

quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of exchange-traded product that invests principally in municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the IIV and quotation and last sale information for the Shares.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of exchange-traded product that invests principally in municipal securities and that will enhance competition among market participants, to the benefit of investors and the marketplace.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were solicited or received with respect to the proposed rule change.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEArca-2015-18 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-NYSEArca-2015-18. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange and on its Internet Web site at [www.nyse.com](http://www.nyse.com). 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-NYSEArca-2015-18, and should be submitted on or before May 7, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

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

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### **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-74713; File No. SR-OCC-2014-811]

#### **Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Amendment No. 2 to an Advance Notice Concerning the Monthly Resizing of the Clearing Fund and the Addition of Financial Resources**

April 10, 2015.

Pursuant to section 806(e)(1) of title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled the Payment, Clearing, and Settlement Supervision Act of 2010<sup>1</sup> ("Payment, Clearing and Settlement Supervision Act") and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act"),<sup>2</sup> notice is hereby given that on March 4, 2015, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") Amendment no. 2 to the advance notice ("Amendment No. 2") as described in Items I, II and III below, which Items have been prepared by OCC. On December 1, 2014, OCC originally filed the advance notice with the Commission. On December 16, 2014, OCC filed Amendment No.1 to the advance notice ("Amendment No. 1"), which amended and replaced, in its entirety, the advance notice as originally filed on December 1, 2014.<sup>3</sup> Amendment No. 1 to the advance notice was published for comment in the **Federal Register** on January 26, 2015.<sup>4</sup>

<sup>23</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> In Amendment No. 1, OCC amended the advance notice to include the Monthly Clearing Fund Sizing Procedure and the Financial Resource Monitoring and Call Procedure as exhibits to the filing, both defined hereinafter, as Exhibit 5A and Exhibit 5B, respectively. OCC has requested confidential treatment for Exhibit 5A, Exhibit 5B, and Exhibit 5C, referred to hereinafter, pursuant to Exchange Act Rule 24b-2.

<sup>4</sup> Securities Exchange Act Release No. 74091 (January 20, 2015), 80 FR 4001 (January 26, 2015) (File No. SR-OCC-2014-811). OCC also filed the proposal contained in the advance notice, and Amendment No. 1 thereto, as a proposed rule change, and subsequent amendment no. 1 thereto, under section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder. See Securities Exchange Act

The Commission did not receive any comments on Amendment No. 1 to the advance notice. Amendment No. 2 to the advance notice amends and replaces, in its entirety, Amendment No. 1 to the advance notice. The Commission is publishing this notice to solicit comments on Amendment No. 2 from interested persons.

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

This advance notice is filed by OCC in connection with OCC's proposal to establish procedures regarding the monthly resizing of its Clearing Fund and the addition of financial resources through intra-day margin calls and/or an intra-month increase of the Clearing Fund to ensure that it maintains adequate financial resources in the event of a default of a Clearing Member or group of affiliated Clearing Members presenting the largest exposure to OCC.

This Amendment No. 2 to SR-OCC-2014-811 (SR-OCC-2014-811 is hereinafter defined as the "Filing") amends and replaces in its entirety the Filing as originally submitted on December 1, 2014, and amended on December 16, 2014. The purpose of this Amendment No. 2 is to clarify the operation of a Margin Call Event in the period of time between the calculation of the next month's Clearing Fund Sizing and the collection of the funds pursuant to the Clearing Fund Sizing. Specifically, the amendment clarifies that: (i) Funds deposited by a clearing member pursuant to a Margin Call Event are considered in aggregate with other funds remaining on deposit with OCC by the same Clearing Member pursuant to a separate Margin Call Event within the same monthly period, as applicable; and (ii) funds deposited by a clearing member pursuant to a Margin Call Event(s) may not be withdrawn until OCC collects all funds to satisfy the next regular monthly Clearing Fund resizing. OCC is also proposing amendments that clarify the definition of "Financial Resources" within the Filing. A restated description of the purpose of the proposed rule change is below. In addition, conforming changes were made to Exhibit 5B, the Financial Resources Monitoring and Call Procedure, which is attached hereto. Further, OCC is proposing to add the Clearing Fund Intra-Month Re-Sizing Procedure, as Exhibit 5C to the Filing, through this Amendment No. 2. The

Clearing Fund Intra-Month Re-Sizing Procedure would provide additional clarity regarding the resizing process discussed above.

