

regulatory responsibility with respect to BATS Trading, as well as demonstrates that BATS Trading cannot use any information that it may have because of its affiliation with the Exchange to its advantage.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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](mailto:rule-comments@sec.gov). Please include File Number SR-BYX-2012-006 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-BYX-2012-006. 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 a.m. and 3 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 publicly available. All submissions should refer to File Number SR-BYX-2012-006 and should be submitted on or before April 4, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2012-6293 Filed 3-12-12; 4:15 pm]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-66571; File No. SR-BATS-2012-013]**

### **Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of Proposed Rule Change by BATS Exchange, Inc. to Amend BATS Rule 2.12, Entitled "BATS Trading, Inc. as Inbound Router"**

March 12, 2012.

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 March 8, 2012, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The

<sup>7</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.

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 amend Rule 2.12, to make permanent the existing pilot program that permits the Exchange to receive inbound routes of equities orders through BATS Trading, Inc. ("BATS Trading"), the Exchange's routing broker-dealer, from BATS Y-Exchange, Inc. ("BYX").

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.

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

##### **1. Purpose**

Currently, BATS Trading is the approved outbound order routing facility of BYX.<sup>3</sup> The Exchange has been authorized to receive inbound routes of equities orders by BATS Trading from BYX.<sup>4</sup> The Exchange's authority to receive inbound routes of equities orders by BATS Trading from BYX is currently subject to a pilot period of twelve months, ending April 15, 2012.

<sup>3</sup> See Securities Exchange Act Release No. 62716 (August 13, 2010), 75 FR 51295 (August 19, 2010) (Order Approving Application of BATS Y-Exchange, Inc. for Registration as a National Securities Exchange).

<sup>4</sup> See Securities Exchange Act Release Nos. 62901 (September 13, 2010), 75 FR 57097 (September 17, 2010) (SR-BATS-2010-024) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt BATS Rule 2.12, Entitled "BATS Trading, Inc. as Inbound Router" and To Make Related Changes); 65516 (October 7, 2011), 76 FR 63977 (October 14, 2011) (SR-BATS-2011-040) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Pilot Period of the Inbound Router, as Described in Rule 2.12).

The Exchange hereby seeks permanent approval to permit the Exchange to accept inbound orders that BATS Trading routes in its capacity as a facility of BYX. This is reflected in the proposed amendment to BATS Rule 2.12(b).

Under the pilot, the Exchange is committed to the following obligations and conditions:

- The Exchange shall enter into a plan pursuant to Rule 17d-2 under the Exchange Act with a non-affiliated self-regulatory organization (“SRO”) to relieve the Exchange of regulatory responsibilities for BATS Trading with respect to rules that are common rules between the Exchange and the non-affiliated SRO, and enter into a regulatory contract (“Regulatory Contract”) with a non-affiliated SRO to perform regulatory responsibilities for BATS Trading for unique Exchange rules.
- The Regulatory Contract shall require the Exchange to provide the non-affiliated SRO with information, in an easily accessible manner, regarding all exception reports, alerts, complaints, trading errors, cancellations, investigations, and enforcement matters (collectively “Exceptions”) in which BATS Trading is identified as a participant that has potentially violated Exchange or SEC Rules, and shall require that the non-affiliated SRO provide a report, at least quarterly, to the Exchange quantifying all Exceptions in which BATS Trading is identified as a participant that has potentially violated Exchange or SEC Rules.
- The Exchange, on behalf of BATS Global Markets, Inc., shall establish and maintain procedures and internal controls reasonably designed to ensure that BATS Trading does not develop or implement changes to its system on the basis of non-public information regarding planned changes to Exchange systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated member organizations of the Exchange in connection with the provision of inbound order routing to the Exchange.
- The Exchange may furnish to BATS Trading the same information on the same terms that the Exchange makes available in the normal course of business to any other member organization.

The Exchange is in compliance with the above-listed obligations and conditions. In meeting them, the Exchange has set up mechanisms that protect the independence of the Exchange’s regulatory responsibility with respect to BATS Trading, as well

as demonstrate that BATS Trading cannot use any information that it may have because of its affiliation with the Exchange to its advantage. Since the Exchange has met all the above-listed obligations and conditions, it now seeks permanent approval of the Exchange and BATS Trading’s inbound routing relationship. Upon approval of the proposed rule change, the Exchange will continue to comply with the obligations and conditions as set forth in proposed BATS Rule 2.12.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>5</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>6</sup> because it would 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.

Specifically, the proposed rule change will allow the Exchange to continue receiving inbound routes of equities orders from BATS Trading acting in its capacity as a facility of BYX, in a manner consistent with prior approvals and established protections. The Exchange believes that meeting the commitments established during the pilot program demonstrates that the Exchange has mechanisms that protect the independence of the Exchange’s regulatory responsibility with respect to BATS Trading, as well as demonstrates that BATS Trading cannot use any information that it may have because of its affiliation with the Exchange to its advantage.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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](mailto:rule-comments@sec.gov). Please include File Number SR-BATS-2012-013 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-BATS-2012-013. 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 a.m. and 3 p.m. Copies of such filing

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

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 publicly available. All submissions should refer to File Number SR-BATS-2012-013 and should be submitted on or before April 4, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

[FR Doc. 2012-6289 Filed 3-12-12; 4:15 pm]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66550; File No. SR-FICC-2008-01]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Amended Proposed Rule Change to Allow the Mortgage-Backed Securities Division To Provide Guaranteed Settlement and Central Counterparty Services

March 9, 2012.

