

the operation of the Program through the same date.<sup>6</sup> In its request to extend the exemption, the Exchange notes that the participation in the Program has increased more recently with additional Retail Liquidity Providers. Accordingly, the Exchange has asked for additional time to both allow for additional opportunities for greater participation in the Program and allow for further assessment of the results of such participation. For this reason and the reasons stated in the Order originally granting the limited exemptions, the Commission finds that extending the exemption, pursuant to its authority under Rule 612(c) of Regulation NMS, is appropriate in the public interest and consistent with the protection of investors.

Therefore, it is hereby ordered that, pursuant to Rule 612(c) of Regulation NMS, the Exchange is granted a limited exemption from Rule 612 of Regulation NMS that allows it to accept and rank orders priced equal to or greater than \$1.00 per share in increments of \$0.001, in connection with the operation of its Retail Liquidity Program, until December 31, 2018.

The limited and temporary exemption extended by this Order is subject to modification or revocation if at any time the Commission determines that such action is necessary or appropriate in furtherance of the purposes of the Securities Exchange Act of 1934. Responsibility for compliance with any applicable provisions of the Federal securities laws must rest with the persons relying on the exemptions that are the subject of this Order.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

[FR Doc. 2018-14283 Filed 7-2-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83529; File No. SR-OCC-2018-802]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Advance Notice of and No Objection to The Options Clearing Corporation's Proposal To Enter Into a New Credit Facility Agreement

June 27, 2018.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street

Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i)<sup>2</sup> under the Securities Exchange Act of 1934 ("Act"),<sup>3</sup> notice is hereby given that on May 25, 2018, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") an advance notice as described in Items I, II and III below, which Items have been prepared by OCC. On June 26, 2018, OCC filed Amendment No. 1 to the advance notice.<sup>4</sup> The Commission is publishing this notice to solicit comments on the advance notice from interested persons, and to provide notice that the Commission does not object to the changes set forth in the advance notice.

#### I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

This advance notice is filed in connection with a proposed change to its operations in the form of the replacement of a revolving credit facility that OCC maintains for a 364-day term and that it may use (i) in anticipation of a potential default by or suspension of a Clearing Member, (ii) to meet obligations arising out of the default or suspension of a Clearing Member, (iii) to meet reasonably anticipated liquidity needs for same-day settlement as a result of the failure of any bank or securities or commodities clearing organization to achieve daily settlement, or (iv) to meet obligations arising out of the failure of a bank or securities or commodities clearing organization to perform its obligations due to its bankruptcy, insolvency, receivership or suspension of operations.

All terms with initial capitalization not defined herein have the same meaning as set forth in OCC's By-Laws and Rules.<sup>5</sup>

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the advance

notice and discussed any comments it received on the advance notice. 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 and B below, of the most significant aspects of these statements.

#### (A) Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received. OCC will notify the Commission of any written comments received by OCC.

#### (B) Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing, and Settlement Supervision Act

##### Description of the Proposed Change Background

This advance notice is being filed in connection with a proposed change in the form of the replacement of a revolving credit facility that OCC maintains for a 364-day term and that it may use (i) in anticipation of a potential default by or suspension of a Clearing Member, (ii) to meet obligations arising out of the default or suspension of a Clearing Member, (iii) to meet reasonably anticipated liquidity needs for same-day settlement as a result of the failure of any bank or securities or commodities clearing organization to achieve daily settlement, or (iv) to meet obligations arising out of the failure of a bank or securities or commodities clearing organization to perform its obligations due to its bankruptcy, insolvency, receivership or suspension of operations ("Permitted Use Circumstances"). In any such Permitted Use Circumstance, OCC has certain conditional authority under its By-Laws and Rules to borrow or otherwise obtain funds from third parties using Clearing Member margin deposits and/or Clearing Fund contributions.<sup>6</sup>

OCC's existing credit facility ("Existing Facility") was implemented as of June 30, 2017, through the execution of a credit agreement among OCC, the administrative agent, collateral agent and the lenders that are parties to the agreement from time to time. The Existing Facility provides short-term secured borrowings in an aggregate principal amount of \$2 billion but may be increased to \$3 billion if OCC so requests and sufficient commitments

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

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

<sup>3</sup> 15 U.S.C. 78a *et seq.*

<sup>4</sup> Amendment No. 1 replaced and superseded the Initial Filing in its entirety. The only substantive change in Amendment No. 1 was to remove OCC's proposal to establish certain "evergreen" provisions for future renewals of its revolving credit facility. Amendment No. 1 did not change the purpose, basis, or terms of the proposed renewal.

