

*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) of the Act<sup>11</sup> and Rule 19b-4(f)(2)<sup>12</sup> thereunder. 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-EDGA-2011-36 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-EDGA-2011-36. 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 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; 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-EDGA-2011-36 and should be submitted on or before December 1, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-65683; File No. SR-EDGX-2011-34]**

**Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGX Exchange, Inc. Fee Schedule**

November 4, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 31, 2011, the EDGX Exchange, Inc. (the "Exchange" or the "EDGX") 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 solicit comments on the proposed rule change from interested persons.

<sup>1</sup> 17 CFR 200.30-3(a)(12).

<sup>2</sup> 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 amend its fees and rebates applicable to Members<sup>3</sup> of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet Web site at <http://www.directedge.com>.

**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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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*

**Purpose**

The Exchange proposes to decrease the charge assessed for a Directed Intermarket Sweep Order<sup>4</sup> ("Directed ISO") from \$0.0033 per share to \$0.0032 per share, which is reflected in Flag S of the Exchange's fee schedule.

The Exchange proposes to correct an administrative error by appending footnote 1 to the H Flag on the Exchange's fee schedule. The H flag was added on October 1, 2011,<sup>5</sup> and is another flag that adds liquidity on EDGX. Currently, the flags that add liquidity on EDGX and count towards the tiers identified in footnote 1 are B, V, Y, 3, 4, and MM.

The Exchange proposes to implement these amendments to its fee schedule on November 1, 2011.

**Basis**

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Exchange Act,<sup>6</sup> in general, and furthers

<sup>3</sup> A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

<sup>4</sup> See Exchange Rule 11.5(d)(2).

<sup>5</sup> See Securities Exchange Act Release No. 65541 (October 12, 2011), 76 FR 64409 (October 18, 2011) (SR-EDGX-2011-31).

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

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 19b-4(f)(2).

the objectives of Section 6(b)(4),<sup>7</sup> in particular, as 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 decrease in the rate for Directed ISOs from \$0.0033 per share to \$0.0032 per share represents an equitable allocation of reasonable dues, fees, and other charges. The Exchange believes that this decreased fee to Members would provide an incentive for Members to provide liquidity that supports the quality of price discovery and promotes market transparency. Such increased volume also increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of a lower fee. The fee is reasonable when compared to other market centers' fees for Directed ISOs, including, BATS that charges a fee of \$0.0033 per share and NASDAQ that charges a fee of \$0.0035 per share for routing Directed ISOs.<sup>8</sup> The Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

The Exchange proposes to correct an administrative error by appending footnote 1 to the H Flag on the Exchange's fee schedule. The H flag was added on October 1, 2011, and is another flag that adds liquidity on EDGX and counts towards the tiers identified in footnote 1. The Exchange believes that providing discounts for adding liquidity to the Exchange would incent liquidity. In addition, such increased volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of a higher rebate. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such

as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. In addition, by correcting this administrative error, the Exchange adds additional transparency to its fee schedule for Members.

The Exchange also notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

The proposed rule change does not 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*

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) of the Act<sup>9</sup> and Rule 19b-4(f)(2)<sup>10</sup> thereunder. 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-EDGX-2011-34 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-EDGX-2011-34. 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 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; 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-EDGX-2011-34 and should be submitted on or before December 1, 2011.

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

<sup>8</sup> See [http://www.batstrading.com/resources/regulation/rule\\_book/BZX\\_FeeSchedule.pdf](http://www.batstrading.com/resources/regulation/rule_book/BZX_FeeSchedule.pdf). See also <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 19b-4(f)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65699; File No. SR-ICC-2011-03]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing of Proposed Rule Change to Adopt ICC's Enhanced Margin Methodology (the "Decomp Model")

November 7, 2011.

