9. Whenever a money manager is hired or terminated, the applicable Adviser will provide the applicable Board with information showing the expected impact on the profitability of such Adviser.

10. Each Adviser will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of each Fund's assets, and, subject to review and approval of the Board, will: (a) Set each Fund's overall investment strategies; (b) evaluate, select and recommend Money Managers to manage all or a part of each Fund's assets and/or provide model portfolios for the Funds; (c) in the case of Discretionary Money Managers, allocate and, when appropriate, reallocate each Fund's assets among one or more Money Managers; (d) monitor and evaluate the performance of Money Managers; and (e) implement procedures reasonably designed to ensure that the Money Managers comply with each Fund's investment objective, policies and restrictions.

11. No trustee or officer of a Trust or the Funds, or director, manager or officer of an Adviser, will own, directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Money Manager, except for (a) ownership of interests in such Adviser or any entity that controls, is controlled by, or is under common control with such Adviser, or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of any publicly traded company that is either a Money Manager or an entity that controls, is controlled by or is under common control with a Money Manager.

12. Each Fund will disclose in its registration statement the Aggregate Fee Disclosure.

13. In the event the Commission adopts a rule under the Act providing substantially similar relief to that in the order requested in the application, the requested order will expire on the effective date of that rule.

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

Kevin M. O'Neill,

Deputy Secretary.

[FR Doc. 2013–12268 Filed 5–22–13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–69603; File No. SR–OCC–2013–802]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of an Advance Notice To Change the Expiration Date for Most Option Contracts to the Third Friday of the Expiration Month Instead of the Saturday Following the Third Friday

May 17, 2013.

Pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (''Dodd-Frank Act''),[1] entitled the Payment, Clearing, and Settlement Supervision Act of 2010 (''Clearing Supervision Act'')[2] and Rule 19b–4(n)(1)(i)[3] of the Securities Exchange Act of 1934 (''Exchange Act''), notice is hereby given that on April 17, 2013, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') the advance notice, which concerns a proposed rule change, as described in Items I and II below, which Items have been substantially prepared by the clearing agency.[4] The Commission is publishing this notice to solicit comments on the advance notice from interested persons.

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

This advance notice concerns a proposed rule change which would allow OCC to change the expiration date for most option contracts to the third Friday of the expiration month instead of the Saturday following the third Friday.

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

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and advance notice and discussed any comments it received on the proposed rule change and advance notice. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections (A), (B), (C), and (D) below, of the most significant aspects of such statements.[5]

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, Proposed Rule Change and the Advance Notice

Most option contracts (''Standard Expiration Contracts'') currently expire at the ''expiration time'' (11:59 p.m. Eastern Time) on the Saturday following the third Friday of the specified expiration month (''Expiration Date'').[6] The purpose of this proposed rule change is to change the Expiration Date for Standard Expiration Contracts to the third Friday of the expiration month. (The expiration time would continue to be 11:59 p.m. Eastern Time on the Expiration Date.) The proposed change would apply only to Standard Expiration Contracts expiring after February 1, 2015, and OCC does not propose to change the Expiration Date for any outstanding option contract. The proposed change will apply only to series of option contracts opened for trading after the effective date of this proposed rule change and having Expiration Dates later than February 1, 2015. Option contracts having non-standard expiration dates (''Non-standard Expiration Contracts'') will be unaffected by this proposed rule change.[7]

In order to provide a smooth transition to the Friday expiration, OCC would, beginning June 21, 2013, move the expiration exercise procedures to Friday for all Standard Expiration Contracts even though the contracts would continue to expire on Saturday. After February 1, 2015, virtually all Standard Expiration Contracts will actually expire on Friday. The only Standard Expiration Contracts that will expire on a Saturday after February 1, 2015 are certain options that were listed prior to the effectiveness of this rule change, and a limited number of options that may be listed prior to necessary systems changes of the options exchanges, which are expected to be completed in August 2013. The exchanges have agreed that once these systems changes are made they will not

[1] Public Law 111–203, 124 Stat. 1376 (2010).

[2] 12 U.S.C. 5465(e)(1).

[3] 17 CFR 240.19b–4(n)(1)(i).

[4] OCC also filed the proposals contained in this advance notice as a proposed rule change, under Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder, seeking Commission approval to permit OCC to change its rules to reflect the proposed changes in this advance notice. 15 U.S.C. 78s(b)(1); 17 CFR 240.19b–4; *See* Exchange Act Release No. 69480 (April 30, 2013) (SR–OCC–2013–04).

[5] The Commission has modified slightly the text of the summaries prepared by the clearing agency.

[6] *See* the definition of ''expiration time'' in Article I of OCC's By-Laws.

[7] Examples of options with Non-standard Expiration Contracts include flex options, quarterly, monthly and weekly options, where the expiration exercise processing for such options presently occurs on a weekday.

open for trading any new series of option contracts with Saturday expiration dates falling after February 1, 2015.

