

Exchange or FINRA's clearly erroneous executions rules.<sup>17</sup>

## 2. Trading Halts

The Exchanges and FINRA also propose to adopt an additional paragraph in their respective clearly erroneous executions rules relating to transactions resulting from certain disruptions or malfunctions in connection with a regulatory trading halt, suspension or pause ("trading halt") in a security. Specifically, in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of an Exchange, another SRO, or responsible single plan processor in connection with the transmittal or receipt of a trading halt, an Officer, acting on his or her own motion, shall nullify any transaction that occurs after a trading halt has been declared by the primary listing market for a security and before such trading halt has officially ended according to the primary listing market. In addition, the Exchanges and FINRA propose that, in the event a trading halt is declared, then prematurely lifted in error, and then re-instituted, an Officer, acting on his or her own motion shall nullify transactions that occur before the official, final end of the trading halt according to the primary listing market. In the event that a trading halt is declared as of a future time, the Exchanges and FINRA would nullify only those transactions occurring after the time the trading halt was supposed to be in place until the official end of the trading halt according to the primary listing market.

The Exchanges and FINRA propose that any action taken in connection with the proposed paragraph would be taken in a timely fashion, generally within thirty minutes of the detection of the erroneous transaction and in no circumstances later than the start of regular market hours, generally between 9:30 a.m. EST to 4:00 p.m. EST, on the trading day following the date of execution(s) under review. The Exchanges and FINRA also propose that any action taken in connection with the proposed rule would be required to be taken without regard to the numerical guidelines set forth in their respective clearly erroneous executions rules<sup>18</sup> because such transactions should not have occurred during a trading halt, and thus, nullifying them, or declaring them null and void would not put the parties in a different position. Lastly, the

Exchanges and FINRA also propose to include a provision stating that each party involved in a transaction subject to the proposed paragraph would be required to be notified as soon as practicable of a determination to nullify such transaction, and that the party aggrieved by such action may appeal in accordance with the applicable appeals provision of each Exchange or FINRA's clearly erroneous executions rules.<sup>19</sup>

## III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to national securities exchanges and national securities associations.<sup>20</sup> In particular, the Commission finds that the proposed rule changes submitted by the Exchanges and FINRA are consistent with the requirements of Section 6(b)(5) of the Act<sup>21</sup> (in the case of the Exchanges) and Section 15A(b)(6) of the Act<sup>22</sup> (in the case of FINRA) which require, among other things, that the rules of national securities exchanges and FINRA, respectively, must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

In the Commission's view, the proposed rule changes will continue to help assure that the determination of whether a clearly erroneous trade has occurred will be based on clear and objective criteria, and that the resolution of the incident will occur promptly through a transparent process. The proposed rule changes also should help continue to assure consistent results in handling erroneous trades across the U.S. markets, thus furthering fair and orderly markets and the protection of investors and the public interest. Specifically, the Commission believes that the provision relating to the handling of Multi-Day Events effected based on the same fundamentally incorrect or grossly misinterpreted issuance information that results in a severe valuation error should contribute to a more transparent process, and help achieve a fair and equitable result, on

the very rare occasions such events occur. The Commission believes that the proposed trading halt provision should help to increase certainty and transparency with respect to transactions that inadvertently occur during trading halts due to a technology failure. The Commission notes that these transactions should not have occurred in the first place, and that the proposed rule change provides certainty to market participants that these transactions will be nullified promptly through an objective and transparent process.

## IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>23</sup> that the proposed rule changes, SR-BATS-2014-014; SR-BX-2014-021; SR-BYX-2014-007; SR-CHX-2014-06; SR-EDGA-2014-11; SR-EDGX-2014-12; SR-FINRA-2014-021; SR-ISE-2014-25; SR-NASDAQ-2014-044; SR-NSX-2014-08; SR-NYSE-2014-22; SR-NYSEArca-2014-48; SR-NYSEMKT-2014-37; SR-Phlx-2014-27, be, and hereby are, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority:<sup>24</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72437; File No. SR-ICC-2014-06]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Order Approving Proposed Rule Change To Provide for the Clearance of Additional Non-Investment Grade Instruments on Standard North American Corporate Single Name Reference Entities

June 19, 2014.

## I. Introduction

On April 25, 2014, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-ICC-2014-06 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> The proposed rule change was published for comment in

<sup>19</sup> See *supra* note 17.

<sup>20</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>21</sup> 15 U.S.C. 78f(b)(5).

<sup>22</sup> 15 U.S.C. 78o-3(b)(6).

<sup>23</sup> 15 U.S.C. 78s(b)(2).

<sup>24</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>17</sup> See e.g., BATS Rule 11.17(e)(2); Nasdaq Rule 11890(c); FINRA Rule 11894.

