

proposal may become operative immediately upon filing.

The Exchange reports in connection with this proposal to make permanent Rule 123C(9)(a)(1) that it has completed testing of a functionality that would enable the electronic submission of orders after 4 p.m., and thus now proposes to remove the requirement that all interest entered after 4 p.m. in response to a DMM's solicitation of interest to offset an extreme order imbalance must be represented by Floor brokers. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so would allow the benefits of the new systems modifications allowing all market participants to enter orders electronically (rather than solely through a Floor broker) during a Rule 123C(9)(a)(1) suspended close to be realized immediately.<sup>12</sup> Accordingly, the Commission waives the 30-day operative delay requirement and designates the proposed rule change operative upon filing with the Commission.

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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSE-2010-84 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.

<sup>12</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-NYSE-2010-84. This file number should be included on the subject line if e-mail 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 a.m. and 3 p.m. Copies of such 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 publicly available. All submissions should refer to File Number SR-NYSE-2010-84 and should be submitted on or before January 26, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

#### **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-63623; File No. SR-OCC-2010-19]**

#### **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Stock Loan Programs**

December 30, 2010.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on December 16, 2010, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission the proposed rule change

as described in Items I and II below, which Items have been prepared primarily by OCC. 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 proposed rule change would provide OCC's clearing members with clarification regarding the regulatory treatment under Rule 15c3-1<sup>2</sup> of collateral and margin posted by clearing members participating in stock loan transactions through OCC's Stock Loan/Hedge Program or Market Loan Program.

#### **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

The purpose of the proposed rule change is to provide OCC's clearing members with clarification regarding the regulatory treatment under Rule 15c3-1 of collateral and margin posted by clearing members participating in stock loan transactions through OCC's Stock Loan/Hedge Program or Market Loan Program.

##### **1. Background**

OCC's Stock Loan/Hedge Program, provided for in Article XXI of OCC's By-Laws and Chapter XXII of OCC's Rules, provides a means for OCC clearing members to submit broker-to-broker stock loan transactions to OCC for clearance. Broker-to-broker transactions are independently-executed stock loan transactions that are negotiated directly between two OCC clearing members. OCC's Market Loan Program, provided for in Article XXIA of OCC's By-Laws and Chapter XXIIA of OCC's Rules, accommodates securities loan transactions executed through electronic trading platforms that match lenders and borrowers on an anonymous basis.

<sup>13</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.15c3-1.

Anonymous stock loan transactions are initiated when a lender or borrower, which is either an OCC clearing member participating in the Market Loan Program or a non-clearing member that has a clearing relationship with an OCC clearing member participating in the Market Loan Program, accepts a bid/offer displayed on a trading platform. A clearing member participating in the Market Loan Program will be obligated to OCC as principal with respect to transactions effected by its customers that are non-clearing members of a trading platform.

When a stock loan transaction is submitted to and accepted by OCC for clearance, OCC substitutes itself as the lender to the borrower and the borrower to the lender thus serving a function for the stock loan market similar to the one it serves within the listed options market. OCC guarantees the future daily market-to-market payments, which are effected through OCC's cash settlement system, between the lending clearing member and borrowing clearing member and guarantees the return of the loaned stock to the lending clearing member and the collateral to the borrowing clearing member upon close-out of the stock loan transaction.<sup>3</sup> One advantage of submitting stock loan transactions to OCC is that the stock loan and stock borrow positions then reside in the clearing member's options account at OCC and, to the extent that they offset the risk of options positions carried in the same account, may reduce the clearing member's margin requirement in the account. OCC's risk is, in turn, reduced by having the benefit of the hedge.

One of the tools that OCC uses to manage its exposure to stock loan transactions is the margin that OCC calculates and collects with respect to each account of a clearing member.<sup>4</sup> Such margin consists of a mark-to-market component that is based on the net asset value of the account (*i.e.*, the cost to liquidate the account at current prices). A second component of such margin is the risk component ("Risk Margin") determined under OCC's

proprietary margin system on the basis of the net risk of all open positions carried in the account, including stock loan positions as well as options positions.<sup>5</sup> An additional margin requirement ("Additional Margin"), which is solely applicable to stock loan transactions, arises where the collateral provided by the borrowing clearing member is greater than the current market value of the loaned stock. For example, where in a stock loan transaction the borrowing clearing member is required to provide collateral equal to 102% of the current market value of the loaned stock, OCC will charge the corresponding lending clearing member an Additional Margin amount equal to the 2% excess collateral and credit the borrowing clearing member an equal amount. These Additional Margin charges/credits are designed to provide OCC with resources to fully compensate a party to a stock loan transaction in the event that the counterparty defaults and the loaned stock or collateral held by the non-defaulting party is less than the value of the collateral or loaned stock exchanged.