### **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 on the advance notice were not and are not intended to be solicited with respect to the advance notice and none have been received.

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

The proposed change would establish new procedures regarding the monthly resizing of the Clearing Fund and the addition of financial resources through intra-day margin calls and/or an intra-month increase of the Clearing Fund to ensure that OCC maintains adequate Financial Resources in the event of a default of a Clearing Member or group of affiliated Clearing Members presenting the largest exposure to OCC.

#### **Purpose of the Proposed Change**

The proposed change is intended to describe the situations in which OCC would exercise authority under its Rules to ensure that it maintains adequate Financial Resources<sup>5</sup> in the event that stress tests reveal a default of the Clearing Member or Clearing Member Group<sup>6</sup> presenting the largest exposure would threaten the then-current

<sup>5</sup> "Financial Resources" means, with respect to a projected loss attributable to a particular Clearing Member or Clearing Member Group, as defined below, the sum of the margin deposits (less any excess margin a Clearing Member or Clearing Member Group may have on deposit at OCC) and deposits in lieu of margin in respect of such Clearing Members' or Clearing Member Groups' accounts, and the value of OCC's Clearing Fund, including both the Base Amount, as defined below, and the prudential margin of safety, as discussed below.

<sup>6</sup> "Clearing Member Group" means a Clearing Member and any affiliated entities that control, are controlled by or are under common control with such Clearing Member. See OCC By-Laws, Article I, sections 1.C.(15) and 1.M.(11).

Financial Resources. This proposed change would establish procedures governing: (i) OCC's resizing of the Clearing Fund on a monthly basis pursuant to Rule 1001(a) (the "Monthly Clearing Fund Sizing Procedure"); and (ii) the addition of Financial Resources through an intra-day margin call on one or more Clearing Members under Rule 609 and, if necessary, an intra-month increase of the Clearing Fund pursuant to Rule 1001(a) (the "Financial Resource Monitoring and Call Procedure").<sup>7</sup> The Monthly Clearing Fund Sizing Procedure would permit OCC to determine the size of the Clearing Fund by relying on a broader range of sound risk management practices than those historically used under Rule 1001(a).<sup>8</sup> The Financial Resource Monitoring and Call Procedure would require OCC to collect additional Financial Resources in certain circumstances, establish how OCC calculates and collects such resources and provide the timing by which such resources would be required to be deposited by Clearing Members.

#### **Background**

OCC monitors the sufficiency of the Clearing Fund on a daily basis but, prior to emergency action taken on October 15, 2014,<sup>9</sup> OCC had no express authority to increase the size of the Clearing Fund on an intra-month basis.<sup>10</sup> During ordinary course daily monitoring on October 15, 2014, and as a result of increased volatility in the financial markets in October 2014, OCC determined that the Financial Resources needed to cover the potential loss associated with a default of the Clearing Member or Clearing Member Group presenting the largest exposure could

<sup>7</sup> This advance notice filing has also been filed as a proposed rule change (SR-OCC-2014-22).

<sup>8</sup> The procedures described herein would be in effect until the development of a new standard Clearing Fund sizing methodology. Following such development, which will include a quantitative approach to calculating the "prudential margin of safety," as discussed below, OCC will file a separate rule change and advance notice with the Commission that will include a description of the new methodology as well as a revised Monthly Clearing Fund Sizing Procedure.

