[FR Doc. 2017–04502 Filed 3–7–17; 8:45 am]

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NUCLEAR REGULATORY COMMISSION

Advisory Committee on Reactor Safeguards (ACRS); Meeting of the ACRS Subcommittee on APR1400; Notice of Meeting

The ACRS Subcommittee on APR1400 will hold a meeting on March 21–23, 2017, 11545 Rockville Pike, Room T–2B1, Rockville, Maryland 20852.

The meeting will be open to public attendance with the exception of portions that may be closed to protect information that is proprietary pursuant to 5 U.S.C. 552b(c)(4). The agenda for the subject meeting shall be as follows:

Tuesday, March 21, 2017—1:00 p.m. until 5:00 p.m.; Wednesday, March 22, 2017—8:30 a.m. until 5:00 p.m.; Thursday, March 23, 2017—8:30 a.m. until 12:00 p.m.

The Subcommittee will review the APR1400 Design Control Document and Safety Evaluation Report with Open Items Chapter 6 (''Engineered Safety Features''), Chapter 13 (''Conduct of Operations''), and Chapter 16 (''Technical Specifications''). The Subcommittee will hear presentations by and hold discussions with the NRC staff and Korea Hydro & Nuclear Power Company regarding this matter. The Subcommittee will gather information, analyze relevant issues and facts, and formulate proposed positions and actions, as appropriate, for deliberation by the Full Committee.

Members of the public desiring to provide oral statements and/or written comments should notify the Designated Federal Official (DFO), Christopher Brown (Telephone 301–415–7111 or Email: *Christopher.Brown@nrc.gov*) five days prior to the meeting, if possible, so that appropriate arrangements can be made. Thirty-five hard copies of each presentation or handout should be provided to the DFO thirty minutes before the meeting. In addition, one electronic copy of each presentation should be emailed to the DFO one day before the meeting. If an electronic copy cannot be provided within this timeframe, presenters should provide the DFO with a CD containing each presentation at least thirty minutes before the meeting. Electronic recordings will be permitted only during those portions of the meeting that are open to the public. Detailed procedures for the conduct of and participation in ACRS meetings were published in the **Federal Register** on October 17, 2016, (81 FR 71543).

Detailed meeting agendas and meeting transcripts are available on the NRC Web site at *http://www.nrc.gov/reading-rm/doc-collections/acrs.* Information regarding topics to be discussed, changes to the agenda, whether the meeting has been canceled or rescheduled, and the time allotted to present oral statements can be obtained from the Web site cited above or by contacting the identified DFO. Moreover, in view of the possibility that the schedule for ACRS meetings may be adjusted by the Chairman as necessary to facilitate the conduct of the meeting, persons planning to attend should check with these references if such rescheduling would result in a major inconvenience.

If attending this meeting, please enter through the One White Flint North building, 11555 Rockville Pike, Rockville, Maryland. After registering with Security, please contact Mr. Theron Brown (Telephone 240–888–9835) to be escorted to the meeting room.

Dated: March 1, 2017.

Mark L. Banks,

Chief, Technical Support Branch, Advisory Committee on Reactor Safeguards.

[FR Doc. 2017–04541 Filed 3–7–17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80139; File No. SR–FICC–2017–801]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Advance Notice To (1) Implement the Margin Proxy and (2) Modify the Calculation of the Coverage Charge in Circumstances Where the Margin Proxy Applies

March 2, 2017.