Background

Saturday was established as the standard Expiration Date for OCC-cleared options primarily in order to allow sufficient time for processing of option exercises, including correction of errors, while the markets were closed and positions remained fixed. However, improvements in technology and a great deal of experience have rendered Saturday expiration processing inefficient, and Saturday processing also poses unnecessary operational risk upon OCC and its clearing members. Therefore, it has been a long-term goal of OCC and its clearing members to move the expiration process for all options with Standard Expiration Contracts from Saturday to Friday night.

OCC states that eliminating Saturday expirations would allow OCC to streamline the expiration process between Standard Expiration Contracts and Non-standard Expiration Contracts, which will increase operational efficiencies and reduce operational risk for OCC and its clearing members. After the expiration date for Standard Expiration Contracts is moved to Friday night, expiration processing for standard options, quarterly options, and weekly options will all occur on the same day and will be a single, and inherently more efficient, operational process. The move to Friday night processing will also align expiration processing schedules for United States markets with expiration processing schedules for European markets and will allow affected clearing members to run a single, consistent, and efficient operational process for all U.S. equity/index options regardless of where such options are exercised. Moreover, the move to Friday night processing will also eliminate the operational risk presented by scheduling an expiration process to run on one Saturday per month when it is otherwise run weekly on Friday night. Saturdays are typically reserved for system maintenance and installs of system enhancements so Saturday expiration processes force such maintenance and installs to be rescheduled and sometimes delayed.

OCC states that from a risk management perspective, the proposed rule change would compress the operational timeframe for processing option expirations such that clearing members will be required to reconcile options trades on trade date. Trade date reconciliation is a better risk management practice and will facilitate and promote the use of intra-day risk management systems by clearing members as well as move clearing members toward adopting real-time trade date reconciliation and position balancing systems.

According to OCC, industry groups, clearing members, and options exchanges have been active participants in planning for the transition to the Friday expiration. In March 2012, OCC began to discuss moving Standard Expiration Contracts to Friday expiration dates with industry groups, including two Securities Industry and Financial Markets Association (''SIFMA'') committees, the Operations and Technology Steering Committee and the Options Committee, and at two major industry conferences, the SIFMA Operations Conference and the Options Industry Conference. OCC also discussed the project with the Intermarket Surveillance Group and at an OCC Operations Roundtable. In each case, OCC received broad support for the initiative. Also, OCC surveyed all of its clearing members as well as its service bureaus and learned that a significant majority of those surveyed are currently ready to move to Friday night expiration processing. OCC has worked with the other clearing members and service bureaus so that all affected parties experience a smooth transition to Friday night expiration processing. OCC has obtained assurances from all options industry participants that they will be ready to move to Friday night expiration processing by June 2013.

OCC states that Friday night expiration processing is also consistent with the long-standing rules and procedures of the options exchanges and the Financial Industry Regulatory Authority (''FINRA''),[8] which generally provide that exercise decisions with respect to Standard Expiration Contracts must be made by, and exercise instructions may not be accepted from customers after, 5:30 p.m. Eastern Time on the business day preceding expiration (usually Friday).[9] Brokerage firms may set earlier cutoff times for customers submitting exercise notices. Clearing members are permitted to submit exercise instructions after the cutoff time (''Supplementary Exercises'') only in case of errors or other unusual situations, and may be subject to fines or disciplinary actions.[10] OCC believes that the extended period between cutoff time and expiration of options is no longer necessary given modern technology.

Transition Period

Based on significant dialogue between OCC and clearing members regarding the move to Friday expiration, OCC believes that the adoption of Friday expiration for Standard Expiration Contracts is best accomplished through an appropriate transition period during which processing activity for all options, whether expiring on Friday or Saturday, would move to Friday, followed by a change in the expiration day for new series of options. In May 2012, OCC and its clearing members determined that Friday, June 21, 2013, would be an appropriate date on which to move expiration processing from Saturday to Friday night. Accordingly, OCC proposes that, beginning June 21, 2013, Friday expiration processing will be in effect for all expiring Standard Expiration Contracts, regardless of whether the contract's actual expiration date is Friday or Saturday. However, for contracts having a Saturday expiration date, exercise requests received after Friday expiration processing is complete but before the Saturday contract expiration time will continue to be processed so long as they are submitted in accordance with OCC's procedures governing such requests. After the transition period and the expiration of all existing Saturday-expiring options, expiration processing will be a single operational process and will run on Friday night for all Standard Expiration Contracts.

