

liquidity by, at a minimum, maintaining sufficient liquid resources to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions;

- Rule 17Ad-22(e)(13) under the Act, which requires, in general, a covered clearing agency, such as DTC, to establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations.

- Rule 17Ad-22(e)(23)(i) under the Act,³⁹ which requires a covered clearing agency, such as DTC, to establish, implement, maintain and enforce written policies and procedures reasonably designed to publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the Proposed Rule Change. In particular, the Commission invites the written views of interested persons concerning whether the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act,⁴⁰ Rule 17Ad-22(e)(7)(i) under the Act,⁴¹ Rule 17Ad-22(e)(13) under the Act,⁴² Rule 17Ad-22(e)(23)(i) under the Act,⁴³ or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4(g) under the Act,⁴⁴ any request for an opportunity to make an oral presentation.⁴⁵

Interested persons are invited to submit written data, views, and arguments regarding whether the Proposed Rule Change should be approved or disapproved by April 16, 2018. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by April 30, 2018.

The Commission asks that commenters address the sufficiency of DTC's statements in support of the Proposed Rule Change, which are set forth in the Notice,⁴⁶ in addition to any other comments they may wish to submit about the Proposed Rule Change.

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-DTC-2017-022 on the subject line.

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-DTC-2017-022. 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 website (<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 website 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

proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Act Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

⁴⁶ See Notice, *supra* note 4.

office of DTC and on The Depository Trust & Clearing Corporation's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-DTC-2017-022 and should be submitted on or before April 16, 2018. Rebuttal comments should be submitted by April 30, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁷

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82907; File No. SR-NYSEArca-2018-08]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change To Amend NYSE Arca Rule 1.1(II) To Establish How the Official Closing Price Would Be Determined for an Exchange-Listed Security That Is a Derivative Securities Product if the Exchange Does Not Conduct a Closing Auction or if a Closing Auction Trade Is Less Than a Round Lot

March 20, 2018.

I. Introduction

On January 19, 2018, NYSE Arca, Inc. ("Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission ("Commission") pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend NYSE Arca Rule 1.1(II) to establish how the Official Closing Price³ would be determined for an Exchange-listed security that is a Derivative Securities Product⁴ if the

⁴⁷ 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See NYSE Arca Rule 1.1(II) for a definition of Official Closing Price.

⁴ With respect to equities traded on the Exchange, the term "Derivative Securities Product" means a security that meets the definition of "derivative securities product" in Rule 19b-4(e) under the Act. See NYSE Arca Rule 1.1(k). For purposes of Rule 19b-4(e), a "derivative securities product" means any type of option, warrant, hybrid securities

³⁹ 17 CFR 240.17Ad-22(e)(23)(i).

⁴⁰ 15 U.S.C. 78q-1(b)(3)(F).

⁴¹ 17 CFR 240.17Ad-22(e)(7)(i).

⁴² 17 CFR 240.17Ad-22(e)(13).

⁴³ 17 CFR 240.17Ad-22(e)(23)(i).

⁴⁴ 17 CFR 240.19b-4(g).

⁴⁵ Section 19(b)(2) of the Act grants to the Commission flexibility to determine what type of

Exchange does not conduct a Closing Auction⁵ or if a Closing Auction trade is less than a round lot. The proposed rule change was published for comment in the **Federal Register** on February 6, 2018.⁶ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

Current NYSE Arca Rule 1.1(l)(1) provides how the Exchange establishes the “Official Closing Price” for Auction-Eligible Securities,⁷ which is used for purposes of NYSE Arca Rule 7–E.⁸ Specifically, the Official Closing Price for Auction-Eligible Securities is the price established in a Closing Auction of one round lot or more on a trading day.⁹ If there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day, the Official Closing Price is the most recent consolidated last-sale eligible trade during Core Trading Hours¹⁰ on that trading day. If there were no consolidated last-sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day’s Official Closing Price.¹¹ For a security that has transferred listing to NYSE Arca and does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be the prior day’s closing price disseminated by the former primary listing market.¹² For a security that is a new listing and

product or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest in, an underlying instrument. 17 CFR 240.19b–4(e).

⁵ See NYSE Arca Rule 7.35–E(d) for further information on how the Closing Auctions would function on the Exchange.

⁶ See Securities Exchange Act Release No. 82608 (January 31, 2018), 83 FR 5284 (“Notice”).

⁷ For purposes of the Closing Auction, an “Auction-Eligible Security” is defined to mean all securities for which the Exchange is the primary listing market and UTP Securities designated by the Exchange. See NYSE Arca Rule 7.35–E(a)(1).