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 (''Clearing Supervision Act'') [1] and Rule 19b–4(n)(1)(i) under the Securities Exchange Act of 1934, as amended (''Act''),[2] notice is hereby given that on February 2, 2017, Fixed Income Clearing Corporation (''FICC'') filed with the U.S. Securities and Exchange Commission (''Commission'') the advance notice SR–FICC–2017–801 (''Advance Notice'') as described in Items I, II and III below, which Items have been primarily prepared by the clearing agency.[3] 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 consists of amendments to the FICC Government Securities Division (''GSD'') Rulebook (''GSD Rules'') [4] in order to include a minimum volatility calculation called the ''Margin Proxy.'' Under the proposed rule change, FICC would apply the greater of the amount calculated by the current model-based volatility (''Current Volatility Calculation'') calculation and the Margin Proxy when determining a GSD Netting Member's (''Netting Member's'') daily VaR Charge,[5] as further described below. In addition, FICC would modify the calculation of the Coverage Charge [6] in circumstances where the Margin Proxy applies, as further described below.

In order to effectuate the proposed rule changes described above, FICC proposes to (1) add a new defined term for Margin Proxy in Rule 1 (Definitions); (2) amend the definition of VaR Charge in Rule 1 to reference the Margin Proxy; and (3) amend Section 1b of Rule 4 (Clearing Fund and Loss Allocation) to modify the calculation of the Coverage Charge when the Margin Proxy is applied.

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

In its filing with the Commission, the clearing agency 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. The clearing agency has prepared summaries, set forth in sections A and B below, of the most significant aspects of such statements.

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

[2] *See* 17 CFR 240.19b–4(n)(1)(i).

[3] On February 2, 2017, FICC filed this Advance Notice as a proposed rule change (SR–FICC–2017–001) with the Commission pursuant to Section 19(b)(1) of the Act, 15 U.S.C. 78s(b)(1), and Rule 19b–4, 17 CFR 240.19b–4. A copy of the proposed rule change is *available at.*

[4] Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the GSD Rules *available at www.dtcc.com/legal/rules-and-procedures.aspx.*

[5] The Margin Proxy would be calculated as part of the determination of the VaR Charge that occurs twice daily, based on start-of-day positions and noon positions.

[6] *See* description of Coverage Charge in GSD Rule 1, Definitions, *supra* note 4.

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

In connection with this proposed rule change, FICC received a written letter from Ronin Capital LLC (''Ronin Capital'').[7] A copy of this letter is attached as Exhibit 2. The aspects of this letter that relate to the proposed rule change are described below.

Abbreviated Rule Approval Process

A. The new backup model is being rushed into production.

Ronin Capital has questioned whether the risk to FICC from the current full evaluation approach is so dire that a new backup model is required to be rushed into production.

FICC believes that the Current Volatility Calculation did not respond effectively to volatile market conditions and that it must implement the proposed Margin Proxy as described in this proposed rule change as soon as possible to effectively mitigate the market price risk of each Netting Member's Margin Portfolio. As described in Item II(B) below, FICC believes that the proposed changes associated with the Margin Proxy and the Coverage Charge would help to ensure that each Netting Member's Required Fund Deposit achieves a 99 percent confidence level and the proposed changes would mitigate potential losses to FICC and non-defaulting Netting Members associated with the liquidation of a defaulted Netting Member's portfolio. As described in Item II(B) below, the proposed changes would support FICC's compliance with Rule 17Ad–22(e)(4) because the Margin Proxy is designed to effectively identify, measure, monitor, and manage FICC's credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes.[8]

B. An abbreviated rule approval process may not be appropriate when there are known flaws with the Margin Proxy.

Ronin Capital has questioned whether an abbreviated rule approval process is appropriate when there are known flaws with the Margin Proxy. Ronin Capital notes that an example of a flaw is the inability of the Margin Proxy to reflect risk offsets among portfolio positions.

As described in II(B) below, FICC has identified a deficiency in the Current Volatility Calculation and FICC believes that it has a responsibility to rectify this deficiency as soon as possible. With this in mind, FICC is requesting that the Commission notify FICC that it has no objection to the proposed changes as expeditiously as possible in order to address the impact that market volatility has had on the GSD VaR Charge. FICC believes that this request is appropriate because the proposed changes associated with the Margin Proxy and the Coverage Charge would help to protect FICC and its Netting Members by ensuring that FICC collects sufficient Required Fund Deposits in the event that the Current Volatility Calculation does not perform as expected during volatile market conditions.