Friday Expiration Processing Schedule

Currently, expiration processing for Standard Expiration Contracts begins on Saturday morning at 6:00 a.m. Central Time and is completed at approximately noon Central Time when margin and settlement reports are available. The window for submission of instructions in accordance with OCC's exercise-by-exception procedures under OCC Rule 805(d) is open from 6:00 a.m. to 9:00 a.m. Central Time on Saturday

[8] OCC has contacted FINRA regarding the need to review the Contrary Exercise Advisory Rule to ensure such rule is consistent with the industry effort to move to Friday expiration dates. FINRA has determined that no changes to its current rules are needed in order to accommodate the transition of expiration processing from Saturday to Friday night. FINRA has agreed that it will work with the industry to implement coordinated and appropriate modifications to its rules in order to accommodate Friday night expiration dates, which will begin on or after February 1, 2015.

[9] *See, e.g.,* FINRA Rule 4210(b)(23)(A)(iii). ''Option holders have until 5:30 p.m. Eastern Time (''ET'') on the business day immediately prior to the expiration date to make a final exercise decision to exercise or not exercise an expiring option. Members may not accept exercise instructions for customer or noncustomer accounts after 5:30 p.m. ET.'' Member firms may specify earlier cutoff times.

[10] *See* OCC Rule 805(g).

morning.[11] OCC proposes that the window for submission of exercise-by-exception instructions be open from 6:00 p.m. to 9:15 p.m. Central Time on Friday evening.[12] Friday expiration processing for Standard Expiration Contracts would therefore begin at 6:00 p.m. Central Time on Friday evening and end at approximately 2:00 a.m. Central Time on Saturday morning when margin and settlement reports will be available.[13]

Exercises for Standard Expiration Contracts with Saturday expirations must be allowed under the terms of the contracts. However, in order to accommodate the proposed new expiration schedule, OCC also proposes to shorten the period of time in which clearing members may submit a Supplementary Exercise notice under OCC Rule 805(b). In addition, OCC Rule 801 would be amended to eliminate the ability of clearing members to revoke or modify exercise notices submitted to OCC. This proposed change, along with the proposed change in the processing timeline discussed above, will more closely align OCC's expiration processing procedures with exchange rules, under which exchange members must submit exercise instructions by 5:30 p.m. Central Time on Friday and may not accept exercise instructions from customers after 4:30 p.m. Central Time on Friday. Accordingly, this proposed change will not represent a departure from current practices for clearing members or their customers.

In connection with moving from Saturday to Friday night processing and expiration, OCC reviewed other aspects of its business to confirm that there would be no unintended consequences, and concluded that there would be none. For example, OCC believes the proposed changes do not affect OCC's liquidity forecasting procedures, nor do they impact OCC's liquidity needs, since OCC's liquidity forecasts and liquidity needs are driven by settlement obligations, which occur on the same day (T+3) irrespective of the move to Friday night processing and expiration dates.

Grandfathering of Certain Options Series

Certain option contracts have already been listed on exchanges with expiration dates as distant as December 2016. Such options have Saturday expiration dates and OCC cannot change the terms of existing option contracts. In addition, according to OCC clearing members have expressed a clear preference to not have open interest in any particular month with different expiration dates. Therefore, OCC will designate certain expiration dates as ''grandfathered,'' and any option contract that is listed, or may be listed in the future, that expires on a grandfathered date will have a Saturday expiration date even if such expiration date is after February 1, 2015.[14] Further, certain FLEX options that have already been accepted for clearance and have expiration dates beyond February 1, 2015, will also be designated as grandfathered. The Friday night expiration transition period processing schedule, as described above, will be in effect for any grandfathered Saturday expiration contract. According to OCC, in order to minimize the number of grandfathered expiration dates, exchanges have already agreed that, if there is not already a previously listed Standard Expiration Contract with an expiration in a particular month that is after February 1, 2015,[15] they will not open for trading any new series of Standard Expiration Contracts with Saturday expiration dates in such month.

Proposed Amendments to By-Laws and Rules

In order to implement the change to Friday expiration processing and eventual transition to Friday expiration for all Standard Expiration Contracts, OCC proposes to amend the definition of ''expiration date'' in Article I and certain other articles of the By-Laws. As amended, the applicability of the definition would not be limited to stock options, and the definition of ''expiration date'' in certain articles of the By-Laws therefore can be deleted in reliance on the Article I definition. OCC also proposes to amend Rule 805, and all rules supplementing or replacing Rule 805, to allow for Friday expiration processing during the transition to Friday expiration. Section 18 of Article VI of the By-Laws would also be amended to align procedures for delays in producing Expiration Exercise Reports and submission of exercise instructions with the amended expiration exercise procedures in OCC Rule 805. OCC Rule 801 would be amended to modify the prohibition against exercising an American-style option contract on the business day prior to its expiration date because this prohibition is necessary only for options expiring on a Saturday. The prohibition can be removed altogether when there are no longer any options expiring on a Saturday.

