

All submissions should refer to File No. SR-BATS-2014-064. 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 will also be available for inspection and copying at the principal office of the Exchange. 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 No. SR-BATS-2014-064 and should be submitted on or before January 6, 2015.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73804; File No. SR-DTC-2014-10]

### Self-Regulatory Organizations; The Depository Trust Company; Order Approving Proposed Rule Change in Connection With the Modifications To Require Receiver Authorized Delivery Approval for DTC Processing of Institutional Delivery Transactions

December 10, 2014.

#### I. Introduction

On October 16, 2014, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission

("Commission") proposed rule change SR-DTC-2014-10 ("Proposed Rule Change") 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> The Proposed Rule Change was published for comment in the **Federal Register** on November 3, 2014.<sup>3</sup> The Commission did not receive any comments on the Proposed Rule Change. This order approves the Proposed Rule Change.

#### II. Description

DTC filed the Proposed Rule Change to modify the DTC Settlement Service Guide ("Guide") to require DTC Participants<sup>4</sup> to use the Receiver Authorized Delivery ("RAD") function to accept any affirmed institutional delivery transaction ("ID Transaction") prior to DTC processing of the delivery. With the Proposed Rule Change, DTC seeks to reduce uncertainty in the settlement of ID Transactions.

Pursuant to a recent rule change,<sup>5</sup> DTC requires all non-institutional Deliver Orders and Payment Orders<sup>6</sup> to be approved through RAD. RAD enables a receiver of valued deliveries of securities ("Receiver") to manage which deliveries to accept, or to reject, prior to further processing by DTC. With this process, DTC seeks to establish a consistent internal "matching" system for book-entry deliveries at DTC.

ID Transactions generally have not required RAD approval because the transactions are externally pre-matched through Omgeo, LLC,<sup>7</sup> although Participants were permitted to apply RAD voluntarily.<sup>8</sup> Because RAD was not required, a Receiver could use the same-day reclaim process to return securities to the original Participant delivering securities ("Deliverer") without the

acceptance of the Deliverer. DTC states that this process creates uncertainty for Participants and DTC as to whether securities will be delivered or reclaimed on the same day without the prior acceptance of the Receiver or original Deliverer.

Pursuant to the Proposed Rule Change, DTC will amend the Guide to eliminate this uncertainty by requiring the intended Receiver to approve the ID Transaction in RAD before DTC processes the transaction.<sup>9</sup> Same-day reclaims will also be subject to RAD approval by the original Deliverer, as though the reclaim was its own, separate transaction. As with any securities delivery, these transactions will be subject to DTC's risk management controls.<sup>10</sup>

Additionally, with the Proposed Rule Change DTC will make technical updates to the Guide: (i) update the text for consistency to reflect that all valued Deliver Orders, Payment Orders, ID Transactions, MMI transactions, reclaims, pledges, and releases of pledged securities will be subject to RAD; (ii) update the text for consistency to reflect that all reclaims will be subject to risk management controls and remove references to system functions related to reclaims that have become obsolete; (iii) add an email address to which Settling Banks seeking to adjust Net Debit Caps may send their requests, in addition to via mail or overnight delivery to the existing mailing address; (iv) indicate where Participants may access certain system functions via Settlement Web either in addition to, or in lieu of, PBS/PTS; (v) eliminate references to fees relating to the ID Net service, which are redundant since those fees are also listed in DTC's fee schedule; and (vi) delete reference to the population of a "third party" field on DTC's system screens for the ID Net service, which is no longer applicable.

The effective date of the Proposed Rule Change, including the dates of the implementation phases described above,

<sup>9</sup> For processing efficiency, the proposed change to the Guide will offer Participants the option to set their system profile to allow affirmed ID Transactions to be automatically accepted in RAD. However, Participants will no longer have an option to allow ID Transactions to bypass RAD.

<sup>10</sup> DTC risk management controls, including Collateral Monitor and Net Debit Cap (as defined in DTC Rule 1), are designed so that DTC may complete system-wide settlement notwithstanding the failure to settle of its largest Participant or affiliated family of Participants. The Collateral Monitor tests that a Receiver has adequate collateral to secure the amount of its net debit balance and the Net Debit Cap limits the net debit balance of a Participant so that it cannot exceed DTC liquidity resources for settlement. See DTC Rules, [http://dtcc.com/~media/Files/Downloads/legal/rules/dtc\\_rules.aspx](http://dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.aspx).

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

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

<sup>3</sup> Securities Exchange Act Release No. 73443 (Oct. 28, 2014), 79 FR 65268 (Nov. 3, 2014).

<sup>4</sup> Terms not defined herein have the meaning set forth in DTC's Rules, By-Laws, and Organization Certificate ("Rules"), available at [http://dtcc.com/~media/Files/Downloads/legal/rules/dtc\\_rules.aspx](http://dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.aspx).