<sup>9</sup> On October 16, 2014, OCC filed an emergency notice with the Commission to suspend the effectiveness of the second sentence of Rule 1001(a). See Securities Exchange Act Release No. 73579 (November 12, 2014), 79 FR 68747 (November 18, 2014) (SR-OCC-2014-807). On November 13, 2014, OCC filed SR-OCC-2014-21 with the Commission to delete the second sentence of Rule 1001(a), preserving the suspended effectiveness of that sentence until such time as the Commission approves or disapproves SR-OCC-2014-21. See Securities Exchange Act Release No. 73685 (November 25, 2014), 79 FR 71479 (December 2, 2014), (SR-OCC-2014-21).

<sup>10</sup> See OCC Rule 1001(a).

have exceeded the Financial Resources then available to apply to such a default.

To permit OCC to increase the size of its Clearing Fund prior to the next monthly resizing that was scheduled to take place on the first business day of November 2014, OCC's Executive Chairman, on October 15, 2014, exercised certain emergency powers as set forth in Article IX, section 14 of OCC's By-Laws<sup>11</sup> to waive the effectiveness of the second sentence of Rule 1001(a), which states that OCC will adjust the size of the Clearing Fund monthly and that any resizing will be based on data from the preceding month. OCC then filed an emergency notice with the Commission pursuant to section 806(e)(2) of the Payment, Clearing and Settlement Supervision Act of 2010<sup>12</sup> and increased the Clearing Fund size for the remainder of October 2014 as otherwise provided for in the first sentence of Rule 1001(a).<sup>13</sup>

Clearing Members were informed of the action taken by the Executive Chairman<sup>14</sup> and the amount of their additional Clearing Fund requirements, which were met without incident. As a result of these actions, OCC's Clearing Fund for October 2014 was increased by \$1.8 billion. In continued reliance on the emergency rule waiver and in accordance with the first sentence of Rule 1001(a), OCC set the November 2014 Clearing Fund size at \$7.8 billion, which included an amount determined by OCC to be sufficient to protect OCC against loss under simulated default scenarios (*i.e.*, \$6 billion), plus a prudential margin of safety (the additional \$1.8 billion collected in October).<sup>15</sup> All required contributions to the November 2014 Clearing Fund were met by affected Clearing Members.

Under Article IX, section 14(c), absent the submission of a proposed rule change to the Commission seeking

approval of OCC's waiver of the provisions of the second sentence of Rule 1001(a), such waiver would not be permitted to continue for more than thirty calendar days from the date thereof.<sup>16</sup> Accordingly, on November 13, 2014, OCC submitted SR-OCC-2014-21 to delete the second sentence of Rule 1001(a) and, by the terms of Article IX, section 14(c), preserve the suspended effectiveness of the second sentence of Rule 1001(a) beyond thirty calendar days.<sup>17</sup>

SR-OCC-2014-21 was submitted in part to permit OCC to determine the size of its Clearing Fund by relying on a broader range of sound risk management practices than considered in basing such size on the average daily calculations under Rule 1001(a) that are performed during the preceding calendar month. The Monthly Clearing Fund Sizing Procedure, as described below, is based on such broader risk management practices and establishes the procedures OCC would use to determine the size of the Clearing Fund on a monthly basis. Similarly, SR-OCC-2014-21 was submitted in part to permit OCC to resize the Clearing Fund more frequently than monthly when the circumstances warrant an increase of the Clearing Fund. The Financial Resource Monitoring and Call Procedure, as described below, establishes the procedures that OCC would use to add Financial Resources through an intra-day margin call on one or more Clearing Members under Rule 609 and, if necessary, an intra-month increase of the Clearing Fund pursuant to Rule 1001(a).<sup>18</sup>

#### Monthly Clearing Fund Sizing Procedure

Under the Monthly Clearing Fund Sizing Procedure, OCC would continue to calculate the size of the Clearing Fund based on its daily stress test exposures under simulated default scenarios as described in the first sentence of Rule 1001(a) and resize the Clearing Fund on the first business day of each month. However, instead of resizing the Clearing Fund based on the average of the daily calculations during the preceding calendar month, as stated in the suspended second sentence of Rule 1001, OCC would resize the Clearing Fund so that it is the sum of:

