

proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. The Commission finds that the proposal is consistent with Section 17A(b)(3)(F) of the Act⁹ and Rule 17Ad-22(e)(7)(viii)¹⁰ thereunder, as described in detail below.

A. Consistency With Section 17A(b)(3)(F) of the Act

The Commission finds that the proposed change is consistent with Section 17A(b)(3)(F) of the Act,¹¹ which 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. The Commission understands that the proposed rule change constitutes a limited expansion of OCC's ability to address liquidity needs that arise from scenarios that, while relatively less extreme than a Settlement Entity suffering a bankruptcy, insolvency, resolution, suspension of operations, or similar event, nevertheless can prevent daily settlement from occurring. The Commission therefore believes that the proposed rule change is designed to enhance OCC's ability to access liquid resources under such circumstances, which, in turn, would allow OCC to continue to meet its settlement obligations to its Clearing Members in a timely fashion, thereby promoting prompt and accurate clearance and settlement of securities transactions.

Specifically, the Commission believes that the proposed rule change is designed to expand OCC's existing borrowing authority in a scenario where a Settlement Entity is temporarily unable to achieve daily settlement, but is not facing bankruptcy, insolvency, resolution, suspension of operations, or similar event. Therefore, the proposed rule change is designed to provide OCC with an alternative tool with which to address what OCC describes as an "extraordinary circumstance" that would enable OCC to borrow against the Clearing Fund in order to avoid disrupting its ordinary settlement cycle. The Commission believes that the authority to take such action is designed to avoid imposing a disruption on Clearing Members and reduce the need to extend the settlement window, which could allow OCC to settle transactions in a more timely fashion. Accordingly, the Commission finds that the proposed rule change is designed to promote the

prompt and accurate clearance and settlement of securities transactions, and is therefore consistent with Section 17A(b)(3)(F) of the Act.¹²

B. Consistency With Rule 17Ad-22(e)(7)(viii) Under the Act

The Commission further believes that the proposed rule change is consistent with Rule 17Ad-22(e)(7)(viii), which requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to, as applicable, effectively measure, monitor, and manage liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by, at a minimum, addressing foreseeable liquidity shortfalls that would not be covered by its liquid resources and seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations.¹³

The Commission believes that the proposed rule change is designed to improve OCC's ability to address a temporary liquidity need resulting from the failure of a Settlement Entity to achieve timely settlement. The Commission believes that the proposed rule change is designed to provide OCC with additional tools to address a foreseeable, temporary liquidity shortfall to prevent the unwinding, revoking, or delaying of same-day settlement should that scenario materialize, and is therefore consistent with Rule 17Ad-22(e)(7)(viii) under the Act.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed change is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A of the Act¹⁴ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-OCC-2017-017) be, and it hereby is, approved.

¹² *Id.*

¹³ 17 CFR 240.17Ad-22(e)(7)(viii).

¹⁴ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-385, OMB Control No. 3235-0441]

Submission for OMB Review; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736.

Extension:

Rule 18f-3.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) ("Paperwork Reduction Act"), the Securities and Exchange Commission ("the Commission") has submitted to the Office of Management and Budget ("OMB") a request for extension of the previously approved collection of information discussed below.

Rule 18f-3 (17 CFR 270.18f-3) under the Investment Company Act of 1940 (15 U.S.C. 80a-1 *et seq.*) exempts from section 18(f)(1) a fund that issues multiple classes of shares representing interests in the same portfolio of securities (a "multiple class fund") if the fund satisfies the conditions of the rule. In general, each class must differ in its arrangement for shareholder services or distribution or both, and must pay the related expenses of that different arrangement. The rule includes one requirement for the collection of information. A multiple class fund must prepare, and fund directors must approve, a written plan setting forth the separate arrangement and expense allocation of each class, and any related conversion features or exchange privileges ("rule 18f-3 plan"). Approval of the plan must occur before the fund issues any shares of multiple classes and whenever the fund materially amends the plan. In approving the plan, the fund board, including a majority of the independent directors, must determine that the plan is in the best interests of each class and the fund as a whole.

The requirement that the fund prepare and directors approve a written rule 18f-3 plan is intended to ensure that the fund compiles information relevant to

⁹ 15 U.S.C. 78q-1(b)(3)(F).

¹⁰ 17 CFR 240.17Ad-22(e)(7)(viii).

¹¹ 15 U.S.C. 78q-1(b)(3)(F).

the fairness of the separate arrangement and expense allocation for each class, and that directors review and approve the information. Without a blueprint that highlights material differences among classes, directors might not perceive potential conflicts of interests when they determine whether the plan is in the best interests of each class and the fund. In addition, the plan may be useful to Commission staff in reviewing the fund's compliance with the rule.

