fees to remain competitive with other exchanges and to attract order flow to the Exchange. The Exchange believes that the proposed rule change reflects this competitive environment because it reduces the Exchange's fees in a manner that encourages market participants to direct their customer order flow, to provide liquidity, and to attract additional transaction volume to the Exchange. Given the robust competition for volume among options markets, many of which offer the same products, implementing a volume based customer rebate program to attract order flow like the one being proposed in this filing is consistent with the above-mentioned goals of the Act. This is especially true for the smaller options markets, such as MIAX, which is competing for volume with much larger exchanges that dominate the options trading industry. As a new exchange, MIAX has a nominal percentage of the average daily trading volume in options, so it is unlikely that the customer rebate program could cause any competitive harm to the options market or to market participants. Rather, the customer rebate program is a modest attempt by a small options market to attract order volume away from larger competitors by adopting an innovative pricing strategy. The Exchange notes that if the rebate program resulted in a modest percentage increase in the average daily trading volume in options executing on MIAX, while such percentage would represent a large volume increase for MIAX, it would represent a minimal reduction in volume of its larger competitors in the industry. The Exchange believes that the proposal will help further competition, because market participants will have yet another additional option in determining where to execute orders and post liquidity if they factor the benefits of a customer rebate program into the determination.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.[13] 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 shall institute proceedings to determine whether the proposed rule 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.* Please include File No. SR–MIAX–2013–31 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 No. SR–MIAX–2013–31. 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 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 No. SR–MIAX–2013–31 and should be submitted on or before August 5, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–16817 Filed 7–12–13; 8:45 am]

BILLING CODE 8011–01–P

[13] 15 U.S.C. 78s(b)(3)(A)(ii).

[14] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69951; File No. SR–NSCC–2013–02]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing Amendment No. 2 and Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change, as Previously Modified by Amendment No. 1, To Institute Supplemental Liquidity Deposits to Its Clearing Fund Designed To Increase Liquidity Resources To Meet Its Liquidity Needs

July 9, 2013.

On March 21, 2013, National Securities Clearing Corporation (''NSCC'') filed with the Securities and Exchange Commission (''Commission'') proposed rule change SR–NSCC–2013–02 (''Proposed Rule Change'') pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'')[1] and Rule 19b–4 thereunder.[2] The Proposed Rule Change was published for comment in the **Federal Register** on

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

[2] 17 CFR 240.19b–4. NSCC also filed the proposal contained in the Proposed Rule Change as advance notice SR–NSCC–2013–802 (''Advance Notice''), as modified by Amendment No. 1, pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 (''Clearing Supervision Act'') and Rule 19b–4(n)(1)(i) thereunder. *See* Release No. 34–69451 (Apr. 25, 2013), 78 FR 25496 (May 1, 2013). On May 20, 2013, the Commission extended the period of review of the Advance Notice, as modified by Amendment No. 1. Release No. 34–69605 (May 20, 2013), 78 FR 31616 (May 24, 2013). On June 11, 2013, NSCC filed Amendment No. 2 to the Advance Notice, as previously modified by Amendment No.1. Absent a request by the Commission to NSCC to provide additional information on the Advance Notice, as amended, pursuant to Section 806(e)(1)(D) of the Clearing Supervision Act, *see* 12 U.S.C. 5465(e)(1)(D), the Commission shall have until July 19, 2013 to issue an objection or non-objection to the Advance Notice, as amended. *See* Release No. 34–69605 (May 20, 2013), 78 FR 31616 (May 24, 2013), and *see* 12 U.S.C. 5465(e)(1)(E) and (G). The proposal in the Proposed Rule Change, as amended, and the Advance Notice, as amended, shall not take effect until all regulatory actions required with respect to the proposal are completed.

April 10, 2013.[3] On April 19, 2013, NSCC filed with the Commission Amendment No. 1 to the Proposed Rule Change, which, on May 29, 2013, the Commission published for comment in the **Federal Register** and designated a longer period for Commission action on the Proposed Rule Change, as amended.[4] As of July 9, 2013, the Commission had received fourteen comment letters on the proposal contained in the Proposed Rule Change and its related Advance Notice,[5] including NSCC's response to the comment letters received as of June 10, 2013.[6]

Pursuant to Section 19(b)(1) of the Exchange Act[7] and Rule 19b–4 thereunder,[8] notice is hereby given that on June 11, 2013, NSCC filed with the Commission Amendment No. 2 to the Proposed Rule Change, as previously modified by Amendment No. 1. The Commission is publishing this notice to solicit comments on the Proposed Rule Change, as modified by Amendment No. 2, from interested persons.[9]

Additionally, this order institutes proceedings under Section 19(b)(2)(B) of the Exchange Act[10] to determine whether to approve or disapprove the Proposed Rule Change, as discussed in Section IV, below. The institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved, nor does it mean that the Commission will ultimately disapprove the Proposed Rule Change. Rather, as described in Section III, below, the Commission seeks and encourages interested persons to provide additional comment on the Proposed Rule Change to inform the Commission's analysis of whether to approve or disapprove the Proposed Rule Change.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The Proposed Rule Change, as modified by Amendment No. 2, is a proposal by NSCC to amend its Rules and Procedures (''Rules'') to provide for a supplemental liquidity funding obligation (''SLD Proposal''), as described below. NSCC filed Amendment No. 2 to the Proposed Rule Change, as previously modified by Amendment No. 1, in order to mitigate potential cash outlay burdens, respond to transparency concerns raised by NSCC members (''Members''), clarify the implementation timeframe, and describe the reports that would be provided to Members so that they can anticipate their supplemental liquidity obligations to NSCC under the SLD Proposal (''Supplemental Liquidity Obligations'').