<sup>5</sup> OCC's By-Laws and Rules can be found on OCC's public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

<sup>6</sup> See generally Article VIII, Sections 5(a), (b) and (e) of OCC's By-Laws; Interpretation and Policy .06 to Article VIII, Section 5; OCC Rules 1102 and 1104(b).

<sup>6</sup> See SR-NYSEArca-2018-46.

<sup>7</sup> 17 CFR 200.30-3(a)(83).

from lenders are received and accepted. To obtain a loan under the Existing Facility, OCC must pledge as collateral U.S. dollars, securities issued or guaranteed by the U.S. Government or the Government of Canada, Standard & Poor's 500 Market Index equities, Exchange-Traded Funds ("ETFs"), American Depositary Receipts ("ADRs") or certain government-sponsored enterprise debt securities. Certain mandatory prepayments or deposits of additional collateral are required depending on changes in the collateral's market value. In connection with OCC's past implementation of the Existing Facility, OCC filed an advance notice with the Commission on May 4, 2017, and the Commission published a Notice of No-Objection on June 30, 2017.<sup>7</sup>

#### Description of the Proposal

*Renewal.* The Existing Facility is set to expire on June 29, 2018. OCC is currently negotiating the terms of a new credit facility ("New Facility") on substantially similar terms as the Existing Facility, and the definitive documentation concerning the New Facility is expected to be substantially similar to the definitive documentation concerning the Existing Facility. The proposed terms and conditions that are expected to be applicable to the New Facility, subject to agreement by the lenders, are set forth in the Summary of Terms and Conditions, which is not a public document.<sup>8</sup>

Certain administrative changes are presently expected in connection with the New Facility that include representations, warranties and covenants related to applicable regulations and the provision of information by OCC in certain circumstances to the lenders and administrative agent in connection with regulatory requirements, such as "know your customer" and anti-money-laundering regulations. The conditions regarding the availability of the New Facility, which OCC anticipates will be satisfied on or about June 28, 2018, include the execution and delivery of (i) a credit agreement between OCC and the administrative agent, collateral agent and various lenders under the New Facility, (ii) a pledge agreement between OCC and the administrative agent or collateral agent, and (iii) such other documents as may be required by the parties. The definitive documentation

concerning the New Facility is expected to be consistent with the Summary of Terms and Conditions that is provided as Exhibit 3, although it may include certain changes to business terms as may be necessary to obtain the agreement of lenders with sufficient funding commitments and certain changes as may be necessary regarding administrative and operational terms being finalized between the parties.

#### Anticipated Effect on and Management of Risk

Completing timely settlement is a key aspect of OCC's role as a clearing agency performing central counterparty services. Overall, the New Facility would continue to promote the reduction of risks to OCC, its Clearing Members and the options market in general because it would allow OCC to obtain short-term funds in the Permitted Use Circumstances. The existence of the New Facility would therefore help OCC minimize losses in the event of a Permitted Use Circumstance by allowing it to obtain funds on extremely short notice to ensure clearance and settlement of transactions in options and other contracts without interruption. OCC believes that the reduced settlement risk presented by OCC resulting from the New Facility would correspondingly reduce systemic risk and promote the safety and soundness of the clearing system. By drawing on the New Facility, OCC would also be able to avoid liquidating margin deposits or Clearing Fund contributions in what would likely be volatile market conditions, which would preserve funds available to cover any losses resulting from the failure of a Clearing Member, bank or other clearing organization.