- (i) An amount equal to the peak five-day

rolling average of Clearing Fund draws observed over the preceding three calendar months of daily idiosyncratic default and minor systemic default scenario calculations based on OCC's daily Monte Carlo simulations ("Base Amount") and (ii) a prudential margin of safety determined by OCC and currently set at \$1.8 billion.<sup>19</sup>

OCC believes that the proposed Monthly Clearing Fund Sizing Procedure provides a sound and prudent approach to ensure that the Financial Resources are adequate to protect against the largest risk of loss presented by the default of a Clearing Member or Clearing Member Group. By virtue of using only the peak five-day rolling average and by extending the look-back period, the proposed Monthly Clearing Fund Sizing Procedure is both more responsive to sudden increases in exposure and less susceptible to recently observed decreases in exposure that would reduce the overall sizing of the Clearing Fund, thus mitigating procyclicality.<sup>20</sup> Furthermore, the prudential margin of safety provides an additional buffer to absorb potential future exposures not previously observed during the look-back period. The proposed Monthly Clearing Fund Sizing Procedure would be supplemented by the Financial Resource Monitoring and Call Procedure, described below, to provide further assurance that the Financial Resources are adequate to protect against such risk of loss.

#### Financial Resource Monitoring and Call Procedure

Under the Financial Resource Monitoring and Call Procedure, OCC would use the same daily idiosyncratic default calculation as under the Monthly Clearing Fund Sizing Procedure to monitor daily the adequacy of the Financial Resources to withstand a default by the Clearing Member or Clearing Member Group presenting the largest exposure under

<sup>11</sup> OCC also has submitted an advance notice that would provide greater detail concerning conditions under which OCC would increase the size of the Clearing Fund intra-month. The change would permit an intra-month increase in the event that the five-day rolling average of projected draws are 150% or more of the Clearing Fund's then current size. See Securities Exchange Act Release No. 72804 (August 11, 2014), 79 FR 48276 (August 15, 2014) (SR-OCC-2014-804).

<sup>12</sup> 12 U.S.C. 5465(e)(2).

<sup>13</sup> See *supra*, note 10.

<sup>14</sup> See Information Memorandum #35397, dated October 16, 2014, available on OCC's Web site, <http://www.theocc.com/clearing/clearing-infomemos/infomemos1.jsp>. Clearing members also were informed that a prudential margin of safety of \$1.8 billion would be retained until a new Clearing Fund sizing formula has been approved and implemented.

<sup>15</sup> See Information Memorandum #35507, dated October 31, 2014, available on OCC's Web site, <http://www.theocc.com/clearing/clearing-infomemos/infomemos1.jsp>.

<sup>16</sup> See OCC By-Laws, Article IX, section 14(c).

<sup>17</sup> See *supra*, note 10. OCC also submitted this proposed rule change to the Commodity Futures Trading Commission.

<sup>18</sup> As noted in SR-OCC-2014-21, OCC would use its intra-month resizing authority only to increase the size of the Clearing Fund where appropriate, not to decrease the size of the Clearing Fund.

<sup>19</sup> On a daily basis, OCC computes its exposure under the idiosyncratic and minor systemic events. The greater of these two exposures is that day's "peak exposure." To calculate the "rolling five day average" OCC computes the average of the peak exposure for each consecutive five-day period observed over the prior three-month period. To determine the Base Amount, OCC would use the largest five-day rolling average observed over the past three-months. This methodology was used to determine the Base Amount of the Clearing Fund for November 2014 and December 2014.