## 2. Description of Rule Change

In December 2008, the Commission approved an OCC proposed rule change that memorialized OCC's understanding that where stock loan transactions are submitted to OCC for clearance through the Stock Loan/Hedge Program, any Additional Margin that a clearing member is required to deposit with OCC will be treated the same as any other portion of the OCC margin deposit requirement and therefore will not constitute an unsecured receivable that would otherwise be required to be deducted from such clearing member's net capital for purposes of Rule 15c3-1.<sup>6</sup>

Under the current proposed rule change, OCC would expand the prior interpretive relief so that: (i) clearing members also would not be required to take a net capital deduction with respect to any excess of the collateral over the market value of the loaned stock and (ii) such expanded interpretive relief would apply to stock loan transactions submitted to OCC for clearance through the Market Loan Program. As explained above, any over-collateralization of the loaned stock would be secured and offset by Additional Margin charges/credits applied by OCC. Therefore, any

such excess collateral on loaned stock also would not be deemed to constitute an unsecured receivable for purposes of Rule 15c3-1.

OCC believes that providing such relief from Rule 15c3-1(c)(2)(iv)(B) is within the policy objectives of the rule. Specifically, while the intent behind the capital charges is to protect the stock borrower against credit exposure to the lender, the borrower has no such credit exposure where OCC is substituted as the central counterparty. Furthermore, under the Market Loan Program, whereby stock loan transactions are effected through an electronic trading platform, it is literally impossible for the clearing member to look through OCC and treat another clearing member as its counterparty.

In connection with the above-referenced initiatives, OCC proposes to amend interpretation .05 to OCC Rule 601 to reflect the regulatory treatment under Rule 15c3-1 of collateral and margin posted by clearing members participating in stock loan transactions through the Stock Loan/Hedge Program and/or Market Loan Program.<sup>7</sup>

OCC states that the proposed change to OCC's Rules is consistent with the purposes and requirements of Section 17A of the Act<sup>8</sup> because it is designed to promote the prompt and accurate clearance and settlement of stock loan transactions, to foster cooperation and coordination with persons engaged in the clearance and settlement of such transactions, to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and, in general, to protect investors and the public interest. OCC further states that the proposed rule change is not inconsistent with the existing rules of OCC including any rules proposed to be amended.

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

OCC does not believe that the proposed rule change would impose any burden on competition.

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

OCC did not solicit or receive written comments with respect to the proposed rule change. OCC will notify the Commission of any written comments it receives.

<sup>3</sup> With respect to both the Stock Loan/Hedge Program and the Market Loan Program, the loaned securities are moved to the account of the borrower against cash collateral (normally 102%) through the facilities of The Depository Trust Company ("DTC"), and DTC notifies OCC that the movement has occurred at the time the transaction is submitted for clearance. The securities are returned to the lender against return of the cash collateral through the same mechanism.

<sup>4</sup> This OCC margin requirement is in addition to the cash collateral that is transferred to the stock lender and may be deposited in any form constituting acceptable collateral under OCC Rule 604.

<sup>5</sup> OCC does not calculate risk margin on stock loan positions and stock borrow positions separately from risk margin on options positions carried in the same account.

<sup>6</sup> Securities Exchange Act Release No. 59036 (Dec. 1, 2008), 73 FR 74554 (Dec. 8, 2008).

<sup>7</sup> The text of the proposed amendment to interpretation .05 can be found at [http://www.optionsclearing.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_10\\_19.pdf](http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_10_19.pdf).

<sup>8</sup> 15 U.S.C. 78q-1.