#### Consistency With the Payment, Clearing and Settlement Supervision Act

The stated purpose of the Clearing Supervision Act is to mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities and strengthening the liquidity of systemically important financial market utilities.<sup>9</sup> Section 805(a)(2) of the Clearing Supervision Act<sup>10</sup> also authorizes the Commission to prescribe risk management standards for the payment, clearing and settlement activities of designated clearing entities, like OCC, for which the Commission is the supervisory agency. Section 805(b)

of the Clearing Supervision Act<sup>11</sup> states that the objectives and principles for risk management standards prescribed under Section 805(a) shall be to:

- Promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.

The Commission has adopted risk management standards under Section 805(a)(2) of the Clearing Supervision Act and the Act in furtherance of these objectives and principles.<sup>12</sup> Rule 17Ad-22 requires registered clearing agencies, like OCC, to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.<sup>13</sup> Therefore, the Commission has stated<sup>14</sup> that it believes it is appropriate to review changes proposed in advance notices against Rule 17Ad-22 and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act.<sup>15</sup>

OCC believes that the proposed changes are consistent with Section 805(b)(1) of the Clearing Supervision Act<sup>16</sup> because the New Facility would provide OCC with continued access to a stable and reliable source of committed liquidity that can be accessed in a timely manner to meet its settlement obligations, contain losses and liquidity pressures and mitigate OCC's liquidity risk. Accordingly, OCC believes the proposed changes are designed to (i) promote robust risk management; (ii) promote safety and soundness; and (iii) reduce systemic risks and promote the stability of the broader financial system.

OCC believes that New Facility also is consistent with the requirements of Rule 17Ad-22(e)(7) under the Act.<sup>17</sup> Rule 17Ad-22(e)(7) requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risk that arises in or is borne by OCC, including measuring, monitoring, and managing its settlement and funding

<sup>11</sup> 12 U.S.C. 5464(b).

<sup>12</sup> 17 CFR 240.17Ad-22. See Securities Exchange Act Release Nos. 68080 (October 22, 2012), 77 FR 66220 (November 2, 2012) (S7-08-11) ("Clearing Agency Standards"); 78961 (September 28, 2016), 81 FR 70786 (October 13, 2016) (S7-03-14) ("Standards for Covered Clearing Agencies").

<sup>13</sup> 17 CFR 240.17Ad-22.

<sup>14</sup> See *supra* note 6.

<sup>15</sup> 12 U.S.C. 5464(b).

<sup>16</sup> 12 U.S.C. 5464(b)(1).

<sup>17</sup> 17 CFR 240.17Ad-22(e)(7).

<sup>7</sup> See Securities Exchange Act Release No. 81058 (June 30, 2017), 82 FR 31370 (July 6, 2017) (SR-OCC-2017-803).

<sup>8</sup> OCC has separately submitted a request for confidential treatment to the Commission regarding the Summary of Terms and Conditions, which is included in this filing as Exhibit 3.

<sup>9</sup> 12 U.S.C. 5461(b).

<sup>10</sup> 12 U.S.C. 5464(a)(2).

flows on an ongoing and timely basis, and its use of intraday liquidity, as specified in the rule.<sup>18</sup>

In particular, Rule 17Ad–22(e)(7)(i) under the Act<sup>19</sup> directs that OCC meet this obligation by, among other things, “[m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day . . . settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for [OCC] in extreme but plausible market conditions.”

As described above, the New Facility would provide OCC with a readily available liquidity resource that would enable it to, among other things, continue to meet its obligations in a timely fashion in a Permitted Use Circumstance and as an alternative to selling Clearing Member collateral under what may be stressed and volatile market conditions. For these reasons, OCC believes that the proposal is consistent with Rule 17Ad–22(e)(7)(i).<sup>20</sup>

Rule 17Ad–22(e)(7)(ii) under the Act requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to hold qualifying liquid resources sufficient to satisfy payment obligations owed to Clearing Members.<sup>21</sup> Rule 17Ad–22(a)(14) of the Act defines “qualifying liquid resources” to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash.<sup>22</sup> As with the Existing Facility, the New Facility would not be subject to any material adverse change provision and would continue to be designed to permit OCC to, among other things, help ensure that OCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest Clearing Member Group. Therefore, OCC believes that the proposal is consistent with Rule 17Ad–22(e)(7)(ii).<sup>23</sup>

For the foregoing reasons, OCC believes that the proposed changes are consistent with Section 805(b)(1) of the Clearing Supervision Act<sup>24</sup> and Rule 17Ad–22(e)(7)<sup>25</sup> under the Act.

