

below, the Commission is granting approval of the proposed rule change.

## II. Description

This rule change will amend Chapter 26 of ICC's rules to add Section 26C to provide for the clearance of the CDX Emerging Markets CDS contracts ("CDX.EM Contracts"), which reference an emerging market sovereign index. ICC will list the five year tenor of Series 14, 15, 16 and 17 of the CDX.EM Contracts.

CDX.EM Contracts have similar terms to the CDX North American Index CDS contracts ("CDX.NA Contracts") currently cleared by ICC and governed by Section 26A of the ICC rules. Accordingly, the proposed rules found in Section 26C largely mirror the ICC rules for CDX.NA Contracts in Section 26A, with certain modifications that reflect the underlying reference entities (sovereign reference entities instead of corporate reference entities) and differences in terms and market conventions between CDX.EM Contracts and CDX.NA Contracts. The CDX.EM Contracts reference the CDX.EM index, the current series of which consists of 15 emerging market sovereign entities: Argentina, Venezuela, Brazil, Malaysia, Colombia, Hungary, Indonesia, Panama, Peru, South Africa, the Philippines, Turkey, Russia, Ukraine, and Mexico. CDX.EM Contracts, consistent with market convention and widely used standard terms documentation, can be triggered by credit events for failure to pay, restructuring, and repudiation/moratorium (by contrast to the credit events of failure to pay and bankruptcy applicable to the CDX.NA Contracts). CDX.EM Contracts will only be denominated in U.S. dollars.

ICC Rule 26C-102 (Definitions) sets forth the definition ICC uses for its CDX.EM Contract rules. An "Eligible CDX.EM Untranch Index" is defined as "each particular series and version of a CDX.EM index or sub-index, as published by the CDX.EM Untranch Publisher, included from time to time in the List of Eligible CDX.EM Untranch Indexes," which is a list maintained, updated, and published from time to time by the ICC board of directors or its designee, containing certain specified information with respect to each index. "CDX.EM Untranch Terms Supplement" refers to the market standard form of documentation used for credit default swaps on the CDX.EM index, which is incorporated by reference into the contract specifications in Section 26C. The remaining definitions are substantially the same as the definitions found in Section 26A of

the ICC rules, other than certain conforming changes.

Rules 26C-309 (Acceptance of CDX.EM Untranch Contract), 26C-315 (Terms of the Cleared CDX.EM Untranch Contract), and 26C-316 (Updating Index Version of Fungible Contracts After a Credit Event or a Succession Event; Updating Relevant Untranch Standard Terms Supplement) reflect or incorporate the basic contract specifications for CDX.EM Contracts and are substantially the same as under Section 26A of the ICC rulebook for CDX.NA Contracts. In addition to various non-substantive conforming changes, proposed Rule 26C-317 (Terms of CDX.EM Untranch Contracts) differs from the corresponding Rule 26A-317 to reflect the fact that restructuring and repudiation/moratorium are credit events for the CDX.EM Contract.

In addition, a conforming change is being made to the definition of "Restructuring CDS Contract" in Section 26E (CDS Restructuring Rules) to address components of CDX.EM Contracts that become subject to a restructuring credit event. The treatment of such restructuring credit events for CDX.EM Contracts will thus be as set forth in existing Section 26E of the ICC rules.

## III. Discussion

Section 19(b)(2)(B) of the Act 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>5</sup> After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. Given the particular characteristics of the products proposed to be cleared, the Commission carefully considered ICC's ability to clear the CDX.EM Contracts in a manner that assures the safeguarding of securities and funds which are in the custody and control of ICC or for which ICC is responsible. After considering the

<sup>5</sup> 15 U.S.C. 78s(b)(2)(B). For example, Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in the custody or control of the clearing agency or for which the clearing agency is responsible. 15 U.S.C. 78q-1(b)(3)(F). Though the CDX.EM Contracts are not themselves securities, the safety and soundness of the product directly impacts ICC's ability to safeguard securities and funds in its custody or control or for which it is responsible.

representations made by ICC regarding its belief that it would clear CDX.EM Contracts in a manner that assures the safeguarding of securities and funds, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder.

## 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>6</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>7</sup> that the proposed rule change (File No. SR-ICC-2012-04) be, and hereby is, approved.<sup>8</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-67321; File No. SR-NYSEMKT-2012-16]

### Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending the NYSE Amex Options Fee Schedule To Increase the Monthly Fee per Amex Trading Permit for Order Flow Providers and Clearing Members and Make a Conforming Change to the Current Text in the Fee Schedule

June 29, 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 June 27, 2012, NYSE MKT LLC (the "Exchange" or "NYSE MKT") 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 self-regulatory organization. The Commission is publishing this notice to

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

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

<sup>8</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>9</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.