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

In its filing with the Commission, NSCC included statements concerning the purpose of and basis for the Proposed Rule Change, as modified by Amendment No. 2, and discussed any comments it received on the Proposed Rule Change, as amended. The text of these statements may be examined at the places specified in Item V below. NSCC has prepared summaries, set forth in sections (A), (B), and (C) immediately below, of the most significant aspects of these statements.[11]

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

1. Description of Change

Original SLD Proposal

The original proposal contained in the Proposed Rule Change, as modified by Amendment No. 1 (''Original SLD Proposal''), would change the Rules to add a new Rule 4A, in order to establish a supplemental liquidity funding obligation designed to cover the liquidity exposure attributable to those Members and families of affiliated Members (''Affiliated Families'') that regularly incur the largest gross settlement debits over a settlement cycle during both times of normal trading activity (''Regular Activity Periods'') and times of increased trading and settlement activity that arise around quarterly triple options expiration dates (''Quarterly Options Expiration Activity Periods'').

The Supplemental Liquidity Obligation of a Member or Affiliated Family with respect to a Regular Activity Period (''Regular Activity Liquidity Obligation'') or a Quarterly Options Expiration Activity Period (''Special Activity Liquidity Obligation'') would be imposed on the 30 Members or Affiliated Families who generate the largest aggregate liquidity needs over a settlement cycle that would apply in the event of a closeout (i.e., over a period from date of default through the following three settlement days), based upon a historical look-back period.

NSCC states that the calculations for both the Regular Activity Liquidity Obligation and the Special Activity Liquidity Obligation are designed so that NSCC has adequate liquidity resources to enable it to settle transactions, notwithstanding the default of the Member or Affiliated Family presenting the largest liquidity need during Regular Activity Periods, as well as during Quarterly Options Expiration Activity Periods. The Supplemental Liquidity Obligations imposed on Members of Affiliated Families would be apportioned among the Members in that Affiliated Family in proportion to the liquidity risk (or peak exposure) they present to NSCC.

NSCC states that the SLD Proposal is designed to supplement NSCC's liquidity resources and work in tandem with NSCC's committed credit facility (''Credit Facility''), which it maintains as a liquidity resource (in addition to the NSCC Clearing Fund) should a Member or Affiliated Family default. The Regular Activity Liquidity Obligations would be calculated and imposed semi-annually, the first of which would be made to coincide with the annual renewal of the Credit Facility and the second of which would be made six months thereafter. NSCC states that the SLD Proposal seeks to strike a balance between reliance on the Credit Facility to reduce the burden on Members or Affiliated Families for cash outlay, while at the same time obligating those Members or Affiliated Families who expose NSCC to the largest liquidity risks to fund their fair share of the liquidity ''differential.''

NSCC states that the SLD Proposal contains both obligations and incentives. For example, a cash deposit in respect of a Regular Activity Liquidity Obligation (e.g., in the Original SLD Proposal, the obligation of

[3] Release No. 34–69313 (Apr. 4, 2013), 78 FR 21487 (Apr. 10, 2013).

[4] *See* Release No. 34–69620 (May 22, 2013), 78 FR 32292 (May 29, 2013).

[5] *See* Comments Received on File Nos. SR–NSCC–2013–02 (*http://sec.gov/comments/sr-nscc-2013-02/nscc201302.shtml*) and SR–NSCC–2013–802 (*http://sec.gov/comments/sr-nscc-2013-802/nscc2013802.shtml*). Since the proposal contained in the Proposed Rule Change was also filed as an Advance Notice, *see* Release No. 34–69451, *supra* note 2, the Commission is considering all public comments received on the proposal regardless of whether the comments are submitted to the Proposed Rule Change, as amended, or the Advance Notice, as amended.

[6] NSCC also received a comment letter directly prior to filing the Proposed Rule Change and related Advance Notice with the Commission, which NSCC provided to the Commission in Amendment No. 1 to the filings. *See* Exhibit 2 to File No. SR–NSCC–2013–02 (*http://sec.gov/rules/sro/nscc/2013/34-69620-ex2.pdf*).

[7] 15 U.S.C. 78s(b)(1).

[8] 17 CFR 240.19b–4.

[9] Defined terms that are not defined in this notice are defined in Amended Exhibit 5 to the Proposed Rule Change, available at *http://sec.gov/rules/sro/nscc.shtml*, under File No. SR–NSCC–2013–02, Additional Materials.

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

[11] The Commission has modified the text of the summaries prepared by NSCC to primarily focus on the Proposed Rule Change.

a Member or Affiliated Family to make a ''Regular Activity Supplemental Deposit'') would be reduced by any liquidity such Members or their affiliates provided as commitments under the Credit Facility. To the extent that NSCC is successful in raising significant amounts of its needed liquidity though the Credit Facility—whether from Members, their affiliates making commitments on their behalf, or non-affiliated lenders—NSCC states that a diversified lender facility serves to mitigate the liquidity risk of NSCC and its membership as a whole, while reducing the cash outlay obligations of the top 30 Members and Affiliated Families.