<sup>20</sup> Considering only the peak exposures is a more conservative methodology that gives greater weighting to sudden increases in exposure experienced by Clearing Members, thus enhancing the responsiveness of the procedure to such sudden increases. By using a longer look-back period, the methodology would respond more slowly to recently observed decreases in peak exposures.

extreme but plausible market conditions.<sup>21</sup> If such a daily idiosyncratic default calculation projected a draw on the Clearing Fund (a "Projected Draw") that is at least 75% of the Clearing Fund maintained by OCC, OCC would be required to issue an intra-day margin call pursuant to Rule 609 against the Clearing Member or Clearing Member Group that caused such a draw ("Margin Call Event").<sup>22</sup> Subject to a limitation described below, the amount of the margin call would be the difference between the Projected Draw and the Base Clearing Fund ("Exceedance Above Base Amount"). In the case of a Clearing Member Group that causes the Exceedance Above Base Amount, the Exceedance Above Base Amount would be pro-rated among the individual Clearing Members that compose the Clearing Member Group based on each individual Clearing Member's proportionate share of the "total risk" for such Clearing Member Group as defined in Rule 1001(b), *i.e.*, the margin requirement with respect to all accounts of the Clearing Member Group exclusive of the net asset value of the positions in such accounts aggregated across all such accounts. However, in the case of an individual Clearing Member or a Clearing Member Group, the margin call would be subject to a limitation under which it could not exceed the lower<sup>23</sup> of: (a) \$500 million, or (b) 100% of a Clearing Member's net capital. Such limitation would be measured in aggregate with any funds remaining on deposit with OCC deposited by the same Clearing Member pursuant to a Margin Call Event within

the same monthly period, as applicable, until collection of all funds to satisfy the next regular monthly Clearing Fund resizing (the "500/100 Limitation").<sup>24</sup>

Upon satisfaction of the margin call, OCC would use its authority under Rule 608 to preclude the withdrawal of such additional margin amount until it collects all of the funds determined by the next Monthly Clearing Fund Sizing Procedure. Based on three years of back testing data, OCC determined that it would have had Margin Call Events in 10 of the months during this time period. For each of these months, the maximum call amount would have been equal to \$500 million, with one exception in which the maximum call amount for the month was \$7.7 million.<sup>25</sup> After giving effect to the intra-day margin calls, *i.e.*, by increasing the Financial Resources by \$500 million, there was only one Margin Call Event where there was an observed stress test exceedance of the Financial Resources.

To address this one observed instance, the Financial Resource Monitoring and Call Procedure also would require OCC to increase the size of the Clearing Fund ("Clearing Fund Intra-month Increase Event") if a Projected Draw exceeds 90% of the Clearing Fund, after applying any funds then on deposit with OCC from the applicable Clearing Member or Clearing Member Group pursuant to a Margin Call Event. The amount of such increase ("Clearing Fund Increase") would be the greater of: (a) \$1 billion; or (b) 125% of the difference between (i) the Projected Draw, as reduced by the deposits resulting from the Margin Call Event and (ii) the Clearing Fund. Each Clearing Member's proportionate share of the Clearing Fund Increase would equal its proportionate share of the variable portion of the Clearing Fund for the month in question as calculated pursuant to Rule 1001(b). OCC would notify the Risk Committee of the Board of Directors (the "Risk Committee"), Clearing Members and appropriate regulatory authorities of the Clearing Fund Increase on the business day on which the Clearing Fund Intra-month Increase Event occurred. This ensures that OCC management maintains authority to address any potential Financial Resource deficiencies when

compared to its Projected Draw estimates. The Risk Committee would then determine whether the Clearing Fund Increase was sufficient, and would retain authority to increase the Clearing Fund Increase or the margin call made pursuant to a Margin Call Event in its discretion. Clearing Members would be required to meet the call for additional Clearing Fund assets by 9:00 a.m. CT on the second business day following the Clearing Fund Intra-Month Increase Event. OCC believes that this collection process ensures additional Clearing Fund assets are promptly deposited by Clearing Members following notice of a Clearing Fund Increase, while also providing Clearing Members with a reasonable period of time to source such assets. Based on OCC's back testing results, after giving effect to the intra-day margin call in response to a Margin Call Event plus the prudential margin of safety, the Financial Resources would have been sufficient upon implementing the one instance of a Clearing Fund Intra-month Increase Event.