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 the NYSE Amex Options Fee Schedule (the "Fee Schedule") to increase the monthly fee per Amex Trading Permit ("ATP") for Order Flow Providers and Clearing Members and to make a conforming change to the current text in the Fee Schedule. The proposed change will be operative on July 1, 2012. 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 Exchange proposes to amend the Fee Schedule to increase the monthly fee per ATP for Order Flow Providers and Clearing Members and to make a conforming change to the current text in the Fee Schedule. Specifically, the Exchange proposes to increase the fee per ATP for Order Flow Providers and Clearing Members from \$500 per month to \$1,000 per month. The Exchange does not propose to increase the monthly fee per ATP for Floor Brokers. The Exchange believes that the proposed rule change is warranted because volume on the Exchange has increased and the ATP fees for these participants have not changed since March 2009.<sup>3</sup> Since March 2009, the Exchange's market share has increased from approximately 5% to 15%. The Exchange notes that the proposed fee

will fall within the range of fees charged by at least one other exchange.<sup>4</sup>

The Exchange also proposes to make conforming changes to the text of the Fee Schedule. Presently, the Fee Schedule refers to "Order Routing" and "Clearing Firms" in the context of the ATP fees charged on a monthly basis for a participant acting in either capacity. The Exchange proposes to change Clearing Firm to Clearing Member and Order Routing to Order Flow Provider because Clearing Firm and Order Routing are not defined terms in the rules of the Exchange.<sup>5</sup> The Exchange is making this change in order to reduce any potential confusion regarding which fee applies.

##### **2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>6</sup> of the Securities Exchange Act of 1934 (the "Act"), in general, and Section 6(b)(4)<sup>7</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities. The Exchange believes that the proposed increase in ATP fees for participants acting as Order Flow Providers or Clearing Members is reasonable and equitable given the large increase in volume since the fees were established in March 2009. In addition, the fee increase from \$500 to \$1,000 per month is reasonable in light of the Exchange's increase in market share during the same time period, from approximately 5% in March 2009 to approximately 15% presently. The proposed rule change is equitable in that other participants have previously experienced fee increases during the same time period. For example, the ATP fee for NYSE Amex Options Market Makers was increased from \$1,000 per month to \$5,000 per month.<sup>8</sup> In addition, the proposed fee increase is reasonable because it is comparable to

fees offered on at least one another exchange.<sup>9</sup>

The Exchange notes that it is leaving the monthly ATP fee for Floor Brokers at \$500 per month. The Exchange believes this is both reasonable and equitable given the following. First, ATP Holders conducting a floor brokerage business are required to purchase an ATP for each Floor Broker that is engaged in business on the floor of the Exchange. In practice, such firms typically have more than one ATP to ensure adequate coverage on the trading floor (i.e., a single Floor Broker cannot be physically present in several trading crowds at the same time). As a result, ATP Holders conducting a floor brokerage business typically pay more in ATP fees than either Order Flow Providers or Clearing Members by virtue of the requirement that they have an ATP for each Floor Broker on the floor in their employ. By contrast, an Order Flow Provider sending agency orders to the Exchange for execution, either electronically or via phone for a Floor Broker to execute, need only purchase a single ATP each month to conduct their business. Similarly, a Clearing Member, sending orders to the Exchange electronically or utilizing a Floor Broker to represent their orders also is only required to purchase a single ATP to conduct their business. Further, while the Exchange has seen increases in volume and market share, the amount of open outcry volume has remained steady over time and as a result has actually decreased as a percentage of overall Exchange volume. Consequently, Floor Brokers and other on floor participants may have not benefited from the overall increase in Exchange volumes and market share as have other participants.

The Exchange believes the proposed change is not unfairly discriminatory as it will apply to all participants who act as either Order Flow Providers or Clearing Members equally. Also, the Exchange believes that increasing the fees applicable to Order Flow Providers and Clearing Members while leaving the ATP fee applicable to Floor Brokers is not unfairly discriminatory given the nature of the volume increases coupled with the fact that most ATP Holders conducting a Floor Broker business are already paying more than \$500 per month as they are required to purchase an ATP for each Floor Broker in their employ—whereas that is not the case for Order Flow Providers and Clearing Members.