NSCC states that the cash deposit in respect of a Special Activity Liquidity Obligation (''Special Activity Supplemental Deposit'') was structured in the Original SLD Proposal to address any additional liquidity shortfalls (i.e., over and above NCSS's other available liquidity resources) that arose during the heightened trading activity around the Quarterly Options Expiration Period. As such, these additional Special Activity Supplemental Deposits would be required to be maintained on deposit with NSCC only through the completion of the related settlement cycle and for a few days thereafter.

Both prior to the submission of the Proposed Rule Change, and since, NSCC states that it has engaged in significant outreach to its Members to discuss the SLD Proposal, which outreach, NSCC believes, has been key to the development and evolution of the SLD Proposal over the past 18 months. NSCC is cognizant of the concerns raised by Members who have submitted comments regarding the Proposed Rule Change and related Advance Notice, and, according to NSCC, this Amendment No. 2 seeks to address those concerns.

Proposed Enhancements to the Original SLD Proposal

NSCC is proposing to amend the Original SLD Proposal with enhancements that NSCC believes are collectively designed to mitigate potential cash outlay burdens, as well as respond to transparency concerns raised by Members, by clarifying the implementation timeframe of the proposed change and the reporting that would be provided to Members under this revised SLD Proposal (''Revised SLD Proposal'').

First, NSCC would allow its Members to designate a commercial lender—whether or not affiliated with that Member—to commit as a lender to the Credit Facility as a designee of the Member, subject to satisfaction of reasonable lender criteria.[12] NSCC states that this commitment would reduce the Member's Regular Activity Liquidity Obligation cash requirement by the amount of any such commitment. Therefore, under the Revised SLD Proposal, NSCC states that all Members, whether or not they have affiliated banks, are equally incentivized to seek lenders to maximize the size of the Credit Facility. NSCC states that this change effectively eliminates any perceived discrimination in the Original SLD Proposal between those Members that have bank affiliates and those that do not. This change is reflected in the proposed Rule 4A by the inclusion of a new definition for ''Designated Lender,'' and corresponding adjustments to the calculation formula.

Second, any ''excess'' Credit Facility commitments made by Members directly or through their Designated Lenders (i.e., the amount of any commitment by a Member or its Designated Lender that exceeds the Member's calculated Regular Activity Liquidity Obligation) would be allocated ratably among all Regular Activity Liquidity Providers, which NSCC states would reduce their cash Regular Activity Supplemental Deposit requirements, in the same way that commitments of non-affiliated lenders are applied under the Original SLD Proposal. This change is reflected in adjustments to the calculation formula in Sections 5 and 9 of the proposed Rule 4A.

Third, under the Revised SLD Proposal, the seasonal/peak facility that NSCC believes currently addresses NSCC's liquidity needs over Quarterly Options Expiration Activity Periods would be extended to cover monthly options expiration periods and would be calculated and collected 12 times a year instead of four (''Monthly Options Expiration Activity Period''). NSCC states, based on its review of available historical quantitative information, that the effect of this change would be to reduce the size of the Regular Activity Liquidity Obligations under the Revised SLD Proposal. Additionally, NSCC states that by treating all liquidity obligations derived from Monthly Options Expiration Activity Periods (where there is greater activity fluctuation than during other periods) as Special Activity Liquidity Obligations, the Revised SLD Proposal would provide greater stability and predictability to the size of the Regular Activity Liquidity Obligations. NSCC's analyses based upon historical data estimates that expanding this seasonal/peak facility to cover all Monthly Options Expiration Activity Periods could reduce the size of the aggregate Regular Activity Liquidity Obligations by up to 20 percent. NSCC also states that recalibrating the Special Activity Liquidity Obligations on a monthly basis results in allocating the liquidity burdens among those Members and Affiliated Families more equitably, since only those Members whose monthly options-related activity generate liquidity needs in excess of NSCC's then available liquidity resources would be obligated to fund such additional amounts.[13] NSCC states that this change is reflected in a revised definition of ''Options Expiration Activity Period,'' and clarifications to the calculation formula of the Special Activity Liquidity Obligations, as well as to related definitions to ensure the formula—and the allocation among affected Members—operates as intended.

Fourth, the Revised SLD Proposal includes a new definition for ''Other Qualifying Liquid Resources.'' NSCC states that this new defined term would permit NSCC to take any such additional or alternative liquidity resources that it may obtain in the future into account when calculating Regular Activity Liquidity Obligations and to use them to reduce the amount of cash, if any, that Members would otherwise be obligated to deposit as Regular Activity Supplemental Deposits. This change is reflected both with the inclusion of the new definition of ''Other Qualifying Liquid Resources,'' and with corresponding modifications to the calculation formula.

Fifth, as regards Members' voluntarily prefunding Regular Activity Liquidity Obligations and Special Activity Liquidity Obligations, NSCC would monitor Members' prefunding activity to understand the impact such prefunded amounts have on the amount of its committed liquidity resources. NSCC states that the Revised SLD Proposal provides NSCC with some discretion when including prefunded deposits within its calculated liquidity resources, so as to provide some

[12] NSSC states that such criteria would be designed to cover issues such as credit risk, concentration risk, and lender diversity, so as to ensure the continued robust viability of the line of credit.

