The Commission also believes that the changes proposed to address model design issues identified in the Vanilla Option Model and the Smoothing Algorithm would be consistent with the promotion of robust risk management as well as safety and soundness. As noted above, OCC proposes to change the way the Smoothing Algorithm addresses unacceptably high volatilities to ensure that theoretical option prices satisfy certain arbitrage-free conditions (*i.e.,* eliminating butterfly arbitrage opportunities). OCC also proposes to use the same binomial tree in both the Vanilla Option Model and the Smoothing Algorithm to enhance model consistency. The proposal to use a LR binomial tree with a variable number of steps, as opposed to the current fixed number of steps in a JR binomial tree, would allow the Vanilla Option Model to more accurately price long-dated options. Additionally, the move to the LR binomial tree would allow OCC to generate additional risk sensitivity data. Such data could allow OCC to better understand the risks present in Clearing Members' portfolios.

Further, the Commission believes that, given OCC's role as a SIFMU, the changes proposed by OCC are consistent with reducing systemic risk and supporting the stability of the broader financial system. The Vanilla Option Model and the Smoothing Algorithm are two of the fundamental components of OCC's margin methodology. Improving the accuracy and precision of these models would improve the accuracy and precision of OCC's margin calculations, and could give OCC a better understanding of the risks posed by its Clearing Members. Improving OCC's margin calculations and understanding of its exposures would facilitate OCC's ability to manage potential Clearing Member defaults. Accordingly, and for the reasons stated above, the Commission believes the changes proposed in the Advance Notice are consistent with Section 805(b) of the Clearing Supervision Act.[36]

B. Consistency With Rule 17Ad–22(e)(6)(i) Under the Exchange Act

Rule 17Ad–22(e)(6)(i) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.[37]

As discussed above, certain changes that OCC proposes would be designed to better align the assumptions underlying the Vanilla Option Model and the Smoothing Algorithm with the products to which they are applied as well as the related markets. The introduction of dynamic, rather than constant, interest rate and dividend data as inputs to the Vanilla Option Model would provide a more accurate representation of the particular attributes of options markets. The estimation of prices for short-dated FLEX options based on prices and implied volatilities from the same day (as opposed to different days) would better align with prices observed in the market. Additionally, accounting for Borrowing Costs would better align OCC's margin requirements with particular attributes of plain vanilla options by accounting for the costs facing options market participants. Further, the move to a LR binomial tree in the Vanilla Option Model would allow OCC to generate additional risk data relevant to the products that OCC clears. The Commission believes, therefore, that adoption of the proposed changes designed to align OCC's models assumptions with market dynamics are consistent with Exchange Act Rule 17Ad–22(e)(6)(i).[38]

C. Consistency With Rule 17Ad–22(e)(6)(iii) Under the Exchange Act

Rule 17Ad–22(e)(6)(iii) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, calculates margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default.[39]

As discussed above, certain changes that OCC proposes to make to the Vanilla Option Model and the Smoothing Algorithm would address model design issues. OCC proposes to change the way the Smoothing Algorithm addresses unacceptably high volatilities to ensure that theoretical option prices satisfy certain arbitrage-free conditions (*i.e.,* eliminating butterfly arbitrage opportunities). OCC also proposes to enhance model consistency by using the same binomial tree in both the Vanilla Option Model and the Smoothing Algorithm. Further, the proposal to replace the binomial tree's fixed number of steps with a variable number of steps would allow the Vanilla Option Model to more accurately price long-dated options. Finally, the use of basis futures, as opposed to index futures, to generate theoretical spot prices for indices underlying options could avoid problems in OCC's margin calculations arising from market volatility between 3:00 p.m. and 3:15 p.m.

The Commission believes that changes proposed to reduce model risk generally facilitate the effective functioning of the relevant models. The Vanilla Option Model and the Smoothing Algorithm estimate prices that OCC uses to set margin requirements. Better price estimates would allow OCC to better calculate margin sufficient to cover its potential future exposure to Clearing Members. The Commission believes, therefore, that adoption of the changes proposed to address design issues in OCC's margin methodology are consistent with Exchange Act Rule 17Ad–22(e)(6)(iii).[40]

IV. Conclusion

It is therefore noticed, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission *does not object* to Advance Notice (SR–OCC–2019–804) and that OCC is *authorized* to implement the proposed change as of the date of this notice or the date of an order by the Commission approving proposed rule change SR–OCC–2019–005, whichever is later.

By the Commission.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019–18260 Filed 8–23–19; 8:45 am]

BILLING CODE 8011–01–P

[36] 12 U.S.C. 5464(b).

[37] 17 CFR 240.17Ad–22(e)(6)(i).

[38] *Id.*

[39] 17 CFR 240.17Ad–22(e)(6)(iii).

[40] *Id.*

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 33606; 812–14998]

New Age Alpha Advisors, LLC and New Age Alpha Trust

August 21, 2019.