Ronin Capital's assertion that the Margin Proxy does not provide for risk offsets is incorrect. As described in Item II(B) below, the proposed Margin Proxy accounts for risk offsets by including a correlation adjustment to provide risk diversification across tenor buckets that have been historically observed across the U.S. Treasury benchmarks. The VaR Charge would preserve the same diversification between U.S. Treasury and MBS asset classes that is provided by the Current Volatility Calculation. FICC is not aware of any flaws with the proposed Margin Proxy and thus FICC believes that it is prudent to request that the Commission accelerate the effectiveness of the proposed change associated with the Margin Proxy and Coverage Charge.

C. The deployment of the Margin Proxy for an extended time may further burden competition.

Ronin Capital has expressed concern that GSD's expedited need for a new VaR model may result in the deployment of the backup Margin Proxy methodology for an extended amount of time which may burden competition.

FICC acknowledges that the proposed rule change associated with the Margin Proxy and Coverage Charge may burden competition, however, FICC believes that this burden would be necessary and appropriate in furtherance of the Act.

The proposed rule change associated with the Margin Proxy and the Coverage Charge could burden competition because the proposed change would result in larger Required Fund Deposit amounts for Netting Members when the Margin Proxy calculates a VaR Charge that is greater than the amount calculated pursuant to the Current Volatility Calculation. When application of the Margin Proxy increases Required Fund Deposits for Netting Members that have lower operating margins or higher costs of capital compared to other Netting Members, the proposed rule change could burden competition. However, FICC does not believe that the proposed rule change associated with the Margin Proxy and Coverage Charge would impose a significant burden on competition because the increase in the Required Fund Deposit would be in direct relation to the market risk presented by each Netting Member's Margin Portfolio. Moreover, the Required Fund Deposit would be calculated with the same parameters and at the confidence level for all Netting Members. Therefore, Netting Members that present similar Margin Portfolios would have similar impacts on their Required Fund Deposit amounts.

FICC believes that the burden on competition would be necessary and appropriate in furtherance of the Act because the proposed changes associated with the Margin Proxy and the Coverage Charge would support FICC's compliance with Rule 17Ad–22(b)(1) under the Act. Specifically, the proposed changes would be reasonably designed to (x) measure FICC's credit exposures to its participants at least once a day and (y) limit FICC's exposures to potential losses from defaults by its participants under normal market conditions.[9] The proposed changes would also support FICC's compliance with Rule 17Ad–22(b)(2) under the Act because the proposed changes would reflect FICC's use of risk-based models and parameters to set margin requirements which would be reviewed monthly.[10] The proposed Margin Proxy would also support FICC's compliance with Rule 17Ad–22(e)(4) and (e)(6) under the Act because the Margin Proxy would be subject to a performance review by FICC and the Margin Proxy is a risk based margin system that would be monitored, regularly reviewed, tested and verified on an ongoing basis.[11]

For these reason, FICC believes that any burden on competition as a result of the proposed changes associated with the Margin Proxy and Coverage Charge would be necessary in furtherance of the Act as cited above.

[7] *See* Letter from Ronin Capital LLC to Messrs. Murray Pozmanter and Timothy Cuddihy dated January 20, 2017. This letter expressed a wide range of concerns, which FICC has and will continue to consider. The aspects of this letter which do not relate to the proposed rule change will be addressed by FICC outside of the context of this filing.

[8] The Commission adopted amendments to Rule 17Ad–22, including the addition of new section 17Ad–22(e), on September 28, 2016. The amendments to Rule 17Ad–22 became effective on December 12, 2016. FICC is a ''covered clearing agency'' as defined in Rule 17Ad–22(a)(5) and must comply with new section (e) of Rule 17Ad–22 by April 11, 2017. *See* Securities Exchange Act Release No. 78961 (September 28, 2016), 81 FR 70786 (October 13, 2016) (S7–03–14).