The Exchange also believes that the proposed conforming changes to terms

<sup>4</sup> See NASDAQ Phlx Fee Schedule as of June 1, 2012, section VI Membership fees, where the Permit and Registration fees for a Phlx Member transacting business on Phlx is \$2,000 per month, available at [http://nasdaqomxphlx.cchwallstreet.com/NASDAQOMXPHLXTools/PlatformViewer.asp?selectednode=chp\\_1\\_4\\_1&manual=%2Fnasdaqomxphlx%2Fphlx%2Fphlx-rulesbrd%2F](http://nasdaqomxphlx.cchwallstreet.com/NASDAQOMXPHLXTools/PlatformViewer.asp?selectednode=chp_1_4_1&manual=%2Fnasdaqomxphlx%2Fphlx%2Fphlx-rulesbrd%2F).

<sup>5</sup> See Rule 900.2NY(11) and Rule 900.2NY(57), which define Clearing Member and Order Flow Provider, respectively.

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

<sup>7</sup> 15 U.S.C. 78f(b)(4).

<sup>3</sup> See Securities Exchange Act Release No. 59478 (Feb. 27, 2009), 74 FR 9857 (Mar. 6, 2009) (SR-NYSEALTR-2009-19).

<sup>8</sup> See Securities Exchange Act Release No. 61670 (March 5, 2010), 75 FR 12325 (March 15, 2010) (SR-NYSEAmex-2010-19).

<sup>9</sup> See *supra* note 4.

in the Fee Schedule will add clarity and reduce any potential confusion among market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A) <sup>10</sup> of the Act and subparagraph (f)(2) of Rule 19b-4 <sup>11</sup> thereunder, because it establishes a due, fee, or other charge imposed by the NYSE MKT.

At any time within 60 days of the filing of such 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.

### **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-NYSEMKT-2012-16 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-NYSEMKT-2012-16. 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 available publicly. All submissions should refer to File Number SR-NYSEMKT-2012-16 and should be submitted on or before July 26, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

Kevin M. O'Neill,

Deputy Secretary.

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-67320; File No. SR-NYSEArca-2012-44]

#### **Self-Regulatory Organizations; NYSE Arca, Inc.; Order Granting Approval of Proposed Rule Change Relating to Listing and Trading of iShares Strategic Beta U.S. Large Cap Fund and iShares Strategic Beta U.S. Small Cap Fund Under NYSE Arca Equities Rule 8.600**

June 29, 2012.

#### **I. Introduction**

On May 14, 2012, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to list and trade shares ("Shares") of the iShares Strategic Beta U.S. Large Cap Fund and iShares Strategic Beta U.S. Small Cap Fund (each a "Fund" and, collectively, "Funds") under NYSE Arca Equities Rule 8.600. The proposed rule change was published in the **Federal Register** on May 30, 2012.<sup>3</sup> The Commission received no comments on the proposal. This order grants approval of the proposed rule change.

#### **II. Description of the Proposal**

The Exchange proposes to list and trade the Shares of the Funds pursuant to NYSE Arca Equities Rule 8.600, which governs the listing and trading of Managed Fund Shares on the Exchange. The Shares will be offered by iShares U.S. ETF Trust ("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>4</sup> The Funds will be managed by BlackRock Fund Advisors ("BFA" or "Adviser"), an indirect wholly-owned subsidiary of BlackRock, Inc. BlackRock Investments, LLC will be the principal underwriter and distributor of the Funds' Shares. State Street Bank and Trust Company will serve as administrator, custodian, and transfer agent for the Funds. The Exchange states that the Adviser is affiliated with multiple broker-dealers and has implemented a fire wall with respect to such broker-dealers regarding access to information concerning the composition and/or changes to the Funds' portfolios.<sup>5</sup>

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

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

<sup>3</sup> See Securities Exchange Act Release No. 67045 (May 23, 2012), 77 FR 31899 ("Notice").

<sup>4</sup> The Trust is registered under the Investment Company Act of 1940 ("1940 Act"). On December 21, 2011, the Trust filed with the Commission Form N-1A under the Securities Act of 1933 and under the 1940 Act relating to the (i) iShares Strategic Beta U.S. Large Cap Fund (File Nos. 333-178677 and 811-22649) ("Large Cap Registration Statement"), and (ii) iShares Strategic Beta U.S. Small Cap Fund (File Nos. 333-178675 and 811-22649) ("Small Cap Registration Statement" and, together with the Large Cap Registration Statement, "Registration Statements"). In addition, the Commission has issued an order granting exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 29571 (January 24, 2011) (File No. 812-13601) ("Exemptive Order").

<sup>5</sup> See Commentary .06 to NYSE Arca Equities Rule 8.600. The Exchange represents that, in the event (a) the Adviser becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser becomes affiliated with a broker-dealer, such adviser and/or sub-adviser will implement a fire wall with respect to such broker-dealer regarding access to information concerning the

Continued

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(2).

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