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Notice.

Notice of an application for an order under section 6(c) of the Investment

Company Act of 1940 (the ''Act'') for an exemption from sections 2(a)(32), 5(a)(1), 22(d), and 22(e) of the Act and rule 22c–1 under the Act, under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and 17(a)(2) of the Act, and under section 12(d)(1)(J) for an exemption from sections 12(d)(1)(A) and 12(d)(1)(B) of the Act. The requested order would permit (a) index-based series of certain open-end management investment companies (''Funds'') to issue shares redeemable in large aggregations (''Creation Units''); (b) secondary market transactions in Fund shares to occur at negotiated market prices rather than at net asset value (''NAV''); (c) certain Funds to pay redemption proceeds, under certain circumstances, more than seven days after the tender of shares for redemption; (d) certain affiliated persons of a Fund to deposit securities into, and receive securities from, the Fund in connection with the purchase and redemption of Creation Units; and (e) certain registered management investment companies and unit investment trusts outside of the same group of investment companies as the Funds (''Funds of Funds'') to acquire shares of the Funds.

APPLICANTS: New Age Alpha Advisors, LLC (the ''Initial Adviser''), a Delaware limited liability company registered as an investment adviser under the Investment Advisers Act of 1940 and New Age Alpha Trust (the ''Trust''), a Delaware statutory trust that intends to register under the Act as an open-end management investment company.

FILING DATES: The application was filed on January 14, 2019 and amended on June 27, 2019.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on September 16, 2019, and should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Pursuant to rule 0–5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090; Applicants: New Age Alpha Advisors, LLC, New Age Alpha Trust, 411 Theodore Fremd Ave., Suite 206 South, Rye, New York 10580.

FOR FURTHER INFORMATION CONTACT: Deepak Pai, Senior Counsel, at (202) 551–6876, or Trace W. Rakestraw, Branch Chief, at (202) 551–6821 (Division of Investment Management, Chief Counsel's Office).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained via the Commission's website by searching for the file number, or for an applicant using the Company name box, at *http://www.sec.gov/search/search.htm* or by calling (202) 551–8090.

Summary of the Application

1. Applicants request an order that would allow Funds to operate as index exchange traded funds (''ETFs'').[1] Fund shares will be purchased and redeemed at their NAV in Creation Units. All orders to purchase Creation Units and all redemption requests will be placed by or through an ''Authorized Participant,'' which will have signed a participant agreement with the Distributor. Shares will be listed and traded individually on a national securities exchange, where share prices will be based on the current bid/offer market. Any order granting the requested relief would be subject to the terms and conditions stated in the application.

2. Each Fund will hold investment positions selected to correspond closely to the performance of an Underlying Index. In the case of Self-Indexing Funds, an affiliated person, as defined in section 2(a)(3) of the Act (''Affiliated Person''), or an affiliated person of an Affiliated Person (''Second-Tier Affiliate''), of the Trust or a Fund, of the Adviser, of any sub-adviser to or promoter of a Fund, or of the Distributor will create the Underlying Index.[2]

3. Shares will be purchased and redeemed in Creation Units and generally on an in-kind basis. Except where the purchase or redemption will include cash under the limited circumstances specified in the application, purchasers will be required to purchase Creation Units by depositing specified instruments (''Deposit Instruments''), and shareholders redeeming their shares will receive specified instruments (''Redemption Instruments''). The Deposit Instruments and the Redemption Instruments will each correspond pro rata to the positions in the Fund's portfolio (including cash positions) except as specified in the application.

4. Because shares will not be individually redeemable, applicants request an exemption from section 5(a)(1) and section 2(a)(32) of the Act that would permit the Funds to register as open-end management investment companies and issue shares that are redeemable in Creation Units.

5. Applicants also request an exemption from section 22(d) of the Act and rule 22c–1 under the Act as secondary market trading in shares will take place at negotiated prices, not at a current offering price described in a Fund's prospectus, and not at a price based on NAV. Applicants state that (a) secondary market trading in shares does not involve a Fund as a party and will not result in dilution of an investment in shares, and (b) to the extent different prices exist during a given trading day, or from day to day, such variances occur as a result of third-party market forces, such as supply and demand. Therefore, applicants assert that secondary market transactions in shares will not lead to discrimination or preferential treatment among purchasers. Finally, applicants represent that share market prices will be disciplined by arbitrage opportunities, which should prevent shares from trading at a material discount or premium from NAV.