### 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 (i) as the Commission may designate up to 90 days of such date 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 such 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 may be submitted by using the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>), or send an e-mail to [rule-comment@sec.gov](mailto:rule-comment@sec.gov). Please include File No. SR-OCC-2010-19 on the subject line.
- Paper comments should be sent 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 No. SR-OCC-2010-19. This file number should be included on the subject line if e-mail 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at OCC's principal office and

OCC's Web site (<http://www.theocc.com/about/publications/bylaws.jsp>). 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 submission should refer to File No. SR-OCC-2010-19 and should be submitted within January 26, 2011 days after the date of publication.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Florence E. Harmon,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63621; File No. SR-MSRB-2010-10]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of Proposed Rule Change Consisting of Amendments to Rule A-13 To Increase Transaction Assessments for Certain Municipal Securities Transactions Reported to the Board and to Institute a New Technology Fee on Reported Sales Transactions

December 29, 2010.

#### I. Introduction

On September 30, 2010, the Municipal Securities Rulemaking Board ("MSRB" or "Board"), filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change which consists of amendments to Rule A-13 to increase transaction assessments for certain municipal securities transactions reported to the Board and to institute a new technology fee on reported sales transactions. The proposed rule change was published for comment in the **Federal Register** on October 19, 2010.<sup>3</sup> The Commission received fifteen comment letters regarding the proposed rule change, the

MSRB's response, and a supplemental response to the MSRB's response.<sup>4</sup>

This order approves the proposed rule change.

#### II. Background and Description of Proposal

##### A. Current Sources of MSRB Revenue

Section 15B(b)(2)(J) of the Exchange Act states that the MSRB's rules should "provide that each municipal securities broker, municipal securities dealer, and municipal advisor shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs and expenses of operating and administering the Board."<sup>5</sup> The MSRB currently levies four types of fees that are generally applicable to dealers pursuant to three separate rules.

MSRB Rule A-12 provides for a \$100 fee paid once by a dealer when it first begins to engage in municipal securities activities. MSRB Rule A-13 provides for a) an underwriting fee of \$.03 per \$1000 par value of municipal securities purchased in a primary offering (with specified exceptions), and b) a transaction fee (the "transaction fee") of \$.005 per \$1000 par value of sale transactions of municipal securities (with specified exceptions). Finally, MSRB Rule A-14 provides for an annual fee of \$500 from each dealer who conducts municipal securities activities. In addition, since this proposed rule was filed, the MSRB has amended Rule A-12 to establish an initial fee of \$100

<sup>4</sup> See e-mail from Coastal Securities, Inc., dated November 8, 2010 ("Coastal Securities Letter"); letter from Bond Dealers of America, dated November 9, 2010 ("BDA Letter I"); letter from Hartfield Titus & Donnelly, LLC, dated November 9, 2010 ("HTD Letter"); letter from the Securities Industry and Financial Markets Association, dated November 9, 2010 ("SIFMA Letter I"); e-mail from RW Smith Associates, Inc., dated November 9, 2010 ("RW Smith Letter"); letter from Southwest Securities, Inc., dated November 9, 2010 ("Southwest Securities Letter"); letter from the Government Finance Officers Association, dated November 9, 2010 ("GFOA Letter"); letter from TD Ameritrade Holding Corporation, dated November 9, 2010 ("TD Ameritrade Letter"); letter from Edward Jones, dated November 9, 2010 ("Edward Jones Letter I"); letter from BMO Capital Markets, dated November 9, 2010 ("BMO Letter"); letter from Morgan Stanley Smith Barney LLC, dated November 10, 2010 ("Morgan Stanley Letter"); letter from Lawrence P. Sandor, Senior Associate General Counsel, MSRB, dated November 19, 2010 ("MSRB Response Letter"); letter from Jeffries & Company, Inc., dated November 29, 2010 ("Jeffries Letter"); letter from the Securities Industry and Financial Markets Association, dated December 2, 2010 ("SIFMA Letter II"); letter from Bond Dealers of America, dated December 14, 2010 ("BDA Letter II"); letter from Edward Jones, dated December 14, 2010 ("Edward Jones Letter II"); and letter from Lawrence P. Sandor, Senior Associate General Counsel, MSRB, dated December 28, 2010 ("Supplemental MSRB Response Letter").

<sup>5</sup> 15 U.S.C. 78o-4(b)(2)(J).

<sup>9</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. 34-63095 (October 13, 2010), 75 FR 64372 (the "Commission's Notice").