opportunity to make an oral presentation.[92]

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment Nos. 1 and 2, should be approved or disapproved by November 30, 2017. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by December 14, 2017. 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.* Please include File No. SR–NASDAQ–2017–074 on the subject line.

Paper Comments

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

All submissions should refer to File No. SR–NASDAQ–2017–074. The 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 the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR–NASDAQ–2017–074 and should be submitted by November 30, 2017. Rebuttal comments should be submitted by December 14, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[93]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–24371 Filed 11–8–17; 8:45 am]

BILLING CODE 8011–01–P

[92] Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94–29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. *See* Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

[93] 17 CFR 200.30–3(a)(12); 17 CFR 200.30–3(a)(57).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82009; File No. SR–OCC–2017–008]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Related to The Options Clearing Corporation's Collateral Risk Management Policy

November 3, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934,[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on October 27, 2017, The Options Clearing Corporation (''OCC'') 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 OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change by The Options Clearing Corporation (''OCC'') would formalize and update OCC's Collateral Risk Management Policy (''CRM Policy''). This policy would promote compliance with Rule 17Ad–22(e)(5), which generally requires a covered clearing agency to have policies and procedures reasonably designed to, among other things, limit the assets it accepts as collateral to those with low credit, liquidity, and market risks and subject such assets to appropriate haircuts and concentration limits that are reviewed for continued sufficiency not less than annually.[3] The Collateral Risk Management Policy is included as confidential Exhibit 5 of the filing.

The proposed rule change does not require any changes to the text of OCC's By-Laws or Rules. All terms with initial capitalization that are not otherwise defined herein have the same meaning as set forth in the OCC By-Laws and Rules.[4]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC 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. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(1) Purpose

Background

On September 28, 2016, the Commission adopted amendments to Rule 17Ad–22[5] and added new Rule 17Ab2–2[6] pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, (''Act'')[7] and the Payment, Clearing, and Settlement Supervision Act of 2010 (''Payment, Clearing and Settlement Supervision Act'')[8] to establish enhanced standards for the operation and governance of those clearing agencies registered with the Commission that meet the definition of a ''covered clearing agency,'' as defined by Rule 17Ad–22(a)(5)[9] (collectively, the new and amended rules are herein referred to as ''CCA'' rules). The CCA rules require that a covered clearing agency, among other things, establish, implement, maintain, and enforce written policies and procedures reasonably designed to:

''[l]imit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 17 CFR 240.17Ad–22(e)(5).

[4] OCC's By-Laws and Rules can be found on OCC's public Web site: *http://optionsclearing.com/about/publications/bylaws.jsp.*

[5] 17 CFR 240.17Ad–22.

[6] 17 CFR 240.17Ab2–2.

[7] 15 U.S.C. 78q–1.

[8] 12 U.S.C. 5461 *et seq.*

[9] 17 CFR 240.17Ad–22(a)(5).

collateral to manage its or its participants' credit exposure; and require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually.'' [10]

OCC meets the definition of a covered clearing agency, and is therefore subject to the requirements of the CCA rules, including Rule 17Ad–22(e)(5).[11]

Collateral Risk Management Policy

OCC proposes to formalize and update its CRM Policy. The purpose of the CRM Policy is to describe OCC's framework for collateral acceptability, valuations and haircuts, and collateral maintenance. The CRM Policy, as proposed, is designed to promote compliance with the Rule 17Ad–22(e)(5) [12] requirements that mandate that covered clearing agencies have written policies and procedures that are reasonably designed to limit collateral to assets with low credit, liquidity, and market risks, and that establish appropriately conservative haircuts and concentration limits that are reviewed no less than annually. OCC notes that the CRM Policy is part of a broader framework regarding collateral risk management, including OCC's By-Laws, Rules, and other policies, that are designed to ensure that OCC accepts appropriate collateral to remain resilient in times of market stress.[13]