[9] *See* 17 CFR 240.17Ad–22(b)(1).

[10] *See* 17 CFR 240.17Ad–22(b)(2).

[11] *Supra* note 8.

D. The Margin Proxy should be tested before filing a rule change and Netting Members should have the opportunity to prepare for the temporary model.

Ronin Capital expressed concern about whether FICC conducted a study of the Margin Proxy's impact prior to filing a rule change. Ronin Capital also noted that Netting Members have experience with the idiosyncrasies of the current model and that it does not make sense to rush to a new temporary model without giving Netting Members any length of time to prepare.

FICC believes that it conducted sufficient analysis prior to the submission of this proposed rule change to the Commission. FICC evaluated the sufficiency of the proposed changes for a period that exceeded 2 months. FICC's study included historical analysis of the backtesting sufficiency of the Margin Proxy. In addition, FICC reviewed the impact that the Margin Proxy would have on each Netting Member's Required Fund Deposit. In an effort to help Netting Members prepare for this proposed rule change, FICC outlined the rationale for the Margin Proxy and provided each Netting Member with reports that reflect the impact that the proposed change would have on such Netting Member's Required Fund Deposit. Thus, FICC believes that it has provided Netting Members with sufficient information and advance notice regarding the proposed changes. FICC recognizes that Netting Members may have experience with the idiosyncrasies of the Current Volatility Calculation, FICC nonetheless believes that the proposed rule change must be employed to help ensure that FICC collects sufficient Required Fund Deposit amounts at all times, particularly during volatile market conditions.

Lack of Transparency

A. Netting Members should have access to prospective rule changes before rules are filed.

Ronin Capital acknowledged that it appreciates FICC's communication with Netting Members about sensitive topics before submitting rules for commentary; however, Ronin Capital also noted that it is important for Netting Members to have access to prospective rules changes before such rules are filed with regulatory authorities.

In response to the above, FICC notes that it has and continues to engage in ongoing discussion with Netting Members about how proposals would impact them. With respect to this proposed change, FICC's outreach to Netting Members included discussions regarding GSD's Clearing Fund calculation as well as the VaR Charge methodology. As described above, in an effort to help Netting Members prepare for this proposed rule change, FICC outlined the rationale for the Margin Proxy and provided each Netting Member with reports that reflect the impact that the proposed change would have on such Netting Member's Required Fund Deposit. FICC staff has always made itself available to answer all questions or concerns raised by Netting Members. FICC believes that it has provided Netting Members with an appropriate level of disclosure regarding this proposed rule change and such disclosure gives Netting Members the ability to manage their obligations under the proposed rule change.

B. FICC should provide Netting Members with the ability to conduct scenario analysis and FICC's inability to do so could be anticompetitive.

Ronin Capital noted that FICC should give Netting Members the ability to conduct margin based scenario analysis. Ronan Capital also noted that given the differing costs of capital across the membership, FICC's inability to provide Netting Members with the ability to conduct such analysis could be anticompetitive.

FICC does not have technology that would allow Netting Members to conduct margin based scenario analysis. While FICC recognizes that that there may be additional benefits that Netting Members could derive from the provision of such technology by FICC, FICC does not believe that the lack of availability of such technology is anticompetitive. FICC has provided sufficient disclosure regarding the proposed change to its Netting Members and each Netting Member has been provided with the same level of disclosure. In addition, FICC staff has made itself available to answer all questions regarding the proposed change. Thus, FICC believes that all Netting Members have the ability to manage their obligations based on the information that FICC has provided in connection with this proposed change. FICC recognizes there may be additional benefits that Netting Members could derive from margin based scenario analysis thus FICC will endeavor to explore the development of this technology in the future.

While FICC recognizes that that there may be additional benefits that Netting Members could derive from the provision of such technology by FICC, FICC does not believe that the lack of availability of such technology is anticompetitive.