[13] NSCC states that since the allocation formula ratably applies the excess amount needed due to activity during Special Activity Periods based upon the affected Member's Special Activity Peak Liquidity Exposure, then to the extent that a Member's Special Activity Peak Liquidity Exposure (as defined) is less than or equal to NSCC's other available resources, that Member's share of the Special Activity Peak Liquidity Need will be zero.

flexibility in the event it becomes too reliant on voluntary prefunding to meet its minimum liquidity needs. NSCC states that this change to the Original SLD Proposal would address any concern that NSCC would not have sufficient liquid resources to effect settlement if prefunding is unavailable when actually needed.

Additional Revisions to the Original SLD Proposal

Reporting. NSCC states that it understands and agrees that Members have to be able to evaluate risks of their membership and be able to plan for their liquidity obligations. NSCC also states that it is critical that Members understand the risks that their own activity presents to NSCC and be prepared to monitor their own activity and alter their behavior if they want to minimize the liquidity risk they present to NSCC. While NSCC states that robust reporting has always been a key element of the Original SLD Proposal, the Revised SLD Proposal clarifies in a new Section 31 of proposed Rule 4A the information that NSCC would provide to Members. Such information would be provided to all Members, not just the top 30 Members and Affiliated Families, at least monthly. NSCC states that these reports would show Members the liquidity exposure they present to NSCC to enable them to monitor their activity and the ''Regular Activity Peak Liquidity Exposure'' that results from their activity. Information provided in these reports would include:

- The Regular Activity Peak Liquidity Exposure of the Member on each Business Day of the preceding month;
- NSCC's largest Regular Activity Peak Liquidity Need for the preceding month;
- in the case of an Unaffiliated Member, for each Business Day of the preceding month, the percentage that the Regular Activity Peak Liquidity Exposure of the Member bears to the aggregate Regular Activity Peak Liquidity Exposures of all Regular Activity Liquidity Providers (the percentage for a Member that is not a Regular Activity Liquidity Provider for that month would be zero); and
- in the case of an Affiliated Family, for each Business Day of the preceding month, the percentage that the aggregate Regular Activity Peak Liquidity Exposures of all Members of that Affiliated Family bears to the aggregate Regular Activity Peak Liquidity Exposures of all Regular Activity Liquidity Providers (Affiliated Families that are not Regular Activity Liquidity Providers for that month would be zero percentage).

Technical Clarifications and Changes. The Revised SLD Proposal includes certain technical changes and clarifications that NSCC states it designed to align notice, payment, and cash return timeframes, and to clarify the operation of the calculation formulas to ensure they operate as intended.

Implementation Timeframe and Funding Notice. While the SLD Proposal would be effective upon the completion of all required regulatory approvals, Members would not be obligated to fund their Regular Activity Liquidity Obligations or Special Activity Liquidity Obligations until the Monthly Options Expiration Activity Period in September 2013. Moreover, Members would be provided with notice of their initial Regular Activity Liquidity Obligations no later than 30 days prior to the date on which that amount must be deposited with NSCC. At that time, NSCC's risk management staff would also provide to affected Members their Special Activity Peak Liquidity Exposure within the look-back period. Specific implementation dates would be provided by NSCC by Important Notice.

NSCC states that its risk management staff would continue to work with Members to help them understand the Revised SLD Proposal and to develop tools that NSCC believes would enable Members to forecast the liquidity exposure they present to NSCC. NSCC states that its risk management staff would also use the reports that would be provided under new Section 31 or proposed Rule 4A to guide ongoing discussions with Members regarding the types of actions that could mitigate those Members' peak liquidity exposure. In addition, under the Revised SLD Proposal (as in the Original SLD Proposal), NSCC states that Members would be able to manage their exposures by making prefund deposits where they project their own activity would increase their liquidity exposure. For example, if a Member that would be a Special Activity Liquidity Provider anticipates that its Special Activity Peak Liquidity Exposure at any time during a particular Options Expiration Activity Period would be greater than the amount calculated by NSCC, then it could make an additional cash deposit to the Clearing Fund (in excess of its Required Deposit) that it designates as a ''Special Activity Prefund Deposit.''

In order to give Members sufficient time to plan for annual Credit Facilities renewals and to line up designated liquidity providers for the Credit Facility, NSCC states that its risk staff would provide Members with an impact analysis of their projected Supplemental Liquidity Obligations beginning on November 31 of each year.[14] NSCC states that the information provided would show the potential impact on affected Members based on different Credit Facility funding levels.

In response to the more general concern regarding refinancing risk and NSCC's reliance on the Credit Facility, NSCC states that it would continue to explore additional financing sources. NSCC states that it would review and evaluate the financing options available to it and the related costs of those options, and would expect to present the findings of that review to the NSCC Board prior to the next renewal of the Credit Facility in May 2014. When sizing and approving the fee and costs structure of the renewal Credit Facility, NSCC states that the NSCC Board would be able to take into account those potential additional financing sources and consider the consequent impact on Members' cash Regular Activity Supplemental Deposit and Special Activity Supplemental Deposit obligations. The items that would be included in this review are:

- analysis of the availability, size, cost, and credit risk necessary to obtain the additional commitments under the Credit Facility likely to reduce the Regular Activity Supplemental Deposit requirements to zero;
- analysis of the availability, size, cost, and credit risk to obtain a new multi-year committed facility to replace the existing Credit Facility;
- an understanding of the aggregate costs, if any, for Members to designate commercial lenders to commit to the Credit Facility as their designees;
- analysis of the availability, size, cost, and potential depth of a capital markets funding among Members and/or third parties as an additional liquidity resource, including the viability of offering the funding to Members or mandating their participation in such funding; and
- a summary of the steps that Members have taken to reduce their NSCC liquidity profile, and whether this should be factored into the historical analysis used to determine NSCC's Regular Activity Period liquidity needs and Members' share of that need.

