunder. CME believes that the proposed rule change is consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder and, in particular, to 17A(b)(3)(D), in that it provides for the equitable allocation of reasonable dues, fees, and other charges among participants. The proposed changes apply to all market participants clearing trades at CME. CME believes the modifications should encourage firms to submit additional volume into the system which should help ensure readiness and also help build open interest ahead of a regulatory mandate. CME notes that it operates in a highly competitive market in which market participants can readily direct business to competing venues.

<sup>17</sup> 12 U.S.C. 5465(e)(1)(I).

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

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

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

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

*(B) Clearing Agency's Statement on Burden on Competition*

The proposed rule change does not impose any burden on competition.

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

CME has not solicited, and does not intend to solicit, comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

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

The foregoing rule change has been filed pursuant to Section 19(b)(3)(A)(ii) <sup>5</sup> of the Act and paragraph (f)(2) of Rule 19b-4 <sup>6</sup> thereunder and became effective on filing. 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.

**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-CME-2012-46 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-CME-2012-46. 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 filings will also be available for inspection and copying at the principal office of CME and on CME's Web site (<http://www.cmegroup.com>).

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-CME-2012-46 and should be submitted on or before January 17, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

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

[FR Doc. 2012-31122 Filed 12-26-12; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-68503; File No. SR-ICEEU-2012-15]

**Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delivery Procedures To Reflect the Clearing Relationship for ICE Futures U.S. Inc.**

December 20, 2012.

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> notice is hereby given that on December 19, 2012, ICE Clear Europe Limited ("ICE Clear Europe") 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 primarily by ICE Clear Europe. ICE Clear Europe filed the proposal pursuant to

Section 19(b)(3)(A)(iii) <sup>3</sup> of the Act, and Rule 19b-4(f)(4)(ii) <sup>4</sup> thereunder so that the proposal was effective upon filing with the Commission. 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 principal purpose of the rule amendments is to permit ICE Clear Europe to act as the clearing organization for certain futures and options contracts listed on ICE Futures U.S. Inc. ("ICE Futures US"), a designated contract market with the Commodity Futures Trading Commission. The rule amendments consist of various conforming and technical changes to existing ICE Clear Europe rules and delivery procedures to reflect the clearing relationship for ICE Futures US. All capitalized terms not defined herein are defined in the ICE Clear Europe Delivery Procedures.

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

In its filing with the Commission, ICE Clear Europe 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. ICE Clear Europe has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.<sup>5</sup>

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

ICE Clear Europe will act as the clearing organization for certain futures and options contracts listed on ICE Futures US, a designated contract market with the Commodity Futures Trading Commission. The rule amendments consist of various conforming and technical changes to existing ICE Clear Europe delivery procedures to reflect the clearing relationship for ICE Futures US.

Specifically, Section H of the ICE Clear Europe Delivery Procedures has been updated to apply to all ICE Futures US Contracts for which physical delivery is specified as being 'Applicable' in the relevant Contract

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>6</sup> 17 CFR 240.19b-4(f)(2).

<sup>7</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> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(4)(ii).

<sup>5</sup> The Commission has modified the text of the summaries prepared by ICE Clear Europe.