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

Nature of the Proposed Change

FICC is proposing to introduce the Margin Proxy, which would constitute a Netting Member's daily VaR Charge in circumstances where the Margin Proxy would be greater than the Current Volatility Calculation. In circumstances where the Margin Proxy is applied by FICC, FICC also proposes to reduce the Coverage Charge by the amount that the Margin Proxy exceeds the sum of the Current Volatility Calculation and Coverage Charge, but not by an amount greater than the total Coverage Charge, as further described below.

A. Overview of the Required Fund Deposit and Clearing Fund Calculation

A key tool that FICC uses to manage market risk is the daily calculation and collection of Required Fund Deposits from Netting Members. The objective of a Netting Member's Required Fund Deposit is to mitigate potential losses to FICC associated with liquidation of such Netting Member's Margin Portfolio in the event that FICC ceases to act for such Netting Member (hereinafter referred to as a ''default'').[12]

A Netting Member's Required Fund Deposit consists of several components, including the VaR Charge and Coverage Charge. The VaR Charge comprises the largest portion of a Netting Member's Required Fund Deposit amount. The VaR Charge is calculated using a risk-based margin methodology that is intended to cover the market price risk associated with the securities in a Netting Member's Margin Portfolio.

The Coverage Charge is calculated based on the Netting Member's daily backtesting results. FICC employs daily backtesting to determine the adequacy of each Netting Member's Required Fund Deposit. The backtesting compares the Required Fund Deposit for each Netting Member with actual price changes in the Netting Member's Margin Portfolio. The Margin Portfolio values are calculated using the actual positions in such Netting Member's Margin Portfolio on a given day and the observed security price changes over the following three days. These backtesting results are reviewed as part of FICC's VaR model performance monitoring and assessment of the adequacy of each Netting Member's Required Fund Deposit.

The Coverage Charge is incorporated in the Required Fund Deposit for each Netting Member to increase the

[12] GSD Rule 22A.

Required Fund Deposit so that the Netting Member's backtesting coverage may achieve the 99 percent confidence level (*i.e.,* no [13] greater than two backtesting deficiency days in a rolling twelve-month period).

B. Proposed Change to the Existing VaR Charge Calculation

During the fourth quarter of 2016, FICC's Current Volatility Calculation did not respond effectively to the level of market volatility at that time, and the VaR Charge amounts that were calculated using the profit and loss scenarios generated by the Current Volatility Calculation did not achieve backtesting coverage at a 99 percent confidence level. As a result, the Required Fund Deposit yielded backtesting deficiencies beyond FICC's risk tolerance. Therefore, FICC proposes to use the Margin Proxy as the VaR Charge when the Margin Proxy calculation would exceed the Current Volatility Calculation.

The Margin Proxy would cover circumstances where the Current Volatility Calculation is lower than market price volatility from corresponding U.S. Treasury and to-be-announced (''TBA'') [14] securities benchmarks.

More specifically, the Margin Proxy would reflect separate calculations for U.S. Treasury securities and agency pass-through mortgage backed securities (''MBS''). The purpose of the separate calculations would be to cover the historical market prices of each of those asset classes to a 99 percent confidence level, on a standalone basis, because the historical price changes of the two asset classes are different due to market factors, such as credit spreads and prepayment risk. This separate calculation would also allow FICC to monitor the performance of each of those asset classes individually.

The Margin Proxy would be calculated per Netting Member. Each security in a Netting Member's Margin Portfolio would be mapped to a respective benchmark based on the security's asset class and maturity.[15] All securities within each benchmark would be aggregated into a net exposure.[16] Next, FICC would apply an applicable haircut [17] to the net exposure per benchmark to determine the net price risk for each benchmark (''Net Price Risk''). Finally, FICC would determine the asset class price risk (''Asset Class Price Risk'') for U.S. Treasury and MBS benchmarks separately by aggregating the respective Net Price Risk, and for the U.S. Treasury benchmarks, the calculation includes a correlation adjustment, to provide risk diversification across tenor buckets, that has been historically observed across the U.S. Treasury benchmarks. The Margin Proxy would represent the sum of the U.S. Treasury and MBS Asset Class Price Risk. FICC would compare the Margin Proxy to the Current Volatility Calculation. FICC would apply the greater of the Margin Proxy or the Current Volatility Calculation for each asset class as the VaR Charge for each Netting Member's Margin Portfolio.