OCC believes the Financial Resource Monitoring and Call Procedure strikes a prudent balance between mutualizing the burden of requiring additional Financial Resources and requiring the Clearing Member or Clearing Member Group causing the increased exposure to bear such burden. As noted above, in the event of a Margin Call Event, OCC limits the margin call until collection of all funds to satisfy the next regular monthly resizing to an aggregate of \$500 million, or 100% of a Clearing Member's net capital in order to avoid putting an undue liquidity strain on any one Clearing Member. However, where a Projected Draw exceeds 90% of OCC's Clearing Fund, OCC must act to ensure that it has sufficient Financial Resources, and determined that it should mutualize the burden of the additional Financial Resources at this threshold through a Clearing Fund Increase. OCC believes that this balance would provide OCC with sufficient Financial Resources without increasing the likelihood that its procedures would, based solely on stress testing results, cause a liquidity strain on any on Clearing Member that could result in such member's default.

The following examples illustrate the manner in which the Financial Resource Monitoring and Call Procedure would be applied. All assume that the Clearing Fund size is \$7.8 billion, \$6 billion of which is the Base Amount and \$1.8 billion of which is the prudential margin of safety. The 75% threshold in these examples is \$5.85 billion.

<sup>21</sup> Since the minor systemic default scenario contemplates two Clearing Members' simultaneously defaulting and OCC maintains Financial Resources sufficient to cover a default by a Clearing Member or Clearing Member Group representing the greatest exposure to OCC, OCC does not use the minor systemic default scenario to determine the adequacy of the Financial Resources under the Financial Resource Monitoring and Call Procedure.

<sup>22</sup> Rule 609 authorizes OCC to require the deposit of additional margin in any account at any time during any business day by any Clearing Member for, *inter alia*, the protection of OCC, other Clearing Members or the general public. Clearing Members must meet a required deposit of intra-day margin in immediately available funds at a time prescribed by OCC or within one hour of OCC's issuance of debit settlement instructions against the bank account(s) of the applicable Clearing Member(s), thereby ensuring the prompt deposit of additional Financial Resources.

<sup>23</sup> "Capping" the intra-day margin call avoids placing a "liquidity squeeze" on the subject Clearing Member(s) based on exposures presented by a hypothetical stress test, which would have the potential for causing a default on the intra-day margin call. Back testing results determined that such calls would have been made against Clearing Members that are large, well-capitalized firms, with more than sufficient resources to satisfy the call for additional margin with the proposed limitations.

<sup>24</sup> The Risk Committee would be notified, and could take action to address potential Financial Resource deficiencies, in the event that a Projected Draw resulted in a Margin Call Event and as a result of the 500/100 Limitation the margin call was less than the Exceedance Above Base Amount, but the Projected Draw was not so large as to result in an increase in the Clearing Fund as discussed below.

<sup>25</sup> The back testing analysis performed assumed a single Clearing Member caused the exceedance.

**Example 1: Single CM**

Under OCC's stress testing the Projected Draw attributable to Clearing Member ABC, a Clearing Member with no affiliated Clearing Members and net capital of \$500 million, is \$6.4 billion, or 82% of the Clearing Fund. OCC would make a margin call for \$400 million, which represents the Exceedance Above Base Amount. In this case the 500/100 Limitation would not be applicable because the Exceedance Above Base Amount is less than \$500 million and 100% of the Clearing Member's net capital. The Clearing Member would be required to meet the \$400 million call within one hour unless OCC prescribed a different time, and OCC would retain the \$400 million until collection of all the funds to satisfy the next monthly Clearing Fund sizing calculation.

If, on a different day within the same month, CM ABC's Projected Draw minus the \$400 million already deposited with OCC results in an Exceedance above Base Amount, another Margin Call Event would be triggered, with the amount currently deposited with OCC applying toward the 500/100 Limitation.