Based on an analysis of fund filings, the Commission estimates that there are approximately 7,743 multiple class funds offered by 1,045 registrants. The Commission estimates that each of the 1,045 registrants will make an average of 0.5 responses annually to prepare and approve a written 18f-3 plan.¹ The Commission estimates each response will take 6 hours, requiring a total of 3 hours per registrant per year.² Thus the total annual hour burden associated with these requirements of the rule is approximately 3,135 hours.³

Estimates of the average burden hours are made solely for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. The collection of information under rule 18f-3 is mandatory. The information provided under rule 18f-3 will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The public may view the background documentation for this information collection at the following website, www.reginfo.gov. Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: ShaguftaAhmed@omb.eop.gov; and (ii) Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE, Washington, DC 20549 or send an email to: PRA_Mailbox@sec.gov. Comments must be submitted to OMB within 30 days of this notice.

¹ The Commission estimates that each registrant prepares and approves a rule 18f-3 plan every two years when issuing a new fund or new class or amending a plan (or that 522.5 of all 1,045 registrants prepare and approve a plan each year).

² 0.5 responses per registrant × 6 hours per response = 3 hours per registrant.

³ 3 hours per registrant per year × 1,045 registrants = 3,135 hours per year.

Dated: December 14, 2017.

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82310; File No. SR-OCC-2017-010]

Self-Regulatory Organizations; the Options Clearing Corporation; Order Approving Proposed Rule Change Relating to The Options Clearing Corporation's Default Management Policy

December 13, 2017.

On October 12, 2017, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-OCC-2017-010 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder.² The proposed rule change was published for comment in the **Federal Register** on November 1, 2017.³ The Commission did not receive any comment letters on the proposed rule change. This order approves the proposed rule change.

I. Description of the Proposed Rule Change

This proposed rule change by OCC will formalize OCC's Default Management Policy ("DM Policy"). The proposed rule change does not require any changes to the text of OCC's By-Laws or Rules.⁴

As described by OCC, the DM Policy would apply in the event of a default by a Clearing Member, settlement bank, or a financial market utility ("FMU") with which OCC has a relationship.⁵ The purpose of the DM Policy is to outline OCC's default management framework and describe the default management

steps that OCC has authority to take depending upon the facts and circumstances of a default. The DM Policy focuses on Clearing Member default, which OCC believes is appropriate because Clearing Member default represents a substantial part of the overall default risk that is posed to OCC in connection with its central counterparty clearing services.⁶ OCC notes that the DM Policy is part of a broader framework used by OCC to manage the default of a Clearing Member, settlement bank, or FMU, including OCC's By-Laws, Rules, and other policies and procedures. The broader framework is designed to collectively ensure that OCC would appropriately manage any such default consistent with OCC's obligations as a covered clearing agency.⁷

The DM Policy describes the authority of OCC's Board of Directors ("Board") or a Designated Officer⁸ to summarily suspend a Clearing Member pursuant to OCC Rule 1102(a) in the event the Clearing Member defaults. The DM Policy further provides that, pursuant to OCC Rule 707, OCC may suspend a Clearing Member that participates in a cross-margining program in the event of a default regarding its cross-margining accounts. Upon any suspension of a Clearing Member, the DM Policy states that OCC would immediately notify a number of parties, including the suspended Clearing Member, regulatory authorities, participant and other exchanges (as applicable) in which the suspended Clearing Member is a common member, other Clearing Members,⁹ and OCC's Board.¹⁰

In the event of a Clearing Member suspension, the DM Policy provides that

⁶ For purposes of the DM Policy, references to a Clearing Member suspension or default contemplate the circumstances specified in OCC Rule 1102, which constitute events of "default" under Interpretation and Policy .01 to the Rule.

⁷ On September 28, 2016, the Commission amended Rule 17Ad-22 under the Act by adding new Rule 17Ad-22(e) to establish requirements for the operation and governance of registered clearing agencies that meet the definition of a covered clearing agency, as defined by Rule 17Ad-22(a)(5). Standards for Covered Clearing Agencies, Securities Exchange Act Release No. 34-78961 (Sept. 28, 2016), 81 FR 70786 (Oct. 13, 2016).

⁸ For this purpose, the term Designated Officer includes the Executive Chairman, Chief Administrative Officer ("CAO"), Chief Operating Officer ("COO"), Chief Risk Officer ("CRO"), and Executive Vice President—Financial Risk Management ("EVP-FRM").

⁹ OCC Rule 1103 requires OCC to notify all Clearing Members of the suspension as soon as possible.

¹⁰ With respect to pending transactions of a suspended Clearing Member, the DM Policy provides that these will be handled pursuant to OCC Rule 1105, provided that OCC has no obligation to accept the trades effected by a suspended Clearing Member post-suspension.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 34-81955 (Oct. 26, 2017), 82 FR 50707 (Nov. 1, 2017) (File No. SR-OCC-2017-010).

⁴ 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.

⁵ The DM Policy identifies the following securities or commodities clearing organizations as examples of such FMUs: The Depository Trust Company, National Securities Clearing Corporation, and the Chicago Mercantile Exchange. In an event of default by one of these securities or commodities clearing organizations, or by a settlement bank, OCC has authority under certain conditions pursuant to Article VIII, Sections 1(a)(vii) and 5(b) of the By-Laws to manage the default using Clearing Member contributions to the Clearing Fund.