FICC believes that this proposal would provide the adequate Required Fund Deposit per Netting Member because the backtesting coverage including the Margin Proxy has been above the 99 percent confidence level for the past four years. Additionally, the Margin Proxy would be transparent to Netting Members because it would use industry standard benchmarks that can be observed by Netting Members.

The Margin Proxy methodology would be subject to performance reviews by FICC. Specifically, FICC would monitor each Netting Member's Required Fund Deposit and the aggregate Clearing Fund requirements versus the requirements calculated by the Margin Proxy. Consistent with the current GSD Rules,[18] FICC would review the robustness of the Margin Proxy by comparing the results versus the three-day profit and loss of each Netting Member's Margin Portfolio based on actual market price moves. If the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level, FICC would consider adjustments to the Margin Proxy, including increasing the look-back period and/or applying a historical stressed period to the Margin Proxy calibration, as appropriate.

C. Proposed Modification to the Coverage Charge When the Margin Proxy Is Applied

FICC also proposes to modify the calculation of the Coverage Charge when the Margin Proxy is applied as the VaR Charge. Specifically, FICC would reduce the Coverage Charge by the amount that the Margin Proxy exceeds the sum of the Current Volatility Calculation and Coverage Charge, but not by an amount greater than the total Coverage. FICC's backtesting analysis demonstrates that the proposed Margin Proxy would provide sufficient margin coverage without the addition of the Coverage Charge because FICC backtest results inclusive of the Margin Proxy achieve the 99 percent confidence level without the inclusion of the Coverage Charge.

FICC would not modify the Coverage Charge if the Margin Proxy is not applied as the VaR Charge.

Anticipated Effect on and Management of Risks

FICC believes that the proposed changes to establish the Margin Proxy and to adjust the Coverage Charge when the Margin Proxy is applied would enable FICC to better limit its exposure to Netting Members arising out of the activity in their Margin Portfolios.

The proposal to establish the Margin Proxy would affect FICC's management of risk because it would help to address deficiencies observed in the Current Volatility Calculation by establishing the Margin Proxy as a minimum volatility calculation for each Netting Member's Margin Portfolio based on historical price changes of a set of reference securities. The proposed methodology would enhance FICC's risk management capabilities by establishing a volatility floor based on the composition of each Netting Member's Margin Portfolio, enabling FICC to establish a VaR Charge that provides better backtesting coverage than the Current Volatility Calculation.

FICC's proposal to modify the calculation of the Coverage Charge would affect FICC's management of risk by removing unnecessary components from the Required Fund Deposit calculation. As described above, the Coverage Charge is based on historical portfolio activity, which may not be indicative of a Netting Member's current risk profile. As part of FICC's development of the Margin Proxy, FICC performed backtesting to validate model performance, and conducted analyses to determine the impact of the proposed changes to the Netting Members. Results of FICC's backtesting performance when

[13] On February 16, 2017, staff of the Commission's Division of Trading and Markets had a conversation with FICC's legal counsel to confirm that the word ''no'' should precede the word ''greater'' in this sentence.

[14] Specified pool trades are mapped to the corresponding positions in TBA securities for determining the VaR Charge.

[15] U.S. Treasury and agency securities would be mapped to a U.S. Treasury benchmark security/index. Mortgage-backed securities would be mapped to a TBA security/index.

[16] Net exposure is the aggregate market value of securities to be purchased by the Netting Member minus the aggregate market value of securities to be sold by the Netting Member.