**Example 2: Clearing Member Group**

Under OCC's stress testing the Projected Draw attributable to Clearing Member Group DEF, comprised of two Clearing Members each with net capital of \$800 million, is \$6.2 billion, or 79% of OCC's Clearing Fund. OCC would initiate a margin call on Clearing Member Group DEF for \$200 million. The call would be allocated to the two Clearing Members that compose the Clearing Member Group based on each Clearing Member's risk margin allocation. In this case the 500/100 Limitation would not be applicable because the Exceedance Above Base Amount is less than \$500 million and 100% of net capital. The margin call would be required to be met within one hour of the call unless OCC prescribed a different time. For example, in the case where one Clearing Member accounts for 75% of the risk margin for the Clearing Member Group, that Clearing Member would be allocated \$150 million of the call and the other Clearing Member, accounting for 25% of the risk margin for the Clearing Member Group, would be allocated \$50 million of the call. The funds would remain deposited with OCC until collection of all the funds to satisfy the next monthly Clearing Fund sizing calculation.

**Example 3: Clearing Member Group With \$500 Million Cap**

Under OCC's stress testing the Projected Draw attributable to Clearing Member Group GHI, comprised of two Clearing Members each with net capital of \$800 million, is \$6.8 billion, or 87% of the Clearing Fund. The Exceedance Above Base Amount would be \$800 million, allocated to the two Clearing Members that compose the Clearing Member Group based on each Clearing Member's risk margin allocation. Using the 75/25 risk margin allocation from Example 2, one Clearing Member would be allocated \$600 million and the other Clearing Member would be allocated \$200 million. The first Clearing Member would be required to deposit \$500 million with OCC, which is the lowest of \$500 million, that member's net capital, or that member's share of the Exceedance Above Base Amount, and the other Clearing Member would be required to deposit \$200 million with OCC. After collecting the additional margin, OCC would determine whether the Projected Draw would exceed 90% of the Clearing Fund after reducing the Projected Draw by the additional margin. This calculation would divide a Projected Draw of \$6.1 billion, which is the original Projected Draw of \$6.8 billion reduced by the additional margin, by the Clearing Fund of \$7.8 billion. The resulting percentage of 78% would be below the 90% threshold, and accordingly there would not be a Clearing Fund Intra-month Increase Event.

**Example 4: Margin Call and Increase in Size of Clearing Fund**

Under OCC's stress testing the Projected Draw attributable to Clearing Member JKL, a Clearing Member with no affiliated Clearing Members and net capital of \$600 million, is \$10.0 billion, or 128% of the Clearing Fund. OCC would make a margin call for \$500 million, which represents the lowest of the Exceedance Above Base Amount, \$500 million and 100% of net capital. The Clearing Member would be required to meet the \$500 million call within one hour unless OCC prescribed a different time, and OCC would retain the \$500 million until collection of all the funds to satisfy the next monthly Clearing Fund sizing calculation. After collecting the additional margin, OCC would determine whether the Projected Draw would exceed 90% of the Clearing Fund after reducing the Projected Draw by the additional margin. This calculation would divide a Projected Draw of \$9.5 billion, which is the original Projected Draw of \$10 billion reduced by the

additional margin, by the Clearing Fund of \$7.8 billion. The resulting percentage of 122%, while lower, would still exceed the 90% threshold, and accordingly OCC would declare a Clearing Fund Intra-month Increase Event. To calculate the Clearing Fund Increase, OCC would first determine the difference between the modified Projected Draw (\$9.5 billion) and the Clearing Fund (\$7.8 billion), which in this case would be \$1.7 billion, OCC would then multiply this by 1.25, resulting in \$2.125 billion. Because this amount is greater than \$1 billion, the Clearing Fund Increase would be \$2.125 billion and a modified Clearing Fund of OCC totaling \$9.925 billion (\$425 million in excess of the modified Projected Draw of \$9.5 billion).