NSCC states that it would update its Members on the results of this review and the determination of the NSCC Board. NSCC states that it would also update its Members with information regarding future liquidity initiatives designed to increase NSCC's liquidity

[14] NSCC states that given the timing of the calculation look-back periods, information provided in November will necessarily be estimates.

resources and potentially reduce supplemental deposit requirements, including the rationale behind these initiatives, how these initiatives fit within NSCC's liquidity risk tolerance, and the likely impact of the initiatives.

2. Statutory Basis

NSCC states that the Revised SLD Proposal contributes to NSCC's goal of ensuring that NSCC has adequate liquidity resources to meet its settlement obligations, notwithstanding the default of its Members or Affiliated Families that pose the largest aggregate liquidity exposure over the relevant settlement cycle, as required by Commission Rule 17Ad–22(b)(3).[15] As such, NSCC states the Revised SLD Proposal is consistent with the requirements of the Exchange Act, as amended, and the rules and regulations thereunder applicable to NSCC.

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

1. Regulatory Requirements for Proposed Rule Changes

Section 19(b)(2)(C)(i) of the Exchange Act provides that ''[t]he Commission shall 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 Exchange Act] and the rules and regulations issued under [the Exchange Act] that are applicable to such organizations.'' The requirements of the Exchange Act that are specifically applicable to clearing agencies are set forth in Section 17A relating to a national system for the clearance and settlement of securities transactions. Section 17A(a)(2)(A) of the Exchange Act directs the Commission to facilitate the establishment of the national system, having due regard for inter alia the ''maintenance of fair competition among brokers and dealers, clearing agencies, and transfer agents.'' Section 17A(a)(3)(I) of the Exchange Act provides that a clearing agency shall not be registered unless the Commission determines inter alia that ''[t]he rules of the clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of [the Exchange Act].''

Rule 19b–4(a)(i), promulgated by the Commission under Section 19(b) of the Exchange Act, provides that a proposed rule change by a self-regulatory organization (which includes a registered clearing agency) shall be filed on Form 19b–4. The General Instructions for Form 19b–4 prescribe the information to be included in the completed form. With respect to competition, the self-regulatory organization is required to ''[s]tate whether the proposed rule change will have an impact on competition and, if so, (i) state whether the proposed rule change will impose any burden on competition or whether it will relieve any burden on, or otherwise promote, competition and (ii) specify the particular categories of persons and kinds of businesses on which any burden will be imposed and the ways in which the proposed rule change will affect them.'' The self-regulatory organization is further required to explain (i) why any impact on competition is not believed to be a significant burden on competition or (ii) why any burden on competition is necessary or appropriate in furtherance of the Exchange Act.

2. Position of NSCC as Utility for Securities Industry

NSCC is an operating subsidiary of The Depository Trust & Clearing Corporation (''DTCC''), which NSCC states is a user-owned, user-governed holding company for NSCC, two other registered clearing agencies, a derivatives clearing organization joint venture, and a number of other companies that provide a variety of post-trade processing and information services. NSCC states that it and the other registered clearing agencies in the DTCC group provide the critical infrastructure for the clearance and settlement of securities transactions in the United States. These registered clearing agencies operate as utilities for their users, allowing such users to compete against each other (for the benefit of their retail and institutional customers) on the basis of performance and price and not on the basis of any relative advantage with respect to clearing and settlement services.

As a clearinghouse for securities transactions and a central counterparty, NSCC states that it has no reason, interest, or intent to discriminate among its Members—certainly not to give any of its Members a competitive advantage or impose on any of its Members a competitive disadvantage in their operations. NSCC states that although it strives for complete neutrality in its interface with Members, it may be that clearing agency rules of general application to all Members could have a disparate effect on Members with diverse business models and strategies. NSCC states that any such disparate effects arising out of choices made by individual Members in terms of their business models and strategies (including their relative levels of capitalization) should not be seen as due to action by the clearing agency having an impact or imposing a burden on competition.

Although NSCC states that it is always mindful of the effect that its Rules may have on individual Members, NSCC states that it must also be concerned with (i) the interests of its membership as a whole, (ii) its general obligations under Section 17A(b)(3) of the Exchange Act ''to facilitate the prompt and accurate clearance and settlement of securities transactions and derivatives agreements, contracts, and transactions'' and ''to safeguard securities and funds in its custody or control,'' and (iii) the particular requirements of Rule 17Ad-22(b)(3) relating to the financial resources that a clearing agency which is a central counterparty (like NSCC) must maintain to cover the default of the participant family presenting the largest exposure to the clearing agency in extreme but plausible market conditions.

NSCC states that these concerns and the interests of its Members, including their interests relating to issues of competition and the effect of the proposed change on competition among Members and between Members and other financial market participants, can be reconciled. But, NSCC states that individual Members that may be affected by the proposed change—designed to assure that NSCC has the liquidity it needs to safely operate a clearing and settlement business and meet its obligations as a registered clearing agency and central counterparty under the Exchange Act—must also recognize that some accommodation may be required on their part.

