

*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. 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 may be submitted by using 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-2012-17 on the subject line.
- Paper comments should be sent 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-2012-17. 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. 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-

2012-17 and should be submitted on or before May 31, 2012.

### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

Section 19(b) of the Act<sup>3</sup> directs the Commission to 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 Act and the rules and regulations thereunder applicable to such organization.<sup>4</sup> In particular, Section 17A(b)(3)(F) of the Act requires that the rules of the clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to the extent applicable, derivative agreements, contracts, and transactions.<sup>5</sup>

The proposed change would allow CME to expand the base of potential clearing members by lowering the net capital threshold for membership, thereby promoting the prompt and accurate clearance and settlement of securities transactions, and derivative agreements, contracts, and transactions. It should also allow CME to comply with new CFTC regulatory requirements, thereby promoting the prompt and accurate clearance and settlement of derivative agreements, contracts, and transactions.

In its filing, CME requested that the Commission approve this proposed rule change on an accelerated basis for good cause shown. CME cites as the reason for this request CME's operation as a DCO, which is subject to regulation by the CFTC under the CEA and, in particular, new CFTC regulations that become effective on May 7, 2012. Thus, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> for approving the proposed rule change prior to the 30th day after the date of publication of notice in the **Federal Register** because as a registered DCO, CME is required to comply with the new CFTC regulations by the time they become effective on May 7, 2012.

### V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-CME-2012-17) is approved on an accelerated basis.<sup>7</sup>

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

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

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

<sup>6</sup> 15 U.S.C. 78s(b)(2).

<sup>7</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).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Kevin M. O'Neill,  
Deputy Secretary.

[FR Doc. 2012-11241 Filed 5-9-12; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66919; File No. SR-DTC-2012-02]

### Self-Regulatory Organizations; The Depository Trust Company; Order Granting Approval of a Proposed Rule Change To Amend Rules Relating to the Issuance of and Maturity Presentment Processing for Money Market Instruments

May 3, 2012.

#### I. Introduction

On March 8, 2012, The Depository Trust Company ("DTC") filed proposed rule change SR-DTC-2012-02 with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposed rule change was published in the **Federal Register** on March 26, 2012.<sup>2</sup> The Commission received no comment letters. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

#### II. Description

The Maturity Presentment processing for money market instruments ("MMIs") is initiated automatically by DTC each morning for all of the MMIs maturing that day.<sup>3</sup> The automatic process electronically sweeps all maturing positions of MMI CUSIPs from a participant's accounts and credits the participant's account with the amount of the payments to be received with respect to such presentments. The matured MMIs are delivered to the account of the applicable issuing or paying agent ("IPA"),<sup>4</sup> also a DTC

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> Securities Exchange Act Release No. 66630 (March 20, 2012), 77 FR 17534 (March 26, 2012).

<sup>3</sup> The term "Maturity Presentment" is defined in Rule 1 of DTC's Rules and Procedures as a Delivery Versus Payment of matured MMI securities from the account of a presenting participant to the designated paying agent account for that issue as provided for in Rule 9(C) and as specified in DTC's procedures.

<sup>4</sup> Rule 1 of DTC's Rules and Procedures defines the term "MMI Issuing Agent" generally as a participant acting as an issuing agent for an issuer with respect to a particular issue of MMI securities of that issuer and an "MMI Paying Agent" generally

participant, and the IPA's account is debited for the amount of the maturity proceeds. The debited amount will be included in the IPA's net settlement amount. Similarly, the credits of participants that presented maturing MMIs will be included in those participants' net settlement amount.

MMI issuers and IPAs commonly view the primary source of funding for payments of MMI maturity presentments as flowing from new issuances of MMIs in the same program by that MMI issuer on that day. When the MMI issuer issues more new MMIs than the number of MMIs maturing, the MMI issuer would have no net funds payment due to the IPA on that day. When an issuer has more maturing MMIs than new issuances, it would have an obligation to pay to the IPA the net amount of the MMIs maturing that day over the new issuance. When net maturity presentments exceed issuances on a day, IPAs at their discretion may provide significant intraday credit to issuers for the excess. However, the IPA as an agent of an issuer is not obligated to fund the presentments at DTC unless it receives payment from the issuer.

