

for forward margin and clearing fund calculations.

- Modification of the security database in order for it to work in conjunction with the floating rate, reset date, reset rate basis, and spread.
- Modifications to member output formats for both messaging and end of day machine readable output in order to accommodate the additional fields.

GSD will test FICC's enhanced systems with its membership before the launch of the Floating Rate Notes. This will ensure that members can properly submit and receive transaction data in connection with the Floating Rate Notes. GSD has issued several Important Notices to members about GSD's proposed processing of the Floating Rate Notes and will continue to do so prior to making Floating Rate Notes eligible for processing.<sup>6</sup>

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>7</sup> 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 Act<sup>8</sup> requires, among other things, that the rules of a clearing agency registered with the Commission be designed to promote the prompt and accurate clearance and settlement of securities transactions and protect investors and the public interest.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act<sup>9</sup> because it allows FICC to provide clearance and settlement services for Floating Rate Notes, as newly issued government securities, which should in turn reduce the risks associated with the trading, clearing, and settling of such securities by FICC members. In so doing, FICC should facilitate the prompt and accurate clearance and settlement of securities transactions in Floating Rate Notes. Moreover, FICC's rule change should help protect investors and the public interest by allowing the market to benefit from the risk reducing measures provided by clearing and settling Floating Rate Notes at FICC.

<sup>6</sup> GSD issued Important Notice GOV012.13 on February 23, 2013 and Important Notice GOV056.13 on August 19, 2013. Both Important Notices provide members with data output guidelines and trade messaging changes. The notices are available at [www.dtcc.com](http://www.dtcc.com).

<sup>7</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> *Id.*

### 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,<sup>10</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (File No. SR-FICC-2013-09) be and hereby is approved.<sup>12</sup>

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

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013-30442 Filed 12-20-13; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71088; File No. SR-CME-2013-32]

### Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Modifications to the OTC IRS Fee Schedule and Changes to the IRS Manual of Operations

December 17, 2013.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 5, 2013, Chicago Mercantile Exchange Inc. ("CME") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II and III below, which Items have been prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rules 19b-4(f)(2) and 19b-4(f)(4)(ii)<sup>4</sup> thereunder so that the proposal was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(2) and 17 CFR 240.19b-4(f)(4)(ii).

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

CME is filing a proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would modify the fee schedule applicable to its over-the-counter ("OTC") interest rate swap ("IRS") clearing offering and also make separate changes to the Manual of Operations for CME Cleared Interest Rate Swaps ("IRS Manual").

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

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

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

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission and currently offers clearing services for many different futures and swaps products. With this filing, CME proposes to modify the fee schedule (the "Fee Schedule") that applies to over-the-counter ("OTC") Interest Rate Swaps ("IRS") cleared at CME. The fees for clearing members clearing IRS are being modified to a \$250 per ticket fee. In addition, the volume discounts and alternative fee schedules that are included in the current OTC IRS fee schedule are being deleted. CME will also waive the clearing member fee for back-loaded trades and trades associated with customer terminations as defined in the fee schedule. Finally, the alternate customer fee schedule is being revised to remove maintenance fees and a non-substantive change is being made to simplify the fee table from a matrix specifying each currency to a single table referring to the transaction currency.

Separately, CME is also proposing certain conforming changes to its IRS Manual. The IRS Manual changes can be summarized as follows:

- Chapter 3 (The Clearing System; Getting Started)—Changed reference of “platforms” to “SEFs” throughout.

- Chapter 4 (Trade Entry, Messaging, and Management)—Added requirement that IRS Clearing Members pre-approve any trades submitted to clearing from a swap execution facility consistent with the CFTC’s September 26, 2013 Division of Clearing and Risk and the Division of Market Oversight staff guidance on swaps straight-through processing. CME will also require that trades submitted from a platform must be explicitly accepted or pass credit limits at CME for each account. Additionally, CME is enabling functionality for transfers for IRS Clearing Members to initiate transfers directly through the clearing system and is making conforming changes deeming a member that initiates a transfer to have consented to such transfer.

- Chapter 6 (Account Configuration, Money Calculations and Collateral)—Added ISDA ACT/ACT(ISMA) as an eligible day count fraction.

CME plans to operationalize the proposed fee changes on December 1, 2013. The IRS Manual changes will become effective immediately upon filing.

The changes that are described in this filing impact fees and make certain other adjustments to CME’s IRS Manual (as described above) that are limited to CME’s business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the Commodity Futures Trading Commission (“CFTC”) and do not materially impact CME’s security-based swap clearing business in any way. CME notes that it has already submitted the proposed rule change that is the subject of this filing to its primary regulator, the CFTC, in CME Submissions 13–495, 13–520 and 13–520S (which included a supplemental, confidential attachment related to filing 13–520).

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.<sup>5</sup> More specifically, the first aspect of the proposed rule change establishes or changes a member due, fee or other charge imposed by CME under Section 19(b)(3)(A)(ii)<sup>6</sup> of the Securities Exchange Act of 1934 and Rule 19b–4(f)(2)<sup>7</sup> thereunder. CME believes that the proposed fee change is consistent with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder and, in

particular, to 17A(b)(3)(D),<sup>8</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among participants. The proposed changes apply equally to market participants clearing IRS at CME. CME notes that it operates in a highly competitive market in which market participants can readily direct business to competing venues.

