

unnecessary word “and” from the definition of “option series.”<sup>18</sup>

#### *Ongoing Analysis Regarding Margin Levels*

The Exchange will continue to analyze and review the appropriate minimum margin levels for volatility index option. Specifically, the Exchange will continue to review market data in order to determine whether the proposed margin levels should remain or be adjusted. Among other things, CBOE may propose an alternate methodology for determining margin levels or CBOE may subsequently change margin levels after having time to study the impact of the proposed rule change. Any such change would be accomplished by way of a rule filing with the Commission.<sup>19</sup>

#### *Implementation Date*

CBOE filed Amendment No. 1 to request a 30-day implementation period for the proposed rule that would commence upon approval of the proposed rule change.<sup>20</sup> The Exchange believes that this is an appropriate timeframe for Trading Permit Holder organizations and their customers to prepare for the proposed margin increases.

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>21</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>22</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that increasing the minimum margin requirements (including the portfolio margin requirements) for certain volatility index options will protect the integrity of the marketplace by setting

margin at a level that is appropriate for the given instrument. The proposed changes also will benefit investors and other market participants by making some clarifying changes to CBOE's margin rules, and by making CBOE's rules more user-friendly in that the applicable margin levels will be easier to locate in CBOE's rulebook.

Finally, the implementation date of the proposed rule change will be 30 days from the effective date of this approval order. The Commission believes that a 30-day implementation date is an appropriate timeframe for broker-dealers and their customers to prepare for the proposed margin increases.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>23</sup> that the proposed rule change (SR-CBOE-2014-039), as modified by Amendment No. 1, is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72465; File No. SR-CME-2014-26]

### Self-Regulatory Organizations; Chicago Mercantile Exchange Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Modifications to Its OTC IRS Fee Schedule

June 25, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 18, 2014, Chicago Mercantile Exchange Inc. (“CME”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I and II below, which Items have been prepared primarily by CME. CME filed the proposal pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(2)<sup>4</sup> thereunder, so that the proposal was effective upon filing with the

Commission. 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

CME is filing the proposed rule change that is limited to its business as a derivatives clearing organization. More specifically, the proposed rule change would modify the fee schedule applicable to its over-the-counter (“OTC”) interest rate swap (“IRS”) clearing offering.

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

In its filing with the Commission, CME included statements concerning the purpose 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. CME has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

CME is registered as a derivatives clearing organization with the Commodity Futures Trading Commission (“CFTC”) and currently offers clearing services for many different futures and swaps products. With this filing, CME proposes to modify the fee schedule (the “Fee Schedule”) that applies to over-the-counter (“OTC”) Interest Rate Swaps (“IRS”) cleared at CME.

The proposed fee change relates to the charges for customer back-loaded trades. The proposed change applies to the OTC IRS Customer Fee Schedule. The proposed modification would specify that certain qualifying back-loaded trades would be eligible for rebated clearing fees provided that certain conditions and criteria are met. In order to be eligible for the clearing fee rebate, the following criteria would have to be satisfied: The entire back-loaded portfolio must have an aggregate gross notional equal to or greater than \$500 billion (or U.S. Dollar equivalent); the customer notifies CME at least five (5) days in advance by contacting [OTCFees@cmegroup.com](mailto:OTCFees@cmegroup.com); the participating back-loaded trades are back-loaded within a period of twenty (20) business days or less; and, finally,

<sup>18</sup> See *id.*

<sup>19</sup> See *id.* at 27359-60.

<sup>20</sup> See Amendment No. 1.

<sup>21</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78f(b)(5).

<sup>23</sup> 15 U.S.C. 78s(b)(2).

<sup>24</sup> 17 CFR 200.30-3(a)(12).

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

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

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

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

the back-loaded trades result in a net increase in customer open interest during the specified back-loading period.

In addition, the proposed modification to the OTC IRS Fee Schedule also includes certain corrections to the current Fee Schedule for IRS Clearing Members dealing with end of day offsets for currencies. These corrections are intended to adjust the standard day offsets that are used to coincide more closely with market standard settlement conventions.

The change that is described in this filing impacts fees that are limited to CME's business as a derivatives clearing organization clearing products under the exclusive jurisdiction of the CFTC and does not materially impact CME's security-based swap clearing business in any way. The fee change would become effective immediately but would be operationalized on July 1, 2014. CME notes that it has already submitted the proposed rule changes that is the subject of this filing to its primary regulator, the CFTC, in CME Submission 14-239.

CME believes the proposed rule change is consistent with the requirements of the Exchange Act including Section 17A of the Exchange Act.<sup>5</sup> More specifically, the proposed rule changes establish or change a member due, fee or other charge imposed by CME under Section 19(b)(3)(A)(ii)<sup>6</sup> of the Exchange Act and Rule 19b-4(f)(2)<sup>7</sup> thereunder. CME believes that the proposed fee change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder and, in particular, to Section 17A(b)(3)(D) of the Exchange Act,<sup>8</sup> because the proposed fee changes apply equally to all OTC IRS customers clearing IRS at CME and therefore the proposed changes provide for the equitable allocation of reasonable dues, fees and other charges among participants. CME also notes that it operates in a highly competitive market in which market participants can readily direct business to competing venues. As such, the proposed change is appropriately filed pursuant to Section 19(b)(3)(A)<sup>9</sup> of the Act and Rule 19b-4(f)(2)<sup>10</sup> thereunder.

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

CME does not believe that the proposed rule change will have any

impact, or impose any burden, on competition. The fee change provides a waiver of fees for certain large qualifying back-loaded IRS legacy portfolios. Back-loaded transactions are defined as where the trade date for the transaction is prior to the cleared date and, thus, by definition, are transactions which have already occurred well before clearing. Back-loaded transactions promote the general goal of increasing central clearing of OTC derivatives products. Further, OTC IRS are swaps under the exclusive jurisdiction of the CFTC, and, as such, these proposed fee change does not affect the security-based swap clearing activities of CME in any way and therefore does not impose any burden on competition that is inappropriate in furtherance of the purposes of the Act.

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

CME has not solicited, and does not intend to solicit, comments regarding this proposed rule change. CME has not received any unsolicited written comments from interested parties.

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

The foregoing rule change has become effective upon filing pursuant to Section 19(b)(3)(A)<sup>11</sup> of the Act and Rule 19b-4(f)(2)<sup>12</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### **IV. Solicitation of Comment**

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 No. SR-CME-2014-26 on the subject line.

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

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

##### *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-CME-2014-26. 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 office of CME and on CME's Web site at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

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-CME-2014-26 and should be submitted on or before July 22, 2014.

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

**Kevin M. O'Neill,**

*Deputy Secretary.*

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<sup>5</sup> 15 U.S.C. 78q-1.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>7</sup> 17 CFR 240.19b-4(f)(2).

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

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

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).