<sup>5</sup> Securities Exchange Act Release No. 72576 (Jul. 9, 2014); 79 FR 41335 (Jul. 15, 2014) (SR-DTC-2014-06).

<sup>6</sup> A Deliver Order is a book-entry movement of a particular security between two Participants. A Payment Order is a method for settling funds related to transactions and payments not associated with a Deliver Order.

<sup>7</sup> Omgeo is a leading provider of post-trade, pre-settlement institutional trade management solutions, processing over one million trades per day, and servicing approximately 6,500 investment managers, broker/dealers, and custodians in over 50 countries. See About DTCC: Omgeo LLC, <http://dtcc.com/about/businesses-and-subsidiaries/omgeo.aspx>.

<sup>8</sup> Receivers may optionally set their DTC profile to route ID Transactions to RAD.

<sup>19</sup> 17 CFR 200.30-3(a)(12).

will be announced via a DTC Important Notice.

### III. Discussion

Section 19(b)(2)(C) of the Act<sup>11</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>12</sup> In addition, Rule 17Ad-22(d)(12) of the Act requires that a clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure that final settlement occurs no later than the end of the settlement day and require that intraday or real-time finality be provided where necessary to reduce risks.<sup>13</sup>

The Commission finds the Proposed Rule Change consistent with the Act. More specifically, as the Proposed Rule Change pertains to requiring acceptance through RAD of any affirmed ID Transaction, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act<sup>14</sup> because the change will increase the number of deliveries that will require Receiver approval prior to DTC processing. This requirement will reduce the intraday uncertainty and associated risks that may currently arise from same-day reclaims, thus facilitating the prompt and accurate clearance and settlement of securities transactions. The Commission also finds these aspects of the Proposed Rule Change consistent with Rule 17Ad-22(d)(12) under the Act<sup>15</sup> because more transactions will be subject to DTC's risk management controls, which helps ensure that final settlement occurs no later than the end of the settlement day.

As the Proposed Rule Change pertains to the proposed technical changes, the Commission finds that the Proposed Rule Change is also consistent with Section 17A(b)(3)(F) of the Act<sup>16</sup> because updates to the Guide to make it more clear, consistent, and current supports the prompt and accurate

clearance and settlement of securities transactions.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>17</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that proposed rule change SR-DTC-2014-10 be, and hereby is, *approved*.<sup>18</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-73808; File No. SR-ISE-2014-54]

### Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Make Technical Corrections to ISE Rules

December 10, 2014.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 3, 2014, the International Securities Exchange, LLC (the "Exchange" or the "ISE") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change, as described in Items I and II 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 ISE proposes to make certain technical corrections to ISE rules as described in more detail below. The text of the proposed rule change is available on the Exchange's Web site (<http://www.ise.com>), at the principal office of the Exchange, and at the Commission's Public Reference Room.

[www.ise.com](http://www.ise.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 these statements may be examined at the places specified in Item IV below. The self-regulatory organization 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

###### 1. Purpose

The purpose of the proposed rule change is to eliminate investor confusion by making certain technical corrections to ISE rules that are either obsolete or outdated, as described in more detail below.

###### 1. Order Type Cleanup

The Exchange adopted Customer Participation Orders in August 2005 in order to facilitate members providing access to the Price Improvement Mechanism ("PIM")<sup>3</sup> to Public Customers.<sup>4</sup> Upon the entry of a Crossing Transaction into the PIM,<sup>5</sup> a broadcast message is sent to all members, who then have 500 milliseconds to enter orders that indicate the size and price at which they want to participate in the execution ("Improvement Orders").<sup>6</sup> The Customer Participation Order is an instruction to the member to enter an

<sup>3</sup> The PIM is a process by which an Electronic Access Member can provide price improvement opportunities for a transaction wherein the Electronic Access Member seeks to facilitate an order it represents as agent, and/or a transaction wherein the Electronic Access Member solicited interest to execute against an order it represents as agent (a "Crossing Transaction"). See Rule 723(a).

<sup>4</sup> See Securities Exchange Act Release No. 52364 (August 31, 2005), 70 FR 53403 (September 8, 2005) (SR-ISE-2005-41). The term "Public Customer" means a person or entity that is not a broker or dealer in securities. See ISE Rule 100(a)(38).

<sup>5</sup> A Crossing Transaction is comprised of the order the Electronic Access Member represents as agent (the "Agency Order") and a counter-side order for the full size of the Agency Order (the "Counter-Side Order"). The Counter-Side Order may represent interest for the Member's own account, or interest the Member has solicited from one or more other parties, or a combination of both. See Rule 723(b).

<sup>6</sup> See ISE Rule 723(c)(1).

<sup>11</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>13</sup> 17 CFR 240.17Ad-22(d)(12).

<sup>14</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>15</sup> 17 CFR 240.17Ad-22(d)(12).

<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>17</sup> 15 U.S.C. 78q-1.

<sup>18</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>19</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.