OCC Rule 801 would also be amended to remove clearing members' ability to revoke or modify exercise notices in order to accommodate the proposed compressed Friday expiration processing expiration schedule. Finally, OCC Rules 801 and 805 would be amended to allow certain determinations to be made by high-level officers of OCC, rather than the Board of Directors, in order to provide OCC with greater operational flexibility in processing exercise requests received after Friday expiration processing is complete but before the Saturday contract expiration time, and to replace various references to the expiration date of options with reference to the procedures of Rule 805.

Under the proposed rule change, OCC would preserve the ability of the options exchanges to designate (or, in the case of flexibly structured options, permit clearing members to designate) non-standard expiration dates for options, or classes or series of options, so long as the designated expiration date is not a date OCC has specified as ineligible to be an expiration date.

OCC believes the proposed rule change is consistent with the purposes and requirements of Section 17A of the Exchange Act [16] because it provides for the prompt and accurate clearance and settlement of securities transactions and the protection of securities investors and the public interest [17] by improving the processing time for clearing of option contracts, standardizing the expiration day of numerous options contracts, and requiring clearing members to reconcile options transactions on the trade date, which will facilitate and promote intra-day risk management by the clearing members.

[11] OCC's exercise-by-exception procedures are described in its Rule 805(d), which generally provides that each clearing member will automatically be deemed to have submitted an exercise notice immediately prior to the expiration time for all in-the-money option contracts unless the clearing member has instructed OCC otherwise in a written exercise notice.

[12] The exercise-by-exception window for weekly and quarterly expiration options is from 6:00 p.m. to 7:00 p.m. Central Time on the expiration date.

[13] The proposed expiration schedule for Friday expiration processing is similar to the expiration schedule for weekly options, which begins at 6:00 p.m. Central Time on Friday evening and ends at 11:30 p.m. Central Time on Friday evening. All timeframes would be set forth in OCC's procedures and subject to change based on OCC's experience with Friday expiration processing.

[14] After OCC designates an expiration date as grandfathered, the exchanges have agreed to not permit the listing of, and OCC will not accept for clearance, any newly listed standard expiration option contract with a Friday expiration in the applicable month.

[15] Until exchanges complete certain systems enhancements in August 2013, it is possible that additional option contracts may be listed with Saturday expiration dates beyond February 1, 2015.

[16] 15 U.S.C. 78q–1.

[17] 15 U.S.C. 78q–1(b)(3)(F).

OCC believes proposed rule change is not inconsistent with any existing OCC By-Laws or Rules.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change, which will apply to all OCC clearing members, involves operational improvements that will allow OCC and its clearing members to become more operationally efficient and reduce operational risk. Moreover, OCC has coordinated moving to a Friday night expiration process with options industry participants and has also obtained assurance from all such participants that they are able to adhere to OCC's Friday night expiration implementation schedule. Therefore, OCC does not believe the proposed rule change would impose a burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

While the matters discussed in this proposed rule change have been subject to extensive discussion with clearing members, including during an OCC Operations Roundtable, written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

(D) Advance Notices Filed Pursuant to Section 806(e) of the Clearing Supervision Act

OCC is filing this proposed rule change as an advance notice pursuant to Section 806(e)(2) of Clearing Supervision Act because OCC believes the proposed change could be deemed to materially affect the nature or level of risks presented by OCC. OCC believes that the Rule change will enhance OCC's ability to manage the risks presented to it. The operational processing of stock option contracts with Saturday expiration dates on the preceding Friday and the ultimate transition to a Friday expiration date for standard expiration contracts as described above will reduce the operational risk to OCC by allowing OCC to streamline the expiration process for all such options contracts and increase the operational efficiencies for OCC and its clearing members. In addition, it will compress the operational timeframe for processing the options expirations such that clearing members will be required to reconcile options trades on the trade date, which will facilitate and promote intra-day risk management of cleared trades, and promote real-time trade date reconciliation and positions balancing, by clearing members.

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

The proposed change may be implemented pursuant to Section 806(e)(1)(G) of the Clearing Supervision Act [18] if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission or the Board of Governors of the Federal Reserve System 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.

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.[19]

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*. Please include File Number SR–OCC–2013–802 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–OCC–2013–802. 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 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: (*http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_13_04.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–2013–802 and should be submitted on or before June 13, 2013.

By the Commission.

Kevin M. O'Neill,

Deputy Secretary.

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[18] 12 U.S.C. 5465(e)(1)(G).

[19] OCC also filed the proposals contained in this advance notice as a proposed rule change, under Section 19(b)(1) of the Exchange Act and Rule 19b–4 thereunder, seeking Commission approval to permit OCC to change its rules to reflect the proposed changes in this advance notice. 15 U.S.C. 78s(b)(1); 17 CFR 240.19b–4; SR–OCC–2013–04. *See Supra* note 4.