#### Accelerated Commission Action Requested

Pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,<sup>26</sup> OCC requests that the Commission notify OCC that it has no objection to the New Facility not later than Tuesday, June 26, 2018, which is two business days prior to the expected June 28, 2018, availability of the New Facility. OCC requests Commission action by this date to ensure that there is no period that OCC operates without this essential liquidity resource, given its importance to OCC’s borrowing capacity in connection with its management of liquidity and settlement risk and timely completion of clearance and settlement.

#### III. Date of Effectiveness of the Advance Notice and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date the proposed change was filed with the Commission or (ii) the date any additional information requested by the Commission is received. OCC shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

OCC shall post notice on its website of proposed changes that are implemented. The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the advance notice is consistent with the Clearing Supervision 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–OCC–2018–802 on the subject line.

#### Paper Comments

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

All submissions should refer to File Number SR–OCC–2018–802. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the advance notice that are filed with the Commission, and all written communications relating to the advance notice 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 website 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 OCC and on OCC’s website at <https://www.theocc.com/about/publications/bylaws.jsp>.

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–2018–802 and should be submitted on or before July 24, 2018.

#### V. Commission Findings and Notice of No Objection

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, its stated purpose is instructive: To mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities and strengthening the liquidity

<sup>18</sup> *Id.*

<sup>19</sup> 17 CFR 240.17Ad–22(e)(7)(i).

<sup>20</sup> *Id.*

<sup>21</sup> 17 CFR 240.17Ad–22(e)(7)(ii).

<sup>22</sup> 17 CFR 240.17Ad–22(a)(14).

<sup>23</sup> 17 CFR 240.17Ad–22(e)(7)(ii).

<sup>24</sup> 12 U.S.C. 5464(b)(1).

<sup>25</sup> 17 CFR 240.17Ad–22(e)(7).

<sup>26</sup> 12 U.S.C. 5465(e)(1)(I).

of systemically important financial market utilities.<sup>27</sup> Section 805(a)(2) of the Clearing Supervision Act authorizes the Commission to prescribe risk management standards for the payment, clearing, and settlement activities of designated clearing entities and financial institutions engaged in designated activities for which it is the supervisory agency or the appropriate financial regulator.<sup>28</sup> Section 805(b) of the Clearing Supervision Act<sup>29</sup> states that the objectives and principles for the risk management standards prescribed under Section 805(a) shall be to:

- Promote robust risk management;
- promote safety and soundness;
- reduce systemic risks; and
- support the stability of the broader financial system.<sup>30</sup>

The Commission has adopted risk management standards under Section 805(a)(2) of the Clearing Supervision Act<sup>31</sup> and Section 17A of the Act (“Rule 17Ad–22”).<sup>32</sup> Rule 17Ad–22 requires registered clearing agencies to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for their operations and risk management practices on an ongoing basis.<sup>33</sup> Therefore, it is appropriate for the Commission to review changes proposed in advance notices against Rule 17Ad–22 and the objectives and principles of the risk management standards described in Section 805(b) of the Clearing Supervision Act.<sup>34</sup> As discussed below, the Commission believes that the proposal in this advance notice is consistent with the objectives and principles described in Section 805(b) of the Clearing Supervision Act,<sup>35</sup> and in Rule 17Ad–22 under the Act, particularly Rule 17Ad–22(e)(7).<sup>36</sup>

#### *A. Consistency With Section 805(b) of the Clearing Supervision Act*

The Commission believes that the changes proposed in the advance notice are consistent with Section 805(b) of the Clearing Supervision Act because they: (i) Promote robust risk management; (ii) are consistent with promoting safety and soundness; and (iii) are consistent with reducing systemic risks and

promoting the stability of the broader financial system.