3. Modifications to the Proposed Change Address Competition Concerns

In response to comments submitted on the proposed change in the form in which it was originally filed in the Proposed Rule Change, and dialogue with a number of other Members who did not submit comments but otherwise provided their input to NSCC, NSCC states that it has revised the proposed change in a number of respects that bear upon the issue of competition and whether the proposed change would have an impact or impose any burden on competition.

First, the Original SLD Proposal provided that a Regular Activity Liquidity Provider would receive an offset against its Regular Activity Liquidity Obligation for the amount of its commitment and the commitment of any affiliate of the Regular Activity

[15] *See* 17 CFR 240.17Ad–22(b)(3).

Liquidity Provider under the Credit Facility. The Revised SLD Proposal provides that a Regular Activity Liquidity Provider would receive an offset against its Regular Activity Liquidity Obligation for the amount of its commitment, the commitment of any affiliate, and the commitment of any Designated Lender of the Regular Activity Liquidity Provider under the Credit Facility. As a result, NSCC states that any distinction between Members with bank affiliates and Members without bank affiliates, and any perceived advantage for Members with bank affiliates over Members without bank affiliates, has been eliminated.

Second, the SLD Proposal has been refined to provide that a Regular Activity Liquidity Provider would receive an offset against its Regular Activity Liquidity Obligation for both (i) its pro rata share of the commitments of lenders under the Credit Facility that are not Members or their Designated Lenders and (ii) its pro rata share of the commitments of Members and their Designated Lenders above the amounts of their Regular Activity Liquidity Obligations. As a result of this change, NSCC states that the obligation of Regular Activity Liquidity Providers to provide Regular Activity Supplemental Deposits will be ratably reduced by the amount of such ''excess.''

Third, the Options Expiration Activity Period has been redefined to mean the days around all monthly options expiration dates (12 per year) rather than just triple options expiration dates (four per year). As a result of this change, NSCC states that more periods of increased activity would be excluded by NSCC from the calculation of its Regular Activity Peak Liquidity Need, thereby reducing the Regular Activity Liquidity Obligations of Regular Activity Liquidity Providers.

NSCC states that participation in the Credit Facility is available to financial institutions that have the resources and operational capabilities to be lenders under the Credit Facility, subject to satisfaction of reasonable lender criteria. Although the Credit Facility was renewed on May 14, 2013 for an additional term of 364 days, NSCC states that there are mechanisms in the Credit Facility to increase the commitments of existing lenders and admit new lenders at any time during the term. Accordingly, NSCC states that at the time when the SLD Proposal becomes effective and before the time that any Member may have to satisfy a Regular Activity Liquidity Obligation, such Member would have an opportunity to either join the Credit Facility itself as a lender (if it has the authority to be a lender) or enter into arrangements with a bank to be its Designated Lender—in either case thereby reducing or eliminating the need for it to make a cash Regular Activity Supplemental Deposit to the Clearing Fund.

4. Competition Concerns Raised by Commenters

Bank Affiliates. NSCC states that some commenters raised concerns on competition grounds that the Original SLD Proposal permitted Members and Affiliated Families with bank affiliates to reduce or potentially eliminate their required cash Required Activity Supplemental Deposits by the amounts of the commitments of such bank affiliates under the Credit Facility while Members and Affiliated Families without bank affiliates could not do so. As indicated above, NSCC states that this limitation to bank affiliates has been eliminated from the SLD Proposal. NSCC states that any Member or Affiliated Family could designate a Designated Lender and receive an offset for the commitment of such Designated Lender.

The Top 30 Cut-Off. NSCC states that some commenters raised concerns on competition grounds that Supplemental Liquidity Obligations are only imposed on the 30 largest Members and Affiliated Families rather than on the entire membership. NSCC states that, based on an analysis of Members, NSCC made a business determination that the top 30 Members or Affiliated Families would most appropriately capture the liquidity exposure over and above available NSCC Clearing Fund liquidity. NSCC states that its liquidity analyses show that the liquidity requirements attributable to the top 30 Members and Affiliated Families account for the vast majority of NSCC's liquidity needs. According to NSCC, as of the end of February 2013, the top 30 Members and Affiliated Families represented approximately 85% of the total membership by peak liquidity needs over the prior six-month period. NSCC states that the analyses also show that the remaining membership's peak liquidity demands are covered by the required deposits to the NSCC Clearing Fund. Therefore, NSCC states the SLD Proposal appropriately places the burden of providing liquidity on those Members and Affiliated Families who present the largest liquidity risk. While NSCC does not believe it would be appropriate to require the entire membership to bear the burden of the liquidity needs that are generated by NSCC's largest trading firms, it does note that all Members currently do bear the cost of the Credit Facility as an operating expense that NSCC factors into its overall fee structure, as well as their share of the NSCC Clearing Fund. NSCC states that as a whole, NSCC believes this collective liquidity funding approach represents a fair apportionment of NSCC's aggregate liquidity needs amongst its membership.