#### I. Introduction

On March 12, 2008, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (SR-FICC-2008-01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder. On November 21, 2011, FICC amended the proposed rule change. The amended proposed rule change was published for comment in the **Federal Register** on December 12, 2011.<sup>3</sup> On January 10, 2012, the Commission extended the time within which to take action on the proposed rule change to March 9, 2012.<sup>4</sup> The Commission received one comment on

the proposed rule change.<sup>5</sup> This order approves the proposal.

#### II. Description

The proposed rule changes consist of modifications to the rules of FICC's MBSD to allow MBSD to provide guaranteed settlement and central counterparty ("CCP") services. These modifications necessitated the MBSD to draft a new rulebook, which is also part of this rule filing.<sup>6</sup>

##### A. MBSD Rulebook Changes

As noted above, the current MBSD rulebook will be replaced in its entirety by a new proposed rulebook that incorporates parts of the current MBSD rulebook where appropriate. Set forth below is an overview of the significant substantive and structural changes to the rules.

##### 1. Definitions

The MBSD rules will have a revised Rule 1, "Definitions," which will include terminology applicable to new MBSD processing and procedures. For example, terms relevant to pool netting have been included (such as "pool deliver obligation" and "pool receive obligation"). Where practical and/or applicable, the MBSD rulebook uses terms from the current GSD rules, in order to harmonize language between the Divisions.

##### 2. Membership

Rule 2, "Members," Rule 2A, "Initial Membership Requirements," Rule 3, "Ongoing Membership Requirements," and Rule 3A, "Cash Settling Bank Members," govern membership types, member application requirements, and ongoing reporting requirements.

##### i. Membership Categories

The new MBSD rules will provide for two membership types (as set forth in Rule 2): Clearing Members and Cash Settling Bank Members. Those entities qualifying for clearing membership will be guaranteed service members of the MBSD—trades submitted by these members will be guaranteed at the point of comparison, and eligible, as applicable, for pool comparison, netting, and settlement. Clearing membership

categories include: (i) Registered brokers or dealers; (ii) other registered clearing agencies; (iii) registered investment companies; (iv) banks;<sup>7</sup> (v) government securities issuers/government sponsored enterprises; (vi) insurance companies;<sup>8</sup> and (vii) unregistered investment pools ("UIPs").<sup>9</sup> In addition, the MBSD will have the discretion to make its services available to other entity types which it deems appropriate subject to the approval of the Commission. Membership requirements for Cash Settling Bank Members are set forth in Rule 3A, "Cash Settling Bank Members." These requirements remain unchanged from the current MBSD rulebook and they mirror the requirements of the GSD-equivalent members.

##### ii. Initial Membership Requirements

The initial membership requirement for the MBSD members mirrors the current requirements for the GSD netting membership where there is an existing identical membership type in the GSD rules. The two membership categories where there are no GSD equivalents are registered investment companies and UIPs. In addition to standard requirements regarding financial and operational responsibility applicable to all Clearing Members, registered investment companies must be registered under the Investment Company Act of 1940 and have minimum net assets of \$100 million. In addition to standard requirements regarding financial and operational responsibility applicable to all Clearing Members, UIPs must:

- Have an investment advisor domiciled in the United States and registered with the Commission under the Investment Advisors Act of 1940; and
- the UIP must have (i) \$250 million in net assets, or (ii) \$100 million in net assets and the UIP's investment advisor must advise an existing UIP Clearing Member that has assets under management of \$1.5 billion.

##### iii. Ongoing Membership Requirements

Required membership levels must be maintained by all members on an ongoing basis as a condition of

<sup>7</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> Securities Exchange Act Release No. 65899 (Dec. 6, 2011), 76 FR 77287 (Dec. 12, 2011). A non-substantive correction to the notice of the proposed rule change was published on December 14, 2011. See Securities Exchange Act Release No. 65899A (Dec. 12, 2011), 76 FR 77865 (Dec. 14, 2011).

<sup>4</sup> Securities Exchange Act Release No. 66124 (Jan. 10, 2012), 77 FR 2103 (Jan. 13, 2012).

<sup>5</sup> Letter from Christopher Killian, Managing Director, Securities Industry and Financial Markets Association (Dec. 19, 2011).

<sup>6</sup> Certain provisions in the current MBSD rulebook that reflect processes that will continue unchanged after introduction of the CCP services are retained in the proposed MBSD rulebook. In order to promote uniformity between FICC's two divisions and to increase transparency for common members, the new MBSD rulebook follows the structure of the Government Securities Division rulebook and, where appropriate, the language of equivalent provisions mirror each other.

<sup>7</sup> The term "Banks" includes Federal Savings Associations.

<sup>8</sup> The MBSD does not currently have any insurance company Clearing Members. Financial and other membership requirements for this category may be established in a future rule filing.

<sup>9</sup> The MBSD currently has two members that do not fit into any of the new listed membership types. These entities remain members of the MBSD under Article III, Rule 1, Section (1)(f) of the MBSD rules and remain subject to the MBSD rulebook and all ongoing membership requirements.