[17] The haircut is calculated using historical market price changes of the respective benchmark to cover the expected market price volatility at 99 percent confidence level.

[18] *See* definition of VaR Charge in GSD Rule 1, Definitions, *supra* note 4.

the Margin Proxy is applied indicate that the backtesting coverage is higher when the VaR Charge includes the Margin Proxy and the Coverage Charge has been adjusted, as compared to the VaR Charge including the Current Volatility Calculation and the unadjusted Coverage Charge. Given an improvement in model coverage that achieves coverage above the 99 percent confidence level, FICC believes that it is appropriate to reduce the Coverage Charge by the amount that the Margin Proxy exceeds the sum of the Current Volatility Calculation and Coverage Charge, but not by an amount greater than the total Coverage Charge, as further described below.

FICC has also managed the effect of the overall proposal by conducting outreach with Netting Members regarding the proposed changes and informing such Members as to the reasons for these proposed changes. FICC has provided each Netting Member with an individual impact study. In addition, FICC's Market Risk Management team and Relationship Management team have been available to answer all questions.

Consistency With the Clearing Supervision Act

FICC believes the proposed changes, described above, are consistent with Section 805(b) of the Clearing Supervision Act [19] because these changes would promote robust risk management by giving GSD the ability to better cover its exposure to Netting Members arising out of the activity of such Members' Margin Portfolios.

In addition, FICC believes that the proposed changes associated with the Margin Proxy and Coverage Charge are consistent with the requirements of Rules 17Ad–22(b)(1) and (b)(2) under the Act.[20] Rule 17Ad–22(b)(1) requires a registered clearing agency that performs central counterparty services to establish, implement, maintain and enforce written policies and procedures reasonably designed to measure its credit exposures to its participants at least once a day and limit its exposures to potential losses from defaults by its participants under normal market conditions so that the operations of the clearing agency would not be disrupted and non-defaulting participants would not be exposed to losses that they cannot anticipate or control.[21] The proposed changes associated with the Margin Proxy and Coverage Charge would continue FICC's practice of measuring its credit exposures at least once a day and would enhance GSD's risk-based margining framework, the objective of which is to calculate each Netting Member's Required Fund Deposit such that, in the event of a Netting Member's default, the defaulting Netting Member's own Required Fund Deposit would mitigate potential losses to FICC and non-defaulting Netting Members associated with the liquidation of such defaulted Netting Member's portfolio. Therefore, FICC believes that these proposed changes are consistent with Rule 17Ad–22(b)(1) under the Act.

Rule 17Ad–22(b)(2) under the Act requires a registered clearing agency that performs central counterparty services to establish, implement, maintain and enforce written policies and procedures reasonably designed to use margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements and review such margin requirements and the related risk-based models and parameters at least monthly.[22] The proposed changes associated with the Margin Proxy and Coverage Charge would enhance the risk-based model and parameters that establish margin requirements for Netting Members. This enhancement to the risk-based model and parameters would use margin requirements to limit FICC's credit exposure to its Netting Members. Since the proposed changes are designed to calculate each Netting Member's Required Fund Deposit at a 99 percent confidence level, FICC believes each Netting Member's Required Fund Deposit could mitigate its own losses in the event that such Netting Member defaults under normal market conditions. Therefore, FICC believes that these proposed changes are consistent with Rule 17Ad–22(b)(2) under the Act.

FICC also believes that the proposed changes are consistent with Rules 17Ad–22(e)(4) and (e)(6) of the Act, which were recently adopted by the Commission.[23] Rule 17Ad–22(e)(4) will require FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes.[24] The Margin Proxy methodology would be subject to performance reviews by FICC. If the Margin Proxy's backtesting results do not meet FICC's 99 percent confidence level, FICC would consider adjustments to the Margin Proxy, including increasing the look-back period and/or applying a historical stressed period to the Margin Proxy calibration, as appropriate. Therefore, the proposed changes associated with the Margin Proxy and Coverage Charge would enhance FICC's ability to identify, measure, monitor and manage its credit exposures to Netting Members and those exposures arising from its payment, clearing, and settlement processes by maintaining financial resources to cover a wide range of foreseeable price moves under both normal and stressed market conditions. Therefore, FICC believes the proposed changes are consistent with the requirements of Rule 17Ad–22(e)(4), promulgated under the Act.