6. With respect to Funds that effect creations and redemptions of Creation Units in kind and that are based on certain Underlying Indexes that include foreign securities, applicants request relief from the requirement imposed by section 22(e) in order to allow such

[1] Applicants request that the order apply to any series of the Trust and any other open-end management investment company or series thereof (''Funds''), each of which will operate as an ETF, and will track a specified index comprised of domestic and/or foreign equity securities and/or domestic and/or foreign fixed income securities (each, an ''Underlying Index''). Any Fund will (a) be advised by the Initial Adviser or an entity controlling, controlled by, or under common control with the Initial Adviser (each such entity and any successor thereto, an ''Adviser'') and (b) comply with the terms and conditions of the application. For purposes of the requested order, a ''successor'' is limited to an entity or entities that result from a reorganization into another jurisdiction or a change in the type of business organization.

[2] Each Self-Indexing Fund will post on its website the identities and quantities of the investment positions that will form the basis for the Fund's calculation of its NAV at the end of the day. Applicants believe that requiring Self-Indexing Funds to maintain full portfolio transparency will help address, together with other protections, conflicts of interest with respect to such Funds.

Funds to pay redemption proceeds within fifteen calendar days following the tender of Creation Units for redemption. Applicants assert that the requested relief would not be inconsistent with the spirit and intent of section 22(e) to prevent unreasonable, undisclosed or unforeseen delays in the actual payment of redemption proceeds.

7. Applicants request an exemption to permit Funds of Funds to acquire Fund shares beyond the limits of section 12(d)(1)(A) of the Act; and the Funds, and any principal underwriter for the Funds, and/or any broker or dealer registered under the Exchange Act, to sell shares to Funds of Funds beyond the limits of section 12(d)(1)(B) of the Act. The application's terms and conditions are designed to, among other things, help prevent any potential (i) undue influence over a Fund through control or voting power, or in connection with certain services, transactions, and underwritings, (ii) excessive layering of fees, and (iii) overly complex fund structures, which are the concerns underlying the limits in sections 12(d)(1)(A) and (B) of the Act.

8. Applicants request an exemption from sections 17(a)(1) and 17(a)(2) of the Act to permit persons that are Affiliated Persons, or Second Tier Affiliates, of the Funds, solely by virtue of certain ownership interests, to effectuate purchases and redemptions in-kind. The deposit procedures for in-kind purchases of Creation Units and the redemption procedures for in-kind redemptions of Creation Units will be the same for all purchases and redemptions, and Deposit Instruments and Redemption Instruments will be valued in the same manner as those investment positions currently held by the Funds. Applicants also seek relief from the prohibitions on affiliated transactions in section 17(a) to permit a Fund to sell its shares to and redeem its shares from a Fund of Funds, and to engage in the accompanying in-kind transactions with the Fund of Funds.[3] The purchase of Creation Units by a Fund of Funds directly from a Fund will be accomplished in accordance with the policies of the Fund of Funds and will be based on the NAVs of the Funds.

9. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

For the Commission, by the Division of Investment Management, under delegated authority.

Jill M. Peterson,

Assistant Secretary.

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BILLING CODE 8011–01–P

[3] The requested relief would apply to direct sales of shares in Creation Units by a Fund to a Fund of Funds and redemptions of those shares. Applicants, moreover, are not seeking relief from section 17(a) for, and the requested relief will not apply to, transactions where a Fund could be deemed an Affiliated Person, or a Second-Tier Affiliate, of a Fund of Funds because an Adviser or an entity controlling, controlled by or under common control with an Adviser provides investment advisory services to that Fund of Funds.

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86709; File No. SR–NYSECHX–2019–08]

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing of Proposed Rule Change for Trading Rules To Support the Transition of Trading to the Pillar Trading Platform

August 20, 2019.

Pursuant to Section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the ''Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on August 6, 2019, the NYSE Chicago, Inc. (''NYSE Chicago'' or the ''Exchange'') filed with the Securities and Exchange Commission (the ''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 solicit comments on the proposed rule change from interested persons.

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

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to trading rules to support the transition of trading to the Pillar trading platform. The proposed change is available on the Exchange's website at *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 trading rules to support the transition of its trading platform to Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by the Exchange and its affiliates, NYSE Arca, Inc. (''NYSE Arca''), NYSE American, LLC (''NYSE American''), NYSE National, Inc. (''NYSE National''), and New York Stock Exchange LLC (''NYSE'') (the ''Affiliated Exchanges'').

Subject to rule approvals, the Exchange anticipates that it will transition trading to Pillar in the fourth quarter 2019.[4]

1. Background

In July 2018, the Exchange and its direct parent company were acquired by NYSE Group, Inc. (''Transaction'').[5] As

[4] The Exchange has announced that, subject to rule approvals, the Exchange will transition to trading on Pillar on November 4, 2019. *See* Trader Update, available here: *https://www.nyse.com/publicdocs/nyse/markets/nyse-chicago/NYSE_Chicago_Migration.pdf.*

[5] *See* Exchange Act Release No. 83635 (July 13, 2018), 83 FR 34182 (July 19, 2018) (SR–CHX–2018–004); *see also* Exchange Act Release No. 83303 (May 22, 2018), 83 FR 24517 (May 29, 2018) (SR–CHX–2018–004).