

draw additional volume to the Exchange. As stated above, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if the deem fee structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. The Exchange does not believe the proposed tiers would burden intramarket competition as they would apply to all Members uniformly.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>13</sup> 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.

**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-2015-82 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BATS-2015-82. 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 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-BATS-2015-82, and should be submitted on or before October 30, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

[FR Doc. 2015-25697 Filed 10-8-15; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-76077; File No. SR-NSCC-2015-003]**

**Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change to Enhance NSCC's Margining Methodology as Applied to Family-Issued Securities of Certain NSCC Members**

October 5, 2015.

On August 14, 2015, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission")

proposed rule change SR-NSCC-2015-003 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> to change its margin charge with respect to a member's positions in securities that are issued by such member or its affiliate (*i.e.*, "family-issued securities") by excluding positions in these securities, when the member is on NSCC's Watch List,<sup>3</sup> from its volatility margining model. The proposed rule change was published for comment in the **Federal Register** on September 2, 2015.<sup>4</sup> The Commission did not receive comment letters regarding the proposed change. For the reasons discussed below, the Commission is granting approval of the proposed rule change.

**I. Description of the Proposed Rule Change**

The following is a description of the proposed rule change, as provided by NSCC:

The proposed rule change consists of amendments to NSCC's Rules in order to enhance NSCC's margining methodology as applied to family-issued securities of NSCC Members<sup>5</sup> that are placed on NSCC's "Watch List", *i.e.*, those Members who present a heightened credit risk to NSCC or have demonstrated higher risk related to their ability to meet settlement, as more fully described below.

*Background*

As a central counterparty, NSCC occupies an important role in the securities settlement system by interposing itself between counterparties to financial transactions and thereby reducing the risk faced by participants and contributing to global

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

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

<sup>3</sup> As part of its ongoing monitoring of its membership, NSCC utilizes an internal credit risk rating matrix to rate its risk exposures to its members based on a scale from 1 (the strongest) to 7 (the weakest). Members that fall within the weakest three rating categories (*i.e.*, 5, 6, and 7) are placed on NSCC's "Watch List" and, as provided under NSCC's Rules and Procedures ("Rules"), may be subject to enhanced surveillance or additional margin charges. See Section 4 of Rule 2B and Section I(B)(1) of Procedure XV of NSCC's Rules, available at [http://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>4</sup> See Securities Exchange Act Release No. 75768 (August 27, 2015), 80 FR 53219 (September 2, 2015) (SR-NSCC-2015-003). NSCC also filed an advance notice with the Commission seeking approval of changes to its Rules necessary to implement the proposed rule change. This advance notice was published in the **Federal Register** on September 17, 2015. Securities Exchange Act Release No. 75899 (September 11, 2015), 80 FR 55883 (September 17, 2015) (File No. SR-NSCC-2015-803).

<sup>5</sup> Terms not defined herein are defined in the Rules, available at [http://dtcc.com/~media/Files/Downloads/legal/rules/nscc\\_rules.pdf](http://dtcc.com/~media/Files/Downloads/legal/rules/nscc_rules.pdf).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f).

<sup>14</sup> 17 CFR 200.30-3(a)(12).

financial stability. The effectiveness of a central counterparty's risk controls and the adequacy of its financial resources are critical to achieving these risk-reducing goals. In that context, NSCC continuously reviews its margining methodology in order to ensure the reliability of its margining in achieving the desired coverage. In order to be most effective, NSCC must take into consideration the risk characteristics specific to certain securities when margining those securities.

Among the various risks that NSCC considers when evaluating the effectiveness of its margining methodology are its counterparty risks and identification and mitigation of "wrong-way" risk, particularly specific wrong-way risk, defined as the risk that an exposure to a counterparty is highly likely to increase when the creditworthiness of that counterparty deteriorates.<sup>6</sup> NSCC has identified an exposure to wrong-way risk when it acts as central counterparty to a Member with respect to positions in securities that are issued by that Member or that Member's affiliate. These positions are referred to as "family-issued securities." In the event that a Member with unsettled long positions in family-issued securities defaults, NSCC would close out those positions following a likely drop in the credit-worthiness of the issuer, possibly resulting in a loss to NSCC.

