

structure for the NYSE Exchanges that is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. Furthermore, the termination of the Delaware trust may remove impediments to the operation of the NYSE exchanges by eliminating certain expenses and administrative burdens as well as the potential for uncertainty among analysts and investors as to the practical implications of the Delaware trust on the exchanges.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁰ that the proposed rule changes (SR–NYSE–2014–53; SR–NYSEMKT–2014–83; SR–NYSEArca–2014–112), as modified by Amendment No. 1, be, and hereby are, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority:²¹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–73735; File No. SR–FICC–2014–07]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Amend the Clearing Rules of the Mortgage-Backed Securities Division To Establish a Membership Category and Minimum Financial Requirements for Insured Credit Unions

December 4, 2014.

I. Introduction

On October 15, 2014, the Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR–FICC–2014–07 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b–4 thereunder.² The proposed rule change was published for comment in the **Federal Register** on October 24, 2014.³ The Commission received no

comment letters in response to the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description

Pursuant to this filing, FICC proposed to amend the clearing rules of the Mortgage-Backed Securities Division (“MBSD”) of FICC in order to establish a membership category and minimum financial requirements for “insured credit unions,” as such term is defined in the Federal Credit Union Act (“FCUA”).⁴ Specifically, FICC proposed to revise MBSD Rule 2A, Section 1, to create a membership category for insured credit unions that are in good standing with their primary regulators (“Insured Credit Union Clearing Member”). For loss allocation purposes, Insured Credit Union Clearing Members would be designated as “Tier One Clearing Members” in accordance with MBSD Rule 4, Section 7. In addition, FICC has proposed to add a provision to MBSD Rule 2A, Section 2, which would require an applicant applying to become an Insured Credit Union Clearing Member to have a level of equity capital as of the end of the month prior to the effective date of their membership of at least \$100 million and achieve the “well capitalized” statutory net worth category classification defined by the National Credit Union Administration (“NCUA”) under 12 CFR part 702.

Insured credit unions applying for membership under this new category would be required to meet all other applicable financial, credit, and operational membership qualifications and standards for clearing members that are contained in MBSD Rule 2A, Section 2. In particular, such applicants would have to demonstrate an established profitable business history of a minimum of 6 months or personnel with sufficient operational background and business experience for the firm to conduct its business and to be a member (as is required of all other membership categories). Insured credit unions seeking membership would have to

demonstrate an ability to communicate with FICC, fulfill anticipated commitments to and meet the operational requirements of FICC with necessary promptness and accuracy, and conform to any condition and requirement that FICC reasonably deems necessary for its protection or that of its Members.

FICC believes the participation of insured credit unions as guaranteed service members will contribute to the safety, efficiency, and transparency of the market by allowing FICC to capture a greater part of the activity of its existing members and by introducing activity of current non-members to FICC. FICC also believes that insured credit unions will benefit from the MBSD clearing service and the associated operational efficiencies of a central counterparty service.

III. Discussion

Section 19(b)(2)(C) of the Act⁵ directs the Commission to approve a self-regulatory organization’s proposed rule change if the Commission finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act⁶ requires, among other things, that the rules of a clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions.

The Commission finds that, as proposed, FICC’s rule change to establish a membership category and minimum financial, credit, and operational requirements and standards for insured credit unions, as defined in FICC’s proposal, is consistent with Section 17A(b)(3)(F) of the Act.⁷ The Commission believes that the proposed rule change should promote the prompt and accurate clearance and settlement of securities transactions, because by allowing insured credit unions to participate as MBSD members, these firms will be able to avail themselves of the benefits of central counterparty service including, among other things, trade comparison, to-be-announced netting, electronic pool notification allocation, pool comparison, pool netting, settlement, and risk management for eligible securities. Furthermore, the rule change will also allow existing FICC members to submit eligible trading activity with qualified insured credit unions directly to the MBSD of FICC, thereby also extending

²⁰ 15 U.S.C. 78s(b)(2).

²¹ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Securities Exchange Act Release No. 73391 (October 20, 2014), 79 FR 63657 (October 24, 2014) (SR–FICC–2014–07).

⁴ The FCUA defines “Insured credit unions” as “any credit union the member accounts of which are insured in accordance with the provisions of Title II of [FCUA]” According to FICC, the term “insured credit union” includes all credit unions chartered by the National Credit Union Administration (“NCUA”), the independent federal agency that regulates charters and supervises federal credit unions, because Title II of the FCUA requires all credit unions that are chartered by the NCUA to have insured accounts. Furthermore, FICC has stated that the term “insured credit unions” also includes both federally-insured state credit unions and federally-insured credit unions operating under the jurisdiction of the Department of Defense because Title II of the FCUA permits the NCUA Board to insure those types of credit unions.

⁵ 15 U.S.C. 78s(b)(2)(C).

⁶ 15 U.S.C. 78q–1(b)(3)(F).

