

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76551; File No. SR-NYSE-2015-46]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change To Establish Rules To Comply With the Requirements of the Plan To Implement a Tick Size Pilot Plan Submitted to the Commission Pursuant to Rule 608 of Regulation NMS Under the Act

December 3, 2015.

On October 9, 2015, the New York Stock Exchange LLC ("NYSE" or "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 establish rules to comply with the requirements of the plan to implement a Tick Size Pilot Plan submitted to the Commission pursuant to Rule 608 of Regulation NMS under the Act. The proposed rule change was published for comment in the **Federal Register** on October 28, 2015.³ The Commission received one comment letter on the proposal.⁴

Section 19(b)(2) of the Act⁵ provides that, within 45 days of the publication of the 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 December 12, 2015.

The Commission is extending this 45-day time period. The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposal.

Accordingly, pursuant to Section 19(b)(2) of the Act,⁶ the Commission designates January 26, 2016, as the date by which the Commission should either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File No. SR-NYSE-2015-46).

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

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-76548; File No. SR-OCC-2015-804]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of No Objection to Advance Notice Filing to Modify The Options Clearing Corporation's Margin Methodology by Incorporating Variations in Implied Volatility

December 3, 2015.

On October 5, 2015, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the advance notice SR-OCC-2015-804 pursuant to section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Payment, Clearing and Settlement Supervision Act")¹ and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act").² The advance notice was published for comment in the **Federal Register** on November 17, 2015.³ The Commission did not receive

⁶ *Id.*

⁷ 17 CFR 200.30-3(a)(31).

¹ 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated OCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, OCC is required to comply with the Payment, Clearing, and Settlement Supervision Act and file advance notices with the Commission. See 12 U.S.C. 5465(e).

² 17 CFR 240.19b-4(n)(1)(i).

³ Securities Exchange Act Release No. 76421 (November 10, 2015), 80 FR 71900 (November 17, 2015) (SR-OCC-2015-804). OCC also filed a proposed rule change 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 proposal. 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4, respectively. See Exchange Act Release 76128 (October 13, 2015), 80 FR 63264 (October 19, 2015) (SR-OCC-2015-016). The Commission did not receive any comments on the proposed rule change.

any comments on the advance notice publication. This publication serves as a notice that the Commission does not object to the changes set forth in the advance notice.

I. Description of the Advance Notice

According to OCC, it is modifying its margin methodology by more broadly incorporating variations in implied volatility within OCC's System for Theoretical Analysis and Numerical Simulations ("STANS").⁴ As explained below, OCC believes that expanding the use of variations in implied volatility within STANS for substantially all⁵ option contracts available to be cleared by OCC that have a residual tenor⁶ of less than three years ("Shorter Tenor Options") will enhance OCC's ability to ensure that option prices and the margin coverage related to such positions more appropriately reflect possible future market value fluctuations and better protect OCC in the event it must liquidate the portfolio of a suspended clearing member.

Implied Volatility in STANS Generally

According to OCC, STANS is OCC's proprietary risk management system that calculates clearing members' margin requirements. According to OCC, the STANS methodology uses Monte Carlo simulations to forecast price movement and correlations in determining a clearing member's margin requirement. According to OCC, under STANS, the daily margin calculation for each clearing member account is constructed to ensure OCC maintains sufficient financial resources to liquidate a defaulting member's positions, without loss, within the liquidation horizon of two business days.

As described by OCC, the STANS margin requirement for an account is composed of two primary components: A base component and a stress test component. According to OCC, the base component is obtained from a risk

⁴ This proposal did not propose any changes concerning futures. According to OCC, OCC uses a different system to calculate initial margin requirements for segregated futures accounts: Standard Portfolio Analysis of Risk Margin Calculation System.

⁵ According to OCC, it proposes to exclude: (i) Binary options, (ii) options on energy futures, and (iii) options on U.S. Treasury securities. OCC excluded them because: (i) They are new products that were introduced as OCC was completing this proposal and (ii) OCC did not believe that there was substantive risk if they were excluded at this time because they only represent a *de minimis* open interest. According to OCC, it plans to modify its margin methodology to accommodate these new products.

⁶ According to OCC, the "tenor" of an option is the amount of time remaining to its expiration.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 76229 (October 22, 2015), 80 FR 66065.

⁴ See Letter from Mary Lou Von Kaenel, Managing Director, Financial Information Forum, to Brent J. Fields, Secretary, Commission, dated November 5, 2015. ("FIF Letter").

⁵ 15 U.S.C. 78s(b)(2).