

objectives of Exchange Act Rule 13n-4(b)(5).

27. Rule 901(i) of Regulation SBSR provides that a person must report information about a pre-enactment SBS or transitional SBS “to the extent that information about such transaction is available.” Is it clear that DDR’s policies and procedures, including regarding validations, will allow parties to submit transaction records for pre-enactment SBS and transitional SBS with data elements missing, pursuant to Rule 901(i)?

28. Please provide your views as to whether DDR’s policies and procedures relating to how it would conduct validations of transaction records for historic and newly executed SBS are sufficiently detailed to meet the objectives of Exchange Act Rule 13n-5(b)(1)(iii), and what further clarifications, if any, you believe would be appropriate.

Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/proposed.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SBSDR-2016-02 on the subject line.

#### *Paper Comments*

- Send paper comments to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SBSDR-2016-02.

To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission’s Internet Web site (<http://www.sec.gov/rules/other.shtml>).

Copies of the Form SDR, all subsequent amendments, all written statements with respect to the Form SDR that are filed with the Commission, and all written communications relating to the Form SDR 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 Section, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m.

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 SBSDR-2016-02 and should be submitted on or before August 8, 2016.

**Brent J. Fields,**  
Secretary.

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-78206; File No. SR-FICC-2016-002]**

### **Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Suspend the Interbank Service of the GCF Repo® Service**

June 30, 2016.

On May 5, 2016, the Fixed Income Clearing Corporation (“FICC” or the “Corporation”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2016-002 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> The proposed rule change was published for comment in the **Federal Register** on May 20, 2016.<sup>3</sup> The Commission received no comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

#### **I. Description of the Proposed Rule Change**

FICC seeks the Commission’s approval to suspend the interbank service of the GCF Repo® service, as described more fully below. The suspension does not require changes to the text of the Government Securities Division (“GSD”) Rulebook (the “GSD Rules”), however, the suspension requires changes to FICC’s Real-Time Trade Matching (“RTTM®”) system.

##### **A. The GCF Repo Service**

The GCF Repo service allows dealer members of FICC’s Government Services Division to trade general collateral finance repos (“GCF Repos”) <sup>4</sup>

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

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

<sup>3</sup> Securities Exchange Act Release No. 34-77840 (May 16, 2016), 81 FR 31996 (May 20, 2016) (SR-FICC-2016-002).

<sup>4</sup> A GCF Repo is one in which the lender of funds is willing to accept any of a class of U.S. Treasuries, U.S. government agency securities, and certain mortgage-backed securities as collateral for the repurchase obligation. This is in contrast to a specific collateral repo.

throughout the day without requiring intraday, trade-for-trade settlement on a delivery-versus-payment basis.<sup>5</sup> The service allows dealers to trade GCF Repos, based on rate and term, with inter-dealer broker netting members on a blind basis. Standardized, generic CUSIP numbers have been established exclusively for GCF Repo processing, and are used to specify the type of underlying security that is eligible to serve as collateral for GCF Repos. Only Fedwire eligible, book-entry securities may serve as collateral for GCF Repos. Acceptable collateral for GCF Repos include most U.S. Treasury securities, non-mortgage-backed federal agency securities, fixed and adjustable rate mortgage-backed securities, Treasury Inflation-Protected Securities and separate trading of registered interest and principal securities.<sup>6</sup>

The GCF Repo service has operated on both an “interbank” and “intraday” basis. “Interbank” means that the two GCF Repo Participants which have been matched in a GCF Repo transaction each clear at a different clearing bank. “Intraday” means that the two GCF Repo Participants which have been matched in a GCF Repo transaction clear at the same clearing bank.