With regard to a covered clearing agency's policies and procedures that address collateral, the Commission noted in the release adopting the CCA rules that such policies and procedures generally should take into account whether the covered clearing agency has: (1) Limited the assets it accepts to those with low credit, liquidity, and market risks; (2) established prudent valuation practices and developed haircuts that are regularly tested and take into account stressed market conditions; (3), established stable and conservative haircuts to reduce the need for pro-cyclical adjustments; (4) avoided concentrated holdings of certain assets where such holdings would significantly impair the ability to liquidate the assets quickly and without significant adverse price affects; (5) mitigated risks associated with the use of cross-border collateral, as applicable, and ensured that the collateral can be used in a timely manner; and (6) uses a collateral management system that is well designed and operationally flexible.[14]

Certain descriptions in the CRM Policy are included to promote compliance with the Commission's guidance and Rule 17Ad–22(e)(5). For example, consistent with the guidance regarding cross-border collateral, the CRM Policy provides that OCC has the authority to reduce the haircut value of Canadian government securities if it observes increased credit risk, and that OCC applies an additional haircut to such securities to cover exchange rate risk. Consistent with the Commission's guidance that collateral risk management systems should remain operationally flexible, the CRM Policy also describes the authority of the Financial Risk Management department (''FRM'') to reject a collateral withdrawal request if OCC determines that a Clearing Member's reasonably anticipated settlement obligations exceed available liquidity resources.

The descriptions below provide a general overview of the three substantive sections of OCC's CRM Policy.

Collateral Acceptability

The CRM Policy describes the categories of risk that are considered by OCC in determining which asset classes should be acceptable forms of collateral as margin assets and Clearing Fund contributions. OCC's assessment of an asset class generally includes an evaluation of market risk, credit risk, liquidity risk. This assessment is conducted by the Credit and Liquidity Risk Working Group (''CLRWG''), which is a cross functional group comprised of representatives from multiple departments as noted in the Credit and Liquidity Risk Working Group Procedure. The CRM Policy further provides that the CLRWG establishes criteria for each asset class considered an acceptable form of collateral that evaluates additional risks with respect to the asset class such as execution risk, custody risk, and operational risk. With respect to market risks, the CRM Policy provides that eligible assets classes are accepted after consideration of their liquidity, price transparency, price volatility, offset potential with contracts cleared by OCC, modeling implications and projected inventories.

With respect to credit risk, the CRM Policy separately considers counterparty risk and sovereign credit risk. For example, to safeguard against counterparty risk, the CRM Policy provides that FRM evaluates the creditworthiness of counterparties, including custodial agents and settlement banks, against existing qualification standards and monitors the health of such counterparties on an ongoing basis through established processes, supported by a separate policy within OCC.[15] With respect to sovereign credit risk,[16] the CRM Policy provides that CLRWG assess such risks against existing minimum sovereign ratings and by evaluating, among other characteristics, credit, market, liquidity, and exchange rate risks.

Pursuant to the CRM Policy, OCC mitigates liquidity risk [17] by limiting acceptable collateral to asset classes with low liquidity risk, giving no value to a participant for its own (or its affiliate's) debt or equity securities[18] and limiting the amount of a particular asset type that a participant may pledge.[19] The CRM Policy also provides that OCC takes other risks, such as execution risk,[20] custody risk,[21] and operational risk,[22] into consideration when managing collateral risk.

Valuations and Haircuts

The CRM Policy describes OCC's approach to valuing collateral and setting and applying haircuts. With respect to valuation, the CRM Policy provides that OCC's key considerations focus on its pricing process, the period of time between collateral revaluations

[10] 17 CFR 240.17Ad–22(e)(5).

[11] *Id.*

[12] *Id.*

[13] Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786, 70812 (October 13, 2016) (''CCA Adopting Release'') (noting that the requirements of Rule 17Ad–22(e)(5) are ''intended to ''help ensure that a covered clearing agency is resilient in times of market stress . . . .'').

[14] *Id.* at 70816.

[15] Specifically, evaluations of OCC's counterparties are supported by the Counterparty Credit Risk Management Policy.

[16] Sovereign credit risk refers primarily to the risk associated with accepting a foreign country's debt as collateral or the impact sovereign risk could have on the credit risk of OCC's counterparties.

[17] Liquidity risk generally refers to the potential price impact that may be observed when selling a collateral position whose size surpasses the market's current depth.