⁷ 15 U.S.C. 78q–1(b)(3)(F).

the benefits of the central counterparty services to such trading activity.

IV. Conclusion

On the basis of the foregoing, the Commission concludes that the proposal is consistent with the requirements of the Act, particularly the requirements of Section 17A of the Act,⁸ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (File No. SR-FICC-2014-07) be and hereby is approved.¹⁰

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Kevin M. O'Neill,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73742; File No. SR-BYX-2014-035]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 14.1(c)(5) of BATS Y-Exchange, Inc., To Remove the Restriction Prohibiting Market Makers in UTP Derivative Securities From Acting or Registering as a Market Maker in Any Reference Asset of That UTP Derivative Security or Any Derivative Instrument Based on Such Reference Asset

December 4, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on November 21, 2014, BATS Y-Exchange, Inc. ("Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii)

thereunder,⁴ which renders it effective upon filing with the Commission. 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 Substance of the Proposed Rule Change

The Exchange filed a proposal to amend Rule 14.1(c)(5) to harmonize its restrictions on Market Makers⁵ in UTP Derivative Securities⁶ with NYSE Arca, Inc. ("NYSE Arca") Rule 5.1(a)(2)(v)⁷ and the Nasdaq Stock Market LLC ("Nasdaq") Rule 4630(e).⁸

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

⁴ 17 CFR 240.19b-4(f)(6)(iii).

⁵ The term "Market Maker" is defined as "a Member that acts as a Market Maker pursuant to Chapter XI." See Exchange Rule 1.5(l).

⁶ The term "UTP Derivative Security" is defined as "[a]ny UTP Security that is a 'new derivative securities product' as defined in Rule 19b-4(e) under the Exchange Act . . . and traded pursuant to Rule 19b-4(e) under the Exchange Act." See Exchange Rule 14.1(c).

⁷ See Securities Exchange Act Release No. 67066 (May 29, 2012), 77 FR 33010 (June 4, 2012) (SR-NYSEArca-2012-46) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Extension of Unlisted Trading Privileges to New Derivative Securities Products That Are Listed on Another Exchange and to Make Other Conforming and Technical Amendments). The Commission also waived the 30-day operative delay for SR-NYSEArca-2012-46 under Rule 19b-4(f)(6) of the Act. *Id.*

⁸ See Securities Exchange Act Release No. 69858 (June 25, 2013), 78 FR 39432 (July 1, 2013) (SR-Nasdaq-2013-085) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change [sic] Rule 4630 to Remove a Restriction on a Member Acting as a Registered Market Maker in a Commodity-Related Security).

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

1. Purpose

The Exchange proposes to amend Rule 14.1(c)(5) to harmonize its restrictions on Market Makers in UTP Derivative Securities with NYSE Arca Rule 5.1(a)(2)(v)⁹ and Nasdaq Rule 4630(e).¹⁰ The purpose of the proposed rule change is to permit a Member acting as a registered Market Maker in a UTP Derivative Security on the Exchange the flexibility to act or register as a market maker in any Reference Asset¹¹ that a UTP Derivative Security derives its value from consistent with Commission and Exchange Rules.

Exchange Rule 14.1(c)(5) prohibits a Market Maker in a UTP Derivative Security from acting or registering as a market maker on another exchange in any Reference Asset of that UTP Derivative Security, or any derivative instrument based on a Reference Asset of that UTP Derivative Security. NYSE Arca Rule 5.1(a)(2)(v) and Nasdaq Rule 4630(e) recently amended their respective rules to permit market makers to trade in securities underlying the derivative security so long as that market maker discloses to NYSE Arca or Nasdaq all accounts within which it trades the underlying securities.¹² As amended, Exchange Rule 14.1(c)(5), would similarly remove this prohibition, which states that a Market Maker in a UTP Derivative Security is prohibited from acting or registering as a market maker on another exchange in any Related Instruments.

Similar to NYSE Arca Rule 5.1(a)(2)(v) and Nasdaq Rule 4630(e), amended Rule 14.1(c)(5) would require a Member acting as a registered Market Maker in a UTP Derivative Security to file with the Exchange, in a manner prescribed by the Exchange, and to keep a current list identifying all accounts for trading the underlying physical asset or commodity, related futures or options on futures, or any other related derivatives (collectively with Reference Assets, "Related Instruments"), which the Member acting as registered Market Maker may have or over which it may exercise investment discretion. Rule 14.1(c)(5) would also prohibit a Member

⁹ See *supra* note 7.

¹⁰ See *supra* note 8.

¹¹ A "Reference Asset" is defined as one or more currencies, or commodities, or derivatives based on one or more currencies, or commodities, or is based on a basket or index comprised of currencies or commodities that a UTP Derivative Security derives its value from. See Exchange Rule 14.1(c)(5).

¹² See *supra* notes 7 and 8.

⁸ 15 U.S.C. 78q-1.

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 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).

¹¹ 17 CFR 200.30-3(a)(12).

¹² 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).