<sup>18</sup> See *supra* note 16.

the **Federal Register** on May 14, 2014.<sup>3</sup> The Commission received no comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

## II. Description

ICC is proposing to expand its product offering to provide for the clearance of additional non-investment grade instruments on Standard North American Corporate Single Name reference entities. ICC has stated that the term “non-investment grade” refers to those Standard North American Corporate Single Names which reference an entity that has been assigned a debt rating of below “BBB-” by Moody’s, below “Baa3” by S&P, or is not rated.

ICC has also stated that the risk profiles (as related to underlying debt rating) of these new non-investment grade instruments on Standard North American Corporate Single Name reference entities are similar to certain Standard North American Corporate Single Name and Standard Emerging Sovereign Single Name CDS contracts currently cleared at ICC with similar debt ratings to the proposed non-investment grade instruments. ICC currently clears investment grade instruments on Standard North American Corporate Single Name reference entities. ICC contends that the debt ratings of the entities that these contracts reference may change over time, resulting in an investment grade single name becoming a non-investment grade single name. ICC states that it already clears eleven non-investment grade instruments on Standard North American Corporate Single Name reference entities as a result of such changes. ICC also states that it clears certain Standard Emerging Sovereign Single Name CDS contracts, which reference countries with debt ratings similar to the additional non-investment grade instruments on Standard North American Corporate Single Name reference entities that ICC is proposing to clear.

ICC has also stated that the additional non-investment grade instruments on Standard North American Corporate Single Name reference entities have terms consistent with the Standard North American Corporate Single Names currently cleared by ICC and governed by Section 26B of the ICC Rules.

## III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization 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 self-regulatory organization. Section 17A(b)(3)(F) of the Act<sup>5</sup> 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 and, to the extent applicable, derivative agreements, contracts, and transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible and, in general, to protect investors and the public interest. As part of the process of preparing this order, the Commission reviewed information and representations of ICC.

The Commission finds that the proposed rule change is consistent with Section 17A of the Act<sup>6</sup> and the rules thereunder applicable to ICC. The proposed rule change will provide for clearing of new CDS contracts on non-investment grade reference entities. These contracts are substantially similar to the Standard North American Corporate Single Name contracts currently cleared by ICC, and the new contracts will be cleared pursuant to ICC’s existing clearing arrangements and related financial safeguards, protections and risk management framework, including policies and procedures. The Commission believes that the proposal is therefore consistent with the prompt and accurate clearance and settlement of securities transactions and derivative agreements, contracts and transactions cleared by ICC, the safeguarding of securities and funds in the custody or control of ICC, and the protection of investors and the public interest, within the meaning of Section 17A(b)(3)(F) of the Act.<sup>7</sup>

Specifically, the Commission finds that clearing of the new non-investment grade instruments on Standard North American Corporate Single Name reference entities by ICC is consistent with the requirements of Rule 17Ad-22.<sup>8</sup> In particular, in terms of financial resources, ICC represents that its existing margin methodology, when

applying to the clearing of the new contracts, will be reasonably designed to provide sufficient margin to cover ICC’s credit exposure to its clearing members from clearing the existing contracts and the new contracts,<sup>9</sup> consistent with the requirements of Rule 17Ad-22(b)(2).<sup>10</sup> In addition, based on representations and information provided by ICC, under its existing methodology, ICC’s Guaranty Fund, together with the required margin, will provide sufficient financial resources to support the clearing of the additional contracts consistent with the requirements of Rule 17Ad-22(b)(3).<sup>11</sup> Because the new contracts are substantially similar to existing products already cleared by ICC, ICC already has in place operational and managerial resources sufficient for clearing of the additional contracts, consistent with the requirements of Rule 17Ad-22(d)(4).<sup>12</sup> Furthermore, ICC’s existing settlement procedures and account structures will apply to the new contracts, consistent with the requirements of Rules 17Ad-22(d)(5), (12) and (15)<sup>13</sup> relating to the finality, accuracy and risk mitigation of its daily settlement process. Finally, ICC will apply its existing default management policies and procedures for the new contracts, allowing it to take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of clearing member insolvencies or defaults in respect of the new single names, in accordance with Rule 17Ad-22(d)(11).<sup>14</sup>

## IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>15</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>16</sup> that the

<sup>9</sup> ICC acknowledges that, if clearing of any non-investment grade instruments on standard North American corporate single name reference entities would result in changes to its existing margin methodology or risk policies and procedures, it would be required to submit a rule filing to seek approval of clearing such additional non-investment grade instruments and change of its risk methodology and policies and procedures.

<sup>10</sup> 17 CFR 240.17Ad-22(b)(2).

<sup>11</sup> 17 CFR 240.17Ad-22(b)(3).

<sup>12</sup> 17 CFR 240.17Ad-22(d)(4).

<sup>13</sup> 17 CFR 240.17Ad-22(d)(5), (12) and (15).

<sup>14</sup> 17 CFR 240.17Ad-22(d)(11).

