stated in the application. Such terms and conditions are designed to, among other things, help prevent any potential (i) undue influence over an Underlying Fund that is not in the same ''group of investment companies'' as the Fund of Funds through control or voting power, or in connection with certain services, transactions, and underwritings, (ii) excessive layering of fees, and (iii) overly complex fund structures, which are the concerns underlying the limits in sections 12(d)(1)(A), (B), and (C) of the Act. Applicants assert that permitting a Section 12(d)(1)(G) Fund of Funds to invest in Other Investments as described in the application would not raise any of the concerns that section 12(d)(1) of the Act was intended to address.

4. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2017–11924 Filed 6–7–17; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80849; File No. SR–LCH SA–2017–004]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change Relating to LCH SA's CDS Margin and Extreme Credit Spread Curves

June 2, 2017.

I. Introduction

On April 4, 2017, Banque Central de Compensation, which conducts business under the name LCH SA (''LCH SA''), 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 (SR–LCH SA–004) to amend its CDS margin framework to replace an algorithm-based approach to pricing credit default swaps (''CDS'') in the event extreme spread curves cause the International Swaps and Derivatives Association Standard Model for pricing credit default swaps (''ISDA Pricer'') to fail with an approximation-based method.[3] The proposed rule change was published for comment in the **Federal Register** on April 19, 2017.[4] The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

LCH SA has proposed to amend its CDS margin framework. The proposed change would alter the approach used by LCH SA when the ISDA Pricer, used in pricing CDS, fails as a result of extreme spread curves. Under its current CDS margin framework, LCH SA uses the ISDA Pricer to calibrate credit spread curves as part of its spread margin component. According to LCH SA, the ISDA Pricer cannot be used to calibrate credit spread curves where ''extreme'' credit spread curves exist.[5] In the event that the ISDA Pricer fails due to the existence of extreme credit spread curves, LCH SA has established a dichotomy-based algorithm that it uses to adjust the inputs and calibrate the spread curves iteratively until it identifies the tenor causing the calibration to fail, and the closest spread to that tenor that will allow the curve to appropriately calibrate.[6]

LCH SA represented that this dichotomy-based algorithm can consume significant amounts of time to process because of the number of repetitions that may be necessary for the process to produce the appropriate results, which could result in delays in calculating margin requirements.[7] To ameliorate the potential for these delays, LCH SA has proposed to amend its approach by replacing the dichotomy-based algorithm described above with an approximation-based approach under which LCH SA would, in the event that the ISDA Pricer fails, construct a piecewise hazard rate curve and a piecewise constant interest rate curve, and then apply average hazard and interest rates for the relevant period to price the relevant CDS.[8]

LCH SA represents that it has performed quantitative analysis, which indicates that the revised approach to calculating margin requirements in the event that the ISDA Pricer fails is a reliable pricing tool.[9] Therefore, this revised approach is not likely to result in significant changes to CDS prices and margin requirements calculated using LCH SA's current approach.

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a propose 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.[10] Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.[11] Rule 17Ad–22(e)(17) requires, in relevant part, that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to manage a covered clearing agency's operational risk by identifying the plausible sources

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] For additional information regarding the ISDA Standard Model, *see www.cdsmodel.com.* The Commission is providing this link solely for informational purposes.

[4] Securities Exchange Act Release No. 34–80451 (April 13, 2017), 82 FR 18515 (April 19, 2017) (SR–LCH SA–2017–004) (''Notice'').

[5] Notice, 82 FR at 18515.

[6] *Id.*

[7] *Id.*

[8] *Id.*

[9] Notice, 82 FR at 18516.

[10] 15 U.S.C. 78s(b)(2)(C).

