

subject to the terms and conditions stated in the Application. Among others, the Adviser, through a designated committee, would administer the facility as a disinterested fiduciary as part of its duties under the investment management agreement with each Fund and would receive no additional fee as compensation for its services in connection with the administration of the facility. The facility would be subject to oversight and certain approvals by the Funds' Board, including, among others, approval of the interest rate formula and of the method for allocating loans across Funds, as well as review of the process in place to evaluate the liquidity implications for the Funds. A Fund's aggregate outstanding interfund loans will not exceed 15% of its net assets, and the Fund's loans to any one Fund will not exceed 5% of the lending Fund's net assets.<sup>3</sup>

4. Applicants assert that the facility does not raise the concerns underlying section 12(d)(1) of the Act given that the Funds are part of the same group of investment companies and there will be no duplicative costs or fees to the Funds.<sup>4</sup> Applicants also assert that the proposed transactions do not raise the concerns underlying sections 17(a)(1), 17(a)(3), 17(d) and 21(b) of the Act as the Funds would not engage in lending transactions that unfairly benefit insiders or are detrimental to the Funds. Applicants state that the facility will offer both reduced borrowing costs and enhanced returns on loaned funds to all participating Funds and each Fund would have an equal opportunity to borrow and lend on equal terms based on an interest rate formula that is objective and verifiable. With respect to the relief from section 17(a)(2) of the Act, applicants note that any collateral pledged to secure an interfund loan would be subject to the same conditions imposed by any other lender to a Fund that imposes conditions on the quality of or access to collateral for a borrowing (if the lender is another Fund) or the same or better conditions (in any other circumstance).<sup>5</sup>

5. Applicants also believe that the limited relief from section 18(f)(1) of the Act that is necessary to implement the facility (because the lending Funds are

not banks) is appropriate in light of the conditions and safeguards described in the application and because the Funds would remain subject to the requirement of section 18(f)(1) that all borrowings of a Fund, including combined interfund loans and bank borrowings, have at least 300% asset coverage.

6. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act. Rule 17d-1(b) under the Act provides that in passing upon an application filed under the rule, the Commission will consider whether the participation of the registered investment company in a joint enterprise, joint arrangement or profit sharing plan on the basis proposed is consistent with the provisions, policies and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of the other participants.

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

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80346; File No. SR-NYSEArca-2017-09]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change, as Modified by Amendment No. 1, Regarding Investments of the Janus Short Duration Income ETF Listed Under NYSE Arca Equities Rule 8.600

March 30, 2017.

On January 30, 2017, NYSE Arca, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change regarding investments of the Janus Short Duration Income ETF listed under NYSE Arca Equities Rule 8.600. The proposed rule change was published for comment in the **Federal Register** on February 17, 2017.<sup>3</sup> On March 13, 2017, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>4</sup> The Commission received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act<sup>5</sup> provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding, or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day after publication of the notice for this proposed rule change is April 3, 2017. The Commission is extending this 45-day time period.

The Commission finds it appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change, as modified by Amendment No. 1. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>6</sup>

<sup>3</sup> Under certain circumstances, a borrowing Fund will be required to pledge collateral to secure the loan.

<sup>4</sup> Applicants state that the obligation to repay an interfund loan could be deemed to constitute a security for the purposes of sections 17(a)(1) and 12(d)(1) of the Act.

<sup>5</sup> Applicants state that any pledge of securities to secure an interfund loan could constitute a purchase of securities for purposes of section 17(a)(2) of the Act.

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

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

<sup>3</sup> See Securities Exchange Act Release No. 80028 (February 13, 2017), 82 FR 11089.

<sup>4</sup> Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nysearca-2017-09/nysearca201709-1641603-145721.pdf>.

<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> *Id.*

designates May 18, 2017, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change, as modified by Amendment No. 1 (File No. SR-NYSEArca-2017-09).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80341; File No. SR-FICC-2017-801]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of No Objection to Advance Notice Filing To (1) Implement the Margin Proxy and (2) Modify the Calculation of the Coverage Charge in Circumstances Where the Margin Proxy Applies

March 30, 2017.

Fixed Income Clearing Corporation (“FICC”) filed with the U.S. Securities and Exchange Commission (“Commission”) on February 2, 2017 the advance notice SR-FICC-2017-801 (“Advance Notice”) pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act”) <sup>1</sup> and Rule 19b-4(n)(1)(i) <sup>2</sup> under the Securities Exchange Act of 1934 (“Exchange Act”). The Advance Notice was published for comment in the **Federal Register** on March 8, 2017.<sup>3</sup> Although the Commission received no comments to

the Advance Notice, it received three comment letters <sup>4</sup> to the Proposed Rule Change, of which parts pertinent to the Advance Notice are discussed below.<sup>5</sup> This publication serves as notice of no objection to the Advance Notice.