The business relationships between IPAs and their MMI issuers play a key role in determining if an IPA will execute a refusal to pay at DTC with respect to presentment of an MMI issuance for which the IPA has not received funds from the MMI issuer. Because maturity presentments of an issuer's MMIs for which the IPA acts are processed automatically and randomly against the IPA's account, an IPA is permitted to refuse to pay for all of an issuer's maturities in an MMI program.<sup>5</sup> An IPA that refuses payment on an MMI maturity must communicate its intention to DTC using the DTC Participant Terminal/Browser Service (PTS/PBS) MMRP function. This function allows the IPA to enter a refusal to pay instruction for a particular issuer, referred to as an Issuer Failure/Refusal to Pay ("RTP"), up to 3:00 p.m. Eastern Time ("ET") on the date of the relevant maturity presentment. Such an instruction causes DTC to reverse all transactions related to the relevant maturity presentment. An IPA RTP may

as a participant acting as a paying agent for an issuer with respect to a particular issue of MMI securities of that issuer. Since MMI Issuing Agents and MMI Paying Agents are often a single entity, this filing refers to both entities collectively as "IPAs."

<sup>5</sup> DTC employs a four-character acronym to designate an issuer's MMI program. An issuer can have multiple acronyms. The IPA uses the acronym(s) when submitting an instruction of its refusal to pay for a given issuer's program(s).

have a significant market impact on the issuer's reputation and credit standing.

In late 2009, DTC and the Securities Industry and Financial Markets Association ("SIFMA") formed the MMI Blue-Sky Task Force ("Task Force") to address systemic and unique market risks associated with the MMI process, including those related to DTC's maturity presentment processing. The Task Force, along other money market industry members,<sup>6</sup> determined that DTC's current MMI processing schedule permits issuance and other transaction activity that can affect an issuer's net funding amount or proceeds after the 3:00 p.m. E.T. deadline for RTP instructions.<sup>7</sup> Accordingly, DTC is amending certain provisions in its Settlement Service Guide in order to provide increased transparency for IPAs before the 3:00 p.m. RTP deadline, which should in turn assist IPAs in making better informed credit decisions when an issuer has more maturities than new issuances. The rule changes to DTC's Settlement Service Guide, as approved, include:

1. Making all MMI issuance and deliver order transactions subject to DTC's Receiver Authorized Delivery ("RAD") function for approval regardless of transaction value.<sup>8</sup>
2. Adjusting the MMI valued new issuance cut-off time from 3:20 p.m. E.T. to 2:00 p.m. E.T.
3. Requiring use of RAD for approval of all MMI issuance and deliver order transactions, regardless of value, and

<sup>6</sup> The money market industry members include the Commercial Paper Issuers Working Group, which is comprised of both bank and corporate commercial paper issuers, and the Asset Managers Forum, whose membership consists solely of buy-side investors.

<sup>7</sup> The Task Force's short-term recommendations focused on addressing the credit risk exposure that IPAs face because of a lack of transparency around the amount an issuer must fund to cover its maturities. The recommendations called for requiring issuers to fund maturity presentments by 1:00 p.m. if there is a net debit and for establishing new deadlines of 1:30 p.m. for the submission of all new valued issuance to DTC and of 2:15 p.m. for receivers of new valued issuance to accept delivery. These recommended new deadlines were intended to give an IPA sufficient time to calculate its exposure and if a funding shortfall exists work with the issuer to resolve the deficiency before 3:00 p.m., which is DTC's deadline for an IPA to fund the maturities or to issue an RTP. For more information, see DTCC Press Release "DTCC and SIFMA Release Task Force Report Identifying Opportunities to Mitigate Systemic and Credit Risk in Processing of Money Market Instruments" (March 31, 2011), which can be found at [www.dtcc.com/news/press/releases/2011/dtcc\\_sifma\\_task\\_force\\_report.php](http://www.dtcc.com/news/press/releases/2011/dtcc_sifma_task_force_report.php).

<sup>8</sup> This change will eliminate the ability for a receiver to "force" a reclaim upon an IPA close to or after the 3:00 p.m. RTP cutoff that would alter the amount of funding an issuer needs to provide late in the day and would also eliminate matched reclaims that currently override participant risk management controls.

establishing a new MMI cutoff time of 2:45 p.m. E.T. instead of the current 3:30 p.m. E.T.<sup>9</sup>

DTC will implement the changes described above upon approval of this proposed rule change by the Commission.<sup>10</sup>

### III. Discussion

Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and to remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions.<sup>11</sup> The Commission believes that the changes being made by this proposed rule change should help IPAs to determine earlier in the day if there is a funding shortfall with respect to an issuer and in turn help reduce late day reversals of MMI transactions by IPAs. Additionally, the changes to the Settlement Service Guide should serve to reinforce consistent MMI business practices by implementing earlier deadlines for issuances processing and receiver approvals and thereby make the processing of MMI issuances and maturities more efficient.