The Commission believes that the changes proposed in the advance notice are consistent with promoting robust risk management, in particular management of liquidity risk presented to OCC. Renewing and maintaining a credit facility for this purpose and in the manner proposed by OCC would diversify the liquidity resources that OCC may use to resolve a Member default. As such, the Commission believes that the proposal would promote robust risk management practices at OCC, consistent with Section 805(b) of the Clearing Supervision Act.<sup>37</sup>

The Commission also believes that the changes proposed in the advance notice are consistent with promoting safety and soundness. As described above, the currently proposed credit facility would provide OCC with an additional liquidity resource in the event of a Member default. This liquidity would promote safety and soundness for Members because it would provide OCC with a readily available liquidity resource that would enable OCC to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. As such, the Commission believes it is consistent with promoting safety and soundness as contemplated in Section 805(b) of the Clearing Supervision Act.<sup>38</sup>

In addition, the Commission believes that the proposal contained in the advance notice is consistent with reducing systemic risks and promoting the stability of the broader financial system. As mentioned above, allowing OCC to enter into the currently proposed credit facility would enable OCC, which has been designated a systemically important FMU,<sup>39</sup> to maintain an additional liquidity resource that OCC may access to help manage a Member default and avoid a gap in availability of this liquidity resource. Accordingly, the Commission believes that the proposal would help to reduce the systemic risk of OCC, which in turn would help to support the stability of the broader financial system, consistent with Section 805(b) of the Clearing Supervision Act.<sup>40</sup>

#### *B. Consistency With Rule 17Ad–22(e)(7)*

The Commission believes that the proposed changes associated with the New Facility are consistent with the requirements of Rule 17Ad–22(e)(7) under the Act.<sup>41</sup> This rule requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to “effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity.”<sup>42</sup>

In particular, Rule 17Ad–22(e)(7)(i) directs that a covered clearing agency meet this obligation by, among other things, “[m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day . . . settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible conditions.”<sup>43</sup>

The Commission believes that the changes proposed by the advance notice are consistent with the requirements of Rules 17Ad–22(e)(7) under the Act.<sup>44</sup> Rule 17Ad–22(e)(7) requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage liquidity risk that arises in or is borne by OCC, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity, as specified in the rule.<sup>45</sup>

In particular, Rule 17Ad–22(e)(7)(i) under the Act<sup>46</sup> requires that registered clearing agencies establish, implement, maintain and enforce written policies and procedures reasonably designed to “effectively measure, monitor, and manage the liquidity risk that arises in or is borne by [it], including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by . . . [m]aintaining sufficient liquid resources at the minimum in all relevant currencies to effect same-day . . . settlement of

<sup>27</sup> 12 U.S.C. 5461(b).

<sup>28</sup> 12 U.S.C. 5464(a)(2).

<sup>29</sup> 12 U.S.C. 5464(b).

<sup>30</sup> *Id.*

<sup>31</sup> 12 U.S.C. 5464(a)(2).

<sup>32</sup> See 17 CFR 240.17Ad–22.

<sup>33</sup> *Id.*

<sup>34</sup> 12 U.S.C. 5464(b).

<sup>35</sup> *Id.*

<sup>36</sup> See 17 CFR 240.17Ad–22(e)(7).

<sup>37</sup> 12 U.S.C. 5464(b).

<sup>38</sup> *Id.*

<sup>39</sup> The Financial Stability Oversight Council designated OCC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>.

<sup>40</sup> *Id.*

<sup>41</sup> 17 CFR 240.17Ad–22(e)(7).

<sup>42</sup> *Id.*

<sup>43</sup> 17 CFR 240.17Ad–22(e)(7)(i).

<sup>44</sup> 17 CFR 240.17Ad–22(e)(7).

<sup>45</sup> *Id.*

<sup>46</sup> 17 CFR 240.17Ad–22(e)(7)(i).

payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment of obligation for the covered clearing agency in extreme but plausible conditions.”

As described above, the currently proposed credit facility would provide OCC with a readily available liquidity resource that would enable OCC to continue to meet its respective obligations in a timely fashion in the event of a Member default, thereby helping to contain losses and liquidity pressures from that default. Additionally, the currently proposed credit facility would allow OCC to avoid a gap in liquidity coverage and better allow OCC to continually maintain sufficient liquidity resources. Therefore, the Commission believes that the proposal is consistent with Rule 17Ad-22(e)(7)(i).