⁸ In NYSE Arca Rule 7–E, the Exchange uses the Official Closing Price for three purposes: (1) to determine the Auction Reference Price for a security, as provided for in NYSE Arca Rule 7.35–E(a)(8)(A); (2) to determine the Trading Collar for a security if there is no consolidated last-sale price on the same trading day, as provided for in NYSE Arca Rule 7.31–E(a)(1)(B)(i); and (3) for securities listed on the Exchange only, for purposes of determining whether to trigger a Short Sale Price Test, as defined under NYSE Arca Rule 7.16–E(f)(2).

⁹ See NYSE Arca Rule 1.1(l)(1).

¹⁰ The term “Core Trading Hours” means the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined by the Exchange from time to time. See NYSE Arca Rule 1.1(j).

¹¹ See NYSE Arca Rule 1.1(l)(1)(A).

¹² See NYSE Arca Rule 1.1(l)(1)(B).

does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be based on a derived last-sale associated with the price of such security before it begins trading on the Exchange.¹³

The Exchange proposes to amend how the Official Closing Price for an Exchange-listed security that is a Derivative Securities Product would be determined if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot.¹⁴ The Exchange proposes that the Official Closing Price for such securities would be comprised of both a time-weighted average price (“TWAP”) of the midpoint of the NBBO¹⁵ over the last five minutes of trading before the end of Core Trading Hours and any last-sale eligible trades during that period.

Specifically, if the Official Closing Price for an Exchange-listed security that is a Derivative Securities Product cannot be determined under proposed NYSE Arca Rule 1.1(l)(1)(A) (*i.e.*, if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot), the Official Closing Price for such security would be derived by adding a percentage of the TWAP of the NBBO midpoint measured over the last five minutes before the end of Core Trading Hours and a percentage of the last consolidated last-sale eligible trade before the end of Core Trading Hours on that trading day, and the percentages assigned to each would depend on when the last consolidated last-sale eligible trade occurred.¹⁶

The Exchange proposes that, if the last consolidated last-sale eligible trade occurred:

(i) Prior to 5 minutes before the end of Core Trading Hours, the TWAP would be given 100% weighting;

(ii) between 5 minutes and 4 minutes before the end of Core Trading Hours, the TWAP will be given 40% weighting and the consolidated last-sale eligible trade would be given 60% weighting;

(iii) between 4 minutes and 3 minutes before the end of Core Trading Hours, the TWAP will be given 30% weighting and the consolidated last-sale eligible trade would be given 70% weighting;

(iv) between 3 minutes and 2 minutes before the end of Core Trading Hours,

¹³ See NYSE Arca Rule 1.1(l)(1)(C).

¹⁴ According to the Exchange, if a security is thinly traded or generally illiquid, the Official Closing Price for such security will currently be based on a last-sale trade that may be hours, days, or months old and may not be indicative of the true and current value of the security. See Notice, *supra* note 6, at 5285.

¹⁵ The term “NBBO” means the national best bid or offer. See NYSE Arca Rule 1.1(dd).

¹⁶ See proposed NYSE Arca Rule 1.1(l)(1)(B).

the TWAP will be given 20% weighting and the consolidated last-sale eligible trade would be given 80% weighting;

(v) between 2 minutes and 1 minute before the end of Core Trading Hours, the TWAP will be given 10% weighting and the consolidated last-sale eligible trade would be given 90% weighting; and

(vi) during the last 1 minute before the end of Core Trading Hours, the TWAP will be given 0% weighting and the consolidated last-sale eligible trade would be given 100% weighting.

If the Official Closing Price cannot be determined under proposed NYSE Arca Rule 1.1(l)(1)(A) or (B), as described above, the most recent consolidated last-sale eligible trade during Core Trading Hours on that trading day would be the Official Closing Price.¹⁷ If there are no consolidated last-sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day’s Official Closing Price, as under the current rule.¹⁸

The Exchange states that it will implement the proposed rule change no later than 120 days after this approval of the proposed rule change and will announce the implementation date via Trader Update.¹⁹

III. Discussion and Commission’s 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.²⁰ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹ which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, 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, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

¹⁷ See proposed NYSE Arca Rule 1.1(l)(1)(C).

¹⁸ See proposed NYSE Arca Rule 1.1(l)(1)(D). Current NYSE Arca Rule 1.1(l)(1)(B) and (C) will similarly continue to apply as renumbered proposed Arca Rule 1.1(l)(1)(E) and (F).

¹⁹ See Notice, *supra* note 6, at 5285.

²⁰ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²¹ 15 U.S.C. 78f(b)(5).