#### **B. Suspension of the Interbank Service of the GCF Repo Service**

Since 2011, FICC has made several changes to its GCF Repo service in order to comply with recommendations made by the Tri-Party Repo Infrastructure Reform Task Force (“TPR”), an industry group formed and sponsored by the Federal Reserve Bank of New York. The main purpose of the TPR was to develop recommendations to address the risk presented by triparty repo transactions due to the morning reversal (commonly referred to as the “unwind”) process, by replacing it with a process by which transactions are collateralized all day. The GCF Repo service was originally designed to have transactions “unwind” every morning in order to mirror the transactions in the triparty repo market. Prior to Triparty Reform, transactions submitted on “Day 1” unwound on the morning of “Day 2.” To “unwind” means that the securities are returned to the lender of securities in the transaction and the cash is returned to the borrower of securities. Because of certain changes to the way in which the Triparty Reform effort was to proceed

<sup>5</sup> Delivery-versus-payment is a settlement procedure in which the buyer’s cash payment for the securities it has purchased is due at the time the securities are delivered.

<sup>6</sup> See Securities Exchange Act Release No. 34-58696 (September 30, 2008), 73 FR 58698, 58699 (October 7, 2008) (SR-FICC-2008-04).

and the impact of such changes on the interbank service of the GCF Repo service as further described below, FICC seeks to suspend the interbank service of the GCF Repo service. FICC's proposal seeks no changes to the intrabank service.

All collateral that is settled via the interbank service is unwound the next morning to FICC's account at the pledging Clearing Bank in order to make the collateral available for collateral substitutions. In order to facilitate this intraday collateral substitution process, the Clearing Banks currently extend credit each business day to FICC at no charge. This uncapped and uncommitted credit extension to FICC facilitates the GCF Repo settlement process for both the intra-day and end of day settlement. The final changes related to the Triparty Reform effort would have eliminated the need for uncapped and uncommitted credit (a TPR goal) by including the development of interactive messages for the collateral substitution process (this was referred to as the "Sub Hub"), which would have eliminated the need for the current morning unwind of interbank GCF Repos, and would have allowed for substitution of collateral across the Clearing Banks with minimal intra-day credit required. The last change was also going to include a streamlined end of day GCF Repo settlement process to reduce the amount of cash and collateral needed in order to complete settlement. This change would have incorporated the concept of a "cap" on FICC credit from the Clearing Banks, and an automated solution would have been developed to process the interbank GCF Repo settlement without breaching the defined and agreed to caps. As a result, the amount of credit that FICC would have needed from the Clearing Banks would have been managed to a minimal amount.

Plans to implement the Sub Hub have not come to fruition. Therefore, to continue providing the interbank service, FICC would need a capped line of credit (without the benefits of any re-design to manage the amounts of needed credit). In other words, the capped line of credit would be applied to the interbank service as the service currently operates, and not in the re-designed fashion that was contemplated by the Triparty Reform effort, which would have allowed for smaller settlement amounts. FICC states that there would be prohibitive operational constraints in attempting to trade and settle GCF Repos while attempting to implement a cap on interbank GCF Repo trading and settlement. Specifically, FICC states that inter-dealer brokers

would need to be integrated as a group from a technological perspective in order to be able to track the GCF Repo Participants' real-time netted positions, from an intrabank and interbank perspective, to ensure that the cap is not breached. FICC states that this would require an integrated pre-trade check across each inter-dealer broker's platform and FICC to ensure conformity to the cap, which is not feasible.

FICC seeks to suspend the interbank service of the GCF Repo service because: (1) FICC cannot operate the current interbank service within a capped credit amount; and (2) it is not feasible to institute a pre-trade validation system. FICC seeks to suspend the interbank service of the GCF Repo service after July 15, 2016 (the "Suspension Date"), which is approximately six (6) weeks prior to the date that one of the Clearing Banks has stated it will begin to impose the capped line of credit (September 1, 2016 or the "Capped Charges Date"). According to FICC's proposal, subsequent to the Suspension Date, inter-dealer brokers would only be permitted to execute transactions among GCF Repo Participants within the same Clearing Bank. Inter-dealer brokers would establish two markets for GCF Repo trading—one for each Clearing Bank. This is the same approach that FICC utilized when it previously suspended the interbank service between 2003 and 2008. In addition, GSD would only accept and process transactions among GCF Repo Participants that settle within the same Clearing Bank. As a result, the RTTM® system would not accept and process transactions among GCF Repo Participants who settle at different Clearing Banks. FICC states that it will continue to explore whether there are other ways to re-introduce the interbank service in the future.