Rule 17Ad–22(e)(6) will require FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that is monitored by management on an ongoing basis and regularly reviewed, tested, and verified.[25] The proposed changes associated with the Margin Proxy enhance GSD's risk-based margin system that would continue to be monitored by FICC management on an ongoing basis and regularly reviewed, tested, and verified. Therefore, FICC believes that the proposed changes are consistent with the requirements of Rule 17Ad–22(e)(6), promulgated under the Act.

Accelerated Commission Action Requested

Pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act,[26] FICC requests that the Commission notify FICC that it has no objection to the proposed changes as expeditiously as possible. FICC requests accelerated Commission action in order to address the impact of recent volatility in the financial markets on the GSD VaR Charge. GSD's VaR Charge did not achieve backtesting coverage at a 99 percent confidence level, as described herein. The proposed changes would enhance the risk-based model and parameters that establish margin requirements for Netting Members. These enhancements to the risk-based model and parameters are designed to calculate each Netting Member's Required Fund Deposit at a 99 percent confidence level and would mitigate potential losses to FICC and non-

[19] *See* 12 U.S.C. 5464(b).

[20] *See* 17 CFR 240.17Ad–22(b)(1) and (b)(2).

[21] *See* 17 CFR 240.17Ad–22(b)(1).

[22] *See* 17 CFR 240.17Ad–22(b)(2).

[23] *Supra* note 8.

[24] *Id.*

[25] *Id.*

[26] *See* 12 U.S.C. 5465(e)(1)(I).

defaulting Netting Members associated with the liquidation of a defaulted Netting Member's portfolio.

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

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

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, including whether the Advance Notice is consistent with the Clearing Supervision Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–FICC–2017–801 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR–FICC–2017–801. 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 FICC and on DTCC's Web site (*http://dtcc.com/legal/sec-rule-filings.aspx*). 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–FICC–2017–801 and should be submitted on or before March 23, 2017.

By the Commission.

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2017–04476 Filed 3–7–17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–80141; File No. SR–NYSEMKT–2017–07]

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Renaming NYSE OptX

March 2, 2017.

Pursuant to Section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the "Act") [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on February 23, 2017, NYSE MKT LLC (the "Exchange" or "NYSE MKT") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 the Substance of the Proposed Rule Change

The Exchange proposes to rename NYSE OptX, an order entry platform that would allow for the submission of Qualified Contingent Cross ("QCC") [4] Orders and orders executed in the Exchange's Customer Best Execution ("CUBE") [5] Auction by ATP Holders, to NYSE Options IMprint™. The proposed change is available on the Exchange's Web site at *www.nyse.com,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange recently introduced NYSE OptX,[6] an order entry platform

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] A QCC order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 mini-options contracts, that is identified as being part of a qualified contingent trade, as that term is defined in Commentary .01 to Rule 900.3NY, coupled with a contra-side order or orders totaling an equal number of contracts. *See* Rule 900.3NY(y).

[5] CUBE is the Exchange's price improvement auction mechanism that allows an ATP Holder to electronically submit a limit order it represents as agent on behalf of a public customer, broker dealer, or any other entity ("CUBE Order") provided that the Initiating Participant guarantees the execution of the CUBE Order by submitting a contra-side order representing principal interest or interest it has solicited to trade with the CUBE Order at a specified price or by utilizing auto-match or auto-match limit features provided in the Rule. *See* Rule 971.1NY.

[6] *See* Securities Exchange Act Release No. 79720 (January 3, 2017), 82 FR 2427 (January 9, 2017)

Continued