NSCC has proposed to address its exposure to this type of wrong-way risk in two steps. First, NSCC has proposed in this filing to enhance its margin methodology as applied to the family-issued securities of its Members that are on its Watch List by excluding these securities from the volatility component, or "VaR" charge, and then charging an amount calculated by multiplying the absolute value of the long net unsettled positions in that Member's family-issued securities by a percentage that is no less than 40%. The haircut rate to be charged will be determined based on the Member's rating on the credit risk rating matrix and the type of family-issued security submitted to NSCC. Fixed income securities that are family-issued securities will be charged a haircut rate of no less than 80% for firms that are rated 6 or 7 on the credit risk rating matrix, and no less than 40% for firms that are rated 5 on the credit risk rating matrix; and equity securities that are

family-issued securities will be charged a haircut rate of 100% for firms that are rated 6 or 7 on the credit risk rating matrix, and no less than 50% for firms that are rated 5 on the credit risk rating matrix. NSCC will have the authority to adjust these haircut rates from time to time within these parameters as described in Procedure XV of NSCC's Rules without filing a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Act,<sup>7</sup> and the rules thereunder, or an advance notice with the Commission pursuant to Section 806(e)(1) of the Clearing Supervision Act,<sup>8</sup> and the rules thereunder.

Because NSCC Members that are on its Watch List present a heightened credit risk to the clearing agency or have demonstrated higher risk related to their ability to meet settlement, NSCC believes that this charge will more effectively capture the risk characteristics of these positions and can help mitigate NSCC's exposure to wrong-way risk.

Second, NSCC will continue to evaluate its exposures to wrong-way risk, specifically wrong-way risk presented by family-issued securities, including by reviewing the impact of expanding the application of the proposed margining methodology to the family-issued securities of those Members that are not on the Watch List. NSCC has proposed to apply the enhanced margining methodology to the family-issued securities of Members that are on the Watch List at this time because, as stated above, these Members present a heightened credit risk to the clearing agency or have demonstrated higher risk related to their ability to meet settlement. As such, there is a clear and more urgent need to address NSCC's exposure to wrong-way risk presented by these firms' family-issued securities.

However, any future change to the margining methodology as applied to the family-issued securities of Members that are not on the Watch List would be subject to a separate proposed rule change pursuant to Section 19(b)(1) of the Act,<sup>9</sup> and the rules thereunder, and an advance notice pursuant to Section 806(e)(1) of the Clearing Supervision Act,<sup>10</sup> and the rules thereunder.

#### Implementation

The effective date of the proposed rule change will be announced via a NSCC Important Notice. NSCC expects

to run these changes in a test environment for a three month parallel period prior to implementation. Details and dates regarding this test will be communicated to Members through an NSCC Important Notice. As stated above, NSCC will conduct additional analysis of its exposure to wrong-way risk, and, following implementation of this proposed rule change, will engage in outreach to its membership when evaluating whether to expand the application of the proposed enhanced margining methodology to Members not on its Watch List.

#### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>11</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 rules and regulations thereunder applicable to such organization. The Commission believes the proposal is consistent with Section 17A(b)(3)(F) of the Act,<sup>12</sup> and Rule 17Ad-22(b)(1)<sup>13</sup> and Rule 17Ad-22(b)(2)<sup>14</sup> under the Act, as described in detail below.

*Consistency with Section 17A(b)(3)(F) of the Act.* 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, as well as, in general, protect investors and the public interest.<sup>15</sup> By enhancing the margin methodology applied to family-issued securities of members that are on NSCC's Watch List, the proposal will assist NSCC in collecting margin that more accurately reflects NSCC's exposure to a clearing member that clears family-issued securities and will assist NSCC in its continuous efforts to improve the reliability and effectiveness of its risk-based margining methodology by taking into account specific wrong-way risk. As such, the proposal will help NSCC, as a central counterparty, promote robust risk management, and thus promoting the prompt and accurate clearance and settlement of securities transactions, as well as, in general, protecting investors and the public interest.

*Consistency with Rule 17Ad-22(b)(1).* Rule 17Ad-22(b)(1)<sup>16</sup> under the Act requires a CCP, such as NSCC, to

<sup>6</sup> See *Principles for financial market infrastructures*, issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions 47 n.65 (April 2012), available at <http://www.bis.org/publ/cpss101a.pdf>.

<sup>7</sup> 15 U.S.C. 78s(b)(1).

<sup>8</sup> 12 U.S.C. 5465(e)(1).

<sup>9</sup> 15 U.S.C. 78s(b)(1).

<sup>10</sup> 12 U.S.C. 5465(e)(1).

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

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(b)(1).

<sup>14</sup> 17 CFR 240.17Ad-22(b)(2).

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

<sup>16</sup> 17 CFR 240.17Ad-22(b)(1).

“establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . limit its exposures to potential losses from defaults by its participants under normal market conditions . . . .” NSCC faces specific wrong-way risk in all circumstances where a member submits family-issued securities to NSCC for clearance, including under normal market conditions. By enhancing the margin methodology applied to family-issued securities of NSCC’s members that are on its Watch List, the proposal will limit NSCC’s exposure to potential losses from the default of a member on NSCC’s Watch List with family-issued securities under normal market conditions. As such, the Commission believes that the proposal is consistent with Rule 17Ad–22(b)(1).

*Consistency with Rule 17Ad–22(b)(2).* Rule 17Ad–22(b)(2)<sup>17</sup> under the Act requires a CCP, such as NSCC, to “establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [u]se margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements . . . .” By enhancing the margin methodology applied to family-issued securities of NSCC’s members that are on its Watch List, the proposal will better account for and cover NSCC’s credit exposure to less creditworthy members. In addition, by taking into account specific wrong-way risk arising from family-issued securities submitted to NSCC, the proposal is consistent with using risk based models and parameters to set margin requirements. As such, the Commission believes that the proposal is consistent with Rule 17Ad–22(b)(2).

#### 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>18</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that proposed rule change SR–NSCC–2015–003 be, and hereby is, APPROVED.<sup>19</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2015–25702 Filed 10–8–15; 8:45 a.m.]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–76072; File No. SR–NYSE–2015–43]

### Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending Its Price List To Change the Monthly Fees for the Use of Certain Ports

October 5, 2015.

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 September 23, 2015, New York Stock Exchange LLC (“NYSE” or the “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 Substance of the Proposed Rule Change

The Exchange proposes to amend its Price List to change the monthly fees for the use of certain ports. The Exchange proposes to implement the fee change effective October 1, 2015. 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 the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to amend its Price List to change the monthly fees for the use of certain ports.<sup>3</sup> The Exchange proposes to implement the fee changes on October 1, 2015.

The Exchange currently makes ports available that provide connectivity to the Exchange’s trading systems (*i.e.*, ports for entry of orders and/or quotes (“order/quote entry ports”)) and charges \$200 per port per month for users of 1–5 ports, and \$500 per port per month for users of 6 or more ports. The Exchange also currently makes ports available for drop copies and charges \$500 per port per month.<sup>4</sup>

<sup>3</sup> The Exchange has a Common Customer Gateway (“CCG”) that accesses the equity trading systems that it shares with its affiliates, NYSE MKT LLC (“NYSE MKT”) and NYSE Arca, Inc. (“NYSE Arca”), and all ports connect to the CCG. *See, e.g.*, Securities Exchange Act Release No. 64542 (May 25, 2011), 76 FR 31659 (June 1, 2011) (SR–NYSE–2011–13). All NYSE member organizations are also NYSE MKT member organizations and, accordingly, a member organization utilizes its ports for activity on both NYSE and/or NYSE MKT and is charged port fees based on the total number of ports connected to the CCG, whether the ports are used to quote and trade on NYSE, NYSE MKT, and/or both, because those trading systems are integrated. *See* Supplementary Material .10 to Rule 2. The NYSE Arca trading platform is not integrated in the same manner. Therefore, it does not share its ports with NYSE or NYSE MKT.

<sup>4</sup> Only one fee per drop copy port applies, even if receiving drop copies from multiple order/quote entry ports. In addition, the Price List provides that (i) users of the Exchange’s Risk Management Gateway service (“RMG”) are not charged for order/quote entry ports if such ports are designated as being used for RMG purposes, and (ii) Designated Market Makers (“DMMs”) are not charged for order/quote entry ports that connect to the Exchange via the DMM Gateway. *See* Securities Exchange Act Release No. 68229 (November 14, 2012), 77 FR 69688 (November 20, 2012) (SR–NYSE–2012–60). Two methods are available to DMMs to connect to the Exchange: DMM Gateway and CCG. Only DMMs may connect to the DMM Gateway and only when acting in their capacity as a DMM. DMMs are required to use the DMM Gateway for certain DMM-specific functions that relate to the DMM’s role on the Exchange and the obligations attendant therewith, which are not applicable to other market participants on the Exchange. By contrast, non-DMMs as well as DMMs may use the CCG. Use of the CCG by a DMM is optional, and a DMM that connects to the Exchange via CCG can use the relevant order/quote entry port for orders and quotes both in its capacity as a DMM and for orders and quotes in other securities. Because DMMs are required to utilize DMM Gateway, but not CCG, to fulfill their functions as DMMs, DMMs are not charged for order/quote entry ports that connect to the Exchange via the DMM Gateway. However, DMMs, like other market participants, are charged for order/entry ports that connect to the Exchange via the CCG.

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

<sup>18</sup> 15 U.S.C. 78q–1.

<sup>19</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>20</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.