Rule 17Ad-22(e)(7)(ii) under the Act requires OCC to establish, implement, maintain and enforce written policies and procedures reasonably designed to hold qualifying liquid resources sufficient to satisfy payment obligations owed to clearing members.<sup>47</sup> Rule 17Ad-22(a)(14) of the Act defines “qualifying liquid resources” to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash.<sup>48</sup> As described above, the currently proposed credit facility would permit OCC to enter into a single credit facility designed to help ensure that OCC has sufficient, readily-available qualifying liquid resources to meet the cash settlement obligations of its largest family of affiliated members. Therefore, the Commission believes that the proposal is consistent with Rule 17Ad-22(e)(7)(ii).

## VI. Conclusion

*It is therefore noticed*, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission *does not object* to the advance notice SR-OCC-2018-802 and OCC can and hereby is *authorized* to implement the change as of the date of this notice.

By the Commission.

**Brent J. Fields,**  
*Secretary.*

[FR Doc. 2018-14233 Filed 7-2-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83535; File No. SR-BX-2018-024]

### Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate the Exchange’s Rules Pertaining to Co-Location and Direct Connectivity

June 28, 2018.

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 June 13, 2018, Nasdaq BX, Inc. (“BX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 relocate the Exchange’s rules pertaining to co-location and direct connectivity, which are presently at Rules 7034 and 7051, to Sections 1 and 2, respectively, under a new General 8 (“Connectivity”) heading within the Exchange’s new rulebook shell, entitled “General Equity and Options Rules.” The Exchange also proposes to correct an error in Rule 7051(b).

The text of the proposed rule change is available on the Exchange’s website at <http://nasdaqbx.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 Exchange proposes to relocate its rules governing co-location and direct connectivity services, which presently comprise Rules 7034 and 7051, respectively. The Exchange proposes to establish, within its new rulebook shell,<sup>3</sup> a new General 8 heading, entitled “Connectivity,” to renumber Rule 7034 as Section 1 thereunder, and to renumber Rule 7051 as Section 2 thereunder. The Exchange furthermore proposes to amend Rules 7011, 7025, 7030, and Options Rules Chapter XV to update cross references therein to Rules 7034 and 7051, as applicable. The Exchange also proposes to update internal cross-references in the renumbered Rules.

The Exchange considers it appropriate to relocate these Rules to better organize its Rulebook. The other Affiliated Exchanges intend to propose similar reorganizations of their co-location and direct connectivity rules so that these rules will be harmonized among all of the Affiliated Exchanges.

The relocation of the co-location and direct connectivity rules is part of the Exchange’s continued effort to promote efficiency and conformity of its processes with those of its Affiliated Exchanges. The Exchange believes that moving the co-location and direct connectivity rules to their new location will facilitate the use of the Rulebook by Members of the Exchange who are members of other Affiliated Exchanges.

In addition to the above, the Exchange proposes to correct an error in Rule 7051(b), entitled “Direct Circuit Connection to Third Party Services.” The Exchange recently amended Rule 7051 in an attempt to harmonize it with the corresponding rules of the other Affiliated Exchanges.<sup>4</sup> However, the Exchange recently discovered one remaining unintended discrepancy that it now proposes to remedy. The other Affiliated Exchanges waive installation and ongoing monthly fees for 10Gb Ultra and 1 GB Ultra direct circuit

<sup>3</sup> Recently, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges: The Nasdaq Stock Market, LLC; Nasdaq PHLX LLC; Nasdaq ISE, LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (together with BX, the “Affiliated Exchanges”). See Securities Exchange Act Release No. 82174 (November 29, 2017), 82 FR 57492 (December 5, 2017) (SR-BX-2017-054).

<sup>4</sup> See Securities Exchange Act Release No. 34-82628 (Feb. 5, 2018), 83 FR 5818 (Feb. 9, 2018) (SR-BX-2018-006).

<sup>47</sup> 17 CFR 240.17Ad-22(e)(7)(ii).

<sup>48</sup> 17 CFR 240.17Ad-22(a)(14).

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

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