[18] Giving no value to a participant's own securities or its affiliate's securities is a means of addressing wrong-way risk. *See* CCA Adopting Release, *supra* note 11, at n.317 (discussing wrong-way risk). Notwithstanding this prohibition, equity securities of participants can be used to hedge options positions on such equity securities. *See* OCC Rules 601 and 610.

[19] Limiting the amount of a particular asset type a participant may pledge is also a means of addressing concentration risk. Specifically, the CRM Policy provides that OCC mitigates concentration risk by limiting the aggregation or concentration of large positions relative to market depth for a security and, consistent with OCC's liquidation assumptions, restricts the value given to collateral assets beyond amounts that are determined to serve as a hedge to a Clearing Member's portfolio.

[20] Execution risk generally refers to the risk that a counterparty fails to deliver cash or securities when required.

[21] Custody risk refers to, for example, the risk that a custodian holding OCC collateral becomes insolvent.

[22] Operational risk generally refers to the risk that collateral cannot be delivered on a timely basis.

(which are at least daily), established haircuts to mitigate market risk, and the periodic re-evaluation of the adequacy of existing haircuts. OCC's pricing information, as described in the CRM Policy, feeds into OCC's processes for establishing margin levels or haircuts, daily mark-to-market valuation of collateral, and intraday valuation of collateral. Given the importance of pricing data to inform these processes, OCC maintains redundant information feeds from multiple sources to ensure accuracy and quality. The CRM Policy further summarizes OCC's two approaches for valuing collateral: Collateral in Margins (''CiM'') and haircuts.[23] For collateral that is not managed using the CiM process, the CRM Policy provides that OCC subjects such collateral to percentage haircuts established at the time the collateral is accepted by OCC and that are monitored regularly to ensure the haircuts remain adequate.

Collateral Management Process

The CRM Policy also outlines the three parts of OCC's collateral management processes: (1) Systems and processing; (2) reconciliation; and (3) reporting. With respect to systems and processing, the CRM Policy provides, among other things, that OCC's collateral management system has controls intended to ensure that no Clearing Member goes into collateral deficit and that it is designed to report the excess/deficit status for each account in real-time. OCC also stress tests the system annually to ensure that it can accommodate a large number of automated transactions. With respect to reconciliation, the CRM Policy provides that OCC performs daily balancing of collateral against activity and inventory data from custodial banks and depositories. The CRM Policy further provides that OCC regularly reviews collateral deposited pursuant to a letter of credit or depository receipt, and the escrow deposit banks, to ensure that acceptable and sufficient collateral is maintained. With respect to reporting, the CRM Policy provides that OCC systematically delivers end-of-day activity and inventory reports to Clearing Members and custody banks and that reports regarding intraday activity can also be obtained.

Finally, the CRM Policy provides an overview of OCC's collateral re-investment options, collateral re-hypothecation and substitution ability, existing cross-margining agreements and margin offsets, which are detailed separately in OCC's Cash and Investment Management Policy.

Governance and Annual Review

The CRM Policy provides that the CLRWG reviews the policy's performance and adequacy on at least an annual basis, including with respect to collateral eligibility, concentration limits, collateral haircuts and monitoring processes. Recommendations for changes are presented to OCC's Management Committee and then the Risk Committee. The CRM Policy also specifies that collateral haircuts and concentration limits are reviewed on an annual basis by persons who are independent of OCC management and that adding a new asset class as acceptable collateral requires approval from OCC's Management Committee, Board of Directors and the Commission.

(2) Statutory Basis

Section 17A(b)(3)(F) of the Act[24] 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, in general, protect investors and the public interest. The CRM Policy sets forth the processes that OCC uses to limit collateral to assets with low credit, liquidity, and market risks, and to establish appropriately conservative haircuts and concentration limits. OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) because the CRM Policy is reasonably designed to protect investors and the public interest by setting forth the processes that OCC uses to limit the collateral assets that OCC accepts to appropriate, risk-adjusted assets that, in turn, promote the prompt and accurate clearance and settlement of securities transactions by supporting OCC's ability to use the collateral to meet settlement obligations, as necessary, even in times of market stress.