Accordingly, for the reasons stated above the Commission believes that the proposed rule change is consistent with DTC's obligation under Section 17A of the Act and the rules and regulations thereunder.<sup>12</sup>

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, particularly with the requirements of Section 17A of the Act, and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-DTC-2012-02) be and hereby is approved.

<sup>9</sup> If a transaction is not approved in RAD by 2:45 p.m. E.T., the transaction will drop and will need to be resubmitted.

<sup>10</sup> In addition to the changes described above, DTC is also making unrelated technical changes to its Settlement Service Guide in order to conform its rules to its current practices and to a previously approved rule filing, SR-DTC-2011-01. Securities Exchange Release Act No. 34-63775 (January 26, 2011), 76 FR 5843 (February 2, 2011).

<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>12</sup> In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

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

Kevin M. O'Neill,

Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66923; File No. SR-NSX-2012-05]

### Self-Regulatory Organizations; National Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Rules Regarding Routing of Limit Orders

May 4, 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 April 26, 2012, National Stock Exchange, Inc. ("NSX" or "Exchange") 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

National Stock Exchange, Inc. ("NSX" or "Exchange") is proposing to modify the text of NSX Rule 11.15 to harmonize it with current system functionality of routed limit orders.

The text of the proposed rule change is available on the Exchange's Web site at <http://www.nsx.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

NSX Rule 11.15(a)(ii)(A) (Routing to Away Trading Centers) currently provides that, for orders other than sweep orders that are, consistent with the terms of the order, routed to away trading centers, the order will be converted into one or more limit orders, as necessary, to be matched for execution against each protected quotation at the Protected National Best Bid or Offer ("NBBO") available at away trading centers. With respect to the price of the routed limit order, Rule 11.15(a)(ii)(A) currently provides: "Each such converted limit order shall be priced at the price of the protected quotation that it is to be matched for execution against" (italics added).

Notwithstanding the text of Rule 11.15(a)(ii)(A), the Exchange's trading system, NSX BLADE® ("Blade"), currently prices each such converted limit order at a price that is one trading increment inside the best bid or offer on the NSX book, but in any case not higher (if a bid) or lower (if an offer) than the limit price specified by the terms of the original order. The proposed edits to Rule 11.15(a)(ii)(A) would conform the text of the rules to current Blade functionality.

Specifically, new subsections (1) and (2) are proposed to be added to Rule 11.15(a)(ii)(A). Subsection (1) would address the pricing of routed market orders (the treatment of which remains unchanged, namely, such orders shall be routed at the price of the protected quotation that it is to be matched against for execution). Subsection (2) would address the pricing of routed limit orders, and specifies in clauses (x) and (y) the converted limit price for each a buy and sell order, respectively. In the case of a buy order, the converted limit price shall be the lower of the limit price of the original order and one increment lower than the lowest offer on the NSX book. In the case of a sell order, the converted limit price shall be the higher of the limit price of the original order and one increment higher than the highest bid on the NSX book.

The proposed pricing methodology benefits ETP Holders by minimizing the risk of non-fills or delayed fills that might arise as a result of the order being routed at the NBBO price. NBBO quotes may flicker and/or be cancelled by the time a routed order arrives at the away destination. Under such circumstances, if priced at the NBBO, a routed limit order may be rejected by the away destination and, upon return to NSX, undergo a re-evaluation within Blade (consistent with Regulation NMS and NSX rules), after which it may be subjected to one or more repeat cycles of the foregoing process ("unfilled routing cycles"). The orders are routed as Immediate or Cancel ("IOC") orders and thus retain the full protections of Rule 611. By re-pricing routed limit orders as proposed above, the chances are maximized that an ETP Holder's routed limit order is filled quickly and at the best price available (and never worse than the original order's limit price), and not at a price that can otherwise be filled against the NSX book.

The following examples reflect both the current functionality of routed limit orders in Blade and also routed limit order pricing under the proposed rules:

#### EXAMPLE 1

Original order	NSX best offer	National best offer
Buy Limit @ 10.10 .....	10.05	9.95

**Result:** The original limit order is converted to a buy limit order at a price of \$10.04 (one increment lower than the lowest offer on the NSX book, which is

lower than the original order limit price of \$10.10), and routed to the market displaying the National Best Offer of \$9.95. The order may then be executed

at that away market, in whole or in part, subject to the applicable trading rules of

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

<sup>14</sup> 15 U.S.C. 78s(b)(1).

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