The Commission also finds that the proposed rule change is consistent with Section 6(b)(8) of the Act,²² which requires that the rules of an exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The proposal would set forth the procedures governing how the Exchange would determine the Official Closing Price in Exchange-listed securities that are Derivative Securities Products when the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot. The Commission notes that the primary listing market's closing price for a security is relied upon by market participants for a variety of reasons, including, but not limited to, calculation of index values, calculation of the net asset value of mutual funds and exchange-traded products, the price of derivatives that are based on the security, and certain types of trading benchmarks such as volume weighted average price strategies. As the Exchange notes, the proposed calculation for the Official Closing Price is designed to utilize more recent and reliable market information to provide a closing price that more accurately reflects the true and current value of a security that may be thinly traded or generally illiquid and when the Official Closing Price for such security may otherwise be based on a potentially stale last-sale trade.²³ The Commission further notes that this objective calculation would take into account more recent firm quotations over less recent trades, which trades may provide less information about the value of a security, and would assign less weight to the last consolidated last-sale eligible trade the farther away it occurred from the end of Core Trading Hours. The Commission therefore believes that the Exchange's proposal is reasonably designed to achieve the Act's objectives to protect investors and the public interest. Accordingly, the Commission finds that the proposed rule change is consistent with the requirements of the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²⁴ that the proposed rule change (SR-NYSEArca-2018-08) be, and hereby is, approved.

²² 15 U.S.C. 78f(b)(8).

²³ See Notice, *supra* note 6, at 5285–86.

²⁴ 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82917; File No. SR-FICC–2018–002]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Approving Proposed Rule Change To Amend the By-Laws

March 20, 2018.

On February 2, 2018, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC–2018–002, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder.² The proposed rule change was published for comment in the **Federal Register** on February 14, 2018.³ The Commission did not receive any comment letters on the proposed rule change. For the reasons discussed below, the Commission approves the proposed rule change.

I. Description of the Proposed Rule Change

The proposed rule change would amend the FICC By-Laws (“By-Laws”) ⁴ to (1) change certain FICC Board of Directors (“Board”) titles, officer titles, and offices (and their respective powers and duties), (2) update the compensation section for officers, and (3) make technical changes and corrections, each discussed more fully below. The proposed rule change would also amend the GSD Rules and the MBSD Rules to incorporate, by reference, the By-Laws and the Certificate of Incorporation. Finally, the proposed rule change would restate the

²⁵ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Securities Exchange Act Release No. 82672 (February 8, 2018), 83 FR 6654 (February 14, 2018) (SR-FICC–2018–002) (“Notice”).

⁴ As discussed below, FICC's By-Laws and FICC's Certificate of Incorporation (“Certificate of Incorporation”) would each be incorporated by reference into FICC's Government Securities Division (“GSD”) Rulebook (“GSD Rules”) and Mortgage-Backed Securities Division (“MBSD”) Rulebook (“MBSD Rules”), available at <http://www.dtcc.com/legal/rules-and-procedures>.

Certificate of Incorporation to streamline the document.

A. Changes to Certain Titles, Offices, and Related Powers and Duties

FICC proposes changes to the titles, offices, and related powers and duties of certain Board and officer personnel, as further described below.

1. Non-Executive Chairman of the Board

FICC proposes to replace the title of “Chairman of the Board” with the title of “Non-Executive Chairman of the Board.” ⁵ FICC proposes to change its By-Laws to reflect that this position is held by a non-executive.⁶ Therefore, FICC would change relevant references in the By-Laws from “Chairman” and “Chairman of the Board” to “Non-Executive Chairman of the Board.” ⁷ FICC also would delete certain references in the By-Laws to the Non-Executive Chairman of the Board as a member of FICC management because the position is no longer in management.⁸

In the proposed Section 2.8 (Non-Executive Chairman of the Board), FICC would identify the powers and duties of the Non-Executive Chairman of the Board, including (1) general responsibility for carrying out the policies of the Board, (2) general supervision of the Board and its activities and general leadership of the Board, (3) presiding over stockholders' meetings (when present), and (4) such other powers and duties as the Board may designate.⁹ Proposed Section 2.8 (Non-Executive Chairman of the Board) also would include a provision stating that a presiding director (as elected by the Board) shall preside at all stockholders and Board meetings when the Non-Executive Chairman of the Board is absent.¹⁰ Additionally,

⁵ Notice, 83 FR at 6654.

⁶ *Id.*

⁷ *Id.*

⁸ Notice, 83 FR at 6655.

⁹ *Id.*

¹⁰ *Id.* This provision is designed to correct an inaccuracy in current By-Laws Section 3.3 (Powers and Duties of the President), which gives presiding authority over stockholder meetings to the President when the Chairman of the Board is absent. Proposed Section 2.8 (Non-Executive Chairman of the Board) would be consistent with the Mission Statement and Charter of the Depository Trust Corporation (“DTC”), FICC, National Securities Clearing Corporation (“NSCC”), and the Depository Trust and Clearing Corporation (“DTCC”), which gives presiding authority over stockholder meetings to a presiding director when the Non-Executive Chairman of the Board is absent. DTC, FICC, and NSCC are subsidiaries of DTCC, each having the same Board of Directors as DTCC. See Securities Exchange Act Release No. 74142 (January 27, 2015), 80 FR 5188 (January 30, 2015) (SR-FICC–2014–810, SR-NSCC–2014–811, SR-DTC–2014–812).