## II. Discussion

Section 19(b)(2)(C) of the Act<sup>7</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act<sup>8</sup> requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission finds that the proposed rule change is consistent with

section 17A of the Act<sup>9</sup> and the rules thereunder applicable to FICC.

As described above, Triparty Reform efforts have sought to eliminate the need for Clearing Banks to provide FICC with uncapped and uncommitted credit within the settlement process. Specifically, the Sub Hub project described above, if approved and implemented, would have eliminated the need for the current morning unwind of interbank GCF Repos, and would have allowed for substitution of collateral across the Clearing Banks with minimal intra-day credit required. A streamlined end of day GCF Repo settlement process would have reduced the amount of cash and collateral needed in order to complete settlement, in which circumstances, there would have been a cap on the line of credit from the Clearing Banks to FICC, with an automated solution to process the interbank GCF Repo settlement within the cap. As a result, the amount of credit that FICC would have needed from the Clearing Banks would have been managed to a minimal amount.

However, in the Sub Hub's absence, according to FICC, a capped line of credit without the benefits of any re-design to manage the amounts of needed credit would present prohibitive operational constraints in attempting to trade and settle GCF Repos on an interbank basis. Specifically, inter-dealer brokers would need to be integrated as a group from a technological perspective in order to be able to track the GCF Repo Participants' real-time netted positions to ensure that the cap is not breached. This would require an integrated pre-trade check across each inter-dealer broker's platform and FICC to ensure conformity to the cap, which, FICC states, is not feasible. Accordingly, suspension of the interbank service will enable FICC to avoid accepting GCF Repo trades for clearing in an amount exceeding a Clearing Bank's capped line of credit, while allowing FICC to continue to clear GCF Repo transactions on an intrabank basis, thereby promoting the prompt and accurate clearance and settlement of securities transactions, consistent with section 17A(b)(3)(F) of the Act.

## III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, particularly those set forth in section 17A,<sup>10</sup> and the rules and regulations thereunder.

<sup>7</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>8</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>9</sup> 15 U.S.C. 78q-1.

<sup>10</sup> 15 U.S.C. 78q-1.

*It is therefore ordered*, pursuant to section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-FICC-2016-002) be, and hereby is, *approved*.<sup>12</sup>

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

**Robert W. Errett,**

*Deputy Secretary.*

[FR Doc. 2016-16033 Filed 7-6-16; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78222; File No. SR-MIAX-2016-18]

### Self-Regulatory Organizations; Miami International Securities Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAX Options Fee Schedule

July 1, 2016.

Pursuant to the provisions of 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 28, 2016, Miami International Securities Exchange LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a 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 is filing a proposal to amend the MIAX Options Fee Schedule (“Fee Schedule”).

The text of the proposed rule change is available on the Exchange’s Web site at [http://www.miaxoptions.com/filter/wotitle/rule\\_filing](http://www.miaxoptions.com/filter/wotitle/rule_filing), at MIAX’s principal office, 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Exchange proposes to amend its Fee Schedule to clarify the circumstances that trigger the assessment of fees to, and billing of, Member or Non-Member users of the Exchange’s System <sup>3</sup> for certain non-transactional fees, as set forth below. The Exchange is not proposing any new fees that are not currently charged; the Exchange is simply proposing to clarify that the Exchange will assess the fees only when the Member or Non-Member user is credentialed (as defined below) to use the System in the production environment, thus ensuring that Member and Non-Member users of the System are not billed unnecessarily before they are ready to begin using the System. The Exchange is also proposing several technical clarifying amendments to the Fee Schedule as described below.