Impact on a Sector of the Market. NSCC states that some commenters raised concerns on competition grounds that the SLD Proposal may cause increased concentration of clearing activity by requiring smaller firms to clear through larger financial institutions. NSCC states that implicit in these comments is a concern that smaller, less well capitalized firms have less access to funding than do larger, well capitalized firms. NSCC states, however, that no Member, because of its low capital business model or limited access to funding, should have the right to impose on NSCC (and the rest of the membership) the burden of bearing the risks of that Member's clearing activities. Moreover, NSCC states that the SLD Proposal provides incentives for Members to manage the liquidity risks of their business; by doing so they could reduce the share of their obligation under the SLD Proposal.

NSCC also states that some commenters claim that the risk posed by brokers with business in mostly agency-based transactions was overstated by NSCC in crafting the SLD Proposal because those firms settle transactions on a delivery-versus-payment (''DVP'') basis. NSCC states, however, that agency brokers that execute market transactions that clear at NSCC are obligated, as principals, to settle those transactions at NSCC irrespective of whether their institutional customers complete the institutional delivery DVP side of the transaction (which occurs outside of NSCC). According to NSCC, it, as the central counterparty, remains obligated to complete the other side of the market transaction if the agency broker fails. NSCC states that institutional customers of the agency brokers are not NSCC Members and have no contractual obligation with NSCC to complete those trades if the agency broker fails. Therefore, NSCC states that if an agency broker fails, NSCC (and its other Members) face the risk that the institutional customer will take its own market action, and NSCC will incur the liquidity obligation of completing the market settlement. NSCC states that it must consider this risk in crafting its risk management strategies, and agency brokers are not immune from the risk of failure, as recent events have shown that

they, like other firms, remain subject to market events, as well as technology and other risks.

NSCC states that these comments raise a concern that Members are being asked share the burden of funding the liquidity needs that are dependent on the actions, including trading levels, of other Members, and thus the amounts are not within the contributing Member's control. NSCC states that from a fairness perspective, however, that proportionate share of the affected Member's liquidity burden (whether it be an agency broker or otherwise) would always be less than the Member's own peak liquidity needs, and each Member is in the best position to monitor and manage the liquidity risks presented by its own activity.

5. Impact on Competition

NSCC states that for the reasons stated above, it believes the changes that have been made to the Original SLD Proposal eliminate or substantially ameliorate the impact that the SLD Proposal might have on competition, and that any perceived burden on competition caused by the SLD Proposal is necessary and appropriate in furtherance of the purposes of the Exchange Act.

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

While written comments on the Proposed Rule Change, as modified by Amendment No. 2, were not solicited, as noted above, NSCC engaged significant outreach and discussion with affected Members in developing the SLD Proposal.

Written comments on the Proposed Rule Change, as amended, have been filed with the Commission and are available on the Commission's Web site. NSCC states that this Amendment No. 2 addresses some of the issues raised by those comments. NSCC's formal response to the written comments has been submitted separately to the Commission in accordance with the process for submitting comments.

III. Proceedings To Determine Whether To Approve or Disapprove File No. SR–NSCC–2013–02 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Exchange Act [16] to determine whether the Proposed Rule Change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the significant legal and policy issues raised by the Proposed Rule Change. As noted above, institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to provide additional comment on the Proposed Rule Change, as amended, to inform the Commission's analysis of whether to approve or disapprove the Proposed Rule Change, as amended.

Pursuant to Section 19(b)(2)(B) of the Exchange Act,[17] the Commission is providing notice of the grounds for disapproval under consideration. In particular, Section 17A(b)(3)(F) of the Exchange Act requires that the rules of the clearing agency are not designed to permit unfair discrimination among participants in the use of the clearing agency.[18] Here, the Commission believes that it is appropriate to solicit comment on whether Amendment No. 2 adequately addresses the concern raised by some commenters that the Proposed Rule Change could have a discriminatory impact on NSCC's non-bank affiliated Members who would be subject to the SLD Proposal but who do not currently participate in the Credit Facility.[19]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the Proposed Rule Change, as amended, is consistent with the Section 17A [20] or any other provision of the Exchange Act, or the rules and regulations thereunder. The Commission, in its sole discretion, may determine whether any issues relevant to approval or disapproval of the Proposed Rule Change would be facilitated by the opportunity for an oral presentation of views upon such a request.[21]

Interested persons are invited to submit written data, views, and arguments regarding whether the Proposed Rule Change should be approved or disapproved by August 5, 2013. If NSCC chooses to file a rebuttal to any submission, it must file its rebuttal by August 20, 2013. 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.* Please include File No. SR–NSCC–2013–02 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 No. SR–NSCC–2013–02. 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, as amended, that are filed with the Commission, and all written communications relating to the Proposed Rule Change, as amended, 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 also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site at *http://dtcc.com/legal/rule_filings/nscc/2013.php.* 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 No. SR–NSCC–2013–02 and should be submitted on or before August 5, 2013. NSCC's rebuttal comments should be submitted by August 20, 2013.

[16] 15 U.S.C. 78s(b)(2)(B).

[17] 15 U.S.C. 78s(b)(2)(B).

[18] *See* 15 U.S.C. 78q–1(b)(3)(F).

[19] *See, e.g.,* comment letter from John C. Nagel, Managing Director and General Counsel, Citadel Securities, to Elizabeth Murphy, Secretary, Commission, dated June 13, 2013, at 7–8 (*http://sec.gov/comments/sr-nscc-2013-02/nscc201302-14.pdf*).

[20] 15 U.S.C. 78q–1.