Rule 17Ad–22(e)(5)[25] requires that OCC establish, implement, maintain and enforce written policies and procedures that are reasonably designed to ''[l]imit the assets it accepts as collateral to those with low credit, liquidity, and market risks.'' As described in more detail above in the subsection discussing Collateral Acceptability, the CRM Policy provides that in determining assets that are acceptable as collateral OCC evaluates market, credit and liquidity risk as well as additional risks, such as execution, custody and operational risk. Rule 17Ad–22(e)(5)[26] also requires OCC to set and enforce appropriately conservative haircuts and concentration limits. In this regard, the CRM Policy describes that, with respect to collateral valuation, OCC's key considerations focus on its pricing process, the period between collateral revaluations (which are at least daily), established haircuts to mitigate market risk and the periodic re-evaluation of the adequacy of existing haircuts. Moreover, OCC mitigates concentration risk by limiting the aggregation or concentration of large positions relative to market depth for a security and, consistent with OCC's liquidation assumptions, restricts the value given to collateral assets beyond amounts that are determined to serve as a hedge to a Clearing Member's portfolio. Finally, Rule 17Ad–22(e)(5)[27] provides that OCC must require a review of the sufficiency of its collateral haircuts and concentration limits to be performed not less than annually. The CRM Policy is consistent with this provision because it requires its performance and adequacy to be reviewed on at least an annual basis, including with regard to collateral eligibility, concentration limits, collateral haircuts and related monitoring processes. For these reasons, OCC believes that the proposed rule change is consistent with Rule 17Ad–22(e)(5).[28]

The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

Section 17A(b)(3)(I) of the Act[29] requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not believe that the proposed rule change would impact or impose any burden on competition.[30] The proposed rule change sets forth the framework, as described in the CRM Policy, that OCC already uses pursuant to its approved By-Laws and Rules to accept collateral with low credit, liquidity, and market risks, and to set and enforce

[23] Under the CiM approach, the current market value of margin assets is included as a positive asset value in the calculation of a portfolio's net asset value within OCC's System for Theoretical Analysis and Numerical Simulations (''STANS''). OCC then offsets this positive asset value based on, among other things, the expected shortfall and stress test charges associated with an account, resulting in a net excess or net deficit.

[24] 15 U.S.C. 78q–1(b)(3)(F).

[25] 17 CFR 240.17Ad–22(e)(5).

[26] *Id.*

[27] *Id.*

[28] *Id.*

[29] 15 U.S.C. 78q–1(b)(3)(I).

[30] *Id.*

appropriately conservative haircuts and concentration limits. The framework further requires that a review of the sufficiency of OCC's collateral haircuts and concentration limits be performed not less than annually. Under this framework, and as provided for in its By-Laws and Rules, all Clearing Members are subject to the same limitations on acceptable collateral as well as to the same haircuts and concentration limits. Consequently, no Clearing Member is provided a competitive advantage over any other Clearing Member. Further, the proposed rule change would not affect Clearing Member's access to OCC's services or impose any direct burdens on Clearing Members. Accordingly, the proposed rule change would not unfairly inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another user.

For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Act applicable to clearing agencies, and would not impact or impose a burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change 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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self- regulatory organization consents, the Commission will:

(A) by order approve or disapprove the 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.* Please include File Number SR–OCC–2017–008 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–OCC–2017–008. 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 OCC and on OCC's Web site at *http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_17_008.pdf.* All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–OCC–2017–008 and should be submitted on or before November 30, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated Authority.[31]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–24369 Filed 11–8–17; 8:45 am]

BILLING CODE 8011–01–P

[31] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82012; File No. SR–Phlx–2017–93]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 1080(p)(2) To Enhance Anti-Internalization Functionality

November 3, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on November 2, 2017, Nasdaq PHLX LLC (''Phlx'' or ''Exchange'') 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 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 1080(p)(2) to enhance anti-internalization functionality.

The text of the proposed rule change is available on the Exchange's Web site at *http://nasdaqphlx.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 proposed rule change is to enhance the anti-internalization (''AIQ'') functionality

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.