[11] 15 U.S.C. 78q–1(b)(3)(F).

of operational risk, both internal and external, and mitigating their impact through the use of appropriate systems, policies, procedures and controls, as well as to ensure that systems have a high degree of security, resiliency, operational reliability, and adequate, scalable capacity.[12] Rule 17Ad–22(b)(1) requires, in relevant part, a registered clearing agency that performs central counterparty services to establish, implement, maintain and enforce written policies and procedures that are reasonably designed to measure the registered clearing agency's credit exposures to its participants at least once daily and limit its exposures to potential losses from participant defaults under normal market conditions.[13] Rule 17Ad–22(b)(2) requires, in relevant part, a registered clearing agency that performs central counterparty services to establish, implement, maintain and enforce written policies and procedures that are reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements.[14] Rule 17Ad–22(e)(6) requires, in relevant part, a covered clearing agency that provides central counterparty services to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers and produces margin levels commensurate with the risks and particular attributes of each relevant product, portfolio and market, and marks participant positions to market and collects margin, including variation margin or equivalent charges if relevant, at least daily.[15]

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act and the relevant provisions of Rule 17Ad–22 thereunder. The Commission believes that the proposed rule change will reduce the risk that the process for determining spread margin requirements will require excessive time to process in the event that extreme spread curves cause the ISDA Pricer to fail; the proposed rule change thereby will improve LCH SA's operational ability to calculate its margin requirements promptly without sacrificing accuracy. Because it will facilitate the calculation of margin requirements in a timely fashion, the proposed rule change is consistent with the prompt and accurate clearance and settlement requirement of Section 17A(b)(3)(F) of the Act and with operational risk requirements of Rule 17Ad–22(e)(17).

The Commission also believes that the proposed rule change provides for an approach that takes into consideration relevant risks (including hazard rates and interest rates) in order to provide for appropriate method for calculating CDS prices, and consequently the measurement of LCH SA's credit exposures and margin requirements, in the event that the ISDA Pricer fails. As a result, the proposed rule change is consistent with requirements of Rules 17Ad–22(b)(1) and (2), and Rule 17Ad–22(e)(6).

IV. Conclusion

It is therefore ordered pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR–LCH SA–2017–004) be, and hereby is, approved.[16]

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.[17]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–11865 Filed 6–7–17; 8:45 am]

BILLING CODE 8011–01–P

[12] 17 CFR 240.17Ad–22(e)(17).

[13] 17 CFR 240.17Ad–22(b)(1).

[14] 17 CFR 240.17Ad–22(b)(2).

[15] 17 CFR 240.17Ad–22(e)(6)(i) and (ii).

[16] In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

[17] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80851; File No. SR–NYSEARCA–2017–63]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Pilot Period for the Exchange's Retail Liquidity Program Until December 31, 2017

June 2, 2017.

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 May 23, 2017, 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.

[1] 15 U.S.C.78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

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

The Exchange proposes to extend the pilot period for the Exchange's Retail Liquidity Program (the ''Retail Liquidity Program'' or the ''Program''), which is currently scheduled to expire on June 30, 2017, until December 31, 2017. The proposed rule change is available on the Exchange's Web site 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 purpose of this filing is to extend the pilot period of the Retail Liquidity Program, currently scheduled to expire on June 30, 2017,[4] until December 31, 2017.

Background

In December 2013, the Commission approved the Retail Liquidity Program on a pilot basis.[5] The Program is designed to attract retail order flow to the Exchange, and allows such order flow to receive potential price improvement. The Program is currently limited to trades occurring at prices equal to or greater than $1.00 per share. Under the Program, Retail Liquidity Providers (''RLPs'') are able to provide potential price improvement in the form of a non-displayed order that is priced better than the Exchange's best protected bid or offer (''PBBO''), called

[4] *See* Securities Exchange Act Release No. 79495 (December 7, 2016), 81 FR 90033 (December 13, 2016) (SR–NYSEArca–2016–157).

[5] *See* Securities Exchange Act Release No. 71176 (December 23, 2013), 78 FR 79524 (December 30, 2013) (SR–NYSEArca–2013–107) (''RLP Approval Order'').