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

<sup>16</sup> 15 U.S.C. 78s(b)(2).

<sup>4</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>8</sup> 17 CFR 240.17Ad-22.

<sup>3</sup> Securities Exchange Act Release No. 34-72124 (May 8, 2014), 79 FR 27669 (May 14, 2014) (SR-ICC-2014-06).

proposed rule change (File No. SR-ICC-2014-06) be, and hereby is, approved.<sup>17</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72433; File No. SR-NYSEArca-2014-69]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Holdings in Equity Securities by the Peritus High Yield ETF

June 19, 2014.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 ("Act") <sup>2</sup> and Rule 19b-4 thereunder, <sup>3</sup> notice is hereby given that, on June 10, 2014, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") 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 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 proposes to reflect a change to the holdings to be implemented by the Peritus High Yield ETF to achieve its investment objective with respect to holdings in equity securities. The text of the proposed rule change is available on the Exchange's Web site at [www.nyse.com](http://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 Commission has approved a proposal to list and trade on the Exchange shares ("Shares") of the Peritus High Yield ETF ("Fund") under NYSE Arca Equities Rule 8.600,<sup>4</sup> which governs the listing and trading of Managed Fund Shares.<sup>5</sup>

The Shares are offered by AdvisorShares Trust (the "Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.<sup>6</sup> The Fund's Shares are currently listed and traded on the Exchange under NYSE Arca Equities Rule 8.600.

The investment adviser to the Fund is AdvisorShares Investments, LLC (the "Adviser"). Peritus I Asset Management, LLC is the Fund's sub-adviser ("Peritus" or the "Sub-Adviser").

<sup>4</sup> See Securities Exchange Act Release No. 63329 (November 17, 2010), 75 FR 71760 (November 24, 2010) (SR-NYSEArca-2010-86) (the "Prior Order"). The notice with respect to the Prior Order was published in Securities Exchange Act Release No. 63041 (October 5, 2010), 75 FR 62905 (October 13, 2010) ("Prior Notice" and, together with the Prior Order, the "Prior Release").

<sup>5</sup> A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

<sup>6</sup> The Trust is registered under the 1940 Act. On October 29, 2012, the Trust filed with the Commission an amendment to its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a) and the 1940 Act relating to the Fund (File Nos. 333-157876 and 811-22110) (the "Registration Statement"). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 29291 (May 28, 2010) (File No. 812-13677) ("Exemptive Order").

According to the Registration Statement and as stated in the Prior Release, the Fund's investment objective is to achieve high current income with a secondary goal of capital appreciation. The Sub-Adviser seeks to achieve the Fund's investment objective by selecting, among other investments, a focused portfolio of high yield debt securities, which include senior and subordinated corporate debt obligations (such as bonds, debentures, notes and commercial paper). The Fund does not have any portfolio maturity limitation and may invest its assets from time to time primarily in instruments with short-term, medium-term or long-term maturities. The Adviser represents that the investment objective of the Fund is not changing.

The Fund currently is permitted to invest no more than 10% of the Fund's net assets in equity securities that the Sub-Adviser believes will yield high dividends.<sup>7</sup>

The Exchange proposes to reflect a change to be implemented by the Fund with respect to the holdings in equity securities to increase the percentage of Fund assets that generally may be invested in equity securities to no more than 20% of the Fund's net assets. Thus, in addition to the investments referenced in the Prior Release and the Leveraged Loan Release, the Fund will seek to invest generally no more than 20% of its net assets in equity securities that the Sub-Adviser believes will yield high dividends.<sup>8</sup> According to the Registration Statement and, as stated in the Equity Investment Release, equity securities in which the Fund may invest will include common stock, preferred stock, warrants, convertible securities, rights, master limited partnerships, depositary receipts (including American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs"), together with ADRs, "Depositary

<sup>7</sup> See Securities Exchange Act Release No. 66818 (April 17, 2012) [sic], 77 FR 24233 (April 23, 2012) (SR-NYSEArca-2012-33) (notice of filing and immediate effectiveness of proposed rule change relating to the Fund's investment in equity securities) ("Equity Investment Release"). The Exchange also filed a proposed rule change to reflect a change in the Fund's holdings to allow investment of up to 20% of the Fund's net assets in leveraged loans. See Securities Exchange Act Release No. 70284 (August 29, 2013), 78 FR 54715 (September 5, 2013) (SR-NYSEArca-2013-83) (notice of filing and immediate effectiveness of proposed rule change relating to Fund investments in leveraged loans) ("Leveraged Loan Release" and, together with the Prior Release and the Equity Investment Release, the "Prior Releases").

<sup>8</sup> The change to the Fund's holdings to include equity securities will be effective upon filing with the Commission of an amendment to the Trust's Registration Statement on Form N-1A, and shareholders will be notified of such change by means of such amendment.

<sup>17</sup> 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).

<sup>18</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.