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

OCC believes that the proposed change regarding the establishment of the Monthly Clearing Fund Sizing Procedure and Financial Resource Monitoring and Call Procedure described above is consistent with section 805(b)(1) of the Payment, Clearing and Settlement Supervision Act<sup>26</sup> because the proposed procedures will promote robust risk management by setting forth a process in order to ensure that OCC maintains adequate Financial Resources in the event of a default of a Clearing Member or Clearing Member Group presenting the largest exposure to OCC. The proposed change regarding the establishment of these procedures is also consistent with section 806(e)(2) of the Payment, Clearing and Settlement Supervision Act, upon which OCC relied in originally suspending the effectiveness of the second sentence of Rule 1001(a) and increasing the size of the Clearing Fund on October 15, 2014, because it allows OCC to continue to provide its services in a safe and sound manner.<sup>27</sup>

**Anticipated Effect on and Management of Risk**

OCC believes that the proposed change will reduce OCC's overall level of risk because the proposed change makes it less likely that OCC's Clearing Fund would be insufficient should OCC need to use its Clearing Fund to manage a Clearing Member or Clearing Member Group default. The Monthly Clearing Fund Sizing Procedure would permit OCC to determine the size of its Clearing Fund by relying on a broader range of sound risk management practices than

<sup>26</sup> 12 U.S.C. 5464(b)(1).

<sup>27</sup> 12 U.S.C. 5464(e)(2); see SR-OCC-2014-807, *supra*, note 8.

those considered in the suspended second sentence of Rule 1001(a). OCC believes that using the peak five-day rolling average of Clearing Fund draws observed over a three-month period will result in a monthly resizing of the Clearing Fund that will better reflect the risks posed by sudden increases in exposure experienced by Clearing Members. OCC also believes that the proposed prudential margin of safety will provide an additional buffer to protect against exposures not reflected in the three-month look-back period. The Financial Resource Monitoring and Call Procedure would enable OCC to minimize losses in the event of a default of a Clearing Member or Clearing Member Group presenting the largest exposure to OCC, by allowing it the flexibility to obtain additional Financial Resources either through an intra-day margin call or an intra-month increase in the size of the Clearing Fund, which would ensure that the clearance and settlement of transactions in options and other contracts occurs without interruption. Accordingly, OCC believes that the proposed changes would reduce risks to OCC and its participants. Moreover, and for the same reasons, the proposed change will facilitate OCC's ability to manage risk.

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

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

The Commission may extend the period for review by an additional 60 days if the advance notice raises novel or complex issues, subject to the Commission providing OCC with prompt written notice of the extension. An advance notice 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 OCC in writing that it does not object to the advance notice and authorizes OCC to implement the advance notice on an earlier date, subject to any conditions imposed by the Commission.

The clearing agency shall post notice on its Web site 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. 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-2014-811 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-OCC-2014-811. 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 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at [http://www.theocc.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_14\\_811.pdf](http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_14_811.pdf). 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-OCC-2014-811 and should be submitted on or before May 7, 2015.

By the Commission.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2015-08712 Filed 4-15-15; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 31549; File No. 812-14357]

### Dreyfus TMT Opportunities Fund, Inc., et al.; Notice of Application

April 7, 2015.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of an application under section 6(c) of the Investment Company Act of 1940 ("Act") for an exemption from section 19(b) of the Act and rule 19b-1 under the Act.

**APPLICANTS:** Dreyfus TMT Opportunities Fund, Inc. ("TMT Fund") and The Dreyfus Corporation ("Dreyfus" and, together with TMT Fund, the "Applicants").

**SUMMARY OF APPLICATION:** Applicants request an order to permit certain registered closed-end investment companies to make periodic distributions of long-term capital gains with respect to their outstanding common stock as frequently as twelve times in any one taxable year, and as frequently as distributions are specified by or in accordance with the terms of any outstanding preferred stock that such investment companies may issue.

**DATES:** *Filing Dates:* The application was filed on September 5, 2014 and amended on February 18, 2015.

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application 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 May 4, 2015, 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:** The Commission: Brent J. Fields, Secretary, U.S. Securities and