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 November 4, 2011, ICE Clear Credit LLC ("ICC") 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 primarily by ICC. 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 ICC Decomp Model includes the following enhancements to the ICC margin methodology for Credit Default Swap ("CDS") Indices: replacing standard deviation with Mean Absolute deviation ("MAD") as a measure of spread volatility, use of an auto regressive process to obtain multi-horizon risk measures, expansion of spread response scenarios, introduction of liquidity requirements, and base concentration charges.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICC 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. ICC has prepared summaries, set forth in sections (A), (B),

and (C) below, of the most significant aspects of these statements.<sup>3</sup>

#### (A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The enhancements effected by this proposed rule change have been reviewed and/or recommended by the ICC Risk Working Group, ICC Risk Committee, ICC Board of Managers, an independent third-party risk expert (Finance Concepts), the Federal Reserve Bank of New York and the New York State Banking Department. Implementation of these enhancements to the ICC risk methodology will result in a better measurement of the risk associated with clearing CDS Indices.

A fundamental aspect of the Decomp Model is the recognition that the CDS Indices cleared by ICC are essentially a composition of specific Single Name CDS instruments. As a result of the decomposition of the CDS Indices, ICC will be able to (1) incorporate jump-to-default risk as a component of the risk margin associated with CDS Indices and (2) provide appropriate portfolio margin treatment between CDS Indices and offsetting CDS Single Name positions.

Incorporating jump-to-default risk as a component of the Decomp Model will result in a better measurement of the risk associated with clearing CDS Indices.

Recognizing the highly correlated relationship between long-short positions in CDS Indices and the underlying CDS Single Name constituents of the CDS Indices will provide for fundamental and appropriate portfolio margin treatment. To date, ICC has not offered such fundamental and appropriate portfolio margin treatment strictly for operational reasons. However, on or about December 12, 2011, ICC will be operationally ready to offer such portfolio margining treatment with respect to its clearing participants' proprietary positions.

As noted above, the proposed change in the ICC margin methodology will provide appropriate portfolio margining treatment only with respect to ICC clearing participants' proprietary positions. The portfolio margining treatment will only be available to ICC clearing participants' proprietary positions because ICC does not currently clear CDS Single Names for customer-related transactions.

Accordingly, currently, there are no customer-related positions that would

qualify for portfolio margining treatment. ICC does not believe that the fact that the portfolio margining element of the proposed Decomp Model will apply only to a Clearing Participant's proprietary account raises an issue of unfair discrimination. Importantly, the portfolio margining aspect of the Decomp Model does not unfairly discriminate with respect to similarly situated participants because it is available to any participant for whom ICC is currently able to provide portfolio margin treatment. Again, ICC does not currently offer clearing in CDS Single Names for customer-related transactions. In the event that ICC makes CDS Single Name clearing available for customer-related transactions and provided that the SEC and CFTC grant the requisite approval as discussed below, ICC will offer portfolio margining with respect to customer-related transactions. The proposed rule amendments are not designed to permit unfair discrimination among participants in the use of ICC's clearing services. ICC is not discriminating among proprietary participants or among customers. Proprietary accounts are not subject to the SEC's customer protection rules and thus are not subject to the same restrictions that the SEC has imposed on customer accounts. Specifically, ICC clears proprietary CDS Index and CDS Single Name positions in the same commingled house account origin. Whereas, as customer-related positions in CDS Indices and CDS Single Names must be maintained, as a matter of law, in separate accounts. Thus, ICC is unable to commingle and portfolio margin customer-related CDS Index and CDS Single Name positions without the SEC's and CFTC's approval of ICC's pending petitions.

On or about November 7, 2011, ICC formally filed with the SEC a petition to provide portfolio margining treatment for customer-related positions (the "Customer-related Portfolio Margining Request") in anticipation of ICC offering clearing of CDS Single Names for customer-related transactions in the future. The Customer-related Portfolio Margining Request is posted on the ICC Web site and will be posted on the SEC's Web site.<sup>4</sup> In short, the Customer-related Portfolio Margining Request, if granted by the SEC, would provide all customers with the same portfolio margining treatment that is being

<sup>4</sup> Available at: [https://www.theice.com/publicdocs/globalmarketfacts/docs/legislativecomments/ICC\\_Ccommingling\\_PportfolioMargining\\_Petitions.pdf](https://www.theice.com/publicdocs/globalmarketfacts/docs/legislativecomments/ICC_Ccommingling_PportfolioMargining_Petitions.pdf). The petition also will be available on the Commission's public Web site at: <http://www.sec.gov/rules/petitions.shtml>.

<sup>11</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.

<sup>3</sup> The Commission has modified the text of the summaries prepared by ICC.