[21] *See* 17 CFR 201.700(c)(2). Section 19(b)(2) of the Exchange Act, as amended by the Securities Acts Amendments of 1975, Public Law 94–29, 89 Stat. 97 (1975), grants the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. *See* Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing and Urban Affairs to Accompany S. 249, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[22]

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–16819 Filed 7–12–13; 8:45 am]

BILLING CODE 8011–01–P

SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #13647 and #13648]

Oklahoma Disaster #OK–00073

AGENCY: U.S. Small Business Administration.

ACTION: Notice.

SUMMARY: This is a Notice of the Presidential declaration of a major disaster for Public Assistance Only for the State of Oklahoma (FEMA–4117–DR), dated 06/28/2013.

Incident: Severe storms, tornadoes and flooding.

Incident Period: 05/18/2013 through 06/02/2013.

Effective Date: 06/28/2013.

Physical Loan Application Deadline Date: 08/27/2013.

Economic Injury (EIDL) Loan Application Deadline Date: 04/03/2014.

ADDRESSES: Submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

FOR FURTHER INFORMATION CONTACT: Alan Escobar, Office of Disaster Assistance, U.S. Small Business Administration, 409 3rd Street SW., Suite 6050, Washington, DC 20416.

SUPPLEMENTARY INFORMATION: Notice is hereby given that as a result of the President's major disaster declaration on 06/28/2013, Private Non-Profit organizations that provide essential services of governmental nature may file disaster loan applications at the address listed above or other locally announced locations.

The following areas have been determined to be adversely affected by the disaster:

Primary Counties: Atoka, Canadian, Cleveland, Coal, Hughes, Latimer, Lincoln, McClain, Nowata, Okfuskee, Oklahoma, Okmulgee, Pittsburg, Pottawatomie, Pushmataha, Seminole.

The Interest Rates are:

	Percent
For Physical Damage:	
Non-Profit Organizations With Credit Available Elsewhere	2.875
Non-Profit Organizations Without Credit Available Elsewhere	2.875
For Economic Injury:	
Non-Profit Organizations Without Credit Available Elsewhere	2.875

The number assigned to this disaster for physical damage is 13645B and for economic injury is 13646B.

(Catalog of Federal Domestic Assistance Numbers 59002 and 59008)

James E. Rivera,

Associate Administrator for Disaster Assistance.

[FR Doc. 2013–16828 Filed 7–12–13; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #13649 and #13650]

South Dakota Disaster #SD–00059

AGENCY: U.S. Small Business Administration.

ACTION: Notice.

SUMMARY: This is a Notice of the Presidential declaration of a major disaster for Public Assistance Only for the State of South Dakota (FEMA–4125–DR), dated 06/28/2013.

Incident: Severe Storms, Tornado, and Flooding.

Incident Period: 05/24/2013 through 05/31/2013.

Effective Date: 06/28/2013.

Physical Loan Application Deadline Date: 08/27/2013.

Economic Injury (EIDL) Loan Application Deadline Date: 04/03/2014.

ADDRESSES: Submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

FOR FURTHER INFORMATION CONTACT: Alan Escobar, Office of Disaster Assistance, U.S. Small Business Administration, 409 3rd Street SW., Suite 6050, Washington, DC 20416.

SUPPLEMENTARY INFORMATION: Notice is hereby given that as a result of the President's major disaster declaration on 06/28/2013, Private Non-Profit organizations that provide essential services of governmental nature may file disaster loan applications at the address listed above or other locally announced locations.

The following areas have been determined to be adversely affected by the disaster:

Primary Counties: Bennett, Corson, Lawrence, Lincoln, Union, Pine Ridge Indian Reservation Within Bennett County.

The Interest Rates are:

	Percent
For Physical Damage:	
Non-Profit Organizations With Credit Available Elsewhere	2.875
Non-Profit Organizations Without Credit Available Elsewhere	2.875
For Economic Injury:	
Non-Profit Organizations Without Credit Available Elsewhere	2.875

The number assigned to this disaster for physical damage is 13649B and for economic injury is 13650B.

(Catalog of Federal Domestic Assistance Numbers 59002 and 59008)

Joseph P. Loddo,

Acting Associate Administrator for Disaster Assistance.

[FR Doc. 2013–16830 Filed 7–12–13; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #13645 and #13646]

Iowa Disaster #IA–00054

AGENCY: U.S. Small Business Administration.

ACTION: Notice.

SUMMARY: This is a Notice of the Presidential declaration of a major disaster for Public Assistance only for the State of Iowa (FEMA–4126–DR), dated 07/02/2013.

Incident: Severe storms, tornadoes, and flooding.

Incident Period: 05/19/2013 through 06/14/2013.

Effective Date: 07/02/2013.

Physical Loan Application Deadline Date: 09/03/2013.

Economic Injury (EIDL) Loan Application Deadline Date: 04/02/2014.

ADDRESSES: Submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

FOR FURTHER INFORMATION CONTACT: Alan Escobar, Office of Disaster Assistance, U.S. Small Business Administration, 409 3rd Street SW., Suite 6050, Washington, DC 20416.

SUPPLEMENTARY INFORMATION: Notice is hereby given that as a result of the President's major disaster declaration on 07/02/2013, private non-profit organizations that provide essential services of governmental nature may file disaster loan applications at the address

[22] 17 CFR 200.30–3(a)(57).