New users of the System (and existing users of the System that seek to add connectivity) require testing and certification prior to actual use in the production environment. It has been the Exchange’s experience that such users frequently must engage in internal business and technological decision-making and production processes that extend beyond the timing of their application, testing and certification with the Exchange for use of the System in the production environment. In order to ensure that Member and Non-Member users of the System are not assessed fees and billed unnecessarily during this time, the Exchange is proposing the below changes to the Fee Schedule relating to the timing of such assessment and billing.

The Exchange proposes to amend Section 3(a) of the Fee Schedule to provide that MIAX will assess a one-time Membership Application Fee on the earlier of (i) the date the applicant is certified in the membership system, or (ii) once an application for MIAX membership is finally denied.

<sup>3</sup> The term “System” means the automated trading system used by the Exchange for the trading of securities. See Exchange Rule 100.

The Exchange also proposes to amend Section 3(b) of the Fee Schedule to provide that Monthly Trading Permit Fees will be assessed with respect to Electronic Exchange Members (“EEMs”) <sup>4</sup> (other than Clearing Firms) in any month the EEM is certified in the membership system and the EEM is authorized by the Exchange (hereinafter, “credentialed”) to use one or more Financial Information Exchange (“FIX”) Ports <sup>5</sup> in the production environment. Further, the Exchange proposes that Monthly Trading Permit Fees will be assessed with respect to EEM-Clearing Firms in any month the Clearing Firm is certified in the membership system to clear transactions on the Exchange. Finally, the Exchange proposes that Monthly Trading Permit Fees will be assessed with respect to Market Makers in any month the Market Maker is certified in the membership system, is credentialed to use one or more MIAX Express Interface (“MEI”) <sup>6</sup> Ports in the production environment and is assigned to quote in one or more classes.<sup>7</sup>

The Exchange also proposes to amend Section 4(a) of the Fee Schedule to state that Application Programming Interface (“API”) Testing and Certification Fees for EEMs (other than Clearing Firms) will be assessed (i) initially per API for FIX, FIX Drop Copy (“FXD”) <sup>8</sup> and Clearing Trade Drop (“CTD”) <sup>9</sup> in the month the EEM has been credentialed to use one or more ports in the production

<sup>4</sup> The term “Electronic Exchange Member” means the holder of a Trading Permit who is not a Market Maker. Electronic Exchange Members are deemed “members” under the Exchange Act. See Exchange Rule 100.

<sup>5</sup> A FIX Port is an interface with MIAX systems that enables the Port user (typically an Electronic Exchange Member or a Market Maker) to submit orders electronically to MIAX.

<sup>6</sup> MIAX Express Interface is a connection to MIAX systems that enables Market Makers to submit electronic quotes to MIAX.

<sup>7</sup> The calculation of the Trading Permit Fee for the first month in which the Trading Permit is issued will be pro-rated based on the number of trading days on which the Trading Permit was in effect divided by the total number of trading days in that month multiplied by the monthly rate.

<sup>8</sup> The FIX Drop Copy Port is a messaging interface that will provide a copy of real-time trade execution, trade correction and trade cancellation information to FIX Drop Copy Port users who subscribe to the service.

<sup>9</sup> CTD provides Exchange members with real-time clearing trade updates. The updates include the member’s clearing trade messages on a low latency, real-time basis. The trade messages are routed to a member’s connection containing certain information. The information includes, among other things, the following: (i) Trade date and time; (ii) symbol information; (iii) trade price/size information; (iv) member type (for example, and without limitation, Market Maker, Electronic Exchange Member, Broker-Dealer); and (v) Exchange Member Participant Identifier (“MPID”) for each side of the transaction, including clearing member MPID.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> In approving the proposed rule change, the Commission considered the proposal’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>13</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.