#### I. Description of the Advance Notice

The Advance Notice proposes several amendments to the FICC Government Securities Division (“GSD”) Rulebook (“GSD Rules”) designed to provide FICC with a supplemental means to calculate the VaR Charge component of its GSD Netting Members’ (“Netting Members”) daily margin requirement, known as the “Required Fund Deposit.” Specifically, under the proposal, FICC would include a minimum volatility calculation for a Netting Member’s VaR Charge called the “Margin Proxy.” FICC represents that the Margin Proxy would enhance the risk-based model and parameters that FICC uses to establish Netting Members’ Required Fund Deposits by enabling FICC to better identify the risk posed by a Netting Member’s unsettled portfolio.

##### A. Overview of the Required Fund Deposit

According to FICC, a key tool it uses to manage market risk is the daily calculation and collection of Required Fund Deposits from its Netting Members. The Required Fund Deposit is intended to mitigate potential losses to FICC associated with liquidation of such Netting Member’s accounts at GSD that are used for margining purposes (“Margin Portfolio”) in the event that FICC ceases to act for such Netting Member (referred to as a Netting Member “Default”).

A Netting Member’s Required Fund Deposit consists of several components, including the VaR Charge and the Coverage Charge. The VaR Charge comprises the largest portion of a Netting Member’s Required Fund Deposit amount and is calculated using a risk-based margin methodology model that is intended to cover the market

price risk associated with the securities in a Netting Member’s Margin Portfolio. That risk-based margin methodology model, which FICC refers to as the “Current Volatility Calculation,” uses historical market moves to project the potential gains or losses that could occur in connection with the liquidation of a defaulting Netting Member’s Margin Portfolio.

The Coverage Charge is calculated based on the Netting Member’s daily backtesting results conducted by FICC. Backtesting is used to determine the adequacy of each Netting Member’s Required Fund Deposit and involves comparing the Required Fund Deposit for each Netting Member with actual price changes in the Netting Member’s Margin Portfolio. The Coverage Charge is incorporated in the Required Fund Deposit for each Netting Member, and is equal to the amount necessary to increase that Netting Member’s Required Fund Deposit so that the Netting Member’s backtesting coverage may achieve the 99 percent confidence level required by FICC (*i.e.*, two or fewer backtesting deficiency days in a rolling twelve-month period).

##### B. Proposed Change to the Existing VaR Charge Calculation

Under the proposal, FICC would create the Margin Proxy, a new, benchmarked volatility calculation of the VaR Charge. The Margin Proxy would act as alternative to the Current Volatility Calculation of the VaR Charge to provide a minimum volatility calculation for each Netting Member’s VaR Charge. FICC proposes to use the Margin Proxy as the VaR Charge if doing so would result in a higher Required Fund Deposit for a Netting Member than using the Current Volatility Calculation as the VaR Charge. In addition, as described in more detail below, because FICC’s testing shows that the Margin Proxy would, by itself, achieve a 99 percent confidence level for Netting Members’ backtesting coverage when used in lieu of the Current Volatility Charge, in the event that FICC uses the Margin Proxy as the VaR Charge for a Netting Member, it would reduce the Coverage Charge for that Netting Member by a commensurate amount, as long as the Coverage Charge does not go below zero.

According to FICC, during the fourth quarter of 2016, its Current Volatility Calculation did not respond effectively to the level of market volatility at that time, and its VaR Charge amounts (calculated using the profit and loss scenarios generated by the Current Volatility Calculation) did not achieve backtesting coverage at a 99 percent

<sup>7</sup> 17 CFR 200.30-3(a)(31).

<sup>1</sup> 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated FICC a systemically important financial market utility on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, FICC is required to comply with the Payment, Clearing and Settlement Supervision Act and file advance notices with the Commission. See 12 U.S.C. 5465(e).

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

<sup>3</sup> Securities Exchange Act Release No. 80139 (March 2, 2017), 82 FR 13026 (March 8, 2017) (SR-FICC-2017-801) (“Notice”). FICC also filed a related proposed rule change (SR-FICC-2017-001) (“Proposed Rule Change”) with the Commission pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder, seeking approval of changes to its rules necessary to implement the Advance Notice. 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4, respectively. The Proposed Rule Change was published in the **Federal Register** on February 9, 2017. Securities Exchange Act Release No. 79958 (February 3, 2017), 82 FR 10117 (February 9, 2017) (SR-FICC-2017-001).

<sup>4</sup> See letter from Robert E. Pooler, Chief Financial Officer, Ronin Capital LLC (“Ronin”), dated February 24, 2017, to Eduardo A. Aleman, Assistant Secretary, Commission (“Ronin Letter”); letter from Alan Levy, Managing Director, Industrial and Commercial Bank of China Financial Services LLC (“ICBCFS”), dated February 24, 2017, to Commission (“ICBCFS Letter”); and Timothy J. Cuddihy, Managing Director, FICC, dated March 8, 2017, to Eduardo A. Aleman, Assistant Secretary, Commission (“FICC Letter”) available at <https://www.sec.gov/comments/sr-ficc-2017-001/ficc2017001.htm>.

<sup>5</sup> Because the proposal contained in the Advance Notice was also filed as the Proposed Rule Change, *see supra* note 3, the Commission is considering any comment received on the Proposed Rule Change also to be a comment on the Advance Notice.