Second, the proposed rule change also includes additional conforming changes to CME’s IRS Manual to facilitate its IRS clearing offering. The changes conform certain definitions and are also designed to be in accordance with recent CFTC guidance regarding straight through processing of swaps and therefore are designed to promote central clearing of swaps under the CFTC’s jurisdiction. As such, CME believes the changes are designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivatives 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 consistent with Section 17A(b)(3)(F) of the Exchange Act.<sup>9</sup> Furthermore, the proposed changes are limited in their effect to swaps products offered under CME’s authority to act as a derivatives clearing organization. These products are under the exclusive jurisdiction of the CFTC. As such, the proposed CME changes are limited to CME’s activities as a derivatives clearing organization clearing swaps that are not security-based swaps; CME notes that the policies of the CFTC with respect to administering the Commodity Exchange Act are comparable to a number of the policies underlying the Exchange Act, such as promoting market transparency for over-the-counter derivatives markets, promoting the prompt and accurate clearance of transactions and protecting investors and the public interest.

Because the proposed changes are limited in their effect to swaps products offered under CME’s authority to act as a derivatives clearing organization, the proposed changes are also properly classified as effecting a change in an existing service of CME that:

(a) Primarily affects the clearing operations of CME with respect to products that are not securities, including futures that are not security futures, and swaps that are not security-based swaps or mixed swaps; and

(b) does not significantly affect any securities clearing operations of CME or any rights or obligations of CME with respect to securities clearing or persons using such securities-clearing service.

As such, the changes are therefore consistent with the requirements of Section 17A of the Exchange Act<sup>10</sup> and are properly filed under Section 19(b)(3)(A)<sup>11</sup> and Rule 19b–4(f)(4)(ii)<sup>12</sup> thereunder.

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

CME does not believe that the proposed rule change will have any impact, or impose any burden, on competition. The rule changes simply modify CME’s current IRS fee schedule and make conforming changes to CME’s IRS Manual that correspond to CFTC guidance on straight through processing of swaps.

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

CME has not solicited, and does not intend to solicit, comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)<sup>13</sup> of the Act and paragraphs (f)(2) and (f)(4)(ii) of Rule 19b–4<sup>14</sup> thereunder. 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.<sup>15</sup>

### **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:

<sup>10</sup> 15 U.S.C. 78q–1.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b–4(f)(4)(ii).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b–4(f)(2) and 17 CFR 240.19b–4(f)(4)(ii).

<sup>15</sup> 15 U.S.C. 78s(b)(3)(C).

<sup>5</sup> 15 U.S.C. 78q–1.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>7</sup> 17 CFR 240.19b–4(f)(2).

<sup>8</sup> 15 U.S.C. 78q–1(b)(3)(D).

<sup>9</sup> 15 U.S.C. 78q–1(b)(3)(F).

*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](mailto:rule-comments@sec.gov). Please include File No. SR-CME-2013-32 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 Number SR-CME-2013-32. 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 CME and on CME's Web site at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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 Number SR-CME-2013-32 and should be submitted on or before January 13, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-71108; File No. SR-Phlx-2013-121]

### Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Two Features Relating to Complex Orders

December 17, 2013.

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> notice is hereby given that on December 9, 2013, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend two features of the Exchange's Complex Orders functionality, as described below.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqomxphlx.cchwallstreet.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 aspects of such statements.

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

###### 1. Purpose

The purpose of the proposal is to enhance the Exchange's complex order

functionality by enhancing two of the protections offered to complex order executions, as well as to correct Exchange rules in two areas to reflect the operation of the Exchange's system.

First, the Exchange proposes to amend the Phlx XL Strategy Price Protection ("SPP") in Rule 1080.08(g). SPP is a feature of Phlx XL that prevents certain Complex Order Strategies from trading at prices outside of pre-set standard limits. SPP applies only to Vertical Spreads<sup>3</sup> and Time Spreads.<sup>4</sup> Currently, Rule 1080.08(g)(iii) provides that if the execution of a Vertical Spread or a Time Spread would violate the SPP limits, the System would place the order on the CBOOK.

Today, the System cancels a Vertical Spread or a Time Spread rather than placing it on the CBOOK where a sell (buy) order would execute at a price outside of the SPP limit on the sell (buy) side. The Exchange proposes to correct this language in the rule text. The Exchange believes that it is appropriate to cancel the order rather than place it on the CBOOK, because the order is priced such that it will never be executable. This is because, regardless of changes in the market for the components of the Complex Order, the SPP will always result in the same calculation and thereby prevent an execution.

In addition, the Exchange proposes to add rule text to provide that the order will be cancelled even if it violates the SPP limit on the other side of the market from the order. Today, the System cancels a sell order that would execute at a price outside of the SPP limit on the offer side, and similarly cancels a buy order that would execute at a price outside of the SPP limit on the bid side. Under this proposal, the System would cancel a sell (buy) order from execution at a price outside of the SPP limit on the bid (offer) side as well. The purpose of this change is to offer additional protection to certain Complex Orders due to a price far away from existing markets on both sides of the market.

For example, where there is a Complex Order to sell (A-B),<sup>5</sup> the following would occur:

PBBO  
A Dec 50 \$12.20-\$14.90

<sup>3</sup> A Vertical Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have the same expiration but different strike prices. See Rule 1080.08(g)(i).

<sup>4</sup> A Time Spread is a Complex Order Strategy consisting of the purchase of one call (put) option and the sale of another call (put) option overlying the same security that have different expirations but the same strike price. See Rule 1080.08(g)(ii).

<sup>5</sup> Assume it is a vertical spread.

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>16</sup> 17 CFR 200.30-3(a)(12).